美的集團股份有限公司
Midea Group Co., Ltd.

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

Stock Code: 0300

RIDING THE STORM

風雨中出發

2024
ANNUAL REPORT

CONTENTS

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms or phrases shall have the following meanings:

Terms	Definition
"A Shares"	domestic shares with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in Renminbi
"Annto Smart Logistics"	Annto Logistics Supply Chain Technology Co., Ltd. (安得智聯供應鏈科技股份有限公司), a PRC subsidiary of the Company established on 24 February 2011
"Articles of Association or Articles"	the articles of association of Midea Group Co., Ltd., as amended from time to time
"Associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the Board of Directors of the Company
"BRL"	Brazilian real, the lawful currency of Brazil
"Carrier Global"	Carrier Global Corporation
"CG Code"	the Corporate Governance Code in Appendix C1 of the Hong Kong Listing Rules
"China or the PRC"	the People's Republic of China
"CLOU Electronics"	Shenzhen CLOU Electronics Co. Ltd (深圳市科陸電子科技股份有限公司), a PRC company established on 12 August 1996 and acquired by us in 2023, the shares of which have been listed on the Shenzhen Stock Exchange (stock code: 002121)
"Code Provisions"	the code provisions in Part II of the Corporate Governance Code
"Company Law"	the Company Law of the People's Republic of China
"Company", "the Company", "we", "us" or "our"	Midea Group Co., Ltd. (美的集團股份有限公司), a PRC company established on 7 April 2000, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 000333), and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0300)
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules

Terms	Definition
"connected transaction(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"domestic China" or "Mainland China"	Mainland China, for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
"H Shares"	foreign shares with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Hiconics Eco-energy"	Hiconics Eco-energy Technology Co., Ltd. (北京合康新能科技股份有限公司), a PRC company established on 11 June 2003 and acquired by us in 2020, the shares of which have been listed on the Shenzhen Stock Exchange (stock code: 300048)
"HK or Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$ or Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, is/are not our connected person
"KUKA China"	the subsidiaries of KUKA Group in China
"KUKA Group or KUKA"	KUKA Aktiengesellschaft, a stock corporation incorporated under the laws of the Federal Republic of Germany and one of our subsidiaries
"Latest Practicable Date"	31 March 2025, being the latest practicable date for ascertaining certain data in this annual report before its publication
"Listing Date"	17 September 2024, the date on which the Company was listed and commenced trading on the main board of the Hong Kong Stock Exchange

Terms	Definition
"Little Swan"	Wuxi Little Swan Co., Ltd. (無錫小天鵝股份有限公司), a PRC company established on 29 November 1993 that we acquired in 2008, and its subsidiaries
"M IoT"	the industrial internet platform developed by us
"Midea, Midea Group, the Group or our Group"	the Company and its consolidated subsidiaries
"Midea Cloud"	Meicloud Technology Co., Ltd. (美雲智數科技有限公司), a PRC subsidiary of the Company established on 8 August 2018
"Midea Holding"	Midea Holding Co., Ltd. (美的控股有限公司), a PRC company established on 5 August 2002 and a member of the largest group of Shareholders of our Company
"Midea Lighting"	Midea Intelligent Lighting & Controls Technology Co., Ltd (美智光電科技股份有限公司), a PRC subsidiary of the Company established on 5 January 2001
"Midea Real Estate"	Midea Real Estate Holding Limited (美的置業控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2017, the ordinary shares of which have been listed on the Hong Kong Stock Exchange (stock code: 3990) and a connected person of our Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"M-Smart"	our app and mini-program for consumers to manage our smart home appliances and enjoy additional benefits and services
"Prospectus"	the prospectus published by our Company on 9 September 2024
"Reporting Period"	1 January 2024 to 31 December 2024
"RMB or Renminbi"	Renminbi, the lawful currency of Mainland China
"Securities Law"	the Securities Law of the People's Republic of China
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Terms	Definition
"Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s) of our Company
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Supervisory Committee"	the supervisory committee of our Company
"SZSE"	the Shenzhen Stock Exchange
"SZSE Listing Rules"	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
"Toshiba Lifestyle or TLSC"	Toshiba Lifestyle Products & Services Corp. (東芝生活電器株式會社), a company established in Japan and acquired by us in 2016
"treasury shares"	has the meaning ascribed to it under the Hong Kong Listing Rules
"WAHIN"	Guangzhou Hualing Refrigerating Equipment Co., Ltd. (廣州華凌製冷設備有限公司), a PRC subsidiary of the Company established on 13 June 2010
"Wandong Medical"	Beijing Wandong Medical Technology Co., Ltd. (北京萬東醫療科技股份有限公司), a PRC company established on 12 May 1997 and acquired by us in 2021, the shares of which have listed on the Shanghai Stock Exchange (stock code: 600055)
"Winone"	WINONE Elevator Company Limited (菱王電梯有限公司), a PRC subsidiary of the Company established on 8 February 2002 that we acquired in 2020, and its subsidiaries
"year-on-year"	compared with the same period last year
"%"	percent

BUSINESS OVERVIEW

I. SUMMARY OF MAIN PRODUCTS AND BUSINESSES

Midea is a world-leading technology group comprising the Smart Home, Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation, Healthcare and smart logistics, among others. With a business portfolio that is focused on the coordinated development of ToC and ToB businesses, Midea offers various smart home products and services to individual consumers, as well as providing diversified commercial and industrial solutions for corporate clients. Specifically, Midea Smart Home Solutions primarily covers smart home appliances, smart home and related peripheral industries and ecological chains, which has centered on the construction of intelligent scenarios for end users, user operations and data value discovery, and is committed to providing end users with the best experience of smart home appliances and services. Midea Energy Solutions and Industrial Technology, with technology as the core driver, integrate key technologies in “HVAC & home appliance components”, “green energy” and “green transportation”. It operates many brands including GMCC, Welling, MR, CLOU, HICONICS, SERVOTRONIX, etc., with its products covering high-precision core components such as compressors, motors, chips, valves, auto parts, energy storage, photovoltaic, reducers and automation, aiming to provide green, efficient and intelligent products and technology solutions for customers across the world. Midea Intelligent Building Technology mainly offers products and services in relation to buildings and other relevant sectors. With iBUILDING, Midea’s digital building service platform, as the core, its business covers HVAC, elevators, energy management, building control, etc., offering products including VRF units, large chillers, unitary units, machine room air conditioners, escalators, passenger elevators, freight elevators, etc., as well as building automation software and building weak electricity integrated solutions. Supported by "Building Equipment and Facilities + Digital Technology + Industrial Ecosystem Layout", it facilitates logistics, information, feeling and energy flows of buildings to empower buildings with digital and low-carbon technologies and build sustainable smart space. Midea Robotics & Automation primarily focuses on future factory-related fields, providing solutions of industrial robotics, automatic logistics systems, and transmission systems, as well as solutions for health care, entertainment, new consumption, etc. In addition, it includes WDM, which is committed to innovation in medical imaging technology and providing high-quality medical imaging products and services for clinical use in the field of healthcare, and Annto Smart Logistics, which provides customers with end-to-end digital and intelligent supply chain solutions in the field of smart logistics.

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 500 million users, major customers and strategic partners from various sectors worldwide every year with satisfying products and services. In face of higher requirements for products and services in the digital Internet era, Midea continues to promote its strategic focus of "Technology Leadership, Direct to Users, Digitization & Intelligence Driven, and Global Impact", so as to build Midea in the new era. Particularly, it strives to achieve Technology Leadership by building scale advantages in R&D and strengthening the efforts and investment in core and cutting-edge technologies; be Direct to Users through direct contact and interaction with users and reinventing product service and business models; be Digitization & Intelligence Driven through comprehensive digitalization and comprehensive intellectualization, as well as improving efficiency internally and focusing on users externally; and achieve Global Impact by seeking breakthroughs in terms of market, channel and business model in key regions and serving global users.

Midea, a global operating company, has established global presence and served customers all over the world. To date, Midea has over 400 subsidiaries, 38 R&D centers, 44 major manufacturing bases, and more than 190,000 employees worldwide. Its business covers more than 200 countries and regions. Overseas, Midea has 22 R&D centers and 23 major manufacturing bases in more than ten countries.

II. INDUSTRY STATUS

Midea Group ranked No. 277 on the Fortune Global 500 list unveiled in August 2024, marking its ninth consecutive year on the list. Midea has also been selected to the 2024 Fortune China ESG Impact list and the 2024 Fortune Most Admired Chinese Companies list, which not only highlighted the global business competitiveness of Midea Group, but also demonstrated its outstanding contribution to sustainable development and social responsibility; the Forbes magazine released its 2024 Global 2000 list and Midea ranks No.205, and Midea Group has been named as one of the 2024 Forbes World's Best Employers and the Forbes 2024 World's Top Companies for Women again by virtue of its superior corporate culture, excellent employee experience and continuous innovation; in June 2024, Midea Group participated in the project "Key Technologies and Applications for Multi-grade High-efficiency Heat Energy Supply of Air Source Heat Pumps" and won the second prize of the 2023 National Prize for Progress in Science and Technology, which is not only an authoritative recognition of Midea's scientific and technological innovation ability, but also a national-level certification of Midea's contribution to promoting industry innovation and serving society; Midea ranked No.236 and No.40, respectively, on the 2024 Global 500 list and 2024 Tech 100 list released by Brand Finance, a British brand assessment institution, leading other domestic home appliance makers in the industry; driven by the Global Impact strategy, Midea continued to enhance its brand influence in overseas markets and was named to the Kantar BrandZ Top 50 Chinese Global Brands 2024 published by Kantar BrandZ and Google. Midea Group was also named to the 2024 Top 100 China Overseas Brands Index jointly published by People's Daily and Global Yearly Brand Institute (GY Brand), which was comprehensively evaluated and analyzed from four dimensions: overseas performance, brand building, brand contribution and sustainable development; Midea also formally joined UN Women's Empowerment Principles (WEPs) in June 2024, becoming one of the global signatory enterprises of this organization, which marked another important step for Midea Group in promoting gender equality and women's empowerment. By the end of 2024, Midea had 37 national green factories, 13 green supply chain factories, nine 5G factories, three excellent-level smart factories, three zero-carbon factories and six world-class lighthouse factories, which fully demonstrated Midea's leading intelligent manufacturing capability and digitalization level in the global manufacturing industry. Midea was rated by the three major international credit rating agencies, Standard & Poor's, Fitch Ratings and Moody's. The rating results place Midea in a leading position among its peers worldwide as well as among Chinese non-state-owned enterprises. Particularly, Moody's upgraded the credit rating of Midea Group from A3 to A2 in 2024.

In 2024, Midea has comprehensively carried forward the "Number One Engine" strategy in the domestic China market. According to data from AVC, Midea-branded products ranked first in the industry with respect to both online and offline domestic market share for nine home appliance categories, namely, residential air conditioners, clothes dryers, countertop pan-microwave ovens, countertop electric ovens, induction cookers, electric radiators, electric fans, electric kettles, and air fryers.

III. FIVE-YEAR FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the past five financial years is set out below. The summary does not form a part of the audited consolidated financial statements.

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB in million	RMB in million	RMB in million	RMB in million	RMB in million
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**409,084**	373,710	345,709	343,361	285,710
Cost of revenue	**(301,982)**	(278,248)	(265,237)	(268,819)	(221,049)
Gross profit	**107,102**	95,462	80,472	74,542	64,661
Selling and marketing expenses	**(38,753)**	(31,953)	(25,800)	(26,278)	(21,166)
General and administrative expenses	**(15,404)**	(13,976)	(12,024)	(10,742)	(9,720)
Research and development expenses	**(16,233)**	(14,586)	(12,667)	(12,015)	(10,195)
Profit before income tax	**46,692**	40,279	34,958	33,738	31,657
Income tax expense	**(7,933)**	(6,532)	(5,146)	(4,707)	(4,155)
Profit for the year	**38,759**	33,747	29,812	29,031	27,502
Attributable to owners of the Company	**38,539**	33,722	29,553	28,587	27,223

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB in million	RMB in million	RMB in million	RMB in million	RMB in million
Total non-current assets	**215,288**	204,715	161,452	139,075	121,177
Total current assets	**389,064**	281,321	261,099	248,864	241,655
Total assets	**604,352**	486,036	422,551	387,939	362,832
Total non-current liabilities	**24,865**	60,492	64,289	30,268	53,494
Total current liabilities	**351,820**	251,246	206,341	222,851	185,123
Total liabilities	**376,685**	311,738	270,630	253,119	238,617
Equity attributable to owners of the Company	**216,750**	162,877	142,932	124,865	117,499
Net assets	**227,667**	174,298	151,921	134,820	124,215

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Fang Hongbo (方洪波先生) (Executive Director, chairman of the Board and chief executive officer)

Mr. Wang Jianguo (王建國先生) (Executive Director and vice president)

Mr. Fu Yongjun (伏擁軍先生) (Executive Director and vice president) (resigned as executive Director on 28 March 2025)

Dr. Gu Yanmin (顧炎民博士) (Executive Director and vice president)

Mr. Guan Jinwei (管金偉先生) (Executive Director and vice president)

Mr. Zhao Jun (趙軍先生) (Non-executive Director)

Dr. Xu Dingbo (許定波博士) (Independent non-executive Director)

Dr. Xiao Geng (肖耿博士) (Independent non-executive Director)

Dr. Liu Qiao (劉俏博士) (Independent non-executive Director)

Dr. Qiu Lili (邱鋰力博士) (Independent non-executive Director)

SPECIAL COMMITTEES UNDER THE BOARD

Audit Committee

Dr. Xu Dingbo (許定波博士) (Chairman)
Dr. Xiao Geng (肖耿博士)
Dr. Liu Qiao (劉俏博士)
Dr. Qiu Lili (邱鋰力博士)

Remuneration and Evaluation Committee

Dr. Xiao Geng (肖耿博士) (Chairman)
Dr. Xu Dingbo (許定波博士)
Dr. Liu Qiao (劉俏博士)
Dr. Qiu Lili (邱鋰力博士)

Nomination Committee

Dr. Liu Qiao (劉俏博士) (Chairman)
Dr. Xu Dingbo (許定波博士)
Dr. Xiao Geng (肖耿博士)
Dr. Qiu Lili (邱鋰力博士)

Strategy Committee

Mr. Fang Hongbo (方洪波先生) (Chairman)
Dr. Xu Dingbo (許定波博士)
Dr. Xiao Geng (肖耿博士)
Dr. Liu Qiao (劉俏博士)
Dr. Qiu Lili (邱鋰力博士)

SUPERVISORY COMMITTEE

Mr. Dong Wentao (董文濤先生) (Chairman of the Supervisory Committee)
Ms. Ren Lingyan (任凌艷女士) (Supervisor)
Ms. Liang Huiming (梁惠銘女士) (Employee Supervisor)

JOINT COMPANY SECRETARIES

Mr. Jiang Peng (江鵬先生) (effective from Listing Date to 28 March 2025)
Ms. Gao Shu (高書女士) (effective from 28 March 2025)
Ms. Lai Siu Kuen (黎少娟女士)

AUTHORIZED REPRESENTATIVES

Mr. Fang Hongbo (方洪波先生)
Ms. Lai Siu Kuen (黎少娟女士)

AUDITORS

PricewaterhouseCoopers Zhong Tian LLP
Recognised Public Interest Entity Auditor
PricewaterhouseCoopers
Certified Public Accountant
Registered Public Interest Entity Auditor

REGISTERED OFFICE AND HEADQUARTERS IN MAINLAND CHINA

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China

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COMPLIANCE ADVISER

Huatai Financial Holdings (Hong Kong) Limited

STOCK CODE

SZSE: 000333.SZ
HKEX: 0300.HK

LETTER TO SHAREHOLDERS

LETTER TO SHAREHOLDERS

The year 2024 was defined by a rapidly evolving global landscape and significant challenges. Amid a complex domestic and international environment, Midea sharpened its strategic focus on driving value-chain-wide efficiencies and achieving structural growth through innovation and upgrades. These efforts culminated in historic milestones, with total revenue achieving RMB409.1 billion. Notably, the ToB business reached RMB104.5 billion to total revenue. Net profit attributable to owners of the Company stood at RMB38.5 billion, while operating cash flows reached RMB60.5 billion. In 2024, Midea proudly ranked 277th on the Fortune Global 500 List, marking our ninth consecutive year among the world's top 500 companies. We were once again honored with nominations to both the Fortune China ESG Impact List and China's Most Admired Companies List, and for the second year in a row, Forbes recognized Midea as one of the World's Best Employers. Additionally, 2024 saw Midea's successful issuance of H Shares and listing on the Main Board of the Hong Kong Stock Exchange. The dual listing of A Shares and H Shares has further solidified our presence on the international stage.

Midea celebrated another remarkable milestone, with our revenue soaring from less than RMB10 billion at the turn of the century to over RMB400 billion today. Over the years, our business has evolved from a single sector to a diverse range of ToC and ToB segments. What began at our Shunde base has grown into a global network of R&D, manufacturing, and sales. Reflecting on the past quarter-century, the storms we have weathered now feel like fleeting breezes in the broader tapestry of our journey. Miracles, after all, are not mere chance; they are the culmination of generations of Mideans questioning, challenging, transforming, and pushing beyond their limits. The accomplishments we have today arise from consistent, everyday effort. To all Mideans, we extend our heartfelt gratitude—your courage has exceeded our greatest expectations. To our Shareholders, we owe a special thanks. In a year marked by volatile global markets and challenging industry cycles, your unwavering trust and support empowered us to see beyond short-term fluctuations and dedicate ourselves to building enduring value.

All stars eventually fade, and all flowers inevitably wither. No company, however successful, is immune to the forces of prolonged global economic stagnation, an increasingly intricate geopolitical landscape, rapid technological revolutions, seismic shifts in commerce, or the extended cycles driven by industry and market competition. Past market darlings risk losing their edge if they fail to adapt to an ever-changing world. At Midea, we climb the mountain not merely to reach its summit, but to embrace the boundless possibilities that await beyond it. As Peter Drucker wisely observed, "The greatest danger in times of turbulence is not the turbulence itself; it is to act with yesterday's logic." In the face of intensifying competition, we must seize the initiative, breaking free from the fierce competition, dismantling outdated mindsets, and stepping beyond our comfort zone to innovate, explore, and experiment. It takes courage to drive systemic transformation within Midea, but these internal micro-changes are essential for us to navigate the broader macro environment.

Looking ahead to 2025, Midea will commit to its strategy of streamlining for growth and facing up to challenges through breakthroughs. Simplicity brings clarity to the world, while complexity turns it into a labyrinth. We must pursue courageous simplification, seeking straightforward solutions. This means refining our business framework, product portfolio, operational processes, and organizational structure, thereby eliminating unnecessary activities that fail to add value and redirecting resources to high-impact priorities. At the same time, we must challenge ourselves by shedding the crutches of past advantages, the burdens of legacy, and the comfort of familiar paths. We will boldly dismantle outdated structures and systems, reducing structural and institutional costs and inefficiencies. The history of commerce teaches us that companies triumph over adversity only by deconstructing and reinventing themselves—no exceptions. With this in mind, we will stay grounded in common sense, focusing on enhancing product competitiveness, boosting efficiency, optimizing operations, cutting costs, and improving cash flow. Simultaneously, we will pursue our Technology Leadership Strategy by confronting our challenges head-on:

Prioritize OBM Products Overseas: We will commit fully to building and expanding our presence in overseas markets, enhancing our global manufacturing network for greater efficiency, and strengthening our product delivery capabilities. Increased investment in R&D for our OBM products will sharpen our competitive edge, broaden our global reach, and drive higher overseas market share.

Strengthen DTC Model: We will place users at the heart of our innovation and transformation efforts, accelerating the shift to a direct-to-consumer (DTC) model in the domestic market. By restructuring offline operations to align with our online framework, integrating resources across all channels, collaborating and sharing all elements and fostering an agile retail organization, we will enhance traffic acquisition and user engagement.

Drive Expansion in our ToB Business: New Energy and Industrial Technology will ramp up R&D in key components and green energy solutions. Robotics & Automation will lower structural costs while accelerating growth in the domestic robotics market. Smart Building Technology will move faster to establish a second core market in Europe and improve its offerings of systems solutions, heating, elevators and other products while we grow healthcare and smart logistics, boosting our ToB revenue.

Time waits for no one. Competition among companies ebbs and flows like a river, its currents ever-changing. It is we who will decide whether Midea continues to shine as a beacon in the firmament or fades into quiet obscurity. No matter how the world shifts—through evolving geopolitical dynamics, China's economic transformation, or intensifying industry and market rivalries—we must rise above the turbulence, chart our course, and set sail anew. The world is vast, and Midea is but a small part of it. Yet, there is no journey too great, no dream too bold, and no horizon beyond our reach. We must persevere. Let us summon the courage to dream audaciously, to act decisively, to embrace change, and to fight relentlessly. Let us commit to our Global Impact Strategy, stepping confidently onto the world stage, thriving in familiar lands, and establishing a presence in every corner of the globe.

Together, with our Shareholders worldwide, we look forward to authoring Midea's next chapter.

I. INDUSTRY OVERVIEW FOR THE REPORTING PERIOD

(I) Home Appliance Industry

In 2024, amid escalating external pressures and multiplying internal challenges, domestic China's economy scaled a new height, surpassing the RMB130 trillion mark for the first time and retaining its position as the world's second-largest economy, with a 5% economic growth rate. The domestic home appliance industry also witnessed a surge in export scale, while retail market sales for domestic China reached unprecedented levels. According to figures from the General Administration of Customs, domestic China's cumulative exports of home appliances amounted to RMB712.2 billion in 2024, a 15.4% increase compared to the previous year. Meanwhile, data aggregated by the All View Cloud (AVC) indicates that the domestic retail market for home appliances (excluding Computer, Communication and Consumer (3C)) reached RMB907.1 billion in 2024, marking a 6.4% year-on-year growth. The growth in 2024 primarily exhibits three main features. The first is the substantial upgrading of the product structure in the mid-to-high price tier. Thanks to the implementation of the state subsidies policy in 2024, significant enhancements were observed in the high-end product structure across various categories in the offline market, encompassing air conditioners, refrigerators, laundry appliances, range hoods, cooktops, dishwashers, electric heaters, gas heaters, water purifiers, and rice cookers. Likewise, categories such as air conditioners and range hoods also witnessed an upgrade in their high-end product structure in the online market. The second is the overall high growth of quality-living industries. In 2024, driven by factors such as the state subsidies policy and water efficiency standards, quality-living products within seven key categories – clothes dryers, dishwashers, built-in microwave-steamer-oven units, water purifiers, cleaning appliances, air purifiers, and coffee machines – experienced rapid market penetration. Throughout the year, retail sales for these products exhibited double-digit year-over-year growth rates. The third is the robust growth of trending product categories. Throughout 2024, a series of trending products, including fresh air conditioners, water-servo constant temperature gas water heaters, large-capacity (12kg) laundry appliances, zero built-in refrigerators, flat cylinder electric water heaters, gesture control and cooktop-range hood synchronization kitchen hood, coated-inner rice cookers, and Energy Efficiency Grade 1 appliances, continued to penetrate the market. These products offer consumers a range of functional benefits encompassing enjoyment, comfort, efficiency, aesthetics, ease of use, health, eco-friendliness, and intelligence. Despite the boost from the state subsidies policy, which has led to increased sales volumes and prices for certain products, higher retail customer footfall, and an upturn in consumer demand, domestic home appliance enterprises still confront multiple changes and challenges. Firstly, it is imperative to transform consumers from passive buyers to active selectors, moving beyond merely experimenting with products due to subsidies to genuinely recognizing their value and forming long-term consumption habits and loyalty. Secondly, increasing investment in product research and development and pioneering new technologies is essential, with a focus on humanized and personalized product design to cater to the aesthetic and usage needs of diverse consumer groups. Thirdly, the logic of acquiring customers in the home appliance retail sector has shifted, and the key lies in transitioning from consumers seeking products to products seeking consumers through effective marketing and services across both online and offline channels. Additionally, while the state subsidies policy can only alter the growth pace of some categories, future planning and considerations must still adhere to long-term industrial trends. According to forecasts by AVC, taking into account factors such as the partial pre-emption of home appliance demand in 2025 by 2024, the potential gradual decline in consumer interest in state subsidies for home appliances, and the high base effect of home appliance retail sales stimulated by the state subsidies policy in the second half of 2024, despite the continuation of the state subsidies policy in 2025, the overall retail scale of domestic home appliance categories in 2025 is projected to increase only marginally on a year-on-year basis.

According to the aggregated data provided by AVC, the retail sales of the domestic air-conditioning market amounted to RMB207.1 billion in 2024, marking a year-on-year decline of 2.2%. The first half of 2024 witnessed a downturn in the scale of the domestic air-conditioning retail market. However, in the second half of 2024, with the gradual implementation of the state subsidies policy across regions, the market demand for the air-conditioning industry was effectively stimulated. From a market perspective, the industry exhibited a notable brand siphon effect in 2024, with leading brands and high-end brands demonstrating stronger performances. In the online market, the top three brands captured a 61.8% share, representing a 4% increase from the previous year. Notably, following the implementation of the state subsidies policy, the offline market share of leading brands also increased significantly. From a structural perspective, the declining trend in the proportion of floor-standing air conditioners came to a halt, resulting in a relatively stable overall structure of floor-standing and wall-mounted units, with 1.5-HP wall-mounted units and 3-HP floor-standing units currently being the mainstream product types. From a product perspective, mainstream air-conditioning products continued to iterate and upgrade based on the four major functional trends of health, intelligence, energy efficiency, and integration. In terms of new Energy Efficiency Grade 1 products, their sales proportion in both offline and online retail markets has increased, reaching 91.6% and 86.5%, respectively. Similarly, health and comfort air conditioners have seen a rise in sales proportion, accounting for 21.5% in offline retail markets and 20.9% in online retail markets. Furthermore, smart voice-activated wall-mounted air conditioners experienced significant year-over-year growth, with sales increasing by 83.1% in offline retail markets and 62.4% in online retail markets. From a pricing perspective, the prices of the air-conditioning industry in domestic China fluctuated considerably in 2024. In the first half, there was a clear downward trend in prices, but in the second half, the structure was elevated as a result of policy incentives. In December 2024, the average prices of floor-standing air conditioners in the offline and online retail markets increased by 6.5% and 6.1% year on year, respectively, while the average prices of wall-mounted air conditioners increased by 7.1% and 5.1% year on year, respectively.

Drawing from the aggregated data provided by AVC, the laundry appliances market in domestic China witnessed retail sales of RMB100.4 billion in 2024, signifying a 7.6% year-on-year growth. Additionally, the clothes dryer market reached retail sales of RMB16.2 billion, up 25.7% compared to the previous year. The wash and care segment is characterized by its substantial market size, diverse scenarios for customer demand, and strong rigid demand, with washer-dryer suites serving as the key catalyst for growth. Fueled by the state subsidies initiative, retail sales of washer-dryer suite increased by more than 33% year-on-year in 2024. Meanwhile, the product structure has seen consistent and steady upgrades, marked by a significant rise in the share of products priced between RMB8,000 and RMB12,000. In terms of capacity, 10kg models continue to dominate the market, while the state subsidies policy has further propelled the adoption of 12kg models. Capacity upgrades appear to be the emerging trend in the industry, with Little Swan, a prominent brand, gradually intensifying its focus on 12kg products. According to AVC's figures, Little Swan dominated the 12kg product market in online channels from September to December.

As per the aggregated data released by AVC, the domestic refrigerator market recorded retail sales of RMB143.4 billion in 2024, experiencing a 7.6% year-on-year growth. Throughout the year, the market demonstrated a V-shaped growth trend, with both volume and price experiencing upward momentum across all sales channels. In terms of product technology, competition within the refrigerator market remains centered on built-in models. Thanks to sustained investments on the supply side, the market penetration of zero-clearance refrigerators has witnessed notable advancements. Notably, the combined retail sales share of zero built-in and zero-clearance refrigerators has climbed to 30.2% in the online markets and 58.4% in the offline markets. From the perspective of door assembly, the product mix of refrigerators exhibits considerable continuity in development. Specifically, in the online markets, cross-four-door and French-style four-door refrigerators have contributed over 40% and 20% of sales, respectively. Meanwhile, in the offline markets, their contributions exceed 43% and 26%, respectively. From a functional perspective, features such as "dual systems", "freshness preservation", and "intelligence" have gained further prominence and attracted considerable attention.

Based on aggregated data from AVC, within the domain of major kitchen and bathroom appliances, the retail sales volume of range hoods in domestic market reached RMB36.2 billion in 2024, marking a 14.9% year-on-year growth. Similarly, the retail sales of gas cooktops amounted to RMB20.4 billion, representing a 15.7% increase compared to the previous year. In the fields of range hoods, the market has seen a shift from conventional top-ventilation and side-ventilation models towards ultra-slim, cross-category, and dual-ventilation (top and side) designs, which are experiencing rapid market penetration. The "integrated embedding" design centered around "slimness" continues to be a primary area of competition. In 2024, new models, encompassing ultra-thin, dual-ventilation, and cross-category designs, accounted for 36.9% and 48.6% of retail sales in the online and offline markets, respectively, marking a significant increase compared to the previous year. Furthermore, advancements such as multi-cavity designs, functional integration, and low-noise technologies have fueled the upgrading of price structures in both online and offline range hood markets. By 2024, range hoods priced above RMB4,000 comprised nearly 70% of the offline market share. In the gas cooktop industry, the emphasis is on rapidly enhancing thermal efficiency, as well as incorporating features such as intelligence and precise temperature control. In 2024, products with a thermal efficiency of 68% or higher accounted for 13.5% and 39.3% of retail sales in the online and offline markets, respectively. Additionally, timer-equipped gas cooktops captured 17.2% and 10.0% of retail sales in the online and offline markets, respectively, demonstrating rapid growth. Furthermore, features such as dry-burning prevention, stainless steel cooktop, and adjustable bases are experiencing accelerated market penetration. As per the aggregated data compiled by AVC, the dishwasher market witnessed a retail sales volume of RMB13.2 billion in 2024, registering a 17.2% increase compared to the previous year. The trend in product structure is increasingly towards pursuing larger capacities coupled with enhanced space utilization. Notably, the retail sales share of dishwashers equipped with 16 or more place settings increased to 32% and 45% in the online and offline markets, respectively. Furthermore, full-size built-in dishwashers, due to their compatibility with kitchen renovations and offering substantial capacity, have emerged as the dominant models. Their market share has steadily increased, nearing 50% and 80% of retail sales in the online and offline markets, respectively. According to the aggregated data from AVC, the retail sales volume of the water purifier market reached RMB24 billion in 2024, marking a year-on-year growth of 17.2%. The product structure in the market trends towards high flux rates, integrated purification and heating capabilities, and the inclusion of mineral elements, among other functional features. Specifically, the retail sales share of products with a flux rate of 1200G in the online market increased by approximately 10%. Integrated purification and heating products captured over 27% of retail sales in the offline market, while mineral-containing products accounted for nearly 10% of offline retail sales. Furthermore, AVC's aggregated data reveals that the retail sales of water heaters (including electric storage water heaters and gas water heaters) amounted to RMB53.2 billion in 2024, marking a 5.3% year-on-year increase. Gas water heaters exhibit faster growth, achieving an 8.8% year-on-year increase. In terms of capacity, larger electric water heaters are tending towards 60 liters, and gas water heaters towards 16 liters. Water heater products have undergone continuous optimization in terms of appearance, constant temperature control, health benefits, and energy efficiency. Notably, in 2024, flat-cylinder electric water heaters accounted for nearly 25% of retail sales in the online market, while gas water heaters with scale inhibition or filtration functions captured a 24.7% share of retail sales.

According to aggregated data from AVC, the total retail sales of small kitchen appliances in domestic China reached RMB60.9 billion in 2024, remaining largely unchanged from the previous year. Notable variations exist across different categories. Firstly, traditional categories such as rice cookers, electric kettles, and electric pressure cookers have exhibited stable market demand, with minimal fluctuations in overall scale. Secondly, with consumers' increasing health consciousness, health-oriented appliances such as juicers and health pots are anticipated to emerge as key drivers of industry growth. Thirdly, western-style small appliances, exemplified by coffee machines and desktop microwave-steamer-oven products, currently enjoy low penetration rates in China, signaling substantial growth potential. Additionally, categories such as air fryers and desktop electric ovens have seen a decline in sales volume due to competition from alternative products, underscoring the urgent need for product upgrades.

According to aggregated data from AVC spanning all sales channels, the retail sales of domestic China's cleaning appliance industry reached RMB42.3 billion in 2024, marking a 24.4% year-on-year growth. Notably, robotic vacuum cleaners contributed RMB19.36 billion to this total, experiencing a 41.1% year-on-year increase, accompanied by an upward trend in average selling prices. Meanwhile, floor-washing machines, amidst ongoing price competitions, exhibited a gradual deceleration in growth rates, with retail sales totaling RMB14.09 billion, a 15.4% increase from the previous year. Vacuum cleaners, benefiting from policy incentives and new social media e-commerce channels, achieved retail sales of RMB5.6 billion throughout the year, representing a year-on-year increase of 11.0%. In the fields of product innovation and upgrading, Midea is dedicated to addressing critical issues faced by users. This includes ongoing enhancements in function applications, such as the development of robotic arms for robotic vacuum cleaners, edge-cleaning capability of floor-washing machines, self-cleaning dust collection and hair entanglement prevention in vacuum cleaners, hot water mop cleaning, and high-temperature drying. Additionally, leveraging large AI models, Midea has successfully integrated AI voice, AI recognition, and AI obstacle avoidance into its product offerings.

(II) Robotics and Automation Industry

As outlined in "World Robotics 2024" released by the International Federation of Robotics (IFR), the five key trends driving the global robotics industry in 2024 encompass the broadening adoption of artificial intelligence and machine learning, the persistent expansion of collaborative robots into novel application domains, the significant growth potential exhibited by mobile manipulators, more solutions facilitated by digital twins, and the increasing implementation of technological advancements in humanoid robots. As reported by the IFR, the number of industrial robots operational in factories worldwide reached 4.282 million in 2023, reflecting a 10% year-on-year increase. In terms of annual installations, the global figure stood at 541,000 units in 2023, representing a slight 2% decrease compared to the previous year, albeit the annual installation volume has surpassed 500,000 units for three consecutive years. Regionally, Europe observed an 8% growth, whereas both the Americas and Asia experienced declines. Notably, there were 276,300 installations of industrial robots in domestic China, accounting for 51% of the total global installations. The service robot market continued its upward trajectory in 2023, with the installation of professional service robots (including Autonomous Mobile Robots, or AMRs) globally increasing by 30% year on year to reach 205,000 units.

Additionally, the latest data from the IFR reveals that, in terms of industrial robot density – defined as the number of industrial robots per 10,000 workers – the global average has set a new record in 2023, reaching 162 units. South Korea retains its top position globally with a density exceeding 1,000 units. Notably, China has witnessed a significant acceleration in the deployment of robots, resulting in a density of 470 units in domestic China in 2023, surpassing Germany and Japan for the first time and rising to third place globally. China has consistently served as a catalyst for growth in the global robotics market. Taking into account various dynamics, including the flexible demands of the manufacturing sector, the diminishing demographic dividend, the emergence of new markets, and advancements in innovative technologies, the application scope of industrial robots is poised to broaden further, highlighting significant potential for future expansion and development. The IFR anticipates that the ongoing uncertainty in the global economy in 2024 would continue to impact the automation industry, leading to a stagnation in global robot installations year-on-year amidst the economic weakness of major economies. However, in the long run, despite macroeconomic challenges, the long-term growth trajectory of industrial robots remains intact. The annual compound growth rate of robot installations is projected to reach 4% between 2025 and 2027, culminating in over 600,000 units by 2027.

The "2025 China Industrial Robot Industry Survey Report" published by Gaogong Industrial Institute ("GGII") indicates that the global macroeconomy underwent a gradual recovery in 2024. From a sector perspective, the consumer electronics sector observed an overall resurgence in demand, while the food and metal products industries demonstrated favorable year-on-year trends. Conversely, the growth momentum of the new energy vehicle industry slowed consistently, and the photovoltaic and lithium battery sectors continued to navigate through an adjustment phase, contributing to a subdued industry landscape. In summary, the market demand in domestic China for industrial robots faced near-term pressures, resulting in a decline in industrial robot sales. From the perspective of product categories, SCARA robots (Selective Compliance Assembly Robot Arm, a type of industrial robot) were notably influenced by the rebound in the consumer electronics sector, while the pressures faced by the new energy industry also resulted in notable negative effects. Collectively, this led to a modest year-over-year increase in demand for SCARA robots. Articulated robots, as the largest category in terms of market share, despite exhibiting varied market conditions across large, medium, and small payload six-axis models, were faced with significant overall pressure due to tightening demand in key industries such as automotive and new energy, resulting in an overall year-over-year decline. Delta robots, influenced by the combined effects of downstream industries such as food, daily chemicals, pharmaceuticals, and consumer electronics, coupled with inherent limitations in their application scope, were anticipated to maintain sales volumes comparable to the previous year. Collaborative robots sustained their relatively high growth trajectory, partly attributed to the increasing penetration in downstream industries, including significant breakthroughs in its applications within the new energy sector, and partly due to the rapid expansion of specialized products, such as collaborative welding and heavy-load collaborative palletizing. In terms of the overall market dynamics, domestic China's industrial robot production volume reached 556,000 units in 2024, marking a robust 14.2% year-on-year growth. Conversely, market sales of industrial robots in domestic China totaled 302,000 units in the same year, a slight 4.5% year-on-year decrease. China's status as the largest producer and consumer market for industrial robots globally remains firmly established. According to GGII projections, domestic China's industrial robot market sales are anticipated to climb to 325,000 units in 2025, reflecting a year-on-year growth rate exceeding 7%.

(III) Intelligent Building Technology Industry

In the intelligent building technology 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 intelligent building ecosystem mainly includes HVAC, elevator, intelligent building (building automation) and integrated energy management. These offerings cater to diverse scenarios, including industrial facilities, hospitals, infrastructure projects, campuses, commercial properties, hotels, and educational institutions. In terms of industry competition, the HVAC, elevator, and building automation in China exhibit similar competitive dynamics, characterized by two key features: a high proportion of foreign and joint venture brands, and a relatively low level of market concentration. According to data from Journal of HV&AC, ChinaIOL.com, and Changjiang Securities Research Institute, foreign brands accounted for approximately 42% of the central air conditioning market in 2024, with only four manufacturers holding a market share exceeding 10%, highlighting a notable long-tail effect. Meanwhile, according to the data from China Elevator Industry Business Yearbook, foreign and joint venture brands occupy 70% of the elevator market, while leading domestic brands still lag in revenue scale and market share. In 2023, Kone, Mitsubishi Electric, Hitachi, and Otis each generated revenues of approximately RMB20 billion in domestic China. Similarly, the building automation market is largely dominated by foreign brands such as Honeywell, Siemens, Johnson Controls, and Schneider Electric. Regarding market size and growth prospects, according to the data from ChinaIOL.com, the tax-exclusive sales revenue of China's central air conditioning industry amounted to RMB144.7 billion in 2024, marking a slight increase compared to the previous year, with domestic China sales comprising about 84% of the total. The applications of central air conditioning are primarily categorized into residential, commercial, industrial, and public buildings, with ToB business accounting for over 70% of sales in terms of business type. From an industrial development standpoint, the non-residential segment of the central air conditioning market experiences less volatility than the residential segment and is more closely tied to infrastructure investments. Segments such as government public buildings, transportation, data centers, cultural, educational, and recreational facilities, as well as healthcare, exhibit substantial growth potential and a strong likelihood of sustaining higher growth rates in the long run. Meanwhile, data from the National Bureau of Statistics of China indicates that the production volume of elevators, escalators, and lifts in China declined by approximately 8% year on year to 1.492 million units in 2024, affected by the short-term challenges faced by the real estate sector. Based on the operational figures from key manufacturers, when considering both the average ex-factory price per elevator unit and maintenance services, the output value per elevator stands at approximately RMB200,000. Consequently, the annual market size for domestic elevator equipment has approached RMB300 billion. The Report on the Work of the Government (2024) has prioritized the installation of elevators in older residential communities as a key focus for this year, suggesting that the market for elevator retrofitting is poised for further expansion. According to the data from EqualOcean Intelligence, the current market size for intelligent building remains relatively modest. 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 equipment for the high-efficiency and low-carbon operation of buildings, and determines the overall quality of building solutions. In aggregate, the domestic industrial scale of the intelligent building technology industry has surpassed RMB400 billion. Additionally, with the ongoing implementation of the "Action Plan for Promoting Large-Scale Equipment Upgrades and Replacement of Consumer Goods" issued by the State Council of the People's Republic of China, industrial demand remains robustly supported.

The smart building industry is now presented with fresh opportunities, particularly those stemming from the “carbon peaking and carbon neutrality” goals, “digitalization and intelligence” trends, and the push for “domestic substitution”. The establishment of the “carbon peaking and carbon neutrality” strategic objectives has signaled an acceleration in the transition towards smart and low-carbon buildings. Buildings constitute a substantial portion of energy consumption and carbon emissions across society. The “2024 Report on Carbon Emissions in Urban and Rural Construction in China”, jointly published by the China Association of Building Energy Efficiency and Chongqing University in Beijing, reveals that in 2022, emissions from building operations accounted for roughly 22% of the country’s total carbon emissions. As the balance shifts between new constructions and existing buildings, the proportion of emissions from building operations is poised to increase further. Consequently, as a key contributor to society’s carbon footprint, the drive towards low-carbon or even zero-carbon emissions in the building sector will undoubtedly gain greater momentum. In recent years, a series of policies aligned with the “carbon peaking and carbon neutrality” goals have been progressively unveiled. Meanwhile, the National Development and Reform Commission of China has issued guidelines such as “Advanced Energy Efficiency Standards, Energy-saving Benchmarks, and Entry-level Requirements for Key Energy-consuming Products and Equipment”, which encompass HVAC systems in buildings. These initiatives are designed to bolster the framework for managing building energy consumption, elevate monitoring and management capabilities for energy efficiency in buildings, and enhance overall building energy performance. They also aim to catalyze the widespread adoption of ultra-low energy, near-zero energy, and low-carbon building designs. In this context, energy-saving retrofits, intelligent building operations, and energy performance contracting are poised to emerge as key implementation strategies. From a market standpoint, initiatives such as electricity price reforms and power rationing elevate costs, subsequently enhancing the return on investment for energy-saving retrofits, energy management, and digital operations within the building sector. Meanwhile, an increasing number of market participants are actively embracing the national strategy of “carbon peaking and carbon neutrality” goals and undertaking energy-saving retrofits. On the whole, within the context of the “carbon peaking and carbon neutrality” goals, buildings, as a significant contributor to overall energy consumption and carbon emissions, are accelerating their journey towards energy conservation and carbon reduction. This trend is stimulating a surge in demand for highly efficient and low-carbon building solutions. Amidst the shift towards a digital economy, buildings, which currently lag in development despite being a pivotal component of “smart cities”, are poised to witness a substantial increase in the demand for digitalization and intelligence. Meanwhile, advancements in communication technologies, computing capabilities, and algorithms are driving the industry’s evolution from system-level control – including HVAC and elevators – to building-level control. This shift encompasses two pivotal dynamics: the expansive transition from “control” to “services” and the narrowing disparity with foreign firms that hold a first-mover advantage. An even more encouraging and unequivocal trend is the role that digitization is currently playing in catalyzing the transformation and upgrading of the elevator industry. In 2018, the General Office of the State Council of the People’s Republic of China issued the “Opinions on Strengthening the Quality and Safety Management of Elevators”, aiming to facilitate the installation of elevators in existing residential buildings and to adopt a maintenance approach based on actual demand. This approach underscores the importance of “effectiveness”, allocating resources based on a comprehensive understanding of elevator operations, thereby highlighting the growing significance of big data, Internet of Things (IoT), and other information technologies. In 2020, the State Administration for Market Regulation of the People’s Republic of China established standards for differentiating elevator maintenance approaches, primarily based on the presence of IoT-enabled remote monitoring systems. The substitution of foreign brands by domestic counterparts in the central air-conditioning sector has progressed through three phases: unitary air conditioners, variable refrigerant flow (VRF) systems, and large chilled water units. By 2024, domestic brands collectively accounted for approximately 58% of the market share. Notably, domestic manufacturers have made continuous breakthroughs in the large chilled water unit segment, which possesses higher entry barriers. The central air-conditioning industry has fully entered the phase of domestic substitution, with considerable potential for future growth. The pace of domestic substitution within the elevator industry has been relatively gradual; however, amid the waning real estate boom, evolving maintenance models, and the adoption of IoT technologies, the optimization of the market landscape is poised to gather pace. In the medium to long term, the market structure marked by a "high proportion of foreign capital + low market concentration" presents an increasing number of competitive opportunities in the smart building sector. On one hand, buildings contribute substantially to energy consumption and carbon emissions, and the pursuit of "carbon peaking and carbon neutrality" goals is accelerating energy-saving retrofits and smart operations. On the other hand, advancements in digitalization and intelligence, coupled with the incremental application of AI technologies, are catalyzing a qualitative shift in the input-output efficiency of smart buildings.

II. BUSINESS SCOPE IN THE REPORTING PERIOD

In 2024, the domestic market witnessed a deceleration in consumption demand growth during the first half, placing considerable strain on the retail market for home appliances. In the second half, however, spurred by the "trade-in" subsidy policy, consumer demand for home appliances exhibited signs of recovery. Meanwhile, the overseas market confronted ongoing challenges stemming from economic volatilities, exchange rate fluctuations, and persistent geopolitical tensions. Midea Group has upheld its business philosophy, consistently adhering to the annual operational principle of "enhancing efficiency across the full value chain and achieving structural growth and upgrading". With a continued emphasis on core businesses and products, particularly notable advancements in overseas operations, the Group has witnessed further growth in its overall scale. Additionally, key indicators including profitability and cash flow have undergone positive enhancements, reflecting Midea's operational resilience and its enduring commitment to high-quality growth. In 2024, the Company's revenue reached RMB409.1 billion, marking a 9.5% year-on-year increase, with net profit attributable to owners of the Company amounting to RMB38.5 billion, up 14.3% compared to the previous year.

(I) Deepening User-Centric Focus and Implementing Technology Leadership Strategy to Improve the "Three Generations" R&D mode, Supporting Domestic High-End Brands and Overseas OBM Priority Strategy

Midea, rooted in its corporate vision of "Bring Great Innovations to Life", consistently augments its investment in research and development to ensure the effective implementation of its "Three Generations" R&D mode. By leveraging differentiated and innovative products, Midea drives structural upgrades and fosters high-quality growth across the global market. Drawing upon user demands and consumption trends, coupled with pioneering technological breakthroughs, Midea offers users differentiated entire-house smart solutions that seamlessly integrate "smart home appliances + smart home", thereby facilitating the advancement of its dual high-end brands. In international markets, Midea reinforces its

"Overseas OBM (Original Brand Manufacturer) Priority" strategy by continually strengthening its overseas R&D centers and manufacturing bases. Through the harmonious integration of localized innovation, localized manufacturing, and localized proprietary branding, Midea elevates its brand presence on a global scale.

Residential air conditioners:

Based on three major directions of carbon neutrality, air value, and smart home, Midea has focused on its technological strategy layout of "cooling, heating, energy conservation, intelligence, health, and comfort", exploring disruptive and differentiated product technologies to enhance product competitiveness. In 2024, targeting the European air conditioner market, Midea introduced the industry-first PortaSplit split air conditioner, designed for DIY installation by users. Its unique design surmounts regulatory hurdles related to outdoor unit installation, while slashing installation costs by thousands of euros. The PortaSplit boasts superior cooling and heating performance compared to traditional portable air conditioners, achieving EU A++ energy efficiency. Coupled with a revolutionary 3D airflow design, it ensures even and rapid temperature regulation throughout the home. The compressor incorporates a multi-layered composite sound insulation system, significantly reducing operational noise compared to traditional portable units. The PortaSplit has earned numerous international awards, including the German iF Design Award, and has received praise from overseas professional media outlets such as The Verge. For the North American heating market, Midea unveiled the modular cold climate heat pump ducted system, incorporating an industry-first quick-disconnect modular design that dramatically curtails installation expenses. It allows for versatile integration of various sub-modules. Coupled with a compact heat exchanger featuring low flow resistance and high energy flow density, along with a proprietary constant air volume DC motor, the unit's reduced size enables direct installation as a seamless replacement for traditional gas boilers. By harnessing ultra-low temperature efficient heat exchange technology, the product's energy efficiency aligns with the CEE Advanced Tier standard in the U.S., delivering full heating capacity even at a low temperature of -15°C. Its dimensions and heating performance rival those of gas heating appliances. Furthermore, the integration of an industry-first adaptive wide voltage technology enables seamless operation across 230/115V voltage fluctuations, steering the trend towards heat pump heating in North American homes and bolstering the growth of Midea's proprietary brand. For the domestic high-end market, Midea launched the FreshPure T3 Series Floor-standing Air Conditioner, pioneering the industry with its four-drive airflow management technology. This technology, complemented by a novel four-air-duct design, caters to personalized user preferences and ensures optimal air distribution tailored to diverse settings. The unit showcases a contemporary naturalistic interface design embodying "full sense, full display", which blends seamlessly into home interiors while ushering in innovative interaction capabilities. This innovative product has earned the 2024 Germany IFA Global Product Technology Innovation Award. For the residential central air conditioning market, Midea introduced the FreshAir Explorer Series and Coolfree-Kujieneng Series. The FreshAir Explorer Series incorporates industry-leading innovations such as full-system dual-circuit enthalpy boost and electronic full-liquid cooling zone thermal management, enabling heating at ultra-low temperatures of -30°C and cooling at ultra-high temperatures

of 60°C. With bidirectional fresh air technology, this series ensures that fresh air can be introduced into rooms while stale air is expelled, catering to diverse climatic conditions year-round and across different regions, and supporting the Smart Air Solution 2.0 for entire homes. On the other hand, the Coolfree-Kujieneng Series leverages a pioneering multi-split system with wide-load energy-saving and noise-reduction technology, systematically addressing the issue of high energy consumption associated with multi-split units in residential settings. It achieves a milestone by consuming only two kilowatt-hours of electricity for two bedrooms with two units running overnight under specific conditions, redefining the energy efficiency standards for residential central air conditioners. To address the domestic heating needs in China, Midea unveiled its “True Warmth” (Zhennuan) Series of integrated heat pump heaters, covering a power spectrum of 14-18kW. Equipped with cutting-edge technologies such as continuous enthalpy injection compression with a large pressure ratio and an efficient double-pipe heat exchanger featuring spiral groove and mesh teeth design, the heaters ensure stable operation at an ultra-low temperature of -35°C and across a broad voltage range of 150V-264V. Notably, they maintain an unwavering outlet water temperature of 60°C even at -20°C, achieving industry-leading Energy Efficiency Grade 1. In response to consumers’ pursuit of energy efficiency and comfort, Midea introduced the Kushengdian Pro Series Wall-Mounted & Floor-Standing Air Conditioners. Incorporating AI-driven inverter technology and cloud-edge integrated energy-saving control, the units seamlessly adapt to users’ needs, environmental loads, and equipment capabilities, achieving precise temperature control and offering an enhanced user experience characterized by exceptional comfort and energy savings.

Laundry appliances and refrigerators:
In view of the four demand directions of cleanness, health, efficiency and care, Midea comprehensively builds its core competitiveness in the global laundry and care industry. Midea's MA512 Stirring Fully Automatic Washing Machine Series, as domestic China's first A-level energy-efficient stirring washing machine exported to Brazil, incorporates advanced technologies such as flexible stirring, detergent dissolution cyclone, and lint filtration & collection through stirring. Available in capacities of 13kg and 15kg, this product excels in washing performance ratio, water and electricity consumption, and spin efficiency, positioning it prominently within the industry in terms of overall energy performance. Furthermore, the Toshiba series of drum washing machines showcases continuous enhancement in

aesthetic design, reshaping the laundry experience through innovative technology. Catering to mainstream capacities ranging from 7-13kg, the series introduces the Japandi T37 washer-dryer suite specifically for overseas markets. Characterized by its zero built-in design and novel wooden texture control panel, this product is equipped with cutting-edge technologies including automatic detergent dispensing, ultra-micro bubble generation, full variable frequency, and LUXECARE steam. The COLMO TURING T1 Washer-Dryer Suite harmoniously blends into the home decor through its zero built-in design, pioneering the AI-enabled, all-scenario intelligent laundry and care era for dry cleaning and maintenance. Specifically, the T1 washing machine has been upgraded to feature the mousse foam gentle wash mode, skillfully balancing robust stain removal with fabric preservation. Meanwhile, the T1 clothes dryer has advanced to AI light dry cleaning 3.0, offering wrinkle removal in as little as 15 minutes and enhancing smoothness to a 4.0 level. The Little Swan Washer-Scrubber MAX showcases a revolutionary heat pump platform, leveraging a patented dual-efficiency heat pump system to enable rapid drying and low-temperature drying. It incorporates Little Swan's proprietary blue oxygen color preservation technology and introduces an expanded blue oxygen odor elimination feature, catering to diverse applications. By integrating advanced AI large model technology and the Lingxi Intelligent Voice Interaction System, and utilizing a robotic vacuum cleaner as a home mobile terminal, it facilitates the creation of entire-house smart scenarios, seamlessly integrating the five cleaning functions of washing, drying, care, vacuuming, and scrubbing into a singular, cohesive solution.

COLMO 990 Large Built-in Series, the industry-first largest zero built-in refrigerator, addresses the dual requirements of high-end consumers for substantial capacity and seamless home decor integration. Equipped with the industry-leading AI dynamic ingredient recognition feature, it intelligently identifies over 100 types of ingredients, and dynamically adjusts preservation modes and potent odor elimination functions according to ingredient conditions. Additionally, it offers expiration reminders for ingredients and the capability to generate personalized dietary plans. Furthermore, it uniquely features AI molecular-level nutrition management, effectively reducing purine levels in aquatic products, enhancing amino acid content in meat, and boosting the levels of 12 nutrients in fruits and vegetables. The series also incorporates the industry's pioneering wake-word-free AI-Door voice automatic door opening and closing function, facilitating intuitive interaction. This series has garnered the German iF Design Award. Addressing the integrated living and dining room trend, Midea unveiled the world's first large-capacity refrigerator with a 45cm zero built-in design for sideboards, pushing the boundaries of traditional refrigerator thickness while boasting a capacity exceeding 400 liters, embodying "maximal utilization of every millimeter." This refrigerator innovates on the traditional method of mixed storage of refrigerated ingredients by introducing a partitioned layout with ready-to-eat items on the left and cooking ingredients on the right. It features three significant technological advancements in design: the industry-first centrally-located refrigeration system to enhance usable space, an upgraded insulation system that drastically reduces foam layer thickness, and the innovative "bottom heat dissipation + gull-wing hinge" technology, allowing for built-in with just 4mm of clearance on each side. The Toshiba Master Series flagship refrigerator, a culinary masterpiece at star level, offers a seamless high-capacity built-in design, energy efficiency, whisper-quiet operation, and proprietary star-rated freshness technology tailored for culinary excellence. The meat storage compartment is equipped with rapid chilling technology for ice-fresh preservation, while the fruit and vegetable section utilizes misting preservation technology. Boasting a generous 24-liter independent ice storage area with UV sterilization, it ensures swift and hygienic ice production within 60 minutes. The refrigerator also incorporates iTouch body-sensing technology for effortless door opening. This exceptional product has garnered numerous awards, including recognition as the 2024 Vietnam Best Energy-Efficient Refrigerator Brand, the China Home Appliance Red Top Supreme Award, and the American IDEA Design Award. For the European market, during the 2024 Internationale Funkausstellung (IFA) in Berlin, we introduced a new generation of built-in refrigerators equipped with an industry-first, innovative hinge system. This groundbreaking design transcends traditional built-in product dimensions and installation methods, boasting exceptional capacity and straightforward installation. The refrigerators seamlessly fit into kitchen cabinets and furniture, creating a perfect integration.

Kitchen appliances and other home appliances:

Catering to comprehensive water usage needs in the home, Midea's UX8 electric water heater introduces an industry-first diamond-inspired heater. The heater surface features a lotus leaf-inspired coating certified by the U.S. FDA as food-grade, achieving an impressive 85% scale resistance. This not only prolongs the heater's lifespan but also ensures water purity. With its innovative energy-concentrating rapid heating system, the UX8 can achieve relay heating in just five minutes, delivering an enjoyable bathing experience whenever needed. The product has been recognized with numerous awards, including the China Home Appliance Red Top Award. Midea's M11S Ultra gas water heater, incorporating the industry-pioneering "Dolphin Cruiser" technology, takes cues from dolphins' sensory abilities, such as point perception, magnetic sensing, and echolocation, for its biomimetic design. By leveraging water flow signal interaction, it achieves precise point-to-point preheating of bathing water. This innovation effectively tackles numerous pain points of traditional zero-cold-water heaters, such as water cross-contamination, frequent false activations, and excessive gas consumption, thereby enhancing users' bathing experience. COLMO launched the AVANT gas water heater, featuring Energy Efficiency Grade 1 and no condensation pipe, is equipped with the internationally leading Reco dual-chip technology. It completely resolves the usage challenges associated with condensation water discharge in traditional gas water heaters with Grade 1 energy label, achieving a thermal efficiency approaching 105%. It breaks through the limitations of sensing and temperature control in complex water usage scenarios, with temperature control speed upgraded to 0.2ms, achieving 5A-level constant temperature performance under practical conditions such as mid-use pauses and multi-point water usage. In response to the evolving consumer preference from pure water to healthy drinking water, Midea's

Mineral (Xiankuang) Dual Water Series Water Purifier introduces the industry-first fresh mineral water technology, incorporating wet-process carbon fiber and targeted titanium adsorption. This technology guarantees a 100% retention rate of beneficial minerals, removes over 99% of heavy metals, and enhances the desalination rate of chloride-free RO membranes to 97%. Furthermore, it is equipped with a self-developed five-chamber pump, reducing operational noise to just 31 dB. For under-sink installations tailored to kitchens with Chinese characteristics, Midea's MS153-1.2T Under-Sink Water Softener Master features three innovative technologies: an ultra-thin compact multi-valve control for softened water, a dual-tank integrated design with parallel water circuit regeneration, and a 360-degree gradient disc water distributor. Compared to its predecessor, this model boasts a 47% reduction in volume and a 20% increase in flux. Certified by the China Household Electric Appliance Research Institute (CHEARI), it is compatible with 96% of domestic China's kitchen under-sink spaces and has been honored with the German Red Dot Design Award.

Focusing on improving the comfort of kitchen environments, Midea introduces efficient and intelligent range hoods and cooktops, addressing both kitchen conditions and oil fume. To prioritize user health, Midea offers a range of products including dishwashers, steamer-ovens, and rice cookers that meet user needs in terms of kitchenware cleaning and sterilization, as well as healthy cooking practices. Midea's smokeless range hood series, YG28 and YG30, align with the "smokeless" user experience principle. Equipped with a new fan platform, they boost air volume to 32m³/min during intense cooking while reducing noise to 57 dB at high settings. Featuring an adjustable air divider cone, these range hoods can dynamically allocate airflow to the left and right intake vents based on the cooking status of the respective burners. With a newly designed air duct and front intake configuration, they meet the latest top-tier smoke removal standards. Midea's Premium Aroma-Enhancing Gas Stove is designed around the "aroma-enhancing" user experience principle. It incorporates a groundbreaking 4D Quantitative and Directional Turbo Oxygen Enrichment Technology to ensure more efficient combustion. The stove also features a unique four-layer wing-shaped vortex energy retention disc, which prevents heat loss from the inner layer, enhances heat recovery in the middle layer, provides windproof insulation in the outer layer, and leverages the pot stand's height for reflective energy storage. Additionally, the innovative dual inner flame design ensures that the flame remains lit even when blown on. With a thermal efficiency exceeding the Energy Efficiency Grade 1 and reaching 80%, this product has been awarded the Premium "Certification of Excellence for Cooking Aroma-Enhancing Household Gas Stoves" by the authoritative institution CVC.

COLMO TURING 2.0 Dishwasher introduces an innovative water curtain full-area fan spray technology, ensuring 100% coverage and more even water flow for thorough yet gentle cleaning of utensils. This technology has been certified by TÜV Rheinland to provide a care rate of over 99%. Additionally, the dishwasher features an innovative adjustable lifting basket that glides smoothly, having undergone rigorous testing, including 43,800 full-load cycles and a 144-hour corrosion resistance test. The highly integrated water system offers more usable space, achieving an industry-leading first-class volume-to-capacity ratio. Midea's Jingyan Wanxiang Dishwasher series has been awarded the industry's first Grade A Cleanliness Certificate. It utilizes a variable-frequency pump with a water pressure of 55,000Pa and a five-arm spray technology. The dishwasher incorporates a groundbreaking hot air circulation drying technology, enabling rapid drying throughout the entire cavity at a high temperature of 120°C and achieving a sterilization rate of over 99%. Additionally, it is equipped with a self-developed phased intelligent detergent dispensing system, smart cloud washing control algorithms, and user washing prediction model algorithms, all of which significantly enhance the user experience.

Midea's SpeedTender (Sunenggan) Electric Pressure Cooker incorporates the industry-first SpeedTender 2.0 cooking technology, enabling the preparation of a dish in as little as 3 minutes and quick braising of hearty dishes in just 20 minutes. This marks a new trend in pressure cooking, emphasizing "tenderness" and "speed." The cooker's innovative air duct design, in conjunction with an efficient pressure system, significantly reduces food preparation time. Furthermore, the high-pressure hot steam technology effectively retains food's moisture and nutrients, enhancing its tenderness. Midea's Dual-Chamber Air Fryer, featuring an industry-first vertical design with upper and lower chambers, delivers highly uniform cooking results in a compact space. It ensures delicious meals without compromising on space or versatility and has been recognized with international honors such as the German iF Design Award. COLMO BLANC 2.0, a premium built-in steamer-oven, incorporates cutting-edge RF radio frequency technology and introduces an innovative AI-adaptive multi-functional cooking hub. This hub facilitates simultaneous cooking of diverse ingredients in distinct zones, ensures exceptional heating uniformity, and offers rapid and fresh thawing capabilities, thereby maximizing the retention of food's nutrition. Additionally, it is equipped with the AI vision feature, which leverages deep learning algorithms to sense food conditions in real-time and precisely match the appropriate heat settings. Midea's C15 Microwave-Oven-Air Fryer leverages an advanced microwave coupling and precision cooking algorithm to accurately control microwave infusion timing, enabling a microwave-assisted air crisp function that enhances food coloring and crispness. Furthermore, it is equipped with upgraded graphene hot air technology and features a streamlined overhead hot air system paired with a miniaturized microwave system, resulting in a more refined and compact product design.

In the realm of entire-house smart cleaning solutions, the Eureka J15 Max Ultra, an innovative intelligent robotic vacuum cleaner, pioneers a binocular fusion recognition system, which integrates both color vision and infrared vision technologies to address challenges posed by ambient light on camera performance, resulting in superior stain recognition capabilities. Furthermore, it boasts an enhanced dual-mechanical arm system for comprehensive cleaning without dead corners and hair entanglement prevention. With ObstaCross technology, the robotic vacuum is capable of crossing thresholds as high as 4cm, thanks to its obstacle-crossing wheels. Midea's cutting-edge floor-washing machine, the X11, incorporates innovative floating scraper technology to efficiently manage residual water marks on floors. It has been enhanced with a dense, double-looped comb scraper, achieving an impressive anti-tangling efficiency of 99% through rigorous testing. The base is capable of heating up to 85°C for high-temperature, deep self-cleaning, enabling rapid drying within five minutes while maintaining a dry flow path to effectively prevent the development of odors and bacterial growth. Furthermore, the machine features a unique three-directional edge-cleaning brush, ensuring thorough cleaning with zero gaps.

In terms of living and bedrooms, the Clover Series Entire-House Circulating Fan introduces an industry-first clover-inspired bionic blade design, which forms a "Möbius strip" like airflow channel. This innovation transcends traditional industry norms, enhancing the airflow diameter by 21.5% and reducing sharp, high-frequency noise by 53%, effectively addressing user needs for stress relief and silent sleep. Furthermore, the fan introduces comfort indicators such as turbulence intensity and power spectrum index, contributing to the advancement of industry standards and norms. Midea's 2-in-1 Heating and Cooling 2.0 Platform Electric Heater, featuring a patented manual heating element adjustment technology, provides dual-season functionality for both winter and summer use, boasting superior heating and cooling performance that has garnered global recognition.

(II) Advancing Technological Innovation, Strengthening TP3 Elements Development in Research Organizations, Establishing a Digital and Agile R&D System, Continuously Converting R&D Outcomes into Standards and Patents, and Comprehensively Implementing a Strategy of Technological Leadership

Midea remains committed to enhancing its R&D investment, establishing and refining a robust R&D system. In line with its strategic focus on technological leadership, the Company continuously optimizes its "Three Generations" R&D mode, "Four-Tier R&D framework", and "Three-Level technical committee" operational mechanisms. This fosters the development of "TP3 elements" – Technologies, People, Projects, and Processes – within research organizations. By guiding these research organizations to strategically position themselves in frontier technology exploration, core technology breakthroughs, and technology project conversions, Midea ensures alignment between its technology strategies and medium – to long-term product planning. Through a dual-wheel drive approach combining technology and products, Midea drives industrial development.

As of the end of 2024, Midea has established 16 national-level scientific and technological innovation platforms, including national key laboratories, national artificial intelligence open innovation platforms, national cross-industry and cross-domain platforms, national industrial design centers and enterprise technology centers, national demonstration bases for talent and intelligence introduction, postdoctoral research stations, etc. Additionally, there are 82 provincial and ministerial-level scientific and technological innovation platforms, including provincial and ministerial-level enterprise technology centers, innovation centers, engineering technology research centers, industrial design centers or key laboratories, as well as doctoral workstations. Midea Group has always adhered to continuous investment in research on core technologies, achieving substantial breakthroughs in both its core business sectors and new technological domains. In 2024, Midea achieved notable accomplishments in scientific and technological research, including one new national science and technology award, 30 new provincial and ministerial-level science and technology awards, and 67 new internationally leading or advanced achievement assessments. Cumulatively, Midea has won four national science and technology awards, over 470 provincial and ministerial-level science and technology awards, and more than 350 internationally leading or advanced achievement assessments. Among these, several projects stood out: the project titled "Key Technologies and Applications for Efficient Supply of Multi-Grade Thermal Energy from Air Source Heat Pump Systems" received the Second Prize of the National Science and Technology Progress Award in 2023; the "Global Low-Carbon Heating Technology and Industrialization of Ultra-Low Temperature Gas-Liquid Combined Injection Heat Pump Systems" project was honored with the First Prize of the Guangdong Provincial Science and Technology Progress Award in 2023; the "Key Technologies and Applications for Data-Driven Energy Efficiency Improvement in Green Public Buildings of Megacities" project won the First Prize of the Shanghai Municipal Science and Technology Award in 2023; the "Highly Reliable and Strongly Immune Magnetic Levitation Bearing Electric Drive System and Its Applications" project secured the First Prize of the Hubei Provincial Science and Technology Award in 2024; the "Research and Application of Key Technologies for Efficient and Comfortable Ventilation Based on Multi-Level

Composite Biomimetic Optimization Systems" project received the First Prize for Outstanding Scientific Research Achievements from Shaanxi Universities and Colleges in 2024; the "Intelligent Manufacturing and Industrialization Application of the New Ultra-Micro Bubble Washing Technology and Devices" project was awarded the Second Prize of the Anhui Provincial Science and Technology Award in 2023; the "Research and Industrialization of Key Technologies for Space Purification Without Consumables Based on Molecular Catalysis and Electric Power Synergy" project earned the First Prize of the Science and Technology Progress Award from the China National Light Industry Council in 2023; the "Research and Industrialization of Key Technologies for Highly Adaptive Silent Variable Frequency Compressors" project also garnered the First Prize of the Science and Technology Progress Award from the China National Light Industry Council in 2023; the "Research and Industrialized Application of Active and Passive Frost Suppression and Energy-Efficient Technologies in Refrigeration Equipment" project received the First Prize of the Science and Technology Progress Award from the China Energy Conservation Association in 2024; the "Key Technologies and Industrialization of Intelligent Adjustable and Selective Filtration for Healthy Drinking Water in Multiple Scenarios" project won the First Prize of the Science and Technology Award from the Membrane Industry Association of China in 2024; In addition, Midea's "Toshiba high-end residential air conditioners" were recognized with the 2024 All-Japan Energy Conservation Grand Prize. Furthermore, several projects have been recognized as achieving internationally leading technological achievements, including: "Key Technologies and Applications of AI Data-Driven Variable Frequency Control", "Research and Application of Energy-Efficient Drying Technologies for Clothes Dryers", "Research and Industrialization of Atomization Freshness Preservation Technology", "Research and Industrialization of Key Technologies for Creating a Low-Noise, Low-Carbon, Healthy Kitchen Environment Based on Biomimetic Anisotropic Superstructures", "Research on Key Low-Salt Cooking Technologies and Their Application in Microwave-Steamer-Ovens", "Research and Industrialization of Key Technologies for UH Dual-Frequency Integrated Cooking Appliances", "Research and Industrialization of Key Technologies for Wide-Frequency, Full-Range, High-Efficiency, Silent Compressors", "Energy-Saving Operation Technologies and Industrialization for Air Conditioning Systems", "Development of a High-Performance Robot Control Platform Based on Multi-Core Heterogeneous SoC", "Research and Application of High-Efficiency Thermal Insulation Materials in Household Appliances". In the area of industrial design, with a focus on the dual high-end brands and prioritizing overseas OBM initiatives, Midea has consistently advanced product design innovation and enhanced user experience through deepening organizational reforms within its industrial design sector. This has significantly contributed to building a competitive brand portfolio. In 2024 alone, Midea received 126 industrial design honors, including 36 German Red Dot Design Awards, 47 German iF Design Awards, 29 IDEA Awards from the United States, and 14 G-Mark Awards from Japan. To date, Midea has amassed over 900 international industrial design awards.

In order to provide strong support for the fulfillment of the strategic objective of "Technology Leadership", Midea further implements the "3+1" standardization strategy of "Innovation Patentability, Patent Standardization, Standard Internationalization and Midea Standard Goes Out". And through a two-tier (Group-business divisions) standardization management system and the double drivers of "standard innovation + product innovation", Midea shifts innovation achievements to advanced technological standards. In 2024, Midea actively participated in the formulation or revision of 230 technical standards, comprising 14 international standards, 106 national standards, 16 industry standards, and 94 local and group standards. To date, our cumulative involvement in the formulation or revision of technical standards exceeds 2,100. Additionally, Midea chairs an international standardization working group within the Institute of Electrical and Electronics Engineers (IEEE) and has been recognized with both the Standardization Organization Award and the Standard Project Award (Third Class) at the Guangdong Provincial Standard Outstanding Contribution Awards. While focusing on core technology research, Midea has continued to strengthen its efforts in transforming innovative achievements and patent protection. In 2024, Midea received over 11,000 newly granted patents worldwide, with more than 5,000 being invention patents. As of the end of 2024, Midea's total global patent applications exceeded 150,000, and the number of granted patents stood at over 90,000. Midea remains committed to enhancing patent quality, with a cumulative total of over 130 awards in the China Patent Awards, including six Gold Awards and 14 Silver Awards.

(III) Driving New Growth through Steadfast DTC Transformation, Focusing on Retail Capabilities, and Advancing Digital Business Model Innovation to Achieve Upgrades in Operational Efficiency and User Experience

Midea has enhanced the end-to-end retail experience through strategic infrastructure development in exclusive retail systems, optimization of store supply experiences, digital retail transformation, and DTC reforms. For offline channel clients, Midea has reconstructed the retail ecosystem with digital empowerment as the cornerstone. First, we have facilitated the transformation and upgrading of over 30,000 stores through comprehensive category integration, pre-installation solutions, digitalization, and online integration, achieving asset-light operations and high-efficiency store-level delivery. Second, the cloud warehouse + shared inventory model has achieved remarkable results. Combined with fully digitized services including home delivery, cloud credit, and returns/exchanges, we have realized visible delivery timelines, overtime compensation guarantees, and automated policy fulfillment, significantly reducing operational costs while improving delivery efficiency – directly benefiting roughly 30,000 clients. Third, leveraging Midea's digital operations platform and shared inventory capabilities, we have established an O2O model encompassing all clients, inventories, SKUs, and subsidies, now covering 50,000 offline stores to drive sales growth.

Through omnichannel traffic aggregation and service upgrades, we have managed to attract customer flow by converging online and offline resources in creating seamless shopping experiences. We have strengthened consumer trust through transparent pricing with consistent product offerings, pricing, and benefits across channels. Multi-platform traffic diversion strategies have effectively attracted new customers while reactivating existing users via OMO coupons and trade-in programs, enhancing user retention. Continuous upgrades to user benefits – including hassle-free returns/exchanges, service productization, and real-time interaction – help establish a comprehensive service ecosystem. Brand capability development is deepened through digitalized omnichannel marketing matrices spanning diverse traffic platforms. A new traffic acquisition and conversion system for B2B clients achieves precise customer targeting and efficient offline store referrals through data-driven marketing. Maintaining consumer-centric principles, we have innovated diversified interactive scenarios by deeply analyzing lifestyle patterns and shopping behaviors, enabling precise user engagement.

In 2024, Midea's domestic e-commerce sales accounted for over 50% of total revenue (including penetration into lower-tier markets), with the Midea ecosystem securing its 12th consecutive year as the industry leader in total online sales during the "Double 11" and "618" shopping festivals. Midea has deepened its presence on interest-driven e-commerce platforms, achieving sustained breakthroughs through technology-driven product innovation. By offering comprehensive whole-house solutions tailored to diverse scenarios, Midea has persistently expanded its interest-based consumer base. User renewal experiences are elevated through business model innovations and capabilities such as the shared inventory system. Integrated online-offline domestic operations are strengthened via streamlined product integration, optimized supply chain warehouse-network systems, and unified marketing strategies, driving growth through simplified efficiency. In lower-tier markets and offline chain channels, Midea actively aligns with national trade-in policies, ensuring platform client execution to achieve dual growth in both scale and market share during policy periods. Midea also vigorously advances digital project integration with strategic partners, leveraging digital tools to refine procurement, sales, and inventory workflows, thereby enhancing operational efficiency and responsiveness. Tailored to varied user needs, joint, product suite-based and scenario-based displays highlight product synergies, delivering immersive shopping experiences. In the engineering sector, warehouse-network integration and shared inventory system significantly reduce client inventory burdens and shorten order fulfillment cycles, markedly improving customer satisfaction. Structural upgrades, such as COLMO's whole-house smart solutions, help generate new growth momentum. Cross-industry collaborations have expanded, driving notable progress in affordable housing, higher education institutions, energy retrofits, and government procurement projects.

In terms of marketing, Midea has leveraged innovation to deliver exceptional experiences in whole-house, full-scenario smart living. Multiple product suites, such as Ningjing and Xingrui, were launched to address diverse user needs, continuously elevating quality lifestyles centered on comfort and well-being while reinforcing the brand philosophy that "Smart Living Can Be Even Better." In response to fragmented marketing channels and evolving user media engagement habits, Midea has transitioned to digital and precision marketing, unifying brand strategy, content, and outreach. By prioritizing high-quality content and targeted delivery, a full-chain, closed marketing loop (exposure-search-conversion) has been established to amplify brand audience equity and operational efficiency. In 2024, Midea's total brand audience assets ranked first in the home appliance industry on both Xiaohongshu and Douyin platforms.

In terms of user operations, integrated interactive channels have been deployed to ensure consistent engagement experiences. Investments have been intensified to upgrade the Midea User Benefits System, introducing policies such as no-questions-asked return/exchange, Home Appliance Care, and complimentary maintenance for long-term users. Midea has strengthened proactive management across the entire appliance lifecycle, offering one-stop services spanning product manual, warranty, consumables, accessories, cleaning, and replacement. In 2024, proactive user engagement reached 25 million interactions, establishing an optimized model for user outreach efficiency.

In its unwavering pursuit of optimizing whole-house smart solutions and upgrading intelligent systems, Midea has progressively refined its "whole-house smart appliances + smart home products" portfolio. Strategic investments have been directed toward Artificial Intelligence-Generated Content (AIGC), alongside the proprietary development of Midea Smart Home Agent based on the AIGC Large Language Model (LLM). This initiative has delivered novel spatial intelligence experiences characterized by proactive sensing, alerts, and services. An integrated "appliance-home furnishing" model has been established, complemented by ongoing enhancements to COLMO stores' full-scenario smart environments, which fuse smart appliances and home intelligence into seamless experiences, thereby further refining sales frameworks. The digital design tool Home Design Pro well elevates in-store planning efficiency, enabling end-to-end integrated design and installation services. A smart service network has been expanded to new regions, ensuring full-chain user experience excellence. Continuous optimization of the Midea Home App strengthens user engagement, achieving over 60 million registered users and surpassing 100 million connected devices on its IoT platform. In 2024, global shipments of appliances and smart home products equipped with Midea's smart modules exceeded 60 million units.

In terms of user services, Midea deepens digital transformation to build a full-cycle smart appliance service ecosystem. First, upgraded service standards have driven dual improvements in satisfaction and Net Promoter Score (NPS), underpinned by transparent pricing and a "365-Day Replacement Policy for Small Appliances." Second, we have pioneered the 5G video customer service and AI-powered diagnostics, alongside an integrated "delivery-disassembly-installation-collection" service network that streamlines returns with full-process visibility. Third, scenario-based service offerings such as Xi Yue Jia (CleanCare) and Mei Jia Bao (HomeGuard) have been launched, forming a closed-loop pre – and post-sales system. Additionally, green transformation is accelerated through an innovative closed-loop carbon asset model, which upgrades the appliance recycling system into a carbon management framework, positioning Midea as a sustainability leader.

(IV) Accelerating Global Breakthrough, Strengthening Overseas Localization, and Maintaining Consumer-Centric Product Orientation

In 2024, the overseas home appliance market was haunted by varied risks and challenges including macroeconomic fluctuations, dramatic exchange rate changes, and persistently high inflation. Nevertheless, Midea's overseas operations achieved robust growth. Midea persistently expands its overseas manufacturing landscape and vigorously ratchets up its "China-to-Global + Regional-to-Regional" model, promoting construction and commencement of production of overseas new factory while facilitating manufacturing synergy between domestic and overseas factories. In strengthening the management of overseas joint venture factories, Midea draws from the successful practices of domestic lighthouse factories, continuously cultivates overseas lean manufacturing specialists, and implements production line layout improvements and automation transformation projects at overseas manufacturing bases to enhance overseas manufacturing efficiency and delivery capabilities.

The Group continues to beef up investment in proprietary brand product development, and constantly improves regional product portfolio and competitiveness across the globe through localized user insights and innovations. In 2024, Midea-branded products achieved market breakthroughs across multiple countries and home appliance categories. For instance, Midea-branded refrigerators have secured market leadership in Malaysia, Saudi Arabia, and Chile, while rising to second place in Vietnam and Thailand. Midea-branded washing machines have attained first and second place market share in Malaysia and Saudi Arabia respectively. Midea-branded residential air conditioners maintain market leadership in Brazil and Egypt for consecutive years. Additionally, Midea-branded microwave ovens, dishwashers, fans, and electric pressure cookers rank among top positions in various emerging markets. Meanwhile, the Group continues to expand overseas smart home operations and enhance user experience. In 2024, Midea's smart home app successfully garnered over 2.1 million new overseas registered users, bringing the total number of registered users to more than 4.4 million. Additionally, the average monthly active users experienced a significant year-over-year growth of nearly 140%.

In intensifying proprietary brand development in overseas markets, Midea has stepped up the global breakthrough of its self-owned brands by driving parallel advancements in branding, product offerings, and service quality. The Group has deepened user engagement channels at the front end of markets, expanded product-centric brand promotion, and strengthened cross-category brand awareness for whole-house appliance solutions. It further solidified partnerships with globally renowned entities such as Manchester City Football Club and its star player Erling Haaland, effectively reaching hundreds of millions of football fans and potential appliance consumers worldwide, continuously elevating brand value, and amplifying brand visibility. Leveraging insights from its specialized brand-building model in North America, Midea has enhanced the global impact of its proprietary brands across multiple dimensions, including offline retail experiences, sales team development, social media campaigns, and integrated marketing for whole-house appliance suites. Additionally, Midea amplifies online content marketing both on and off its platforms, advances the optimization of its official website and social media matrix, refines its multi-brand portfolio, and implements comprehensive upgrades in content planning, visual presentation, and shopping experiences while establishing a centralized marketing resource pool.

Midea also expedites the expansion and refinement of its overseas channel network by analyzing country-specific channel landscapes and prioritizing a curated list of global key accounts (KAs). It has deepened collaboration with major clients across North America, South America, Asia-Pacific, Europe, the Middle East, and Africa. Midea sustains efforts to enhance retail outlet development and achieve breakthroughs in specialized channels, while advancing holistic cooperation with channel partners in product placement, upgrades, terminal infrastructure, promotional campaigns, customer service, and system integration. These efforts have not only led to improved channel structure but also helped optimize new product displays at retail touchpoints to boost user engagement and brand recognition. Committed to digital transformation, Midea empowers overseas retail operations with digital tools, adding over 3,800 digitized retail outlets. These tools are deployed to enhance traffic acquisition, conversion, and user retention, with the introduction of a digital business assistant to elevate retail workforce efficiency and service responsiveness. Additionally, Midea has harnessed new media content marketing to strengthen product-user interactions, optimizing the quality and efficiency of content across all consumer touchpoints.

In 2024, Midea's overseas e-commerce sales revenue from self-owned brands increased by over 50% year-on-year, achieving dual growth in both scale and profitability. The Group delivered significant results across channel diversification, brand marketing, product innovation, and digitalization, while giving full play to its integrated strengths and benchmarking against industry leaders to markedly enhance e-commerce profitability. During major promotional campaigns such as Amazon Prime Day, Black Friday, and Cyber Monday, sales grew substantially year-on-year, with market share steadily rising. Midea's proprietary brands secured top-three sales rankings in over 60 product categories across Amazon's core marketplaces, claiming the top position in 29 of these categories. The Group vigorously expanded new global channels, adding nearly 30 new e-commerce channels/sites in 2024. It also partnered with leading emerging e-commerce platforms, promoted influencer-driven sales models, and increased brand and product visibility on social media. Midea has deepened its multi-domain strategic partnership with Amazon, spanning advertising, logistics, and operations. By 2025, the Group's overseas e-commerce operations will achieve full coverage across all 23 Amazon global marketplaces and deepen collaborations with 35 non-Amazon channels. By benchmarking against industry bestsellers and leveraging market big data insights for e-commerce-exclusive product planning, Midea has boosted sales of individual products by over 50%. Additionally, it implements AI-powered end-to-end operational empowerment, progressively building AI-driven capabilities across AIGC content generation, advertising optimization, product-market insights, and social media influencer partnerships.

Midea persistently refines its global service system and sharpens its service capabilities, maintaining a customer-centric approach through detailed improvements across five dimensions: spare parts delivery, customer engagement, service network, service digitization, and service technology engineering. To support its overseas OBM-first strategy, Midea allocated dedicated investments across all overseas service domains in 2024 to accelerate the development of foundational service capabilities and optimize customer service experiences. The Group continued to build a four-tier global spare parts supply chain, establishing warehouse networks near overseas manufacturing bases to ensure global spare parts supply availability. In 2023, Midea launched regional warehouses covering the Middle East and the European Union, followed by the completion and operationalization of a regional warehouse at its Thailand manufacturing base in 2024. Market-facing spare parts delivery efficiency improved by 20% year-on-year in 2024. Since implementing Amazon Connect in 2022 as its globally deployed cloud-based omnichannel customer engagement system, Midea has iteratively upgraded its global call centers to achieve end-to-end closed-loop management from user outreach to service completion. The cloud-based transformation of call centers has reduced operational costs and improved voice call quality while utilizing Amazon Web Services (AWS) security tools to meet cross-border data compliance requirements, ensuring end-user privacy and data security. Midea has deployed its cloud call system in 16 countries and regions and introduced an overseas intelligent voice robot. Integrated with AIGC applications, this system enables voice analysis, semantic recognition, and social media connectivity, further advancing the development of a proactive and responsive global service system. Midea unwaveringly enhances its overseas after-sales service system (iService) and cloud call platform through its Digitalization 3.0 initiative, optimizing global service network and service engineering master data management to significantly improve service precision and efficiency. In 2024, the iService work order system was extended to 18 overseas subsidiaries, further elevating transparency and consistency in service management. In stepping up the digital transformation of services, Midea progressively refines end-to-end system processes to ensure standardization of service workflows. In parallel with making its overseas service network more user-centric, Midea expanded service network coverage in 2024 through multiple models, including direct-operated service centers, exclusive service centers, and dedicated service engineers, alongside empowering third-party partner service outlets to improve capabilities, eventually achieving a 30% year-on-year increase in work order processing efficiency. Additionally, to support new product launches, Midea managed to augment its backend technical support platform. In 2024, it completed the integration of New Product Introduction (NPI) service preparation processes and IT system functionalities, driving cross-functional collaboration across the value chain to ensure seamless service readiness for new product releases.

In 2024, despite challenges such as yen depreciation-induced cost pressures, sluggish demand in the home appliance market, and intensifying competition, TLSC remained steadfast in prioritizing user experience and navigating market uncertainties with agility. The subsidiary reinforced its growth mindset and a results-driven culture by strengthening collaboration with the Group and relevant product divisions in R&D and quality assurance. This synergy comprehensively enhanced product competitiveness and quality, optimized development processes, and ensured timely new product launches and supply chain reliability. On the branding front, TLSC has signed renowned Japanese actor Takashi Sorimachi as its brand ambassador while strengthening online and offline promotional campaigns to continuously elevate brand awareness through digital marketing tools. On the marketing front, TLSC enhances communication with key clients, improves terminal retail execution, and expands new channels to maintain leading market shares in categories such as refrigerators and microwaves. For the online market, it has intensified the development of standalone hit models and deepened collaboration with Midea's international e-commerce team. By leveraging big data analytics to empower e-commerce operations in Japan, a microwave oven newly launched by TLSC entered Amazon's top 20 rankings in its category within two weeks of release. In 2024, TLSC defied market trends to achieve 9% retail growth in Japan, increasing its aggregate market share across six major categories – refrigerators, washing machines, air conditioners, microwaves and rice cookers – to nearly 15%.

(V) Driving Holistic Digital Transformation to Enable Data-Driven Operations and Platform-Based Management Across the Entire Value Chain, Thereby Sharpening Competitive Edge in the Digital Age

In advancing comprehensive digital transformation under its "Digitisation & Intelligence Driven" strategy, Midea has pushed ahead data-driven operations and platform-based management across the entire value chain to sharpen competitive edge in the digital age.

In the domestic China market, Midea advances its digital transformation by consistently implementing the "DTC Strategy," "Worry-Free Retail 2.0," and "Warehouse-Network Integration + Shared Inventory

System," alongside the integration of digital tools. Cloud-based inventory sharing has increased in-stock fulfillment rates by 13%. Midea has also improved on-time delivery rates and separated warehousing and distribution capabilities through cloud credit services to support flexible business scenarios. On the strength of policy automation and online implementation, automated client policy fulfillment has exceeded 99%, and online retail policy adoption has grown significantly. Additionally, Midea has kicked off the OMO multi-platform traffic initiative, focusing on Douyin, Meituan and Gaode to leverage social media platforms for direct consumer engagement, enabling real-time local service experiences and product delivery. The initiative has generated a gross merchandise value (GMV) exceeding RMB2.5 billion. Full-chain digitization of marketing activities has contributed to efficiency enhancement, covering over 26,000 stores and 120,000 campaigns. With registered membership base topping 230 million, Midea gained over 50 million new members in 2024, while continuous improvements to user experience drove a 30% year-on-year increase in net promoter score (NPS). The Group iteratively upgrades the "Midea Cloud Sales" APP to enhance client operational efficiency and experience, achieving daily page views (PV) exceeding 3.2 million. During the 2024 national appliance trade-in subsidy program, Midea became the first to fully integrate its online system, enabling participation by over 40,000 stores and driving significant sales growth.

In overseas markets, the Group comprehensively promotes its "Digital 3.0" initiative to enhance global operational efficiency and digital transformation. Through end-to-end value chain analysis, Midea puts emphasis on advancing digital capabilities across overseas staff management, product management, order management, overseas manufacturing, logistics, e-commerce operations, direct user engagement, and supply chain optimization, while extending domestic digital transformation expertise to global operations to enable global breakthroughs. The iBOS overseas sales integration platform has achieved full coverage across international subsidiaries, consolidating end-to-end operational data spanning production, shipment, logistics, and order management to enable full-process data visualization, thereby improving overseas order fulfillment efficiency by 30%. The enhanced overseas channel management system has seen its registered channel partners surpassing 4,000 and facilitated over 35 million autonomous channel orders, substantially strengthening channel operational frameworks. The newly implemented Midea Club system is now operational in 12 countries, supporting professional installation channel development and accumulating more than 40,000 registered users by early 2025, thereby elevating the level of data digitization in overseas installation services. The establishment of the unified iEcom platform has enabled end-to-end integration of e-commerce operations – from consumer insights, market evaluation, product selection, procurement planning, inventory management, order fulfillment, after-sales service, advertising campaigns, to financial reconciliation – yielding an 85% improvement in fulfillment efficiency and a 75% enhancement in store digitization capabilities. Digital platforms have facilitated user insight-driven product development and technological innovation, enabling continuous delivery of innovative solutions that address customer needs and optimize user experiences. The expanded after-sales knowledge base has enhanced Voice of Customer (VOC) analysis to support overseas proprietary brand innovation. Operational upgrades also include the digital transformation of overseas manufacturing facilities, with digital system deployments completed at production bases such as the Brazil factory.

On the R&D front, the Group aligns its efforts with the strategic pillars of “Technology Leadership” and “Global Breakthroughs,” supporting 15 key R&D initiatives and deepening the implementation of its “Three Generations” model. It further refines the R&D system to achieve full-process visibility across four project categories, three tiers, and leading-class projects, attaining a 98% on-time project approval rate for planned initiatives. The linkage between technology research and product development has been optimized to elevate research work-hour allocation, while AI tools are also harnessed to identify product opportunities and enhance product planning capabilities. A foundational structure for R&D knowledge, team expertise, and knowledge mapping has been established, with accumulated corporate R&D knowledge assets exceeding 2.5 million entries. Overseas OBM product efficiency and digital operations have been enhanced, driving a 36% reduction in product SKUs and a 13% simplification in configuration solutions. Through the integration of AIGC tools with R&D workflows, Midea puts focus on scenarios such as R&D knowledge Q&A, academic paper summarization, and AI-generated graphics to boost R&D productivity. The adoption of Failure Mode and Effects Analysis (FMEA) reliability design tools has improved reliability analysis efficiency by 25%, while the full digitization of electronic control software development processes has increased platform efficiency by 25% per product output. An ESG product carbon accounting platform has been established, elevating whole-unit carbon calculation efficiency to 50%. Cross-value chain collaboration between R&D and quality assurance, manufacturing, and sales has been strengthened through initiatives like intelligent lab scheduling, new process introductions, and IPDP system deployments. These efforts have collectively reduced abnormal labor hours by 42%, improved whole-unit testing efficiency by 20%, and enhanced product parameter retrieval efficiency by 10%.

On the manufacturing front, Midea actively accelerates the digital transformation of overseas production bases and vigorously explores the application of AIGC technologies for enhancing efficiency in overseas manufacturing, quality control, and supply chain management. This endeavor has strengthened overseas delivery capabilities while advancing standardization and consistency in the digital transformation solutions for factories. The Group has achieved a 58% reduction in supplier onboarding cycles through end-to-end global supply chain reforms, improved quality inspection efficiency by 30% via digitized paperless processes for incoming materials and finished product inspections, and increased production scheduling efficiency by 75% through online mixed-flow scheduling overseas. By synchronizing domestic and overseas planning systems, implementing box-level production scheduling, enabling one-click ordering, and automating reserve order deductions, KD component cycle time has been shortened by four days. Domestically, Midea continues advancing green manufacturing capabilities, with its Hefei Laundry Appliance Factory and Chongqing Intelligent Building Technology Factory being recognized by the World Economic Forum (WEF) as “Sustainability Lighthouse” and “End-to-End Lighthouse” factories respectively. Midea promotes green, low-carbon, and circular ecosystem development through an ESG digital management platform. Inventory stagnation has decreased by 27% via supply ratio optimization reforms, while supplier loss hours has also reduced by 37% through vendor empowerment initiatives. For B2B manufacturing digitization, Midea has developed standardized templates featuring intelligent workshop scheduling, dynamic internal logistics coordination, and flexible machining solutions, cutting scheduling time by 50%. By establishing an integrated portal covering the entire electronic manufacturing domain, Midea implements a "single-code" traceability system to ensure full-process electronic quality monitoring. AIGC integration into business operations has facilitated the establishment of regional overseas supply chain resource systems and centralized procurement scale advantages. These efforts have supported the enhancement of domestic high-end manufacturing quality, facilitated intelligent distribution across the entire supply chain, and brought into being green, smart manufacturing factories that set benchmarks by integrating user interaction, factory-retail integrated services, and industrial tourism features. In regard to industrial empowerment, the M•IoT platform has by far connected over 4 million industrial devices, provided more than 1,200 industrial applications, and developed over 5,000 industrial models, serving nearly 600,000 enterprises. M•IoT application cases were selected for inclusion in the 2024 "Digital Transformation General Tool Product Application Cases" catalog of the Ministry of Industry and Information Technology.

In the B2B business domain, availing itself of a multi-industrial operational model, Midea has progressively completed the design and development of recurring and project-based business templates, establishing the integrated, multi-format B2B digital marketing platform Sale Smart. This platform has been implemented in select business units of Midea's New Energy & Industrial Technology and Intelligent Building Technology divisions, improving the efficiency of core end-to-end fulfillment processes by 46% and 72% for domestic China and overseas markets in New Energy & Industrial Technology respectively. Through the restructuring of B2B project templates, Midea has achieved full customer coverage in Intelligent Building Technology's channel business via downward penetration of digital tools, driving notable channel business growth. Process optimization reforms, data governance, and AI tool implementation have also enhanced operational efficiency by over 40% in scenarios including inquiry-quotation and order fulfillment, supported an increase in complete kit delivery rate to over 75%, and enabled full-order-cycle visibility with early warning capabilities, thereby significantly improving transparency and predictability in B2B business management.

In operational management, focusing on business empowerment through cost optimization, efficiency enhancement, compliance, and risk control, Midea has executed digital transformation across functional support domains including finance and human resources. It has digitalized overseas employee compensation and performance management, enhanced the efficiency and consistency of international financial accounting processes, and supported global financial sharing models. Concurrently, digital tools are deployed to beef up global tax compliance and trade compliance capabilities.

Midea continues to deepen data-driven business empowerment, utilizing "Data+AI" technologies to deliver intelligent data-driven solutions that span core operational scenarios including R&D, marketing, supply chain management, overseas markets, and B2B operations. The Group has established and advanced the implementation of its AIGC data initiative, which deeply empowers operations through the development of "1 general capability + 5 specialized application capabilities." For general capability enhancement, the AI Data Assistant supports intelligent Q&A and smart search functions across data indicator systems in all value chain domains, well improving data retrieval and analysis efficiency. With regard to specialized application capabilities, the initiative covers core R&D, production, and sales domains, with applicability in scenarios such as product planning, market analysis, customer feedback integration, and market intelligence. By applying AIGC capabilities to digital planning, Midea has created AI Planning Assistants for B2C/B2B operations. Through research on overseas residential spaces, it has also enhanced efficiency in identifying product innovation opportunities and reduced overseas OBM product planning costs. Building upon supply chain data strengths, Midea has developed an Intelligent Control Tower for cross-border material supply, enabling unified management of cross-border material supply plans. The implementation of an online inventory refinement analysis model has enabled smart full-chain operations to optimize inventory levels. Additionally, the establishment of a real-time scheduling operations center for manufacturing site management has facilitated instantaneous risk alerts and interventions, thus elevating factory operational efficiency. Focusing on domestic DTC transformation, Midea has achieved online connectivity and sharing of multi-channel, multi-dimensional, multi-role, and multi-terminal operational data, delivering accurate and efficient data empowerment to stores, merchants, operators, and logistics centers to advance terminal retail digitalization. Concurrently, it prioritized product portfolio upgrades and content digitization, establishing a million-follower live-streaming studio to enhance content seeding efficiency, which supported over 240 core structural products in meeting retail targets. For overseas digital 3.0 transformation, Midea enhanced data-driven capabilities across the entire value chain, creating an internationalized dashboard for transparent global operational data visibility. It has redesigned its global Voice of Customer (VOC) platform using AI technologies, enabling precise tagging of user feedback, granular analysis of customer issues, and closed-loop improvement tracking. In the B2B domain, Midea has deepened market intelligence analysis and business opportunity mining through AIGC capabilities, empowered client expansion via data insights, and developed an end-to-end business dashboard for B2B project-based and recurring models, ensuring online data connectivity and sharing across operations, channels, and customers.

In strengthening its digital infrastructure and information security framework, Midea launched the Global Neutral Cloud (GNC) platform with initial deployments in Asia-Pacific and North America, thereby achieving “two unifications” in digital infrastructure – domestic-international integration and public-private cloud convergence – while establishing a “global unified network” through a cross-cloud virtual network architecture. These measures eliminate redundant multi-cloud adaptation and development for upper-layer applications, enhance public cloud flexibility, and improve R&D and deployment efficiency for global business responsiveness. Midea holds steadfast to advancing data platform development by deploying self-developed cloud host platforms at its Gui’an Data Center and select overseas locations, which are projected to save over RMB10 million in annual costs, with data processing volumes and computational tasks going up by over 30%. By applying advanced security model technologies, Midea has elevated information security defenses and protection efficacy, automated security response mechanisms, and safeguarded secure business operations. Additionally, Midea continues exploring new breakthroughs in enterprise digital transformation through emerging technologies such as AIGC, middle-platform systems, and big data. On one front, the Company has actively trialed and successfully implemented LLMs across administrative operations, visual-textual descriptions, intelligent Q&A, and digital avatars, collectively saving nearly 400,000 work hours and significantly enhancing operational efficiency. On another front, by applying AIGC in maritime logistics, Midea executed an automated cabin booking project, which improved overall efficiency in clause-based booking operations by 20%, achieved 80% automation coverage, and boosted total business efficiency by over 8%.

In advancing its “Digitisation & Intelligence Driven” strategy, Midea accelerates comprehensive AI integration by exploring the application of LLM and Agent technologies. “Meiyan”, a proprietary home appliance-focused LLM developed by Midea and trained on in-house data, empowers smart products such as voice-controlled air conditioners, dual-station washing systems, sweeping robots, and ovens. This LLM delivers natural dialogue interactions, fuzzy semantic controls, home-related Q&A, and scenario generation, enabling seamless whole-house appliance integration and comprehensive intelligent housekeeper services. Midea pioneered the application of Agent capabilities in home scenario generation, achieving rapid response and controllable output. Furthermore, Midea’s research teams have actively contributed to industry-wide AI advancements, publishing multiple papers at international conferences including the Conference on Neural Information Processing Systems (NeurIPS), the Association for the Advancement of Artificial Intelligence (AAAI), the Conference on Computer Vision and Pattern Recognition (CVPR), and the Asia-Pacific Signal and Information Processing Association Annual Summit and Conference (APSIPA). These efforts have expanded cutting-edge research in the fields of embodied intelligence, multimodal LLMs, and image generation technologies.

(VI) Launching Diversified Brand and Product Portfolios Based on User Tiering, and Promoting Core Values of these Brands to Empower Retail Sales and User Operation

In 2024, Midea continued to promote the “COLMO+TOSHIBA” dual high-end brand strategy. In the Reporting Period, the overall retail sales of the dual high-end brands saw a year-on-year growth of over 45%. COLMO takes the three major capabilities of “smart interaction”, “smart evolution” and “smart care” as the core, allowing home appliances to think on its own, make independent decisions and self-upgrade, in order to create life value and advanced experience for global elite users with evolving AI technology. In terms of products, in September 2024, COLMO launched TURING 2.0 high-end suite home appliances at the IFA exhibition in Germany, allowing users to gain a high-level experience beyond the basic material life with the new technology luxury. Specifically, the TURING 2.0 central air conditioner features the first AI three-pipe operation mode, which can maintain the balance of temperature and humidity in all seasons and create a comfortable climate. The standard 12.3-inch AI smart screen allows users to control the AC in the whole house with one screen. TURING 2.0 Dry Cleaner-Carer features the first AI voice interaction, and can wash or dry clothes with voice commands thanks to Smart Home Agent, a self-developed AI all scenario technology, bringing a comprehensive upgrade of AI washing and care experience. TURING 2.0 range hood reconstructs the full-hidden lifting mode, is equipped with AI super-sensing linkage system to realize AI smoke cleaning, and integrates smart lighting and safety protection. TURING 2.0 DMO gas stove features innovative AMOLED HD color screen smart knob and built-in star chef recipes, and is customizable. COLMO BLANC built-in steam ovens adopts the world’s leading RF technology, and directional and accurate control of food energy, and allows various food to be cooked in different areas at the same time, with ultimate consistent molecular cooking effect. It won German iF Design Award, German Red Dot Design Award, USA IDEA Awards, and many other honors. COLMO AVANT series refrigerator “Big Cube” subverts the simple 1+1 expansion mode of traditional refrigerator, features the first free combination of AB double cabinet for a variety of flexible formation. It won the Honorary

Award of China Refrigerator Industry Summit and the German iF Design Awards. COLMO Cloud White Washer-Dryer suite has gained awareness beyond the circle, with more than 1.18 billion UV exposure in the year for a single product, and most search volume in TikTok in washing and drying industry. Equipped with the black technology of making ice with live spring, COLMO Diamond pipeline ice maker can make transparent and melt-resistant ice fast. Together with its water purifier of ten years long service life, it will fully protect the health of drinking water for family, and create a hidden/built-in smart drinking water center of full temperature. In terms of branding, COLMO has further promoted the rapid growth of brand presence by cooperating with the elite circle KOL and star & seeded users, and focusing on the marketing of COLMO AVANT & COLMO TURING 2.0 collections and of the main products in various categories, to achieve an 11-fold increase in crowd assets and a 6-fold increase in overall search volume. In terms of users and markets, COLMO has constructed a user rights system centered around the entire lifecycle of home appliances, enhancing the overall user experience and launching highlight benefits and services such as deep appliance cleaning, 1V1 butler service, and exclusive member activities, covering nearly 2.6 million member users. Currently, it has established 18 COLMO urban experience centers in 17 cities and over 940 COLMO smart experience stores in more than 270 cities across the country. According to the data from AVC, the proportion of COLMO products in the high-end market increased significantly in 2024, with floor-standing air conditioners and drinking water products accounting for over 20% in the high-end market, and wall-mounted air conditioners, front-loading washing machine and water purification products also accounting for over 10% respectively in the high-end market.

Toshiba upholds its positioning as "making artistic home appliances", committed to creating a breakthrough star-level lifestyle for consumers with its inherited Takumi and exquisite aesthetics. As a globally renowned home appliance brand with a century of history, Toshiba has emerged as a new choice for high-end consumer groups in the domestic market. In 2024, Toshiba's retail sales in the domestic market exceeded RMB5.5 billion, a significant year-on-year increase. In terms of products, the retail sales of washing machines increased by more than 130%, the retail scale of refrigerators increased by more than 60%, and its domestic market share ranked first among Japanese brands. The scale of desktop stoves ranked first among JV brands, and that of embedded ovens increased by 600% year on year. A50pro dishwashers, "Fengdaiyue" series fans, White Dew rice cookers and other products have also achieved excellent market performance. In terms of branding, with the brand philosophy of "Details Matter in Century-old Toshiba", Toshiba has positioned the brand, and rebuilt the brand's impression and image in the high-end customers. It has launched a series of campaign, including: official announcement of Sorimachi Takashi as the brand Japanese spokesman, flash launch of scenario-based product suites in Beijing, debut at the IFA exhibition in Germany, and interaction with store designers. From brand image to sales channel, from online awareness to offline store promotion, Toshiba has established a complete brand touch chain, to convey the new idea of artistic home appliances. In terms of sales channels, in China, Toshiba completed the cooperation with over 300 brand operators, built over 500 Toshiba brand stores and over 1,000 Toshiba brand halls, to promote the realisation of a final unified terminal image and complete the building of the national retail system.

WAHIN positions itself as a brand of "young, high-tech and trendy appliances", and aspires to create a trendy home for users with the philosophy of "Trendy Designs, Practical Functions and Fun Interactions". With keen insight into young generation's demands for home appliance, it focuses on product performance R&D, and trendy and interactive design. In terms of branding and marketing, WAHIN has continued to made effort in marketing targeted at the youth and carried out various cross-industry collaboration. Specifically, in 2024, during the China's Youth Day, WAHIN, with the Polaris Youth and other pioneer youth communities, made deep interaction with young consumers with the help of cutting-edge AIGC technology. During the June 18 shopping festival, WAHIN, with Bilibili Graduation Singing Party, made a home appliance purchase guide for graduates and helped young people start a new life. During the summer vocation, WAHIN, with outdoor brands, invited users to break the boundaries of home, and exploded the spiritual corner at home. During the Double 11 shopping festival, WAHIN, with the leading AI creation community in China, launched an AI creation competition of "WAHIN Magic Machine", attracting a large number of young users to participate in user-generated content (UGC) creation. Altogether, WAHIN carried out 4 integrated marketing and 2 offline campaigns throughout the year, achieving over 700 million UVs and 8 million user interactions, and attracting over 100 million new users across the 5A customer journey. In terms of products and channels, WAHIN has continued to differentiate and innovate around users, products and experience. It has expanded its multi-category product portfolio, pursued best product functions, and provided consumers with smart, comfortable and scenario-based experience. Continued efforts have been made to improve the conversion chain, promote synergy between sales and marketing, boost e-commerce sales, and consolidate the "social + content + e-commerce" model to drive sales growth.

(VII) Leveraging the Power of Technological Innovation to Enhance HVAC & Home Appliance Components, Green Energy and Green Transportation, and Exploring the Industry Growth Opportunities to Provide Green, Efficient and Intelligent Products and Technology Solutions for Customers across the World

Midea Energy Solutions and Industrial Technology is a co-builder in key components and green sustainable development across the world. With the vision of "Technology Drives the Whole World to Jointly Create a Wonderful Industry", it provides innovative, reliable and eco-friendly key components and solutions for global customers based on its core scientific and technological strength in HVAC & home appliance components, green energy and green transportation. Based on the solid root technology system, such as thermal management technology, drive control technology, energy storage technology, power and electronic technology, etc., a complete industrial chain layout and product matrix have been put in place. Continuous efforts are also made to increase the investment in key and cutting-edge technologies.

By maintaining the focus on the field of HVAC & home appliance components, Midea Energy Solutions and Industrial Technology continued to consolidate its leading position in the industry. In 2024, Midea Energy Solutions and Industrial Technology has released a number of innovative products, including: i) to establish a "Joint R&D Center of All DC Variable Frequency Kitchen Air Conditioner" with Xiamen Xiaoyang Technology Co., Ltd. once again; ii) to equip large-capacity automotive interior coolers with DC variable frequency vehicle-mounted micro compressors for the first model of Nio's sub-brand Onvo; iii) the "efficient mini-sized drive motor system for front-loading washing machine" and "integrated rotary compressor" won the 2024 AWE Award for Core Components; iv) "green and high-quality thin permanent magnet motors" won the "golden prize" at the China Refrigeration Expo 2024; and v) "energy storage thermal management compressors" and "R290 rotary heat pump heating compressors" won the "Innovative Product Award" at the China Heat Pump Exhibition (HPE) 2024. In 2024, Midea Energy Solutions and Industrial Technology received a number of awards in the industry, including: i) the "key technologies research and application of efficient supply of multi-grade heat energy by air source heat-pump" won the second prize of "2023 State Science and Technology Advancement Award"; ii) the "research and industrialisation of key technologies for highly adaptable silent variable frequency compressor" led by us won the first prize of 2023 Science and Technology Progress Award of China National Light Industry Council; iii) the "research and industrialization of key technologies for high power density permanent magnet motor and its compressor" won the first prize of 2023 Science and Technology Progress Award of China General Chamber of Commerce; and iv) Guangdong Welling Motor Manufacturing Co., Ltd., for its new generation of air conditioning fan motor BLDC for home air conditioners, was included by the Ministry of Industry and Information Technology into the 2023 List of National Champion Manufacturing Enterprises for a Single Segment (8th batch) published jointly by Ministry of Industry and Information Technology of PRC and China Federation of Industrial Economics. In 2024, the following projects led by Midea Energy Solutions and Industrial Technology have been recognized by bodies of experts in the industry as "Internationally Leading": i) key technologies research and application of efficient silent variable frequency compressor based on mixed working fluid; ii) key technologies research and application of super efficient ferrite fan motor system; iii) key technologies research and application of efficient HPMSM for compressors; iv) key technologies research and application of 15-slot 10-pole motor for compressors; v) key technologies research and industrialisation of broadband panoramic efficient silent compressor; vi) research and industrialisation of precise flow control technology and low noise technology for electronic expansion valves; and vii) high torque density, low torque pulsation, direct drive & permanent magnet motor. In 2024, Midea Energy Solutions and

Industrial Technology has lodged more than 1,400 patent applications, been granted more than 2,900 invention patents accumulatively, and won 1 Excellence Award in the 24th China Patent Award, 1 Golden Award in the 10th Guangdong Province Patent Award, and 1 Silver Award in the 11th Anhui Province Patent Award.

According to the 2024 data from ChinaIOL.com: the global market share for residential AC compressors continued to rank first in the world, and the sales were up 16% year on year; the sales in segments such as heat pump compressor for clothes dryers and AC compressor for base stations were up more than 50%; in September 2024, the billionth air conditioning compressor produced by GMCC, a brand owned by Midea Group, rolled off the production line, and the "cumulative sales record of rotary compressors" was certified by Guinness World Records; the global market share of refrigerator compressors ranks among the forefront in the industry, with overseas sales increasing by 20% year on year, of which the sales of variable frequency products increased by more than 30%; the global sales share for residential AC motors and laundry appliances motors maintained the leading position in the industry, increasing by more than 20% year on year, and continued to made breakthroughs in key overseas markets and key customers. Midea Energy Solutions and Industrial Technology has firmly invested in digital and intelligent upgrade, and constantly improved the supply capacity and service level. In 2024, 11 new motor production lines were set up, and an industry-leading high-level intelligent manufacturing base for refrigerator compressors was built, to increase the supply capacity for the key components across the world. Additionally, Midea Energy Solutions and Industrial Technology continued to invest more in R&D of chip products and technologies, as 14 chip products of four major series (namely, master control, touch control, inverter, and IPM) have been put into mass production and introduced to the market (especially the cumulative sales of MCU chips exceeded 100 million), with an internationally leading performance regarding the quality indicators for the same type of products.

In response to the rapid growth of the renewable energy industry, Midea Energy Solutions and Industrial Technology focused on providing comprehensive, effective and integrated green energy solutions throughout the entire energy value chain. These solutions encompass large-scale energy storage, commercial and industrial energy storage, residential energy storage, smart grids, photovoltaic, etc. In the energy supply segment, it offered photovoltaic solutions; in the energy allocation segment, it provided intelligent power distribution system solutions; in the energy consumption segment, it delivered variable frequency drives that achieve higher energy efficiency; in the energy regulation segment, it offered energy storage solutions that enhance load adjustability and ensure power supply reliability; and in the energy management segment, it provided intelligent energy solutions.

In terms of green energy, in 2024, CLOU Electronics has transformed from an equipment supplier to a system integrator in the overseas energy storage market, upgraded from product manufacturing to EP Package whole-life cycle one-stop solution services, and provided customers with energy storage overall one-stop solution covering product selection, station level planning and design, one-stop installation and commissioning, full stack data monitoring and optimization, and unified operation, maintenance and after-sales service. CLOU Electronics achieved breakthrough in the North American market, with successful commercial practice of its new generation of energy storage system Aqua-C2.5, fully demonstrating its product strength. In the South American market, CLOU Electronics has obtained energy storage project contracts in Chile, Argentina and other countries. The EP Package whole life cycle one-stop service is now available in all overseas markets. CLOU Electronics was listed in the Global Tier1

Energy Storage Manufacturers and Tier1 Photovoltaic Inverters & Energy Storage PCS Manufacturers in 2024 published by BloombergNEF, a world-renowned research institution. In terms of products, Aqua C series energy storage products have obtained third-party certification issued by DEKRA, an international authoritative certification body, for the world's first energy storage system-level MTBF. CLOU Electronics also released Aqua E series industrial and commercial energy storage products at the 2024 EESA China International Energy Storage Expo.

Hiconics has accelerated the development of residential energy storage, photovoltaic inverters and related power electronic products, continued technological innovation, improved product portfolios, in order to meet the diversified needs of customers. In 2024, Hiconics Test Center for Residential Energy Storage & Photovoltaic Inverters has obtained the qualification of "TÜV NORD Eyewitness Laboratory", "TÜV Rheinland Eyewitness Laboratory", "TÜV SUD Accredited Laboratory" and "CSA Authorized Laboratory". Hiconics' photovoltaic EPC businesses is growing rapidly in 2024. Its sub-brand Hefei Midea Hiconics Photovoltaic Technology Co., Ltd. won the title of "PVBL 2024 Fastest Growing Enterprise in Global Optical Storage Industry" in the 9th Century Photovoltaic Conference (CPC) 2024. Its product model of "FlashEx" of commercial and industrial PV broke the barriers of high cost and large investment of traditional PV model; M-Ecolux Villa, a green power solution, won the "Most Scenario-oriented Application Award" in the 2024 Solarbe Awards for its leading technology and market application; single-phase and three-phase integrated residential energy storage systems has realized small floor area by extreme aesthetic narrow body design, AI-driven operation and maintenance platform, and one-button smart strategy. The products have passed global high-level certification such as the PL-d level ISO13849 functional safety standard, North American UL9540A safety standard and German system level VDE-AR-N4105/E2510 safety standard, namely, their safety and reliability reach the industry's first-class level. As a domestic top brand in the field of high-voltage variable frequency drives, Hiconics has continued to promote product technology development and application innovation. It launched the first "high voltage inverter high-speed direct drive electric feed pump" solution for high-voltage variable frequency drives in China, creating a new application scenario for high-voltage variable frequency drives. Hiconics's HC1000W, a water-cooled high voltage variable frequency drive, has 60MW super-power, and has passed 20-year life simulation reliability verification. HC2000, a new generation of four-quadrant high voltage variable frequency drive launched at the 24th China International Industry Fair, achieves a 53% increase in power density and a reduction in volume of more than 60% over the previous generation. Based on the new control architecture of FPGA+DSP, HC2000 features high integration, intelligence, stability and reliability, to meet the industrial application needs of mining, power, port, testing, etc. With the excellent quality of high voltage variable frequency drives, Hiconics also won the title of "Stably Qualified Products of National Quality Inspection" granted by China Association for Quality Inspection (CAQI).

Deepening its focus on green transportation components, Midea Energy Solutions and Industrial Technology leverages its solid core technology in the field of HVAC & home appliance to quickly develop three major product lines: Automotive Grade thermal management, electric drive systems, and chassis actuation systems. By the end of 2024, the cumulative product supply of these three lines has reached 3 million units, and the cumulative production of electric compressors has reached 1 million units. Its compressors continue to be recognized by a number of customers, and cover the best-selling models of many domestic emerging auto manufacturers and traditional mainstream auto makers. The newly launched air pump has also made market breakthrough by obtaining projects designated by overseas well-known car manufacturers. Besides, Midea and NIO signed a strategic cooperation agreement in April 2024, to carry out extensive cooperation in fields of new energy vehicle parts, automation, digitalization, low-carbon sustainable parks and smart logistics, and to build a model of intelligent manufacturing in the new energy vehicle industry. In terms of technological innovation, over 60 new patents are granted, and the newly launched thermal management integrated air suspension pump has officially obtained the project designated by mainstream customers. All materials of intelligent power module (IPM) for auto compressor and hardware integrated circuit (IC) are from domestic suppliers now. 900V, a new generation of production line for stators and round wires has been launched to match customers' new model vehicles. The production line can significantly improve production efficiency and manufacturing quality with leading automation.

Furthermore, Midea Energy Solutions and Industrial Technology actively works on key component technology in industrial automation. It has completed the development of harmonic reducer with high torque, short cylinder, integration, customization and other series, which may be used in multi-joint robot, SCARA robot and collaborative robot. A number of new products (such as SW-HMG harmonic reducer with high tilting stiffness, HP-40 harmonic reducer with super torque, and new servo motor for heavy-duty robot) have been launched in 2024 and won a number of industry honors. Especially, the servo motor for heavy-duty robot features perfect combination of high performance and high reliability, and has been applied to heavy-duty robots of international famous brands. With industry-leading product performance and fast service response, it has reached cooperation with many leading brands at home and abroad, and won the title of "2024 Quality Enterprise for Humanoid Robot Supply Chain" at the 2024 China Humanoid Robot Technology Application Summit. With Midea's mature manufacturing management system and supply chain advantages, it has a smart manufacturing capacity of annual output of 80,000 harmonic reducers and 120,000 robot servo motors.

(VIII) Seizing Market Opportunities Amid Domestic and International Circulations, Responding to China's "Carbon Peaking and Carbon Neutrality" Goals, Advancing Technological Innovations and Business Model Upgrades, and Providing Customers with Full-Stack Solutions for Intelligent Buildings

Midea Intelligent Building Technology, with the vision "to be a global leader in building technology" and the mission of "co-building sustainable smart space", has transformed from a commercial air conditioning product supplier to an integrated solution service provider for intelligent building ecosystems. Midea Intelligent Building Technology has seven major product manufacturing bases and six R&D centers worldwide, with a sales network covering global markets. It has formed the largest and most comprehensive professional smart building product matrix and service network in China. In 2024, according to the data from ChinaIOL.com, Midea continued to rank No. 1 in terms of commercial air conditioner sales in the domestic market, and the market shares of Midea's core products, such as unitary units and modular units, were the highest among domestic brands, accounting for around 39% and 12% separately. Meanwhile, Midea also holds a leading position in the domestic commercial VRF market. As shown by Commercial Air Conditioner Market data, in 2024, Midea accounted for more than

15% of China's market share of centrifuge products, ranking first among all domestic brands. In January 2025, the World Economic Forum (WEF) announced a new list of Lighthouses. Midea Intelligent Building Technology Chongqing Factory won the title of "End-to-End Lighthouse" with its excellent intelligent manufacturing capabilities and green industrial practices. It is the first full-process AI-enabled lighthouse in the field of commercial air conditioning chiller unit in the world, representing Midea's leading position in the sector of intelligent manufacturing. In March 2024, Midea held a groundbreaking ceremony for its Thailand base, Midea Thailand Technology Industrial Park, in Rayong, Thailand, the development of which will make Midea's HV products more competitive in the global market. In April 2024, the Company signed an agreement with Arbonia, a listed building supplier in Switzerland, to wholly acquire its business in the climate division. By doing this, Midea is able to reinforce its production capacity, brand and channel advantages in HV lines, improving its competitiveness in the European market. In December 2024, the Company signed an equity subscription agreement with Toshiba Elevator and Building Systems Corporation (hereinafter "Toshiba Elevator") to acquire the shares of Toshiba Elevator (China) Co., Ltd. and Toshiba Elevator (Shenyang) Co., Ltd. (collectively referred to as "Toshiba Elevator China"). The Company will obtain the controlling interests of Toshiba Elevator China upon the transaction, which is expected to benefit its development in elevator business in terms of brand, channel, product and technology.

Midea Intelligent Building Technology launched the MDV8 Pro series VRF under its fluorine machine brand MDV in 2024. The MDV8 Pro series VRF features ultra-high-efficiency and strong cooling/warming capacity, with an APF value of up to 6.3. It realizes low-carbon emission through the whole life cycle, supports any topological structure of communication lines, and boasts ultra-strong anti-jamming ability. This has reshaped a new experience for VRF installation. A new generation of magnetic levitation centrifugal unit was also launched under its water machine brand K WING. Featured by reliability, high-efficiency, and intelligence, the unit is sure to deliver accurate and stable operation under extreme working conditions by using, among other technologies, an integrated electromechanical control design, comprehensive thermal management technology, magnetic levitation bearing technology and smart anti-surge algorithms. Through innovative design and the application of high-efficiency compressors, new high-efficiency heat exchangers and AI adaptation technology, the unit performs better than the National Dual Grade I Energy-Efficiency Standard, with a reduction close to 50% in operating costs, contributing to energy saving and emission reduction. High-efficiency selection software is available when using the unit to simplify the selection process and smart operation and maintenance services is able to be provided through the Chiller Smart Operation Platform and expert-level diagnosis from Chiller Doctor. The full range of R290 commercial heat pumps, launched for the European market, adopt full variable frequency, EVI compressor, with the power ranging from 26 to 70 kW. Eight heat pumps can be connected in parallel to achieve maximum outlet temperature of up to 85℃ and the heating capacity remains undiminished in the environment with -10℃. This ensures the demand for space heating, cooling and hot water. KONG, its building automation brand, released KONG DDS, a smart space perception control system and KONG Smart Control, a HVAC operation optimization system. The latter has three major capabilities of system simulation prediction, real-time global optimization, and health diagnosis and analysis, effectively enabling the building HVAC system to operate in high-efficiency. LINVOL, its elevator brand, released its Chinese name "領沃(Lingwo)", as well as the vertical transportation solutions covers all scenarios of smart buildings, including the smart elevator solutions developed by LINVOL for commercial, residential, sightseeing, medical, villa, and private house scenarios and WINONE's freight elevator solutions for industrial parks, aiming to resolve the needs of special scenarios, such as heavy-duty freight elevators, high-speed freight elevators, and freight elevators for special goods. In 2024, Midea Intelligent Building Technology also participated in the 14th China Heat Pump Exhibition (HPE), the Mostra Convegno Expocomfort (MCE) in Milan, Italy, the China Refrigeration Expo 2024, the 89th China International Medical Equipment Fair (CMEF), the ISH China & CIHE 2024, the China Hospital Construction Conference & International Hospital Build and Infrastructure Exposition (CHCC), the 17th SNEC PV POWER EXPO (SNEC) to demonstrate a series of product development results and solutions. These included Midea Flame Series Full Variable Frequency Air-source Heat Pump Unit and Midea N Series Air-source Heat Pump Unit for Cooling and Heating and Hot Water, which were awarded the second prize of the 2024 China Simulation Federation Scientific and Technological Award, the second prize of 2024 China Building Materials Circulation Association Scientific and Technological Award and the "Innovative Product Award" in 2024 China Heat Pump Exhibition (HPE), and High-efficiency and High-reliability Integrated Electromechanical Control Magnetic Levitation Variable Frequency Centrifugal Unit and M-MASTER Photovoltaic, Energy storage, Thermal and Flexibility Controller, and N Series

Air-source Heat Pump Unit for Cooling and Heating and Hot Water that won "Innovative Product Award" in China Refrigeration Expo 2024.

With respect to market expansion, Midea Intelligent Building Technology continued to engage in benchmark projects in various industries in 2024. We started our first overseas high-efficiency machine room project, Lens Technology (Vietnam), with a total equipment cooling capacity of 18,500 refrigeration ton, encouraging Chinese enterprises to go overseas. We offered our smart elevator solutions to foreign rail transit project in the subway renovation project in Venezuela, LINVOL Elevator's first overseas large-scale public construction project. Midea MDV8 Unbounded VRF Unit lifecycle smart solutions were provided to the NIO House in Hefei Xinqiao Industrial Park, helping to build a "zero-carbon" NIO House with world's largest floor area. We provided the Beijing Dinghao DH3 renovation project with our high-efficiency machine room solutions, enabling the building's HVAC system to be upgraded in a green and low-carbon manner. By doing this, it is expected to see an annual comprehensive energy efficiency rate (EER) of over 5.5 for the cooling machine room and a reduction in annual power consumption of around 1 million kWh compared with using a regular system, which is equivalent to a carbon emission decrease of nearly 800 tons. Alibaba's global headquarters were equipped with the full range of Midea fluorine system products to create an intelligent experience that was low-carbon, energy-saving, and green. In addition, we also participated in many other benchmark projects including China Telecom's first large-scale full liquid cooling intelligent computing data center in the Greater Bay Area of Guangdong-Hong Kong-Macao, Lanzhou Zhongchuan International Airport, Suzhou Subway Line 6, Dezhou Intelligent Agricultural Industrial Park, Chongqing Guangyang Island, Midea Cloud Data Center in Gui'an, and the flagship store in Shanghai LI-NING Center.

In regard to technological innovation and standardization, Midea Intelligent Building Technology continuously strengthened R&D input and made remarkable results. For example, the "Key Technology and Application of Air Source Heat Pump for Efficient Supply of Multi-grade Thermal Energy" won the second prize of the 2023 National Science and Technology Progress Award. The "Ultra-low Temperature Gas-Liquid Co-injection Heat Pump System Global Low Carbon Heating Technology and Industrialization" won the first prize of Guangdong Provincial Science and Technology Progress Award. The "Efficient AC Cooling Equipment Room Key Technology Research and Application" was awarded the 2023 China Award for Science and Technology in Construction. The "Sub-micron Magnetic Levitation Key Technology and its Application on Centrifugal Compressor" won the first prize of 2023 Chongqing Science and Technology Award. The "MDV-Link Communication Technology Research and Application" won the 2023 Science and Technology Award of the Chinese Institute of Electronics. The project "Key Technology and System Research and Application of Digital Workshop in Home Appliances Industry", cooperated by Midea, won the Second Prize of 2024 Machinery Industry Science and Technology Award issued by the Chinese Mechanical Engineering Society. At the end of 2024, Midea Intelligent Building Technology's technical achievement, the "Ultra-high Temperature Single-machine Two-stage Variable Frequency Centrifugal Industrial Heat Pump", was evaluated by the expert team of academicians organized by the China Energy Conservation Association (CECA) and recognized as "Internationally Leading". The Heat Pump adopts a single-machine two-stage variable frequency compressor, with the highest operating pressure ratio of 5.5. It can recycle industrial afterheat and waste heat to produce hot water at steam level with ultra-high-temperature of 130 ℃ and completely replace traditional industrial boilers, achieving an energy saving of more than 75%. All these make great sense to energy saving and carbon reduction. The Magnetic Levitation Centrifugal AC Compressor, Gear Centrifugal AC Compressor and High-efficiency Air Compressing System Solutions were released at ComVac ASIA 2024. The Magnetic Levitation Centrifugal AC Compressor adopts a high-speed motor direct drive structure and magnetic levitation bearing technology, eliminating the need for lubricants. It can deliver 100% oil-free air, enabling the compressed air to be of high-quality. Combined with horizontal opposed technology, high-speed bearing control technology, permanent magnet synchronous motor and other technologies, the Magnetic Levitation Centrifugal AC Compressor achieves an 20% energy saving compared with traditional air compressors. The service life of its host can be extended to be as long as 20 years by using high-precision magnetic levitation bearing control technology. The Gear Centrifugal AC Compressor has also achieved standard family-based design. With a power coverage ranging from 300 to 4000 kW, its energy efficiency has been significantly improved in comparison with traditional units. It has six major safety systems including temperature protection, pressure protection, overload protection, component failure protection, mechanical vibration protection and anti-surge protection. In combination with PLC and 5G Internet of Things, it can realize intelligent remote monitoring and fault diagnosis. At the beginning of 2024, Midea set up the Guangdong Provincial Key Laboratory of Thermal Energy Storage Technology for Buildings upon the approval from Guangdong Provincial Department of Science and Technology. Midea has also been actively involved in the preparation or revision of various standards, including "Energy Storage Thermal Management – Refrigeration (Heat Pump) Units", the first national standard for thermal management in the energy storage industry, and "Method of Measurement & Rating of Air Conditioning System with Ice (Thermal) storage (GB/T19412)". In addition, Midea's wholly-new commercial heat pump product MARS has received the certificate for ultra-high-temperature and heating performance by Intertek. iBUILDING, Midea's digital building service platform, has been successfully SOC2TypeII – and SOC3-certified. Covering five dimensions of security, availability, confidentiality, process integrity and privacy, the platform boasts the world's leading multi-dimensional integrated service capabilities as well as the long-term and sustained operating effectiveness of controls.

(IX) Strengthening Innovation in Robotics Product Development, Promoting High-Performance Operations in the Whole Value Chain and Integration in the Industrial Chain, as well as accelerating Development of the Robotics Business for China's Market

KUKA, a subsidiary of Midea, is a world-renowned robotics manufacturer. Relying on its industry-leading motion algorithms, KUKA can ensure the superior motion performance of robotics products throughout their life cycle, and its mature design philosophy continuously gives rise to new products able to lead the market. In 2024, KUKA achieved significant progress in technological innovation and product development, launching new products that target specific market segments and exhibit better performance. As demand for precision assembly continues to grow in high-end manufacturing fields such as consumer electronics, semiconductors, healthcare, and automotive parts, KUKA has launched a new KR SCARA robot, furthering enhancing its portfolio of four-axis robots. The new model features an increased payload capacity of up to 60 kg, a more flexible range of motion, and improved high-precision and high-speed performance. Widely applicable in diverse industries, it can effectively increase production efficiency and manufacturing precision, and generate products that meet CE quality and safety requirements. In response to industry pain points and needs such as cycle time loss, limited

space in production areas, and high precision requirements in certain scenarios, KUKA has introduced KR 12 R1450-3 HW and KR 35 R1840-3 HW as the latest additions to its KR CYBERTECH-3 HW series. Both of these new models feature lightweight designs and stable performance, and can meet automation demands in industries such as automotive manufacturing, electronics assembly, metal processing, and food processing. The latest version of KUKA's KR FORTEC industrial robot offers advantages such as being highly dynamic, cost-effective, and reliable. Its excellent dynamic performance and compact exterior design make it an ideal choice for handling and spot-welding tasks. With a maximum reach of 3,700 mm, this heavy-duty robot features a cross-model modular design that ensures the interoperability of robot parts and reductions in spare part storage costs, leading to a lower total cost of ownership (TCO). At the 2024 International Trade Show for Intralogistics Solutions and Process Management (LogiMAT) held in Stuttgart, Germany, KUKA debuted the KMP 3000P, an omnidirectional heavy-duty AMR robot that integrates laser SLAM and QR code navigation technologies. With a rated payload of up to 3,000 kg, it is capable of omnidirectional motion while carrying a heavy load, and features 360° collision detection, five-fold comprehensive safety measures, and fast inductive charging. The use of a brand-new inductive charging concept allows the robot to operate 24/7, and the integration of a 3D vision system and laser scanners help ensure flexibility and safety around human beings in the work environment. The KMP 3000P is ideally suited for material handling and assembly tasks in the automotive, aerospace, photovoltaic, lithium battery, construction machinery, and other industries. On the logistics automation front, Midea subsidiary Swisslog Logistics introduced MegaStore, a pallet shuttle system with paired aisle and row carriers suited for handling palletized goods. This multi-deep automated storage system offers a customizable logistics solution with a high return on investment. It has a maximum load capacity of 1,500 kg, and the aisle and row carriers travel at speeds of up to 3.5 m/s and 1.36 m/s, respectively. The system is also equipped with a single-column high-speed vertical conveyor, which reaches a height of up to 40 meters and operates at a speed of up to 1.5 m/s. In addition to being efficient and reliable, the system allows for high-density storage and high throughput, significantly increasing storage capacity by 40-60% compared to traditional flat storage systems.

KUKA and its subsidiary Swisslog have also been actively exploring industrial applications for artificial intelligence (AI). KUKA has been training an AI chatbot using large quantities of robot programming code and is working on putting it into use with customers, with the aim of having it respond to voice commands from customers in the future. Swisslog has been enhancing service quality for customers by promoting seamless interaction between AI, cameras, and robots. Its AI model is already capable of precisely recognizing items, thereby enabling automated picking in order to fulfill combination demands in customer delivery orders. In 2024, KUKA established KUKA Digital, a digital business segment, with the aim of realizing end-to-end digitalized production, from 3D simulation through connectivity and data analysis to the use of artificial intelligence. The segment is dedicated to helping customers achieve comprehensive digitalization. KUKA will also be launching a new cloud platform named mosaixx. An open, collaborative cloud platform for industrial software as a service (SaaS), mosaixx will feature a combination of software tools, data management, cloud computing, and process understanding, forming the basis for the digital twin. Combined with KUKA's many years of experience in the project business, mosaixx offers a future-proof and specialized end-to-end solution for customers.

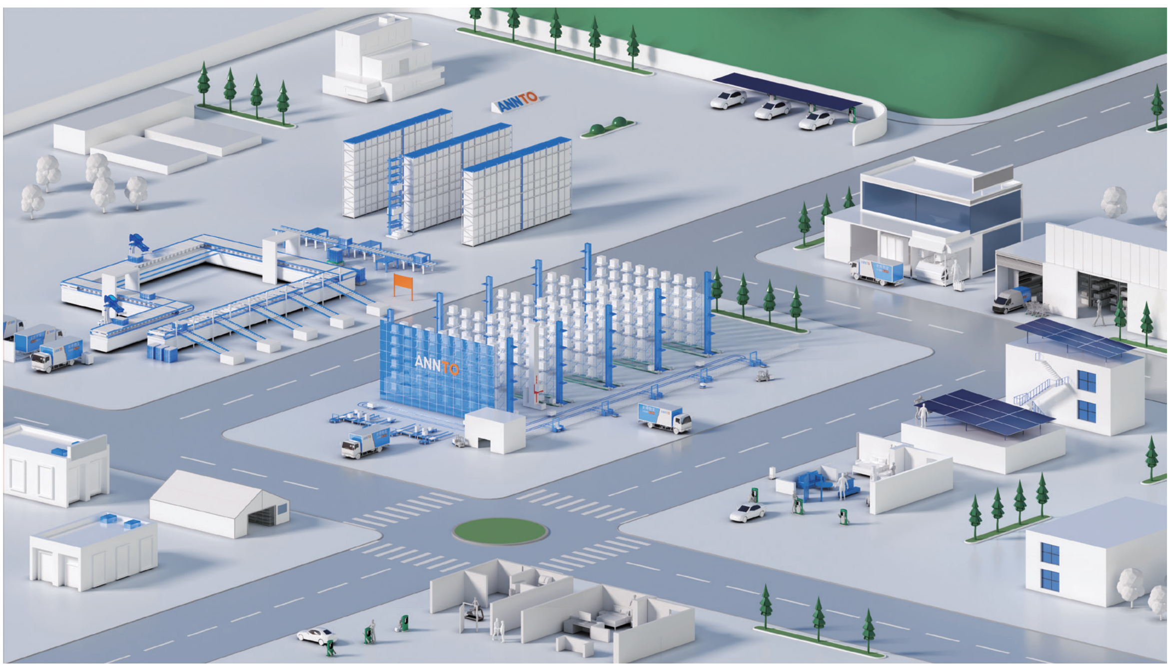
In 2024, with regard to market development, KUKA signed a framework agreement with Volkswagen Group for the delivery of more than 700 robots to Volkswagen Navarra in Spain in the same year and over the next two years. The robots, which include the bestseller KR QUANTEC, will be used for body-in-white production. Furthermore, KUKA is helping its customers transition to more sustainable mobility using state-of-the-art technology. For an order in the double-digit million Euro range, KUKA is supplying 23 friction stir welding cells with integrated robots to an automotive customer for use in the production of electric vehicles. On the basis of successful, longstanding cooperation with dm-drogerie markt, Europe's largest drugstore retailer, as well as extensive experience in data planning and software-based automation projects, Swisslog won an automation project contract from dm-drogerie markt for its third distribution center. Swisslog was also chosen by Nowaste Logistics for an automation project in Helsingborg. To help Nowaste improve the efficiency and productivity of its logistics center, Swisslog will build an automated pallet warehouse system that includes ten Vectura stacker cranes, 56,000 pallet locations, conveyor systems, and the SynQ WMS management system. In addition, Swisslog partnered with European food distributor La Réserve des Saveurs to develop a food storage and preparation facility, for which it was honored with the "Kings of the Supply Chain 2024" award presented by Supply Chain Magazine. The project integrates two AutoStore systems under the control of Swisslog's SynQ WMS/WCS system, and enables ambient, chilled, and frozen products to be handled within a single system.

KUKA continuously promotes the integration and expansion of resources in the domestic China market and intensifies organizational reform and product iteration with a focus on industrial applications and key customers. In 2024, KUKA China achieved breakthroughs in technological innovation and product development for robots and mobile robots. It released a total of 27 new products over the course of the year, including SCARA robots, small robots, medium and low payload robots, heavy-duty robots, and mobile robots. Many of the new products were able to achieve considerable success in the market within the same year. On the market development front, data from MIR indicates that, in 2024, KUKA's industrial robots occupied a steadily increasing share of the domestic market, rising to approximately 8.2%. In 2024, KUKA China saw growth in both sales revenue and order volume, with a significant increase in the proportion of overseas business. In particular, for mobile robots, overseas sales now account for over 50% of total revenue.

In the field of manufacturing, KUKA China continued to sharpen its technological edge and improve the quality of its service. The industrial robot business achieved rapid growth for two consecutive years in the 3C consumer electronics industry, strengthened cooperation with a number of well-known enterprises, and continued to enrich the product line of small and medium-load robots. In the new energy vehicle industry, it strengthened its cooperation with leading enterprises, and achieved a record high number of orders. In addition, it continued to achieve breakthroughs in customer acquisition and rising orders in the photovoltaic, aviation, glass, education and other industries. On the logistics front, the application of palletizing robots has expanded into new frontiers such as the tobacco and tire industries. Meanwhile, breakthroughs continued in the pharmaceutical and chemical industries. Contracts for various integrated projects were signed and implemented, and order and shipment volumes grew rapidly. In addition, KUKA has made efforts in market development overseas. The competitiveness of mobile robots in the North American market has gradually begun to surface. In 2024, breakthroughs were made with leading local customers and significant growth was attained. Meanwhile, KUKA's advantages in terms of technology, quality, and service network have already allowed it to achieve comprehensive coverage of the Asia Pacific market. Breakthroughs have been achieved in the field of healthcare. In 2024, KUKA secured a series of comprehensive logistics projects with various institutions, including Shenzhen Bao'an Air and Sea Rescue Hospital, Zibo Linzi District People's Hospital, Shenzhen Longgang Maternal and Child Healthcare Hospital, Shenzhen Shekou People's Hospital, and Wuhan Union Hospital, Jinyinhu Campus. In addition, KUKA has developed and implemented the "Golden Lancet" project at the First Affiliated Hospital of Chongqing Medical University and other sites. By employing Swisslog Healthcare's TransGuard electric track vehicle system, the project expands the transport capacity for goods and provides a better user experience, thereby establishing a new benchmark for smart hospitals. KUKA China led the development of the new KMP 3000P, an omnidirectional, heavy-duty, latent mobile robot that was honored with the "CIIF Robot Award" at the 2024 China International Industry Fair. Additionally, two of KUKA China's technological advances were evaluated to be "Internationally Leading". These include "A Highly Dynamic, Highly Reliable Servo Motor with High Power Density for Heavy-Duty Industrial Robots" and "Development of a High-Performance Robot Control Platform Based on a Heterogeneous Multicore SoC". KUKA China also received various awards from its customers, including FAW-Volkswagen's Outstanding Partner Award, Wuxi Lead's Best Supplier Award, XPeng's Business Partner Award, Chery's Outstanding User Empowerment Award, and NIO's Quality Premium Partner Award. Furthermore, KUKA has proactively assisted Midea Group in boosting its intelligent manufacturing. By the end of 2024, Midea reached a robot density of 640 units per 10,000 persons, and will further increase its input to boost its intelligent manufacturing capacity.

(X) Built up presence in the smart logistics sector by focusing on a supply chain service model of "full-chain + production logistics, nationwide inventory management, and integrated delivery and installation", providing leading end-to-end integrated intelligent supply chain solutions

As a technology-driven supply chain management arm under Midea Group, Annto is committed to delivering integrated end-to-end and digital-intelligent supply chain solutions by deepening the "1+3" supply chain service model, enhancing full-chain value for corporate clients and service experiences for individual users, persistently advancing institutional reforms, leveraging logistics to support commerce, and driving digital technology innovation.



Specializing in industry – specific supply chain services, Annto upholds a "customer-centric" business philosophy. By providing clients with end-to-end digital-intelligent system solutions spanning production logistics from raw materials to finished products, online-offline shared inventory management, and unified delivery-installation services, Annto assists enterprises in driving channel transformation and optimizing supply chain efficiency to sharpen competitive edge. The company remains committed to supporting new growth through supply chain innovation, facilitating clients' achievement of high-quality growth and sustainable development. Building upon the industry-leading channel transformation expertise of top-tier enterprise clients like Midea and an increasingly sophisticated domestic intelligent supply chain warehouse network, Annto has served thousands of brand clients and distributors across industries including FMCG, personal care, beverages, alcohol, food, home appliances, furniture, and new energy, with its market share and brand visibility steadily strengthening.

In the digital domain, Annto consistently strengthens its digital capability development, utilizing diverse innovative applications to achieve business cost reduction, efficiency enhancement, and operational quality improvement. It has deepened end-to-end service capabilities and realized full-channel "shared inventory management" and integrated "warehousing-trunking-distribution" efficiency upgrades, while offering cross-industry clients a one-stop "consulting + digital products + logistics operations" service through its "1+3" end-to-end digital-intelligent supply chain solutions. To address industry channel transformation demands, Annto launched the Annto Chain Cloud digital solution, leveraging an integrated "commerce-flow + logistics" digital platform to deliver transparent and highly efficient full-chain data solutions in supporting clients' DTC strategic transformations. In production logistics, building on its long-honed digital capabilities from "lighthouse factories" and manufacturing-end warehousing-distribution expertise, Annto has expanded into smart equipment, planning-design innovation, supply chain sharing platforms, and modern logistics industrial park-based five-tier logistics services. In 2024, it released nine standardized scenario-based products, including VMI, in-production logistics, smart equipment, and milk-run logistics. Digitally, Annto has introduced three product series – Smart Logistics E-SOS, Smart Manufacturing E-MOM, and Smart Equipment E-EOS – while continuously reinforcing end-to-end operational capabilities from raw material delivery to production-line integration. This has given shape to the triple foundational pillars of "product + operations + digitalization," driving transformative advancements in production logistics services. On the trunking (line-haul transportation) front, guided by the route-based operational model, Annto consolidates route resources, establishes a route traffic monitoring system, and develops cost management capabilities for route operations. It advances the online management of individual trucks and achieves end-to-end online visibility across the supply chain, aggregating independent transport resources to build an efficient full-truckload (FTL) fulfillment platform. Focusing on industrial clusters and ecosystem partnerships, Annto enhances logistics transformation through resource integration and structural optimization, establishing capabilities for front-end cargo consolidation and nationwide distribution. This initiative supports the creation of a standardized, route-based less-than-truckload (LTL) network. On the warehousing front, centered on warehouse network optimization and lean efficiency improvement, Annto implements core initiatives such as mobile operations across all scenarios, digitalized warehouse-distribution coordination, and lean efficiency management to enhance storage productivity and cost-effectiveness. By digitizing production workflows, business processes, and management systems while deploying IoT-enabled smart park applications, Annto has built a digital service platform with comprehensive warehousing capabilities. This end-to-end system spans from regional distribution centers to manufacturing base warehouses, establishing an industry-leading operational architecture that delivers full-scenario, integrated warehousing solutions. On the urban distribution front, Annto pushes ahead operational transformations focusing on warehouse network planning, traffic consolidation, route optimization, and transport capacity innovation. These efforts have elevated digital management capabilities and last-mile delivery networks, achieving same-day/next-day fulfillment for over 85% of orders and 98%+ next-day delivery compliance. The comprehensive implementation of intelligent truck dispatch algorithm has culminated in a 98%+ adoption rate, while pilot programs for unmanned automated truck dispatching at central hubs are also underway to further streamline operations. On the front of last-mile services, Annto has upgraded the "Annto Home Delivery" delivery and installation service platform, in addition to developing a web platform for small business clients that enables self-service ordering, independent transactions, and end-to-end order visibility. Also, Annto has strengthened its integrated delivery and installation capabilities for B2C services, facilitating enterprise-customer connections. Building upon terminal service capabilities, it advances both dealer and direct-managed engineer models. Through B2C direct distribution with direct management of trucks/drivers, Annto has achieved service upgrades establishing direct control, management, and payment capabilities. Digital management and service tools have been introduced to enable online management and operation of nationwide installation engineers. As of the end of 2024, Annto's domestic service network spanned more than 4,000 locations, supported by a workforce of over 40,000 installation engineers. Focusing on home appliances, furniture, new energy, and personal mobility sectors, Annto has rolled out comprehensive solutions including integrated delivery-installation for appliances, three/five guarantees for furniture, survey-installation services for new energy products, and multi-category maintenance solutions. Through optimizations in pre-appointment scheduling, SMS rescheduling, precise delivery, and location-based receipt confirmation, Annto enhances three major services: integrated delivery-installation, full set delivery-installation, and integrated delivery-collection, while comprehensively improving last-mile service experience through integrated, digitally intelligent supply chain capabilities. Additionally, Annto continues to iterate its DTC delivery model, improving delivery efficiency through enhanced cloud warehouse inventory sharing and operational model innovations.

(XI) Deepened the long-term incentive and protected the interests of shareholders

In 2024, Midea continued to encourage the core management to take responsibility for the Company's long-term development and growth by further enhancing its long-term incentive schemes. Midea has launched nine stock option incentive schemes, seven restricted share incentive schemes, eight global partner stock ownership schemes, five business partner stock ownership schemes and the 2023 and 2024 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 with a cumulative amount of cash dividend payouts (including the proposed profit distribution in 2024) that is about to exceed RMB134 billion since the Group's listing in 2013. In addition to the consistent dividend payouts, the Company has carried out a string of share repurchase plans. To further stabilize the market capitalization and protect the shareholders' interests, the Company has launched share repurchase plans for four consecutive years since 2019. And the repurchased shares would be used for stock incentive schemes and stock ownership schemes.

III. CORE COMPETITIVENESS ANALYSIS

With the following core competitive edges, Midea is able to fully grasp development opportunities and achieve sustained growth.

(I) A leading global technology company in smart home and commercial and industrial solutions

As a leading global technology company in smart home and commercial and industrial solutions, Midea provides services to customers in over 200 countries and regions. It leads the way in various markets, including various household appliances and their key components, commercial air conditioners, robotics and automation. In 2024, Midea Group's revenue reached RMB409.1 billion, marking its ninth consecutive year on the Fortune Global 500 list, demonstrating its global leadership and outstanding performance. Midea persists in consolidating its market leadership in the global home appliance industry. According to a report by Frost & Sullivan, based on sales volume and revenue in 2023, Midea is the world's largest home appliance supplier. Currently, Midea has an extensive brand matrix targeting high-end, mass-market, and young consumer segments, and provides various smart home appliance products. According to the data from AVC, in 2024, Midea ranked first in market share (by retail sales) across nine product categories in both online and offline markets in domestic China. Furthermore, Midea has become a sizable provider of commercial and industrial solutions, leading the way in multiple markets. According to the data from ChinaIOL.com, in 2024, Midea maintained its position as the global leader in sales of residential AC compressors, and its global market share in residential air conditioner and laundry appliance motors also ranked among the top in the industry. According to the data from ChinaIOL.com, Midea continued to lead the domestic central air conditioning market in 2024 in terms of sales volume, maintaining the top market share in core products such as unitary units and modular units, while also securing the leading share in the domestic market for commercial VRF products. As shown by Commercial Air Conditioner Market data, Midea occupied more than 15% of the market share of centrifuge products in China, ranking first among all domestic brands. According to a report by Frost & Sullivan, Midea's subsidiary, KUKA Group, is one of the "Top Four" global industrial robot companies and, based on 2023 sales and revenue, is the world's second-largest heavy-duty robot company. Furthermore, according to MIR statistics, in 2024, KUKA's industrial robot sales share in the domestic China market steadily increased to approximately 8.2%.

(II) World-leading research and development capabilities for sustainable innovation

Midea possesses leading research and development capabilities and is committed to allocating significant resources to R&D efforts. From 2022 to 2024, the total R&D investment exceeded RMB43 billion, with R&D spending surpassing RMB16 billion in 2024 alone, representing a year-on-year increase of more than 10%. By the end of 2024, Midea has over 23,000 R&D personnel worldwide, accounting for over 50% of its non-production staff. In January 2024, the US business patent database (IFI Claims) released its "2023 Global 250: The World's Largest Patent Holders" list, which ranked Midea eighth globally in terms of patent families, and first among privately-owned companies in China.

Midea has established and continues to enhance its R&D system, including research units and teams within the Corporate Research Centre (CRC) and various business divisions. Based on research on technology, users, and markets, Midea has adopted a "Three Generations" R&D model and continuously optimised the "Four-Tier R&D System". This system relies on the CRC for cutting-edge, basic, and common technologies, while business divisions focus on product technologies, collectively constructing world-class R&D capabilities. Midea strengthens the operation mechanism of the "Three-Tier Technical Committee System", as well as drives the exploration of cutting-edge technologies, breakthroughs in core technologies, and the layout of technology commercialisation projects. It also promotes the alignment of technology strategies with medium and long-term product planning, driving growth through the dual-wheel propulsion of technology and products. The building of a global R&D network has been accelerated. The Group has set up a total of 38 R&D centers in 12 countries. With the "2+4+N" global R&D network, it has gained the advantage of scale in R&D across the world. Domestically, Midea Global Innovation Center in Shunde District, Foshan City and Midea Global Innovation Center in Shanghai are the cores of Midea's R&D arm. Internationally, Midea America Research Center, Midea Germany Research Center, Midea Japan Research Center and Midea Italy Research Center are the primary overseas hubs. Additionally, Midea is advancing the localization of user research, product support, and technological innovation at its overseas R&D centers through a cost-plus-incentive (CPI) model. This strategy makes use of the regional technological advantages, integrates global R&D resources, and builds complementary global R&D capabilities. By driving talent density and depth through the strategy of "Technology Leadership", Midea relies on its overseas R&D centers' local advantages to attract top-tier industry leaders and high-end talent across various technological fields, thereby building a strong talent pool for Midea Group.

While strengthening its global R&D network, Midea also works on constructing an open platform of innovative ecosystems. Through deepening the implementation of technology projects to integrate quality technological resources across the world, a global innovation system has been put in place. By way of integrating various resources of large companies, technology companies, universities, research institutes and innovation consulting agencies, a technology ecosystem has been put in place and continuously expanded, which has access to enormous resources for technological innovation. Additionally, a scientist system has been established with seven academician workstations/workshops and 18 academicians on more than 300 cooperation projects. These projects cover green, energy-saving, health, intelligent, robotics, automaton, medical and energy technologies, among others. In terms of basic research, the Group cooperates with domestic and foreign scientific research institutions, such as the UC Berkeley, University of Illinois at Urbana-Champaign, University of Maryland, The University of Sheffield, Tsinghua University, Shanghai Jiao Tong University, Zhejiang University, the Chinese Academy of Sciences, Harbin Institute of Technology, Xi'an Jiaotong University, Huazhong University of Science and Technology and South China University of Technology, in order to establish joint labs for deepening technological cooperation. The Group also upgrades and make innovations on cooperation models by carrying out strategic cooperation with tech companies such as BASF, Honeywell, 3M, and SCHOTT to build a global innovation ecosystem through multiple channels. Midea continues to achieve major technological breakthroughs and product innovations through R&D investment, and its R&D achievements continue to optimise its product portfolio and refine its brand image, as well as contributing to the technological progress of the industry.

(III) High-performance operations and digitisation throughout the value chain

Every operational link of enterprises, including supply chain, manufacturing, sales, and product development, faces intricate processes and vast scales. Every year, Midea procures raw materials and components worth hundreds of billions of RMB from over 5,000 suppliers and sells products across more than 200 categories to tens of thousands of small and medium-sized retailers and other customers. Therefore, digitisation is crucial for the Company's operations. More than 5,000 professionals within the Group are dedicated to the digital transformation and upgrade of the Group.

In terms of the supply chain, Midea's Integrated Supply Chain (ISC) management system sets an example of excellent supply chain management operations. It provides a vital system architecture for efficiently fulfilling customer orders and managing global supply chains, achieving intelligent replenishment and faster inventory turnover, and enhancing the collaborative efficiency of production, supply, and sales throughout the value chain. The ISC management system enables seamless connection with suppliers and automation of the procurement process based on sales and inventory data. Supported by an efficient supply chain and big data, inventory building and replenishment of the entire warehouse product portfolio can be achieved in an efficient manner, greatly improving production efficiency.

With respect to intelligent manufacturing, leveraging digital technologies, Midea is committed to building high-quality, flexible, green and efficient factories. Six factories have been recognised as "Lighthouse Factories" by the World Economic Forum, representing significantly improved production efficiency. After digital transformation, the residential AC factory in Nansha, Guangdong, has reduced operating costs by 23% and increased production efficiency by 36%. The experience of Lighthouse Factories is rapidly promoted across multiple production bases globally. Midea's intelligent manufacturing capabilities combined with efficient supply chains enable a rapid response to customer demands, aligning production with customer needs, increasing production efficiency, and reducing inventory.

In terms of market channels, Midea leverages digital technologies to directly connect with an extensive network of small and medium-sized retailers, continuously optimising sales channel networks. Through the "Midea Cloud Sales" platform, small and medium-sized retailers can directly order products, promoting the sales of core products and new products. Midea continues to enhance the functionality of "Midea Cloud Sales" and constructs the "Midea Cloud Sales+" ecosystem covering all tiers of markets. As a core competitive edge, Midea possesses an exclusive store system that covers extensive markets. And it says steadfast in promoting the enhancement and transformation of the exclusive store system in service, operation, and comprehensive retailing, among other capabilities.

In terms of product development, Midea improves its product development capabilities through digitisation. By establishing a digital product planning platform, Midea rapidly translates technology into products that meet customer needs. It keeps advancing platform modularisation to increase the accuracy of product planning. During the period from 2021 to 2024, the project development cycle (calculated based on the average time from project initiation to completion) has been shortened by approximately 30%. Leveraging its comprehensive product portfolio and considerable economies of scale, combined with a digital consumer engagement model, Midea continuously enhances user research and insight capabilities to assist in formulating efficient research and development strategies and developing products and solutions that meet market demands.

High-performance operations and economies of scale throughout the value chain has brought operational efficiency advantages that are difficult to replicate. Midea's "T+3" model, supported by comprehensive digitisation, efficient supply chain management, and production and sales channel operations, has led to improvements in multiple efficiency indicators year by year. For example, the average cycle time from order placement to delivery in the domestic market decreased from 21 days in 2021 to 12.5 days in 2023, significantly lower than the industry average.

(IV) A comprehensive and continuously deepening global network

In the domestic market, with its continuous efforts over the years, 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. Midea continues to improve its offline business layout around user needs, and has created a network layout of comprehensive household appliance stores, specialty stores of self-owned products, traditional retailers and e-commerce franchise stores, covering the entire market from first-tier cities to townships. It also provides professional scenario-based solutions for corporate customers. Particularly, Midea boasts a unique exclusive shop system in the industry with tens of thousands of outlets, where various needs of users from new decoration to updates can be met in pre-decoration stores, flagship stores, professional stores, combo stores and other stores. Midea continuously provides industry-leading digital platform services to retail stores. It also focuses on expanding and constructing premium brand stores for COLMO and Toshiba. Centred around "smart suite operation" and "entire-house renovation solutions", Midea actively cooperates with home decoration, furniture, building materials, and design channels, seeking to capture front-end traffic. With exclusive stores as the core, the Company builds a "Midea Cloud Sales +" ecosystem covering markets at all tiers, establishes an exclusive store system with core competitiveness for various markets, as well as firmly promotes and transforms the exclusive store service, operation, and all-product-category retailing capabilities, among others. In addition, Midea is also accelerating the development of new channels such as Pinduoduo, Douyin, Kuaishou, and Xiaohongshu. These efforts, together with membership operation, product suite promotion and intelligent transformation, can drive sales and user growth.

In overseas markets, Midea has put in place a global network for research and development, manufacturing, and marketing, representing the capability for global development. With 22 overseas research and development centres in 11 countries, Midea integrates global R&D resources to build complementary advantages in global technological research and development. Among the 44 major production bases globally, 23 are located overseas. As such, Midea is able to realise global production and delivery, seizing growth opportunities in overseas markets. Overseas sales contribute to over 40% of Midea's total sales, with products exported to over 200 countries and regions worldwide. In many overseas markets, online and offline sales networks have been established, with approximately 5,000 after-sales service outlets. Continuously deepening the application of digital sales platforms in overseas markets, over 10,000 retailers in Southeast Asia have joined Midea's overseas sales platform. By the end of 2024, Midea has over 35,000 overseas employees. Midea also continuously deepens and expands its global business network through strategic acquisitions and joint ventures. The rapid growth of Midea's overseas original brand manufacture (OBM) business is evident, with OBM revenue reaching 43% of overseas revenue of smart home in 2024. Mainly featuring Toshiba, Midea, and Comfee brands, OBM products have demonstrated strong competitiveness in numerous overseas markets. Additionally, TLSC achieved a turnaround from loss to profit within approximately three years after the acquisition, showcasing Midea's capabilities in global business integration and global brand management.

(V) Sustained growth in the business of commercial and industrial solutions

Midea has established a rapidly growing business of commercial and industrial solutions. Revenue from this business as a percentage of total revenue has increased from 18.5% in 2020 to over 25.5% in 2024, with revenue from the said business exceeding RMB100 billion for the first time in 2024. Commercial and industrial solutions have become one of the main engines driving the continuous growth in Midea's business.

Midea Energy Solutions and Industrial Technology, with technology as the core driver, commands key technologies in HVAC and home appliance components, green energy, and green transportation sectors. With a rich brand portfolio, it continues to deepen cooperation with customers in high-growth areas such as consumer appliances, industrial automation, photovoltaic energy storage, and intelligent transportation, among others. It provides global pan-industrial customers with green, efficient and intelligent products and technological solutions. The business group continues to increase investment in key and cutting-edge technologies. Through the acquisition of new energy companies – CLOU Electronics and Hiconics, it has entered the energy storage industry with tremendous market potential.

Midea Intelligent Building Technology offers integrated solutions for intelligent buildings in various fields, including infrastructure, utilities, commercial services, and industrial and agricultural production. Its comprehensive smart solutions mainly cover smart low-carbon solutions, smart rail transit, smart hospitals, and smart parks. With the digital platform iBUILDING at its core, it empowers building equipment and enhances the operational and management efficiency of building facilities. It has successfully provided solutions for landmark projects such as the Lens Technology (Vietnam) Project, the Venezuela Metro Renovation Project, Lanzhou Zhongchuan International Airport, and the Alibaba Global Headquarters Building.

With KUKA Group at its core, the robotics and automation systems business, as one of the world-renowned providers of intelligent robotic automation solutions, KUKA provides comprehensive products, system integration, and services to customers in various industries such as automobile, electronics, consumer goods, logistics/e-commerce, healthcare, and more. KUKA continues to consolidate and enhance its market leadership in the field of robotics and automation solutions. In

2023, both revenue and profit of KUKA Group hit record highs. Its business performance in China was particularly outstanding, with revenue contribution from KUKA China increasing from 15% in 2020 to over 22% in 2024.

Midea possesses diversified commercial and industrial solutions, providing integrated solutions to clients across multiple industries. In horizontal expansion, it consistently enriches product categories, expands scale, and enhances efficiency advantages. In vertical expansion, it continuously develops and iterates compressors, motors, and other key industrial components, and enters cutting-edge technology fields through acquisitions, such as industrial robots and green energy. Through both horizontal and vertical expansions, Midea creates industrial synergies, laying a solid foundation and injecting strong momentum for the sustained growth of its business of commercial and industrial solutions.

(VI) Advanced corporate governance and values

Midea is built to grow on the back of progressiveness of corporate governance, updated values, and the growth of management's mental model. Midea's corporate governance emphasises the shared responsibilities, rights and obligations, striving to establish an internal entrepreneurial group and fully inspire entrepreneurial spirit. Midea has long been committed to creating maximum value for employees, customers, shareholders, and society. To recognise employee contributions and acknowledge performance, Midea has established a multi-tiered long-term incentive mechanism primarily based on stock incentives. As of the end of 2024, Midea has launched nine Stock Option Incentive Schemes, seven Restricted Share Incentive Schemes, and 15 Stock Ownership Schemes for its management teams and key employees at different levels. Midea is committed to providing the best experience for customers, striving to deeply understand their needs and preferences, and optimising product development and business models accordingly. Over the years, Midea's product portfolio has continuously expanded to meet diverse customer needs. The trust and support from shareholders are crucial to Midea's development. Midea is dedicated to creating value for shareholders and sharing growth with them. Since its listing in 2013, Midea has paid out cumulative cash dividend (including the proposed profit distribution for 2024) exceeding RMB134 billion and implemented share repurchases totaling over RMB27.1 billion. Midea attaches great importance to environmental and social responsibility, striving for sustainable development. It was recognised on the 2024 Fortune China ESG Impact List and the 2024 Fortune Most Admired Companies in China list.

IV. FUTURE PROSPECTS OF THE COMPANY

(I) 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", drives balanced development of To Consumer (ToC) and To Business (ToB) businesses under the guidance of the strategic focus, as well as builds a complementary cycle among diverse industries. The Company drives profitability improvement through the enhancement of product strength and core technologies in the ToC end, providing strategic support for the transformation of the ToB business. Also, it continues to strengthen its globalisation capability, striving to transform from a China-based company to a global one. While maintaining its superiority in efficiency, the Company drives growth through innovation and builds product and technological advantages. Midea are built to grow on the back of progressiveness of corporate governance, updated values, and the growth of management's mental model. Midea will continuously improve the governance mechanism by empowering responsibilities, rights and obligations, clarify decentralization and authorization, constantly refine the agent mechanism, optimize the incentive and constraint system, encourage entrepreneurship and boost organizational vitality, and establish a flat and agile organization and optimization process. It will also adhere to the values of long-termism and altruism, truly put employees, users, customers and partners at the center of all things, and improve the EHS governance and ESG rating. Additionally, the Management will endeavor to achieve all-round growth both spiritually and intellectually. Meanwhile, Midea will continue to improve the talent structure, build diverse teams that are inclusive and collaborative, and create a simple, straightforward, flat and equal environment. In the meantime, it will constantly improve consistency management across the Group, so as to achieve consistent operations, corporate culture and values and philosophies, which will ensure the sustained and steady development of the Company.

With strategic certainty, Midea is well prepared for uncertainties in the future. It firmly upgrades its business models, with a core focus on incremental development through the Chinese Market DTC reform, the Overseas OBM Priority strategy, and ToB business breakthroughs. The Company also explores new approaches to continuously drive cost reduction and efficiency improvement through the combination of the through-value-chain, no-breakpoint, seamless, and people-never-see-people digitalisation capabilities and lean management. It is also important to insist on structural upgrading, with a core focus on providing high-quality, differentiated products. The Company continues to invest in and improve the "Three Generations" R&D system to increase added value and profitability of products, better support technological research and development and structural upgrading, and continue to invest in the future in order to achieve stable and sustained high-quality growth. In addition, Midea insists on business upgrading. By further increasing investment in the ToB business, continuously improving product strength, realising value chain autonomy, grasping opportunities to quickly seize market share, the Company fully fires up the "Second Growth Engine". With the customer-oriented principle as the root of corporate innovation and reform, the Company accelerates DTC breakthroughs. Grasping capital flow, cargo flow, information flow and other information of the whole value chain through direct contact with customers/users, the Company is able to deepen the implementation of an online system for policies and visualisation of the whole order process. By doing so, it can gather retail data in real time, and acquire first-hand information on customer needs for its reform and innovation. Further, the Company shortens the factory-to-user process through the development of online capabilities and the further online-offline integration, so that the products and services can be delivered to the users at the lowest cost and the fastest speed.

(II) Operational focus in 2025

In 2025, Midea will continue to drive its four core strategic pillars centered on technology leadership, adhering to the core business philosophy of "simplification for growth and self-disruption to confront challenges." The Company will firmly implement the following six key business initiatives: Firstly, adhering to fundamentals for excellence across the value chain. Midea will uphold fundamental business principles, continuously enhancing efficiency metrics, optimizing operational management, maintaining cost advantages, improving cash flow, and strengthening product competitiveness to achieve excellence across the entire value chain. Secondly, simplification as the key driver of growth. The essence of driving growth through simplification lies in streamlining operations. Midea will simplify its business structure, organizational framework, product categories, and work models to focus on core businesses, unleashing the entrepreneurial spirit and creativity of its teams. Thirdly, self-disruption to confront challenges. Facing numerous challenges – including domestic economic structural transformation, emerging industry competitors, geopolitical conflicts, and anti-globalization – Midea will embrace self-denial and continuous innovation. The Company will leverage excellent short-term cycles to navigate broader macroeconomic shifts, prioritizing transformation in the Chinese Market DTC business model, and achieving breakthroughs in ToB operations. Fourthly, taking global expansion as the top priority. Midea is committed to boldly expanding into both deep and shallow waters of the global market, aggressively pursuing overseas market breakthroughs with a focus on the OBM Priority strategy. The Company will drive organizational transformation and innovation across processes, collaboration, and decentralization to fully unlock the vitality of its global teams. Simultaneously, it will optimize overseas production capacity, narrowing cost disparities between international and domestic manufacturing to strongly support the OEM Priority strategy. Fifthly, accelerating the technology leadership strategy. Technology is the key to long-term success across business cycles. Midea will reinforce the execution of its "Three Generations" R&D approach, further defining the positioning of its research systems. The Company will focus on user-centric, differentiated product technologies, using quality and technological innovation to break free from industry involution. Sixthly, embracing the dual competition of the digital and physical worlds. Midea will accelerate its comprehensive digital transformation, achieving full-scale "cloud integration" and reshaping product forms and service models. The Company will enhance user interaction and engagement, leveraging AI-generated content (AIGC) to upgrade work processes, business models, and commercial strategies. Through a dual-engine approach integrating "business and technology", Midea will embed AIGC across its products, services, and value chain to enhance operational efficiency.

Midea aims to drive scale growth through structural expansion, global market penetration, and ToB business breakthroughs, while continuously optimizing cash flow, cost management, and industrial upgrades. The Company is committed to steadily achieving high-quality annual targets while further advancing decentralization and governance improvements. By fostering an internal community of entrepreneurs, Midea seeks to fully unleash entrepreneurial spirit and remain steadfast in its pursuit of excellence through all business cycles. Key tasks for 2025 include:

(1) Midea will further implement its strategy of technology leadership, continuously refine the "Three Generations" R&D system, and leverage digitalization to drive its evaluation framework. By strengthening pioneering research, differentiating product portfolio and breakthroughs, the Company aims to build a leading product matrix, achieving dual breakthroughs in sales and reputation, propelling industry advancement, and supporting the sustained enhancement of brand value. Midea will reinforce the TP3 framework within its research organizations, continuously optimizing talent structures and establishing a scientist talent system. The Company will actively recruit global research leaders and PhD-level experts, ensuring full coverage of top-tier talent in core technology domains. Simultaneously, it will optimize R&D project planning, forming a matrix of frontier technology, core breakthroughs, and technology commercialization projects to accelerate research outcomes and enhance product competitiveness. The Company will further strengthen its global R&D footprint, enhancing overseas R&D capabilities and refining its global research network. It will accelerate product localization in key countries and regions by optimizing overseas user research teams and expanding independent brand R&D teams, enabling local product innovation and differentiation to support overseas R&D centers. To refine the "Technology Leadership" framework, Midea will: Focus on strategic R&D project planning to improve project quality; Introduce AI tools to enhance innovation and efficiency; Expand platform-based and modular R&D to boost product development quality and speed; Strengthen value chain integration through business model innovation, process efficiency optimization, and seamless front-to-back-end collaboration, enabling full value chain empowerment.

(2) Midea will keep a high-quality development direction and stick to organic, sustained and effective growth. In the process of implementing new strategies to boost new growth, the key 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 order to win in competition, it is important to develop high-end products to refine the product mix. 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 challenges such as fluctuations in exchange rates and prices of bulk raw materials, as well as sourcing management in supply chain, Midea will firmly promote its internal coordination and sharing mechanism and keep perfecting the relevant solutions. It will also maintain effective investments, control strictly non-operating expenses, increase labor productivity, improve human resource allocation efficiency, promote lean management and provide fresh impetus for continual growth through relentless innovation.

(3) In 2025, Midea will focus on five key priorities in the domestic market: "delighting users, revitalizing the brand, driving transformation, expanding product offerings, and strengthening retail operations". Retail-Focused Growth: Midea aims to achieve breakthroughs in new e-commerce models,

increasing the share of self-operated online sales. The Company will integrate online and offline product offerings through O2O (online-to-offline) models to enhance inventory turnover efficiency. Additionally, Midea will accelerate traffic acquisition, continuously optimize and expand its offline retail network, and implement a seamless digital marketing strategy to enhance advertising efficiency across all channels. Business Transformation: Midea will fully implement shared cloud warehousing and empowerment, advancing to Cloud Warehouse 3.0 to enhance customer benefits and satisfaction through cloud-based credit and return services. The Company will adopt a unified inventory approach across all sales channels while further streamlining SKU offerings to improve sales efficiency. Additionally, Midea will simplify digital tools for customers and users by integrating platforms such as Midea Home Delivery, Midea Service, and Midea Mall, ensuring a seamless user journey and strengthening customer benefits. The Company will also continuously integrate Midea Cloud Sales to optimize customer and user management. To enhance user rights and experiences, Midea will introduce specialized services, including hassle-free returns and exchanges, home appliance concierge services, and Midea Fan 2.0, further upgrading user benefits and fully enhancing user experience. User Service Enhancements: Midea will improve service network efficiency through logistics capacity modeling, significantly increasing on-time fulfillment rates and delivering faster service. The Company will enhance pricing transparency by introducing upfront service fee estimates, price expectation management, and a double-compensation commitment for overcharges. Additionally, Midea will expand its 365-day "replacement over repair" policy for small appliances to elevate the user experience. Service Infrastructure Expansion: Midea plans to establish over 600 hands-on training centers nationwide to further enhance the technical capabilities of service engineers, ensuring first-visit problem resolution for users. Furthermore, the Company will continuously optimize the product return and exchange experience by broadening the range of exchangeable products, implementing automated model recommendations, and ensuring that all returns and exchanges are completed within 120 hours.

(4) Regarding the overseas market, Midea will continue to drive the expansion and deep penetration of its overseas business, further identifying untapped markets and planning strategic entries into new regions. The Company will expand its network of overseas subsidiaries and refine operations in key markets to enhance localized management and growth. On the brand marketing front, Midea will strengthen brand building and enhance marketing capabilities, developing a younger, more modern visual identity while refining its brand portfolio strategy and audience segmentation. The Company will establish influencer marketing strategies, optimize digital media placements, and cultivate new social media engagement capabilities. Additionally, Midea will enhance ToC retail activation, collaborating with business units to improve product promotion and in-store branding. In the realm of sports marketing, the Company will explore sponsorship opportunities for regionally and globally influential sporting events to amplify brand presence. On the channel development front, Midea will leverage digital applications to enhance channel efficiency and customer relationship management, integrating market data to establish a commercial intelligence system and develop a comprehensive channel mapping strategy. The Company will strengthen key customer operations, compiling a global key customer list and fostering deeper collaboration through automated system integration and executive-level engagement. Furthermore, Midea will advance channel visibility, increasing sales and distribution data coverage by digitizing offline data and establishing real-time data dashboards to support business decision-making.

Midea will enhance its overseas infrastructure capabilities. In terms of the overseas service system, the Company will improve spare parts supply chains and contact centers, optimize the service network, and elevate service engineering capabilities. It will establish a global after-sales spare parts management system with scientific forecasting and automated monitoring, improving the supply efficiency of spare parts from regional warehouses to market endpoints. The global cloud customer service system and iService after-sales system will be expanded to cover more countries and regions, with standardized operations and performance metrics for customer contact centers, leveraging intelligent customer service and AI-powered assistance. The Company will continue to build and expand exclusive authorized service outlets to enhance service response speed. Additionally, it will refine the end-to-end new product service introduction process, delivery quality, and Design for Serviceability (DFS) rules and quantitative models. In terms of organizational talent, Midea will establish robust organizational mechanisms and employer branding, clarify the roles and responsibilities of different organizational units, optimize communication, decision-making, and governance mechanisms, and strengthen the global consistency of its employer brand. The Company will build a global OBM talent supply chain, aligning talent standards, talent review and assessment, and talent development under the global OBM strategy. It will focus on key positions, create a talent reserve pool, and enhance the overseas digital learning platform. Furthermore, Midea will strengthen management consistency and digital construction, ensuring uniformity in HR policies, processes, and regulations while accommodating country-specific characteristics. It will standardize processes, improve employee experience, and advance HR digitalization to enable fully online operations. In the digital domain, Midea will empower overseas employees with digital tools to enhance global collaboration. It will refine overseas e-commerce operations, implement digital supply chain strategies, and leverage AI to boost analytical and operational efficiency. The Company will improve end-to-end order visibility, continue to build overseas sales and operations planning (S&OP) capabilities, and optimize OBM order fulfillment data. It will also implement refined management and monitoring of the entire service delivery process, using digital tools to drive service upgrades and cost efficiency. In risk management, Midea will enhance its risk control capabilities by implementing a comprehensive risk management framework, ensuring coordinated efforts between headquarters and regional offices, and improving incentive and evaluation mechanisms to foster a culture of teamwork and compliance. The Company will thoroughly review business processes, identify risk and control points at each stage, and develop and refine internal control systems with clear role responsibilities. It will utilize information technology to monitor operations in real time, detect and warn potential risks, and prepare contingency plans to ensure timely identification and resolution of issues.

(5) In 2025, Midea will continue to deepen the implementation of its dual high-end brands strategy, further strengthening the dual-engine power of COLMO and Toshiba brands. The COLMO brand will advance the combination of territory retail and precision distribution, continue to expand brand store construction, deepen cloud warehouse transformation, while focusing on crowd assets, layout sales accounts, and achieve online and offline full-domain operations. COLMO will further evolve around products and user experience, launching more product series to consolidate and

enhance the high-end market position of air conditioners and refrigerators, and build a diversified portfolio of high-end products around the comprehensive smart air and water heating solutions for the whole house. In the field of comprehensive smart home, based on its self-developed large language model capabilities, COLMO will provide users with more complete, reliable, and intelligent smart home appliances and integrated home solutions. To further enhance the brand store image and experience, COLMO will provide one-stop purchase through entire-house smart home appliance solution design services, and enhance user repurchase and recommendation rates through integrated delivery and installation, 1V1 manager services, appliance cleaning, and other membership benefits and services. Toshiba will continue to expand its retail network, enhancing brand awareness and reputation to better meet customer needs. The brand will drive continuous product innovation, improving product quality and performance to cater to diverse customer demands while refining its product portfolio to further capture the high-end market. Additionally, Toshiba will continuously enhance channel integration capabilities, leveraging new retail models such as OMO and O2O to integrate online and offline channels. This approach will empower branded stores by generating sustained in-store traffic. Moreover, Toshiba will place greater emphasis on customer service excellence, introducing exclusive membership benefits and services for both new and existing customers to strengthen user engagement and brand loyalty. WAHIN will continue to focus on user-centric, product-driven, and experience-led innovation, expanding into a diverse range of product categories while delivering superior performance. The brand aims to create intelligent, comfortable, and seamlessly connected smart living experiences for consumers. WAHIN will also pursue innovative marketing strategies, targeting trendsetting young consumers through diverse cross-industry collaborations. To further enhance conversion efficiency, the brand will optimize the sales funnel, maintaining a synergistic approach between brand building and sales performance. It will also reinforce the "Social + Content + E-commerce" model to drive sales growth.

(6) Midea will continue to drive its "Digitization & Intelligence Driven" strategy, focusing on key digital transformation initiatives, including Digitalization 3.0, DTC transformation, ToB business platforms, and user operations. Domestically, Midea will advance its DTC transformation, enabling multi-channel, multi-dimensional, multi-role, and multi-terminal online business data integration and tiered data sharing. This will provide precise and efficient data empowerment to frontline sales teams, merchants, and stores, facilitating the Company's retail digitalization transformation goals. In terms of marketing and growth, Midea will deeply integrate online and offline channels, implement 360° user operations, optimize product portfolio structures, and enhance hassle-free return and exchange policies. By leveraging AIGC-driven intelligent scenarios, Midea will support the core product structure's retail targets, establish million-view livestreaming sessions, and improve content operation efficiency. Midea will further accelerate its transition toward digitalization and intelligence, utilizing data as the core driver to optimize business processes and enhance operational efficiency. In 2025, Midea's data-driven initiatives will focus on "Data+AI" breakthroughs in AIGC, international expansion, and DTC transformation, reinforcing its vision of a fully digitalized Midea.

(7) Midea will drive incremental growth in new energy and industrial technology businesses, continuously expanding its business boundaries and accelerating its growth trajectory. In the HVAC and home appliance components sector, Midea will increase R&D investment, enhance technology and platform research processes, and optimize product mix to improve both profitability and scale. The Company will reinforce the market competitiveness of its core product categories while achieving breakthroughs in new products and technologies, providing customers with green, efficient, and low-noise solutions. Midea will continue making advancements in niche markets, with a strategic focus on developing scroll compressors and HVAC valves, and achieving breakthroughs in commercial air conditioning and heat pump heating solutions. Midea will also expand production lines for air conditioner compressors and motors for air conditioners and washing machines, while launching a new smart manufacturing base for refrigerator compressors in Hefei. The Company will further enhance global supply chain capabilities, leveraging the advantages of overseas manufacturing facilities to strengthen global market competitiveness. To expand its international presence, Midea will establish a professional overseas service platform, offering one-stop services for small and medium-sized customers and tailored solutions for key accounts, ensuring breakthroughs in overseas strategic customer acquisitions and increasing its global market share. In the home appliance chip sector, Midea will continue deepening its expertise and competitive edge, focusing on the development of high-quality industrial-grade chips for main control, touch control, and variable frequency applications. The Company will also drive chip integration strategies and expand its partnerships with leading home appliance manufacturers.

In the green energy sector, CLOU Electronics will further develop its EP Package full-lifecycle turnkey service capabilities, catering to the diverse localization and customization needs of global users. The Company will conduct in-depth market trend analysis for overseas markets, expanding into emerging markets while strengthening its presence in the Americas and Europe. Simultaneously, CLOU Electronics will actively expand its footprint along the Belt and Road Initiative, tapping into the Middle East, Africa, and Asia-Pacific markets to empower partners and enhance rapid responsiveness to end customers. Domestically, CLOU Electronics will focus on achieving breakthroughs with strategic clients, with particular emphasis on major power generation enterprises in China. Hiconics will remain committed to advancing three core businesses: green energy solutions, residential energy storage and photovoltaic (PV) inverters, high-voltage variable frequency drives (VFDs). The Company aims to achieve balanced growth in business scale, profitability, and cash flow, ensuring the steady expansion of its residential PV solutions business. On the market front, Hiconics will deepen its existing distribution channels while actively expanding into green zero-carbon industrial parks and premium villa green energy solutions. The Company will drive growth in residential energy storage and PV inverter businesses, accelerate the commissioning of the Anqing manufacturing base, expand its global footprint in residential energy storage, and increase penetration of PV inverters in the domestic EPC solar market. Additionally, Hiconics will reinforce its position in the general-purpose high-voltage VFD market, deepen its presence in high-precision industry projects, and continuously explore new business opportunities.

In the green transportation sector, Midea will increase investment in product technology, achieving new breakthroughs in new energy vehicle (NEV) components while continuously expanding its market and acquiring new clients for thermal management modules. The Company aims to secure breakthroughs in domestic economy vehicle projects and overseas mainstream automaker collaborations. To enhance manufacturing capabilities, Midea will complete the construction of overseas factories, launch operations, and strengthen global logistics and delivery systems. Additionally, Midea's New Energy and Industrial Technology division will further expand its harmonic reducer product line, continue acquiring top-tier industry clients, and achieve breakthroughs in scale expansion.

(8) Leveraging China's rapid response and advanced manufacturing capabilities, Midea aims to establish a highly efficient, world-class full-value chain operating system, continuously strengthening KUKA's global competitiveness. Regarding localization strategy, Midea is committed to building strong local capabilities in China, positioning itself as a local startup to compete effectively with domestic enterprises. By leveraging localized operations to support overseas business growth, Midea will drive the expansion of its global footprint. The Company will further optimize and expand its product portfolio, accelerate localization, regionalization, and in-house production of core materials, and enhance delivery efficiency. Regarding internationalization strategy, Midea will actively support Chinese clients in their overseas expansion while also seizing opportunities to collaborate with international clients seeking Chinese partners. The Company will continue to increase the share of international sales from KUKA China. Regarding market expansion, Midea will continuously identify new growth opportunities by capitalizing on synergies in customer base, technology, and product offerings. While steadily expanding its automotive clients, the Company will also focus on significantly increasing business in emerging industries, including new energy, general industry, electronics, healthcare, logistics, and services. Midea will continue to increase investment in R&D, strengthening its differentiated technological advantages. The Company will enhance its AI and application software capabilities through external partnerships, and concentrate resources to accelerate the launch of the next generation of collaborative robot products.

(III) Risks faced by the Company and countermeasures

1. 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.

2. Risks in the price 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 fluctuates 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 overall sale prices of end products cannot offset the total effects of cost fluctuations, the Company's business will be influenced to some degree.

3. 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.

4. 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.

5. **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 2025. 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, imposing additional tariffs and other 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.

The table below sets forth the absolute amounts from the Company's consolidated statement of profit or loss for 2024 and 2023:

	2024 RMB million	2023 RMB million (Restated)
Revenue	**409,084**	373,710
Cost of revenue	**(301,982)**	(278,248)
Gross profit	**107,102**	95,462
Selling and marketing expenses	**(38,753)**	(31,953)
General and administrative expenses	**(15,404)**	(13,976)
Research and development expenses	**(16,233)**	(14,586)
Net impairment reversal/(losses) on financial assets and contract assets	**29**	(235)
Other income	**9,680**	8,120
Other gains/(losses), net	**396**	(946)
Operating profit	**46,817**	41,886
Finance income	**945**	1,085
Finance costs	**(1,917)**	(3,373)
Finance costs, net	**(972)**	(2,288)
Share of profit of associates and joint ventures, net	**847**	681
Profit before income tax	**46,692**	40,279
Income tax expense	**(7,933)**	(6,532)
Profit for the year	**38,759**	33,747
Attributable to:		
Owners of the Company	**38,539**	33,722

REVENUE

The table below sets forth the absolute amounts and percentages of the Company's revenue by business for 2024 and 2023:

	2024		2023		Change
	RMB million	**% of Revenue**	RMB million	% of Revenue	
Smart Home Solutions	**269,532**	**65.9%**	246,351	65.9%	9.4%
Energy Solutions and Industrial Technology	**33,610**	**8.2%**	27,874	7.5%	20.6%
Intelligent Building Technology	**28,470**	**7.0%**	25,914	6.9%	9.9%
Robotics & Automation	**28,701**	**7.0%**	31,053	8.3%	-7.6%
Other businesses	**13,715**	**3.3%**	12,940	3.5%	6.0%
Commercial & Industrial Solutions	**104,496**	**25.5%**	97,781	26.2%	6.9%
Others	**35,056**	**8.6%**	29,578	7.9%	18.5%
Total	**409,084**	**100%**	373,710	100%	9.5%

In 2024, the Company achieved revenue of RMB409.1 billion, representing a year-on-year growth of 9.5%, of which revenue from Smart Home Solutions amounted to RMB269.5 billion, representing a year-on-year increase of 9.4%; revenue from Commercial & Industrial Solutions reached RMB104.5 billion, representing a year-on-year increase of 6.9%; and revenue from raw materials sales and other businesses amounted to RMB35.1 billion, representing a year-on-year increase of 18.5%.

From a business segment perspective, Smart Home Solutions recorded revenue of RMB269.5 billion, representing a year-on-year increase of 9.4%, primarily driven by: (1) Accelerating global expansion with a focus on the Original Brand Manufacture (OBM) Priority strategy, strengthening localized operations overseas, and continuously enhancing overseas manufacturing, R&D, branding, channel, and service system development; (2) Leading new growth through unwavering commitment to Direct to Customers (DTC) transformation, focusing on retail capabilities, driving innovation in digital business models, and enhancing operational efficiency and user experience; (3) Continuously advancing the "COLMO + Toshiba" dual high-end brand strategy by leveraging Artificial Intelligence (AI) technology, scenario-based suite solutions, and innovative industrial design, thereby increasing market share in the high-end home appliance sector; (4) Promoting the integration of online and offline businesses in the domestic market, achieving breakthroughs in new business capabilities such as Online to Offline (O2O) and Online merge Offline (OMO), and capitalizing on the national subsidy policy benefits in the domestic market to drive sales growth.

Energy Solutions & Industrial Technology achieved revenue of RMB33.6 billion, reflecting a 20.6% year-on-year growth. Excluding the impact of acquisitions and consolidations, the year-on-year growth was 17.8%, primarily due to: (1) Deepening expertise in heating, ventilation and air conditioning (HVAC) appliance components, launching multiple innovative products, and continuously expanding in key markets and customers; (2) Energy Solutions & Industrial Technology focusing on providing comprehensive and effective green energy solutions spanning the entire energy value chain, including large-scale energy storage, commercial and industrial energy storage, residential energy storage, smart grids, and photovoltaic systems; (3) Strengthening its presence in green transportation components, with products widely adopted in best-selling models of emerging domestic New Energy Vehicle (NEV) brands and mainstream traditional automakers.

Intelligent Building Technology recorded revenue of RMB28.5 billion, representing a year-on-year growth of 9.9%, primarily driven by: (1) Continuous product and technological innovation, achieving breakthroughs in core products such as heat pumps and rooftop units, precisely meeting the global demand for low-carbon transformation; (2) Upgrading energy management and regional heating & cooling solutions to drive the transition towards high-value-added services; (3) Expanding global channel presence by leveraging OBM breakthroughs in key overseas markets to fuel growth; (4) Establishing a standardized local operation system, strengthening dedicated product development and technical service capabilities, and enhancing full-chain efficiency and customer loyalty.

Robotics & Automation reported revenue of RMB28.7 billion, representing a year-on-year decline of 7.6%, mainly due to cyclical fluctuations in industry demand. Factors such as the slowdown in global NEV growth and capacity adjustments in the photovoltaic and lithium battery sectors have exerted short-term pressure on the industrial robotics market.

From a regional contribution perspective, in 2024, revenue from Mainland China amounted to RMB240.1 billion, representing a year-on-year increase of 7.7%; revenue from other countries or regions amounted to RMB169.0 billion, reflecting a year-on-year increase of 12.0%. The following table sets forth the absolute amounts and their respective percentages of total revenue of the Company by region for 2024 and 2023:

	2024		2023		Change
	Amount RMB million	**% of Total revenue**	Amount RMB million	% of Total revenue	
Mainland China	**240,050**	**58.7%**	222,804	59.6%	7.7%
Other countries or regions	**169,034**	**41.3%**	150,906	40.4%	12.0%
Total	**409,084**	**100.0%**	373,710	100.0%	9.5%

GROSS PROFIT AND GROSS PROFIT MARGIN

The table below sets forth the absolute gross profit amounts and gross profit margins of the Company for 2024 and 2023 by business:

	2024		2023	
	Gross profit RMB million	Gross profit margin	Gross profit RMB million	Gross profit margin
Smart Home Solutions	**80,791**	**30.0%**	70,677	28.7%
Energy Solutions and Industrial Technology	**5,962**	**17.7%**	4,927	17.7%
Intelligent Building Technology	**8,590**	**30.2%**	7,609	29.4%
Robotics & Automation	**6,313**	**22.0%**	7,374	23.7%
Other businesses	**1,485**	**10.8%**	1,673	12.9%
Commercial & Industrial Solutions	**22,350**	**21.4%**	21,583	22.1%
Others	**3,961**	**11.3%**	3,202	10.8%
Total	**107,102**	**26.2%**	95,462	25.5%

In 2024, the Company's gross profit margin was 26.2%, reflecting a year-on-year increase of 0.7%. The improvement was primarily driven by: (1) Product portfolio optimisation, focusing on upgrading product structures by accelerating high-end and smart product transformation, thereby increasing the proportion of high-margin products and enhancing the competitiveness of high-margin business segments; (2) Supply chain integration, leveraging digital tools to establish a dynamic raw material inventory mechanism, while strengthening cost advantages through economies of scale, strategic sourcing, and flexible inventory management; (3) Advancement in smart manufacturing and digital management, implementing refined full-process control across the value chain to enhance operational efficiency.

SELLING AND MARKETING EXPENSES

The table below sets forth the Company's selling and marketing expenses and percentages of revenue for 2024 and 2023:

	2024		2023		Change
	RMB million	Percentage of revenue	RMB million (Restated)	Percentage of revenue	
Selling and marketing expenses	**38,753**	**9.5%**	31,953	8.6%	21.3%

In 2024, the Company's selling and marketing expenses amounted to RMB38.8 billion, representing a year-on-year increase of 21.3%. The percentage of selling and marketing expenses was 9.5%, representing a year-on-year growth of 0.9%. This increase was primarily due to higher advertising and promotional expenses (including offline promotional fees, online platform service fees, brand promotion fees, and community marketing expenses for stores and products).

GENERAL AND ADMINISTRATIVE EXPENSES

The table below sets forth the Company's general and administrative expenses and percentages of revenue for 2024 and 2023:

	2024		2023		Change
	RMB million	Percentage of revenue	RMB million	Percentage of revenue	
General and administrative expenses	**15,404**	**3.8%**	13,976	3.7%	10.2%

In 2024, the Company's general and administrative expenses amounted to RMB15.4 billion, representing a year-on-year increase of 10.2%. The percentage of general and administrative expenses was 3.8%, representing a year-on-year increase of 0.1%. This increase was primarily due to increased IT system construction costs due to the Company's digitalisation investments and higher employee compensation expenses.

RESEARCH AND DEVELOPMENT EXPENSES

The table below sets forth the Company's research and development expenses and percentages of revenue for 2024 and 2023:

	2024		2023		Change
	RMB million	Percentage of revenue	RMB million	Percentage of revenue	
Research and development expenses	**16,233**	**4.0%**	14,586	3.9%	11.3%

In 2024, the Company's general and administrative expenses amounted to RMB16.2 billion, representing a year-on-year increase of 11.3%, and research and development expense ratio was 4.0%, representing a year-on-year increase of 0.1%. This increase was primarily due to higher material consumption costs and increased technology development expenses related to the Company's R&D activities.

OTHER INCOME

The Company's other income increased from RMB8.1 billion in 2023 to RMB9.7 billion in 2024, primarily due to an increase in additional deductions for value-added tax (VAT). The additional VAT deduction was granted to certain subsidiaries of the Company pursuant to the Announcement on the Policy of Additional VAT Deduction for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Administration of Taxation in September 2023. Under this policy, advanced manufacturing enterprises are permitted to deduct an additional 5% of the deductible input VAT for the current period from the payable VAT amount as additional VAT deductions.

OTHER GAINS/(LOSSES), NET

The Company's other gains/(losses) improved from a loss of RMB0.9 billion in 2023 to a gain of RMB0.4 billion in 2024, primarily due to an increase in the fair value of financial assets driven by fluctuations in the fair value of the Company's derivative instruments and certain equity holdings, partially offset by net exchange losses arising from foreign exchange fluctuations on currency monetary items held by the Company and certain subsidiaries.

FINANCE COSTS, NET

The Company's net finance costs decreased from RMB2.3 billion in 2023 to RMB1.0 billion in 2024. Specifically: (1) Finance income declined from RMB1.1 billion in 2023 to RMB0.9 billion in 2024, mainly due to adjustments in the Company's cash at banks and in hand structure in response to market interest rate dynamics, resulting in a reduction in financial assets held for cash management purposes in 2024. (2) Finance costs decreased from RMB3.4 billion in 2023 to RMB1.9 billion in 2024, primarily due to a decrease in interest expenses on borrowings from RMB2.7 billion in 2023 to RMB2.3 billion in 2024 as a result of lower market financing rates, as well as exchange gains or losses on foreign currency borrowings from a loss of RMB0.6 billion in 2023 to a gain of RMB0.5 billion in 2024 due to exchange rate fluctuations.

PROFIT FOR THE YEAR

The Company's profit for the year increased from RMB33.7 billion in 2023 to RMB38.8 billion in 2024, representing a year-on-year growth of 14.9%. The profit margin for the year improved from 9.0% in 2023 to 9.5% in 2024, as the Company continued to promote product portfolio upgrading and enhanced profitability by improving operational efficiency across the full value chain.

FINANCIAL POSITION

The table below sets forth the absolute amounts from the Company's consolidated statement of financial position as of 31 December 2024 and 31 December 2023:

	31 December 2024 RMB million	31 December 2023 RMB million
Total non-current assets	**215,288**	204,715
Total current assets	**389,064**	281,321
Total assets	**604,352**	486,036
Total non-current liabilities	**24,865**	60,492
Total current liabilities	**351,820**	251,246
Total liabilities	**376,685**	311,738
Equity attributable to owners of the Company	**216,750**	162,877
Net assets	**227,667**	174,298

The Company's total non-current assets increased from RMB204.7 billion as of 31 December 2023 to RMB215.3 billion as of 31 December 2024, primarily due to an increase in other financial assets at amortized cost.

The Company's total current assets increased from RMB281.3 billion as of 31 December 2023 to RMB389.1 billion as of 31 December 2024, mainly due to higher term deposits and restricted cash balances.

The Company's total non-current liabilities decreased from RMB60.5 billion as of 31 December 2023 to RMB24.9 billion as of 31 December 2024, primarily due to the reclassification of certain long-term borrowings due within one year to current liabilities.

The Company's total current liabilities increased from RMB251.2 billion as of 31 December 2023 to RMB351.8 billion as of 31 December 2024, mainly due to an increase in short-term borrowings and trade and note payables.

The Company's net assets increased from RMB174.3 billion as of 31 December 2023 to RMB227.7 billion as of 31 December 2024, primarily driven by Hong Kong stock market financing and net profit growth.

CASH FLOW

The table below sets forth the absolute amounts from the Company's consolidated statement of cash flows for 2024 and 2023:

	2024 RMB million	2023 RMB million
Net cash generated from operating activities	**60,512**	57,903
Net cash used in investing activities	**(87,902)**	(31,220)
Net cash generated from/(used in) financing activities	**22,698**	(17,910)
Net (decrease)/increase in cash and cash equivalents	**(4,692)**	8,773
Cash and cash equivalents at beginning of the year	**59,887**	51,132
Exchange losses on cash and cash equivalents	**(76)**	(18)
Cash and cash equivalents at end of the year	**55,119**	59,887

In 2024, the Company's net cash generated from operating activities amounted to RMB60.5 billion. The difference between the net cash generated from operating activities and the profit before tax of RMB46.7 billion was primarily due to the following: (1) Depreciation and amortization of non-current assets amounting to RMB7.8 billion; (2) Changes in working capital, mainly including an increase of RMB24.0 billion in trade and note payables and an increase of RMB7.9 billion in contract liabilities, and an increase of RMB18.2 billion in other payables and accruals, partially offset by an increase of RMB12.4 billion in trade and note receivables and an increase of RMB15.8 billion in inventory.

In 2024, the Company's net cash used in investing activities amounted to RMB87.9 billion, primarily due to net cash payments of RMB81.7 billion for the purchase of financial assets (payments for financial asset purchases less proceeds from the disposal of financial assets and interest received), as well as a net payment of RMB6.9 billion for the purchase of property, plant, and equipment, intangible assets, and other non-current assets.

In 2024, the Company's net cash generated from financing activities amounted to RMB22.7 billion, primarily due to the receipt of Hong Kong stock fundraising and borrowings totalling RMB70.0 billion, partially offset by RMB25.0 billion in loan repayments and RMB20.8 billion in dividend payments to Shareholders.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Company maintains sufficient cash and cash equivalents to ensure capital flexibility. The Company's cash and cash equivalents mainly comprise cash at banks, cash in hand, and short-term bank deposits with initial terms within three months. The table below sets forth the absolute amounts of cash and cash equivalents of the Company as of 31 December 2024 and 31 December 2023:

	31 December 2024 RMB million	31 December 2023 RMB million
Cash at banks and in hand	**52,852**	57,783
Short-term bank deposits with initial terms within three months	**1,901**	1,956
Other deposits at financial institutions	**366**	148
Total	**55,119**	59,887

The Company's cash and cash equivalents decreased from RMB59.9 billion as of 31 December 2023 to RMB55.1 billion as of 31 December 2024. This decrease was mainly due to the Company's adjustment of its cash at banks and in hand structure, leading to a reduction in short-term bank deposits.

The Company obtains financing based on market interest rates and its capital operation plans. The Company's bank loans and bonds are sourced from commercial banks and financial institutions in Mainland China and other countries or regions. The table below sets forth the absolute amounts of bank loans and debentures as of 31 December 2024 and 31 December 2023:

	31 December 2024 RMB million	31 December 2023 RMB million
Bank loans	**10,492**	46,139
Debentures	**3,267**	3,218
Subtotal of non-current	**13,759**	49,357
Bank loans	**69,549**	22,110
Subtotal of current	**69,549**	22,110
Total	**83,308**	71,467

The Company's non-current borrowings decreased from RMB49.4 billion as of 31 December 2023 to RMB13.8 billion as of 31 December 2024, primarily due to the reclassification of certain borrowings with remaining terms of less than one year.

The Company's current borrowings increased from RMB22.1 billion as of 31 December 2023 to RMB69.5 billion as of 31 December 2024, mainly due to the reclassification of non-current borrowings and an increase in short-term financing.

The Company expects that there will be no material changes in the financing available to support its operations in the future.

The Company maintains a prudent capital ratio to support its business and manages its asset structure through asset-liability ratio. The table below sets forth the absolute amounts of total assets, total liabilities, and the asset-liability ratio as of 31 December 2024 and 31 December 2023:

	31 December 2024	31 December 2023
Total assets (RMB million)	**604,352**	486,036
Total liabilities (RMB million)	**376,684**	311,738
Asset-liability ratio	**62.3%**	64.1%

The Company's asset-liability ratio, defined as the proportion of total liabilities to total assets, decreased from 64.1% as of 31 December 2023 to 62.3% as of 31 December 2024. This decrease was primarily due to the increase in monetary assets resulting from the Company's Hong Kong equity fundraising and cash flow generated from operating activities during the Reporting Period.

The Company maintains a healthy cash flow level. In 2024, the Company's operating cash conversion ratio (defined as net cash generated from operating activities divided by annual profit) was 1.6 times. The cash generated from operating activities of the Company was used to support business operations. As of 31 December 2024, monetary assets accounted for more than 50% of the Company's total current assets. Considering the Company's available financial resources, including cash and cash equivalents, available bank financing, cash flows from operating activities, and net proceeds from global offerings, the Company has sufficient working capital to operate for at least the next 12 months.

CAPITAL COMMITMENT

The table below sets forth the absolute amounts of the Company's capital commitments as of 31 December 2024 and 31 December 2023:

	31 December 2024 RMB million	31 December 2023 RMB million
Contracted, but not provided for purchase of property, plant and equipment	**4,595**	4,006

In April 2024, the Company entered into an agreement with Arbonia AG to acquire all equity interest of its Climate division. The Company completed the acquisition with a consideration of EUR542 million in February 2025.

In June 2024, the Company entered into an agreement with Heritage B B.V. to acquire 97.38% equity interests of Teka Industrial, S.A., which designs and manufactures household appliances and sinks. The acquisition consideration of the transaction is approximately EUR175 million. The transaction has not been completed as of the date of this report.

CAPITAL EXPENDITURE

The table below sets forth the absolute amounts of the Company's capital expenditure for 2024 and 2023:

	2024 RMB million	2023 RMB million
Capital Expenditure	**9,873**	12,125

The Company's capital expenditures consist of buildings, overseas land, machinery and equipment, transportation vehicles, electronic equipment and others, construction in progress, leasehold improvements and land use rights. The Company's capital expenditure decreased from RMB12.1 billion in 2023 to RMB9.9 billion in 2024, which was mainly attributable to the Company's lump-sum capital expenditure of RMB3.5 billion for the acquisition of CLOU Electronics in 2023. Excluding the effect of above, the Company's capital expenditure realized a year-on-year increase of 14%, which was mainly due to the Company's increased investments in the construction of global production bases and R&D centers, the renovation of intelligent manufacturing production equipment and the iterative upgrading of IT systems in the current year.

The Company will fund these capital expenditures through cash generated from operations and proceeds from its global offering.

CONTINGENCIES

As at 31 December 2024, the amounts of the maximum potential loss in tax disputes involving a Brazilian subsidiary with 51% interests held by the Company were approximately BRL570 million (equivalent to approximately RMB661 million). Some of these cases have been ongoing for more than 10 years. The above amounts included the principal, penalties, related interest, etc. According to the agreement signed between the Company and the original shareholders of the Brazilian subsidiary prior to the acquisition (the "Original Shareholders"), the Original Shareholders have committed to compensating the Company according to verdict results of the above tax disputes. As at 31 December 2024, the maximum remaining compensation commitment of the Original Shareholders is approximately BRL131 million (equivalent to approximately RMB152 million). As at the date of this report, the relevant cases were still ongoing. Upon consulting the Group's external legal counsel, management believes that the probability of losing the lawsuits is low. Accordingly, the Company's management has made necessary provisions based on its best estimate.

FOREIGN EXCHANGE RISK

The Company operates globally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries.

The Company employs natural hedging strategies for currency settlement, including the use of various derivative instruments (primarily including forwards, options, and futures contracts), entering into forward foreign exchange hedging contracts, and managing the scale of foreign currency assets and liabilities to minimize foreign exchange risk and mitigate the impact of exchange rate fluctuations on operating results.

PLEDGED ASSETS

As of 31 December 2024, the net carrying amount of pledged or mortgaged assets to draw bank acceptance bills and secure bank borrowings of the Company amounted to RMB29.9 billion. These pledged assets primarily comprise constant return financial products, trade and note receivables, as well as certain property, plant, and equipment, leased land, and land use rights.

OFF-BALANCE SHEET ARRANGEMENTS

As of 31 December 2024, the Company had no material off-balance sheet arrangements.

USE OF PROCEEDS

During the Reporting Period, the Company had no utilisation of proceeds raised from A-share offerings.

The utilisation of proceeds from the H-share offering of the Company during the Reporting Period is as follows:

Pursuant to the approval granted by the China Securities Regulatory Commission (CSRC) in the Approval Document [2024] No. 1518, titled "Notice of Filing for the Overseas Issuance and Listing of Midea Group Co., Ltd.", issued on 23 July 2024, the Company completed the issuance of H shares and listed them on the Main Board of the Hong Kong Stock Exchange on 17 September 2024. The Hong Kong public offering and international placement resulted in the issuance of a total of 565,955,300 H shares with a par value of RMB1.00 per share, at an issue price of HK$54.80 per share. Subsequently, on 25 September 2024, the Company exercised the over-allotment option and issued an additional 84,893,200 H shares with a par value of RMB1.00 per share at an issue price of HK$54.80 per share. The Company issued a total of 650,848,500 H shares in this offering, raising gross proceeds of HK$35,666 million (approximately RMB32,399 million), with net proceeds of approximately RMB32,146 million (approximately RMB49.39 per share) after deducting issuance costs incurred directly by issuing new shares.

According to the Company's H Share Prospectus, the net proceeds from this H-share offering are allocated as follows: approximately 20% for worldwide research and development efforts, approximately 35% for continual investment in upgrading the intelligent manufacturing system and supply chain management, approximately 35% for enhancing global distribution channels and sales network as well as increasing overseas sales of proprietary brands, and approximately 10% for working capital and general corporate purposes. There have been no changes to the intended use of proceeds as disclosed in the H Share Prospectus.

As of 31 December 2024, details of the utilisation of proceeds from the H-share offering are as follows:

Item	Planned net proceeds utilisation	Net amount utilized as of 31 December 2024	Remaining balance as of 31 December 2024	Expected timeline for utilisation of unutilised net proceeds (Note)
(i) Worldwide research and development efforts	Approximately 20% (RMB6,429.2 million)	RMB1,701.2 million	RMB4,728.0 million	Before 31 December 2026
(ii) Upgrading of intelligent manufacturing system and supply chain management	Approximately 35% (RMB11,251.1 million)	RMB1,227.2 million	RMB10,023.9 million	Before 31 December 2027
(iii) Enhancement of global distribution channels and sales network, and expansion of overseas sales of proprietary brands	Approximately 35% (RMB11,251.1 million)	RMB602.2 million	RMB10,648.9 million	Before 31 December 2027
(iv) Working capital and general corporate purposes	Approximately 10% (RMB3,214.6 million)	RMB3,214.6 million	0	N/A
Total	RMB32,146.0 million	**RMB6,745.2 million**	**RMB25,400.8 million**	N/A

Note: The expected timeline for the utilisation of unutilised proceeds represents the Group's best estimates based on the anticipated market conditions, which may be subject to change in response to current and future market developments.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE AND VALUE

We believe that a healthy corporate culture is critical to the achievement of the Group's mission, vision and strategy, and good corporate governance practice can preserve the long-term interests of the Shareholders as well as create greater values for the Shareholders and other stakeholders. The Board and senior management of the Group set an example by valuing, and continuing to enhance, corporate culture construction, and strive to promote our corporate culture and values across the Group.

Our mission, vision and value are set out below:

Philosophy of Midea		
Mission	**Vision**	**Value**
Integrate with the World, to Inspire Your Future	Bring Great Innovations to Life	Embrace what's next • Aiming High • Customer First • Transformation and Innovation • Tolerance and Partnership • Dedication and Commitment

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

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

We will continue to review our corporate culture and corporate governance practice based on the changing market conditions and the Company's development needs, so as to enable the Company to deliver long-term sustainable development.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency.

The Company has adopted the code provisions of the CG Code as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the period from the Listing Date to 31 December 2024, the Company has complied with all the applicable code provisions as set out in the CG Code, except as disclosed in this Corporate Governance Report.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. FANG Hongbo currently performs the above two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and can provide more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the period from the Listing Date to the Latest Practicable Date, the general information as well as the brief biographies of the Directors, Supervisors and members of senior management of the Company are as follows:

Name	Gender	Age	Office title	Incumbent/Former
Mr. FANG Hongbo (方洪波先生)	Male	58	Chairman of the Board, executive Director and chief executive officer	Incumbent
Mr. ZHAO Jun (趙軍先生)	Male	49	Non-executive Director	Incumbent
Mr. WANG Jianguo (王建國先生)	Male	48	Executive Director and vice president	Incumbent
Mr. FU Yongjun (伏擁軍先生)	Male	56	Executive Director	Former
Dr. GU Yanmin (顧炎民博士)	Male	61	Executive Director and vice president	Incumbent
Mr. GUAN Jinwei (管金偉先生)	Male	46	Executive Director and vice president	Incumbent
Dr. XU Dingbo (許定波博士)	Male	61	Independent non-executive Director	Incumbent
Dr. XIAO Geng (肖耿博士)	Male	61	Independent non-executive Director	Incumbent
Dr. LIU Qiao (劉俏博士)	Male	54	Independent non-executive Director	Incumbent

Name	Gender	Age	Office title	Incumbent/Former
Dr. QIU Lili (邱鋰力博士)	Female	49	Independent non-executive Director	Incumbent
Mr. Dong Wentao (董文濤先生)	Male	39	Chairman of the Supervisory Committee	Incumbent
Ms. Ren Lingyan (任凌艷女士)	Female	41	Supervisor	Incumbent
Ms. Liang Huiming (梁惠銘女士)	Female	41	Employee Supervisor	Incumbent
Mr. Bai Lin (柏林先生)	Male	43	Vice president	Incumbent
Mr. Zhao Lei (趙磊先生)	Male	39	Vice president	Incumbent
Ms. Zhong Zheng (鐘錚女士)	Female	43	Vice president, chief financial officer and finance director	Incumbent
Mr. FU Yongjun (伏擁軍先生)	Male	56	Vice president	Incumbent
Mr. Zhang Xiaoyi (張小懿先生)	Male	52	Vice president and chief digital officer	Incumbent
Mr. Li Guolin (李國林先生)	Male	48	Vice president	Incumbent
Mr. Wang Jinliang (王金亮先生)	Male	58	Vice president	Incumbent
Dr. Wei Chang (衛昶博士)	Male	61	Vice president and chief technology officer	Incumbent
Ms. Zhao Wenxin (趙文心女士)	Female	42	Vice president, chief people officer and human resources director	Incumbent
Ms. Gao Shu (高書女士)	Female	42	Board secretary and joint company secretary	Incumbent
Mr. Jiang Peng (江鵬先生)	Male	51	Board secretary and joint company secretary	Former

Note: Mr. Fu Yongjun has resigned from his position as an executive Director due to changes in work arrangements, effective from 28 March 2025, but will continue to serve as a vice president of the Group after his resignation as an executive Director. Mr. Jiang Peng has resigned from his positions as the board secretary and joint company secretary of the Company due to changes in work arrangements, effective from 28 March 2025. Pursuant to the resolution passed at the sixth meeting of the fifth session of the Board of the Company on 28 March 2025, Ms. Gao Shu has been appointed as the board secretary and joint company secretary of the Company, effective from 28 March 2025.

As of the Latest Practicable Date, the brief biographies of the Directors, Supervisors, and members of senior management of the Company are as follows:

Directors

Fang Hongbo (方洪波), male, Ph.D., joined our Group in 1992 and previously served as the general manager of the air-conditioning division, the president of the refrigeration and electrical appliances group, and the chairman of the board and chief executive officer of GD Midea Electric Co., Ltd. He is currently the chairman of the Board, an executive Director, and the chief executive officer of the Company.

Zhao Jun (**趙軍**), male, master's degree holder, joined our Group in 2000. Since 2012, he has served at Midea Holding and has previously served as a director and chief financial officer of GD Midea Electric Co., Ltd. He is currently a non-executive Director of our Group, the executive president of Midea Holding, and a non-executive director of Midea Real Estate.

Wang Jianguo (**王建國**), male, master's degree holder, joined our Group in 1999. He has previously served as the director of the supply chain management department of the residential air-conditioning division, the director of the administration and human resources department, and the general manager of the refrigerator division. He is currently an executive Director, vice president, president of the Smart Home Business Group, and chairman of GD Midea Air-Conditioning Equipment Co., Ltd.

Gu Yanmin (**顧炎民**), male, Ph.D., joined our Group in 2000. He has previously served as the director of the planning and investment department of our Group, the director of the overseas strategy and development department of our refrigeration and electrical appliances group, the vice president of our refrigeration and electrical appliances group and the director of the overseas business development department of the marketing department, and the director of the overseas strategy department of our Group. He is currently an executive Director, vice president, president of the Robotics and Automation Division, chairman of the Supervisory Committee of KUKA, and a director of Midea Electric Trading (Singapore) Co. Pte. Ltd.

Guan Jinwei (**管金偉**), male, master's degree holder, joined our Group in 2002. He has previously served as the deputy general manager of our central air-conditioning division and general manager of our overseas sales & marketing company, as well as assistant to the president of our international business and general manager of the ASEAN region. He is currently an executive Director, vice president, and president of the Intelligent Building Technology Division of our Group.

Xu Dingbo (**許定波**), male, Ph.D., has been an independent non-executive Director of our Group since 2024. He is currently Essilor Chair Professor in Accounting and Associate Dean at China Europe International Business School (中歐國際工商學院), as well as the vice president of the China Association of Chief Financial Officers (中國總會計師協會), an independent director of China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司), and an independent non-executive director of JD.com, Inc. (NASDAQ: JD; HKEX: 9618). Dr. Xu has served as a faculty member and professor in highly respected universities for over 20 years and has extensive knowledge of and experience in accounting and finance. He previously served as a part-time professor at Peking University (北京大學) and an assistant professor at the Hong Kong University of Science and Technology (香港科技大學). Additionally, he has held independent directorships on the board and audit committees of multiple listed companies, including Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司) (SSE: 600519), China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (HKEX: 1359), Sany Heavy Industry Co., Ltd. (三一重工股份有限公司) (SSE: 600031), Shanghai Shyndec Pharmaceutical Co., Ltd. (上海現代製藥股份有限公司) (SSE: 600420), The People's Insurance Company of China Limited (中國人民保險集團股份有限公司) (HKEX: 1339; SSE: 601319), Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (東易日盛家居裝飾集團股份有限公司) (SZSE: 002713), and Sanjiang Shopping Club Co., Ltd. (三江購物俱樂部股份有限公司) (SSE: 601116). He also previously served as an independent director of Societe Generale (China) Limited (法國興業銀行(中國)有限公司).

Xiao Geng (**肖耿**), male, Ph.D., has been an independent non-executive Director of our Group since 2024. He is currently a professor and vice dean of the School of Public Policy at the Chinese University of Hong Kong, Shenzhen (香港中文大學(深圳)), and an independent non-executive director of Sichuan Biokin Pharmaceutical Co., Ltd. (四川百利天恒藥業股份有限公司) (SSE: 688506), Tsingtao Brewery Company Limited (青島啤酒股份有限公司) (HKEX: 00168; SSE: 600600) and Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (HKEX: 00416, delisted in 2024). Dr. Xiao has previously served as a professor of practice at the Chinese University of Hong Kong, Shenzhen, and the director of the Institute of Policy and Practice at Shenzhen Finance Institute (深圳高等金融研究院政策與實踐研究所), a professor and director at Peking University HSBC Business School (北京大學滙豐商學院), a professor at the University of Hong Kong (香港大學), vice president of the Fung Global Institute (經綸國際經濟研究院), director of Columbia University Global Center in Beijing (哥倫比亞大學北京全球中心), and director of the Brookings-Tsinghua Center for Public Policy (清華－布魯金斯公共政策研究中心).

Liu Qiao (**劉俏**), male, Ph.D., has been an independent non-executive Director of our Group since 2024. He is currently a professor and the dean of Peking University Guanghua School of Management (北京大學光華管理學院), as well as a visiting professor at the School of Business and Economics of the University of Hong Kong (香港大學經濟及工商管理學院) and an independent non-executive director of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (HKEX: 3968; SSE: 600036). Dr. Liu has an extensive academic background and has held key roles at prestigious universities for over two decades. He previously served as an assistant professor at the School of Economics and Finance of the University of Hong Kong (香港大學經濟金融學院). Additionally, he has served as an independent non-executive director on the board of multiple companies, including Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (previously known as Beijing Capital Co., Ltd., SSE: 600008), CSC Financial Co., Ltd. (中信建投証券股份有限公司) (HKEX: 6066; SSE: 601066), and Zensun Enterprises Limited (正商實業有限公司) (previously known as ZH International Holdings Limited, HKEX: 0185).

Qiu Lili (**邱鋰力**), female, Ph.D., has been an independent non-executive Director of our Group since 2024. She is currently the assistant managing director of Microsoft Research Asia and is primarily responsible for overseeing the research work at Microsoft Research Asia – Shanghai, as well as collaborations with industries, universities, and research institutes. She is a professor in computer science at the University of Texas at Austin in the United States. Dr. Qiu previously served as a researcher in the systems and networking group at Microsoft Research Redmond. She was recognized as an NAI Fellow by the National Academy of Inventors (NAI) in 2022, an ACM Fellow by the Association for Computing Machinery (ACM) in 2018, and an IEEE Fellow by the Institute of Electrical and Electronics Engineers (IEEE) in 2017.

Supervisors

Dong Wentao (**董文濤**), male, master's degree holder, joined our Group in 2016 and has held positions in the legal affairs and investor relations departments. He has extensive experience in legal affairs, risk control, market value management, and capital operations. He is currently the chairman of the Supervisory Committee of our Group and a senior specialist in the investor relations department.

Ren Lingyan (任凌艷), female, master's degree holder, joined our Group in 2006 and has been serving at Midea Holding since 2012. Ms. Ren previously held multiple positions in the finance department of our Group, including finance manager. Since April 2012, Ms. Ren has held several positions in the finance department of Midea Holding, including the head of finance department. She is currently a Supervisor of our Group and the finance director of Midea Holding.

Liang Huiming (梁惠銘), female, bachelor's degree holder, joined our Group in 2007 and previously served as the chief business administration commissioner in our Group's administration and human resources department. She is currently an Employee Supervisor of our Group and a senior specialist in property rights management in the investor relations department.

Senior Management

Bai Lin (柏林), male, bachelor's degree holder, joined our Group in 2003. He previously served as the Asia Pacific general manager of our refrigeration group, the general manager of the overseas sales & marketing company of the refrigerators division, the general manager of the domestic sales & marketing company of the refrigerators division, and the president of the refrigerators division. He is currently a vice president of our Group and the president of the China region.

Zhao Lei (趙磊), male, master's degree holder, joined our Group in 2018. He previously served as the director of the North China region of the residential air-conditioning division, the director of domestic retail sales, the general manager of the domestic sales & marketing company of the washing machines division, and the president of the washing machines division. He is currently a vice president of our Group, the president of the residential air-conditioning division, and the general manager of GD Midea Air-Conditioning Equipment Co., Ltd.

Zhong Zheng (鐘錚), female, master's degree holder, joined our Group in 2002. She previously served as a director of finance of our financial centre and components division and the audit director of our Group. She is currently a vice president, chief financial officer, and finance director of our Group, as well as a director of Midea Electric Trading (Singapore) Co. Pte. Ltd.

Fu Yongjun (伏擁軍), male, master's degree holder, joined our Group in 1999. He previously served as the general manager of our environmental electrical appliances division, the general manager of our components division, and the president of our electromechanical devices division, the president of industrial technology business and an executive director of the Group. He is currently a vice president of our Group.

Zhang Xiaoyi (張小懿), male, master's degree holder, joined our Group in 2010. He previously served as the head of our overseas IT department, the head of our supply chain system department, and a director of our information technology department. He is currently a vice president and the chief digital officer of our Group.

Li Guolin (李國林), male, master's degree holder, joined our Group in 1998. He previously served as the vice president of our residential air-conditioning division and the president of our lifestyle electrical appliances division. He is currently a vice president of our Group, the director of quality control, intelligent manufacturing and supply chain management, and the chairman of our ESG Committee.

Wang Jinliang (王金亮), male, master's degree holder, joined our Group in 1995. He previously served as the vice president of the domestic sales department and the vice president and head of the marketing department in Midea Electric. He is currently a vice president of our Group.

Wei Chang (衛昶), male, Ph.D., joined our Group in 2022. He previously served as the director of water treatment and polymer material technology at GE Global Research and concurrently as the general manager of water treatment products for Greater China at General Electric Company (NYSE: GE). From 2014 to 2022, he served as the president of the National Institute of Clean-and-Low-Carbon Energy, a research and development institute affiliated with China Energy Investment Corporation Ltd. (國家能源集團北京低碳清潔能源研究院). He is currently a vice president and the chief technology officer of our Group.

Zhao Wenxin (趙文心), female, master's degree holder, joined our Group in 2004. She previously served as a deputy general manager of our residential air-conditioning division, the general manager of our overseas sales & marketing business, and a vice president for our international business. She is currently the vice president, the chief people officer and the director of human resources of our Group.

Gao Shu (高書), female, Ph.D., joined our Group in 2025. She previously served as an executive general manager and managing director in the investment banking department of China International Capital Corporation Limited (中國國際金融股份有限公司). She is currently the board secretary, joint company secretary, and head of the investor relations of our Group.

To the best knowledge of the Company, none of the Directors, Supervisors or members of the senior management is related to any other Director, Supervisor or member of the senior management.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as set out in Appendix C3 to the Hong Kong Listing Rules.

Specific enquiry has been made to all the Directors and Supervisors, and the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2024.

The Company has also established Administrative Measures for Information Disclosure (《信息披露管理辦法》) and Administrative Measures for the Compliance of Inside Information and Stock Trading (《內幕信息及股票交易合規管理辦法》) (the "Regulations on Information Disclosure") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. The Regulations on Information Disclosure regulates the principles of information disclosure, content, responsibilities for information disclosure and confidentiality, and the process of assessment and disclosure and ensures that inside information could be identified timely and remain confidential until the disclosure of such information is appropriately approved, and the dissemination of such information shall be accurately, effectively and consistently made. To the best knowledge of the Company, no incident of non-compliance of the Regulations on Information Disclosure by the employees was noted by the Company from the Listing Date to 31 December 2024.

BOARD OF DIRECTORS

The Board is the leading body of the Company. It operates effectively and assumes responsibilities for leadership and monitoring, collectively managing and supervising the Company's affairs to promote its development. Directors take decisions objectively in the best interests of the Company.

The Board currently comprises nine Directors, consisting of four executive Directors, one non-executive Director, and four independent non-executive Directors. The composition of the Board and the biographical information of each Director are set out in the section headed "Directors, Supervisors and Senior Management" under the Corporate Governance Report.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Hong Kong Listing Rules in October 2023, June 2024 and July 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Hong Kong Listing Rules.

During the year ended 31 December 2024, none of our Directors had interests in any business which competes directly or indirectly with our business under Rule 8.10(2) of the Hong Kong Listing Rules.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Board includes a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively make independent judgement.

Independent Non-executive Directors

During the year ended 31 December 2024, the Board at all times met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

To promote more objective and effective board decision-making, the Company has established the Rules of Procedure for the Board of Directors《董事會議事規則》, the Working Rules of the Independent Directors《獨立董事工作制度》and other systems, so as to ensure that independent views and opinions of all Directors can be conveyed to the Board.

(1) The Rules of Procedure for the Board of Directors and Working Rules of the Independent Directors and other systems provide guidance for the duty performance of each Director to ensure standard operation and scientific decision-making by the Board, and stipulate actions to be taken by the Directors to avoid any conflict of interests;

(2) The Board of the Company consists of nine members; five of them are non-executive Directors, including four independent non-executive Directors in accordance with the SZSE and the Hong Kong Listing Rules of Hong Kong Stock Exchange with a balanced composition so that there is a strong independent element on the Board;

(3) Before nomination of candidates for new independent non-executive Directors, the Nomination Committee will make a comprehensive assessment on their independence, working experience and professional skills, etc. It will also assess ongoing independence of the existing independent non-executive Directors and their time commitment for their performance of duties on an annual basis. According to Article 6 of the Measures for the Administration of Independent Directors of Listed Companies《上市公司獨立董事管理辦法》, all independent non-executive Directors are required to confirm in writing that they meet the independence requirements on an annual basis;

(4) The chairman holds a meeting with independent non-executive Directors annually without the presence of other Directors;

(5) The Company convenes meetings attended by all independent non-executive Directors from time to time to consider relevant matters stipulated in the Measures for the Administration of Independent Directors of Listed Companies, or study other matters of the Company as necessary; and

(6) The specific committees under the Board may, in the course of performing their duties, engage intermediaries to provide professional advice for their performance of duties at the expenses of the Company.

The Company believes that the above measures and policies have been effectively implemented during the Reporting Period.

Appointment and Re-election of Directors

Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

Our Supervisors are elected for a term of three years and may be subject to re-election.

Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

All the Directors received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Hong Kong Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2024, all Directors participated in training sessions covering a wide range of relevant topics including Directors' duties and responsibilities, corporate governance, the Hong Kong Listing Rules compliance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

The training records of the Directors for the period from the Listing Date to 31 December 2024 are summarized as follows:

Directors	Type of Training [Note]
Executive Directors	
Mr. FANG Hongbo (方洪波先生)	A/B
Mr. WANG Jianguo (王建國先生)	A/B
Mr. FU Yongjun (伏擁軍先生)	A/B
Dr. GU Yanmin (顧炎民博士)	A/B
Mr. GUAN Jinwei (管金偉先生)	A/B
Non-executive Director	
Mr. ZHAO Jun (趙軍先生)	A/B
Independent non-executive Directors	
Dr. XU Dingbo (許定波博士)	A/B
Dr. XIAO Geng (肖耿博士)	A/B
Dr. LIU Qiao (劉俏博士)	A/B
Dr. QIU Lili (邱鋰力博士)	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Meetings

The Board conducts regular meetings at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Responsibilities, and Contributions of the Board and the Management

The Board should assume responsibility for leadership and monitoring of the Company, and is collectively responsible for managing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that the Group has sound internal control and risk management systems in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought valuable business experience, knowledge and professionalism from diverse backgrounds to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and bringing effective independent judgement on corporate actions and operations so as to maintain a balance on the Board.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Convening of Board Meetings and Attendance of Directors

During the period from the Listing Date to 31 December 2024, the Board convened two meetings to consider and approve, among other things, the 2024 Third Quarterly Report, amendments to the Articles of Association, the repurchase and cancellation of certain incentive shares under the Restricted Share Incentive Scheme, and the Company's market value management system. The meetings also discussed and proposed various resolutions to be submitted at the general meeting. Board meetings of the Company were permitted to be held via telephone or other electronic communication means.

The table below sets out the attendance rates of Directors at Board meetings during the period from the Listing Date to 31 December 2024:

	Number of Board Meetings Attended/Held
Executive Directors	
Mr. FANG Hongbo (方洪波先生) (Chairman)	2/2
Mr. WANG Jianguo (王建國先生)	2/2
Mr. FU Yongjun (伏擁軍先生)	2/2
Dr. GU Yanmin (顧炎民博士)	2/2
Mr. GUAN Jinwei (管金偉先生)	2/2
Non-executive Director	
Mr. ZHAO Jun (趙軍先生)	2/2
Independent Non-executive Directors	
Dr. XU Dingbo (許定波博士)	2/2
Dr. XIAO Geng (肖耿博士)	2/2
Dr. LIU Qiao (劉俏博士)	2/2
Dr. QIU Lili (邱鋰力博士)	2/2

In addition to regular Board meetings, the chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

BOARD COMMITTEES

The Board has established four Board Committees in accordance with the relevant laws and regulations in Mainland China, the Articles and the code of corporate governance practices under the Hong Kong Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Committee.

All Board Committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board Committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises four members, namely Dr. Xu Dingbo, Dr. Xiao Geng, Dr. Liu Qiao and Dr. Qiu Lili, all of whom are independent non-executive Directors, with Dr. Xu Dingbo as the chairperson of the Audit Committee and is the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

The Audit Committee held two meetings to (i) review and approve (among other things) the 2024 Third Quarterly Report; and (ii) to discuss the Group's audit work plan of 2024, during the period from the Listing Date to 31 December 2024.

The Audit Committee also met the external auditors once without the presence of the executive Directors.

The table below sets out the attendance rates of Audit Committee members at meetings during the period from the Listing Date to 31 December 2024:

	Number of Audit Committee Meetings Attended/Held
Independent Non-executive Directors	
Dr. XU Dingbo (許定波博士)	2/2
Dr. XIAO Geng (肖耿博士)	2/2
Dr. LIU Qiao (劉俏博士)	2/2
Dr. QIU Lili (邱鋰力博士)	2/2

Remuneration and Evaluation Committee

We have established the Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Hong Kong Listing Rules and the CG Code set out in Appendix C1 to the Hong Kong Listing Rules. The primary duties of the Remuneration and Evaluation Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Evaluation Committee comprises four members, namely Dr. Xiao Geng, Dr. Xu Dingbo, Dr. Liu Qiao and Dr. Qiu Lili, all of whom are independent non-executive Directors, with Dr. Xiao Geng as the chairperson of the Remuneration and Evaluation Committee.

During the period from the Listing Date to 31 December 2024, no meeting of the Remuneration and Evaluation Committee was held.

The remuneration during the Reporting Period of the senior management (excluding executive Directors) during the period from the Listing Date to 31 December 2024 falls within the following bands:

Remuneration (RMB)	Number of Individuals
0 – 5,000,000	0
5,000,000 – 10,000,000	2
over 10,000,000	7

The remuneration of each Director and the chief executive are set out in note 45.(v) to the consolidated financial statements.

For the year ended 31 December 2024, no emolument was paid by our Group to any Directors or any of the five highest paid individuals as inducement to join or upon joining our Group as compensation for loss of office. For the year ended 31 December 2024, none of the Directors has waived or agreed to waive any emoluments.

Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration of Directors, Supervisors and senior management is proposed by the Board Remuneration Committee and approved by the Board, and implemented after the deliberation of general meeting.

The remuneration of Directors, Supervisors and senior management consists 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 operation 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: (1) wage growth in the industry; (2) inflation; (3) corporate earnings; (4) organizational structure adjustment; and (5) individual adjustment due to a change in position.

Remuneration Policy of Employees

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.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises four members, namely Dr. Liu Qiao, Dr. Xu Dingbo, Dr. Xiao Geng and Dr. Qiu Lili, all of whom are independent non-executive Directors, with Dr. Liu Qiao as the chairperson of the Nomination Committee.

During the period from the Listing Date to 31 December 2024, no meeting of the Nomination Committee was held.

In assessing the Board composition, the Nomination Committee would take into account certain aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

Strategy Committee

We have established a Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises five members, namely Mr. Fang Hongbo, executive Director, and independent non-executive Directors Dr. Xu Dingbo, Dr. Xiao Geng, Dr. Liu Qiao and Dr. Qiu Lili, with Mr. Fang Hongbo as the chairperson of the Strategy Committee.

During the period from the Listing Date to 31 December 2024, no meeting of the Strategy Committee was held.

Board Diversity Policy

Board diversity

Our Company has adopted a Board Diversity Policy which sets out the approach for achieving the Board diversity. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the Nomination Committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, place of residence, professional experience, skills, knowledge, length of service and regulatory requirements. The Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have five non-executive Directors, including four independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board targets to maintain at least the current level of female representation, and will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified. In considering the Board's successors to ensure the Board diversity, the Nomination Committee would engage independent professional search firm(s) to help identify potential candidates for non-executive Directors, as and when appropriate.

The Nomination Committee will review the Board Diversity Policy at least annually and monitor the implementation to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as of 31 December 2024:

	Female	Male
Board	10%	90%
Senior management	14.3%	85.7%
Other employees	29.3%	70.7%

The Group is dedicated to increasing female representation in senior management and across the workforce. The Board considers that the current gender diversity in senior management and across the workforce meets the business needs.

Based on business development and operational requirements, the Company fully considers factors such as skills, age, and gender diversity when recruiting employees and is committed to maintaining a balanced workforce in terms of skills, age, and gender.

The Company is not aware of any factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Director Nomination Policy

In accordance with the nomination policy of the Company, candidates will be considered from a wide range of backgrounds and on merit based on objective criteria. In reviewing and recommending to the Board of any new Director appointment, the Nomination Committee will consider the following non-exhaustive factors:

(1) the structure, size and composition (including the skills, knowledge and experience, etc.) required for the Board;

(2) relevant requirements under the Company's Board Diversity Policy, including any measurable objectives it has set for implementing the policy and progress on achieving those objectives (when applicable and appropriate);

(3) succession plans for the Directors, taking into account the challenges and opportunities faced by the Company, and the skills and experience that are therefore needed for the Board in the future;

(4) the independence of independent non-executive Directors;

(5) the leadership needs of the Group (including executive and non-executive Directors), with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;

(6) the Director's time and commitment required by the duties, and whether the Director can dedicate sufficient time to fulfill his/her responsibilities; and

(7) independent views and inputs available to the Board from the Director.

During the period from the Listing Date to 31 December 2024, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, compliance with the Model Code and the Regulations on Information Disclosure, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Risk Management and Internal Control

Our risk management and internal control policies and procedures cover various aspects of our business operations, including financial, operational and compliance controls. The Board is responsible for the risk management and internal control systems and conducts a review at least annually to assess their effectiveness, covering all key areas of control mentioned above. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management System

To ensure the effective implementation of our risk management mechanism, we have established a comprehensive and multi-tiered risk management system which divides risk management responsibilities between the Group level and the division level:

(1) We have established a Risk Management and Control Committee to continuously monitor the implementation of our Group-wide risk management policies and ensure that our internal control systems effectively identify, manage, and mitigate the risks associated with our business operations. The Risk Management and Control Committee currently consists of 16 members, including 12 executive Directors and/or senior management members of the Company. The Risk Management and Control Committee meets periodically to discuss, analyze, and make decisions on various risk management matters. Under the leadership of the Risk Management and Control Committee, we have adopted a "three lines of defense" risk management mechanism. Business units, functional departments of the Group, and the internal audit department of the Group each form a "line of defense" and take on different responsibilities.

(2) At the Group level, the Group's Audit and Risk Control Department (the "Group Risk Control") is responsible for establishing a comprehensive risk management system and assisting the business departments of the divisions in addressing risk-related issues, and must report decisions on significant risk control-related matters to the Group's Risk Management and Control Committee at the Board level. The Group's functional departments, as capability hubs in their respective fields, are not only responsible for their functional tasks but also for establishing risk control systems within their fields and supervising and inspecting the execution of risk management tasks.

(3) At the division level, the Risk Control Center of each division, as the capability hubs for risk management of the division, shall be responsible for developing the unit's risk control system, as well as overseeing and inspecting the execution of risk management work. Business departments within the division, as the primary operational entities, are also tasked with risk management at the division level to ensure that risk management tasks are effectively executed.

Additionally, the Company has implemented an internal audit system. Group Risk Control is staffed with dedicated audit personnel to carry out internal audit and supervision on the Company's financial income and expense and economic activities.

Risk Management Process

We regularly carry out risk identification by collecting and identifying risk information and events, both within and outside the enterprise, that affect its strategic and business objectives, and output or update a holistic risk map of the unit/field. Based on the holistic risk list and with reference to the risk assessment standards, the Company analyzes and assesses the likelihood of the occurrence of, and the impact brought by, the risks to determine the level of risks to form a significant risk list (risk map). Based on the risk map, the Company formulates and implements risk management objectives, strategies and response plans. We regularly track the completion of risk management objectives and countermeasures, and the occurrence of risks/events, and compile risk control reports.

Assessment of the Effectiveness of the Risk Management and Internal Control Systems

We have established a regular assessment mechanism for risk management and internal control systems. The Board conducts a comprehensive review of the effectiveness of the systems at least once a year. At the same time, specific assessments will be launched in a timely manner after the occurrence of significant events, such as significant changes in business model and major adjustments to laws and regulations. By adopting a combination of risk identification methods, we carry out comprehensive risk management to fully identify, accurately assess, effectively respond to and continuously control risks in various fields. Regular evaluations of the risk management and internal control are conducted to review the effectiveness of the risk management and internal control systems, and significant events are reported to the Risk Management and Control Committee of the Group for decision-making. With the support of the audit committee, management report and internal audit findings, the Board reviewed the risk management and internal control systems as of 2024, including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The annual review also covers the financial reporting and internal audit functions as well as staff qualifications, experience and related resources.

Inside Information Disclosure Policy

We have developed and implemented the Administrative Measures for the Compliance of Inside Information and Stock Trading 《內幕信息及股票交易合規管理辦法》, which stipulate that (a) the Company and its Directors, Supervisors, senior management and relevant insiders shall take necessary measures to minimize the number of personnel with knowledge of inside information before public disclosure, strictly control the scope of knowledge and the transmission process of inside information, simplify the decision-making process, shorten the decision-making time, and at the same time prevent irrelevant personnel from accessing inside information; and (b) before the Company announces periodic reports, the Company's financial personnel and other relevant personnel with knowledge shall not leak, submit or make public the Company's preliminary results, results forecast, quarterly reports, interim reports, annual reports and relevant information to external parties, nor shall they transmit, post or discuss in any form on the Company's internal website, forums, bulletin boards or other media. The Administrative Measures for Information Disclosure 《信息披露管理辦法》 established by us clarifies that: (i) a Shareholder or actual controllers holding more than 5% of the shares of the Company should take the initiative to inform the Board of the Company of any significant changes in their shareholding or control over the Company and cooperate with the Company in fulfilling the disclosure obligations; and (ii) the Directors, Supervisors, senior management and other personnel with access to disclosable information due to their work shall be obliged to keep strictly confidential such undisclosed information which may have significant impact on the share price of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the consolidated financial statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The consolidated financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, operating performance and cash flow of the Group for the year ended 31 December 2024, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditor of the Company about their reporting responsibilities for the Company's consolidated financial statements for the year ended 31 December 2024 is set out in the Independent Auditor's Report of this annual report.

External Auditors and Their Remuneration

The Company has not changed its domestic auditor in the past three years. Since the issuance of H Shares and the listing on the Main Board of the Hong Kong Stock Exchange on 17 September 2024, the Company has not changed its overseas auditor.

The Company has appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's domestic and overseas auditors for the year 2024.

During the year ended 31 December 2024, the remuneration paid/payable to the Company's external auditors was disclosed in Note 8 to the consolidated financial statements. The audit services comprise of the audit of the consolidated financial statements for the year 2024 and the audit-related services conducted by the Company's domestic and overseas auditors for the Company with the remuneration of RMB16.37 million, and the statutory audit services for the Group's certain subsidiaries. The non-audit services mainly comprise of the tax advisory services for the Group's certain subsidiaries with the remuneration of RMB6.06 million.

COMPANY SECRETARIES

Mr. Jiang Peng (江鵬先生) was one of the Company's joint company secretaries during the period from the Listing Date to 28 March 2025, and Ms. Lai Siu Kuen (黎少娟女士) has been serving as the Company's joint company secretary since the Listing Date. Ms. Lai Siu Kuen (黎少娟女士) is currently a director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. During the period from the Listing Date to 28 March 2025, Mr. Jiang Peng (江鵬先生) was designated as the primary contact person at the Company which would work and communicate with Ms. Lai Siu Kuen (黎少娟女士) on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2024, Mr. Jiang Peng (江鵬先生) and Ms. Lai Siu Kuen (黎少娟女士) have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Hong Kong Listing Rules.

Upon the resignation of Mr. Jiang Peng (江鵬先生) on 28 March 2025, Ms. Gao Shu (高書女士) has been appointed as the board secretary and joint company secretary of the Company, effective from 28 March 2025. Ms. Gao Shu (高書女士) is currently the primary contact person at the Company with Ms. Lai Siu Kuen (黎少娟女士).

All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board's practices and related matters.

SHAREHOLDERS' RIGHTS

Convening of General Meeting

Shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and such request shall be made in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating whether it agrees with the convening of the extraordinary general meeting within 10 days after receiving such request.

In the event that the Board agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within 5 days after the Board passes the relevant resolution. Any changes to the original request made in the notice shall be approved by the relevant Shareholders.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such request, Shareholders individually or jointly holding more than 10% of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and such request shall be made in writing.

In the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of the meeting shall be issued within 5 days after receiving such request. Any changes to the original request made in the notice shall be approved by the relevant Shareholders.

Failure of the Supervisory Committee to issue the notice of general meeting within the prescribed time limit shall be deemed that the Supervisory Committee will not convene and preside over a general meeting, and Shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days are entitled to convene and preside over a general meeting on their own initiatives.

Where the Supervisory Committee or Shareholders decide(s) to convene a general meeting on their own initiatives, the Board shall be notified in writing, and records shall be filed with a CSRC branch at the location of the Company and the SZSE.

Prior to announcement on the resolutions passed at the general meeting, the shareholding of the Shareholders convening such meeting shall not be less than 10%.

The Supervisory Committee and the Shareholders convening the meeting shall submit the relevant materials for proof to the CSRC branch at the location of the Company and the SZSE at the time of issuance of the notice of the meeting and the announcement on the resolutions passed at the meeting.

For the general meetings convened by the Supervisory Committee or Shareholders on their own initiatives, the Board and its secretary will cooperate with the convening of such meetings. The Board shall provide the register of members as at the date of shareholding registration.

For the general meetings convened by the Supervisory Committee or the Shareholders on their own initiatives, the necessary expenses in relation to the meetings shall be borne by the Company.

Proposals of General Meetings

When the Company convenes a general meeting, the Board, the Supervisory Committee, as well as Shareholder(s) individually or jointly holding more than 3% of the shares of the Company, shall be entitled to put forward proposals to the Company.

Shareholder(s) individually or jointly holding more than 3% of the shares of the Company may raise provisional proposals and submit the same in writing to the convener 10 days prior to the date of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days after receiving such proposal and announce the content of the provisional proposal. If the securities regulations and rules of the places where the Company's shares are listed require the general meeting to be postponed as a result of the supplemental notice, the convening of the general meeting shall be postponed in accordance with the requirements of such securities regulations and rules.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company normally will not deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:

Midea Headquarters Building, No. 6 Midea Avenue, Beijiao Town, Shunde District, Foshan, Guangdong Province, China (For the attention of the Board Secretary/Company Secretary)

Email:

IR@midea.com

For the avoidance of doubt, Shareholders must deliver and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at +86 757 22607708/26637438.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at a general meeting, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Hong Kong Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy from the Listing Date to 31 December 2024 and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(1) Corporate Communication

"Corporate Communication" as defined under the Hong Kong Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' reports, annual accounts together with the auditor's reports and their summary financial reports, where applicable; (b) the interim reports and summary interim reports, where applicable; (c) the quarterly reports; (d) notices of meeting; (e) listing documents; (f) circulars; and (g) proxy forms. The Corporate Communication of the Company will be published on the Hong Kong Stock Exchange's website (www.hkexnews.hk) in a timely manner as required by the Hong Kong Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Hong Kong Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either in English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

(2) Announcements and Other Documents pursuant to the Hong Kong Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Hong Kong Stock Exchange's website in a timely manner in accordance with the Hong Kong Listing Rules.

(3) Corporate Website

Any information or documents of the Company posted on the Hong Kong Stock Exchange's website will also be published on the Company's website (www.midea.com.cn). Other corporate information about the Company's business developments, goals and strategies, corporate governance and risk management will also be available on the Company's website.

(4) General Meetings

The annual general meetings and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Hong Kong Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

During the period from the Listing Date to 31 December 2024, the Company held one extraordinary general meeting and did not hold any annual general meeting. The resolution proposed at the extraordinary general meeting held on 19 November 2024 was duly passed.

The independent non-executive Directors and the non-executive Director attended the extraordinary general meeting of the Company to gain and develop a balanced understanding of the views of the Shareholders.

The table below sets out the attendance rates of Directors at general meeting during the period from the Listing Date to 31 December 2024:

	Number of General Meeting Attended/Held
Executive Directors	
Mr. FANG Hongbo (方洪波先生) (Chairman)	1/1
Mr. WANG Jianguo (王建國先生)	1/1
Mr. FU Yongjun (伏擁軍先生)	1/1
Dr. GU Yanmin (顧炎民博士)	1/1
Mr. GUAN Jinwei (管金偉先生)	1/1
Non-executive Director	
Mr. ZHAO Jun (趙軍先生)	1/1
Independent Non-executive Directors	
Dr. XU Dingbo (許定波博士)	1/1
Dr. XIAO Geng (肖耿博士)	1/1
Dr. LIU Qiao (劉俏博士)	1/1
Dr. QIU Lili (邱錘力博士)	1/1

(5) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, via calling its hotline at +852 2862 8555, or going in person to its public counter at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company normally will not deal with verbal or anonymous enquiries. Shareholders may send any written enquiries to the Board by email or by post as set out in the section headed "Contact Details".

(6) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched as and when necessary.

Reception of research, communication, interview and other activities by the Company during the Reporting Period are set out in the table below:

Date of Reception	Place of Reception	Way of Reception	Type of visitor	Visitor	Key discussion, matters and information provided	Index to main inquiry information
18 January 2024	Strategy meeting	Analyst meeting	Institution	Fullgoal Fund, Foresight Fund, GF Fund Management, China Southern Asset Management, Green Court Capital, Gaorong Capital, ICBC Credit Suisse Asset Management, Lion Fund, China Universal Asset Management	1. We have noticed that Midea Building Technologies has joined the SBTi (Science Based Targets initiative). How will it implement the concept of sustainable development in the future? 2. What are the highlights of the newly upgraded heat pump system solutions? 3. What new breakthroughs has the Company achieved in air conditioning refrigerant technology innovation?	Log Sheet of Investor Relations Activities for 18 January 2024 disclosed on www.cninfo.com.cn
26 February 2024	Strategy meeting	Analyst meeting	Institution	Bank of Communications Schroder Fund Management, GF Securities, Harvest Fund, Allianz Global Investors, Orient Securities, Lingren Private Equity, Huatai Securities, Fullgoal Fund, BlackRock Fund, People's Insurance Company of China	1. What new breakthroughs has the Company achieved in compressor technology? 2. How does the Company adhere to its technological innovation-driven development strategy? 3. What is the Company's progress in channel reform?	Log Sheet of Investor Relations Activities for 26 February 2024 disclosed on www.cninfo.com.cn

Date of Reception	Place of Reception	Way of Reception	Type of visitor	Visitor	Key discussion, matters and information provided	Index to main inquiry information
7 April 2024	Midea Group HQ	https://www.ir-online.cn/	Institution and individual	The Company's investors	1. What is the proportion of e-commerce revenue? Are there any innovations in marketing? 2. How are traditional offline stores transforming? 3. In response to the initiative to promote large-scale equipment upgrades and trade-ins for consumer goods, what actions has Midea taken? 4. Amid fierce competition in the home appliance market, how will the Company enhance its market share through differentiated competition and brand building? 5. What are the reasons for the significant improvement in gross profit margin in 2023? Was it due to lower raw material costs, product mix optimization, or cutting loss-making product lines to reduce costs and improve efficiency? 6. What was COLMO's sales revenue in 2023? 7. Could you provide an overview of the Group's current business structure? 8. In which month will dividends be distributed? 9. What are the Company's advantages in technological leadership? 10. Over the past three years, the Company's dividend payout ratio has increased significantly. What is the reason for this? What expectations should investors have regarding the Company's dividend payout ratio in the coming years?	Log Sheet of Investor Relations Activities for 7 April 2024 disclosed on www.cninfo.com.cn

Date of Reception	Place of Reception	Way of Reception	Type of visitor	Visitor	Key discussion, matters and information provided	Index to main inquiry information
27 May 2024	Strategy meeting	Analyst meeting	Institution	CSC Financial, Point 72, Yinhua Fund, Pacific Asset Management, China Life Asset Management.	1. Has the Company received any ESG-related honors recently? 2. What efforts has the Company made in its green strategy? 3. What technological breakthroughs has the Company recently achieved? 4. What progress has the Company made in technological standardization?	Log Sheet of Investor Relations Activities for 27 May 2024 disclosed on www.cninfo.com.cn
25 June 2024	Strategy meeting	Analyst meeting	Institution	SDIC Securities, Shenwan Lingxin Fund, Maxwealth Fund, Citic-Prudential Fund, Purekind Fund, China Southern Asset Management, Invesco Great Wall Fund Management, Everbright Pramerica Fund	1. How were the Company's sales during the 618 shopping festival? 2. Are there any new developments in the Company's air-conditioning OBM business expansion overseas? 3. What achievements has the Company made in promoting gender equality? 4. Has the Company made any recent technological advancements? 5. What is the latest progress in the Company's energy storage business?	Log Sheet of Investor Relations Activities for 25 June 2024 disclosed on www.cninfo.com.cn
31 July 2024	Strategy meeting	Analyst meeting	Institution	CITIC Securities, Harvest Fund, CCB Principal Asset Management, Tianhong Asset Management, Yinhua Fund, Lion Fund, Manulife Fund, CITIC Securities AM, PICC Pension	1. How will the Company further implement and advance green intelligent manufacturing in its overseas factories? 2. What progress has the Building Technologies Division made in customer diversification? 3. Is the Company conducting research on AI applications? 4. Has the Company launched any promotional activities related to the upcoming Olympic Games?	Log Sheet of Investor Relations Activities for 31 July 2024 disclosed on www.cninfo.com.cn
30 August 2024	Midea Group HQ	By phone	Institution	CSC Financial, Rabbit Fund, Wanjia Asset, Hwabao WP Fund, Chang Xin Asset Management	1. How was the Company's performance in the first half of the year? 2. What is the progress of the DTC initiative? 3. What are the Company's strategies for overseas development? 4. How is the progress of the dual high-end brand strategy? 5. What achievements has the Company made in expanding the domestic commercial central air-conditioning market?	Log Sheet of Investor Relations Activities for 30 August 2024 disclosed on www.cninfo.com.cn

Date of Reception	Place of Reception	Way of Reception	Type of visitor	Visitor	Key discussion, matters and information provided	Index to main inquiry information
12 September 2024	Midea Group HQ	https://ir.p5w.net	Institution and individual	Online investor inquiry	1. Does the Company have any share repurchase plans for this year? 2. Will the Company promote a biannual dividend distribution next year? 3. After the Company's listing on the Hong Kong Stock Exchange, how does it ensure the interests of domestic retail investors? Does the Company have a clear direction for market value management? 4. How is the progress of the H-share issuance? Has it met expectations? 5. Compared to industry peers, the Company's Hong Kong listing discount is significantly larger – what is the rationale behind this decision? 6. Are there any share repurchase and cancellation plans for 2024? 7. Why is the Hong Kong stock pricing so low? 8. The company should expedite the transfer of the Guangming Smart Industrial Park project, which is restricting the operations and development of CLOU Electronics. The controlling shareholder should not remain indifferent and inactive.	Log Sheet of Investor Relations Activities for 12 September 2024 disclosed on www.cninfo.com.cn

Date of Reception	Place of Reception	Way of Reception	Type of visitor	Visitor	Key discussion, matters and information provided	Index to main inquiry information
3 December 2024	Midea Group HQ	By phone	Institution	CITIC Securities, Zhongtai Securities, Minsheng Securities, Guolian Securities, China International Capital Corporation, CSC Financial, Southwest Securities, Founder Securities, Everbright Securities, J.P. Morgan Asset Management, HFT Investment Management, Chang Xin Asset Management, HuaAn Fund, ABC-CA Fund Management, Aegon-Industrial Fund, CIB Fund, Huatai-PineBridge Investments, Foresight Fund, Maxwealth Fund, Bank of Communications Schroder Fund Management, Huatai Asset Management, Galaxy Fund (銀河基金), Franklin Templeton Sealand Fund, Fullgoal Fund, China Universal	1. How did the Company perform in the third quarter? 2. How were the Company's results for this year's Double 11 shopping festival? What was the impact of the national subsidy policy? 3. What progress has been made in the development of the Company's overseas OBM business? 4. What advancements has the Company made in ESG?	Log Sheet of Investor Relations Activities for 3 December 2024 disclosed on www.cninfo.com.cn
26 December 2024	Midea Group HQ	By phone	Institution	CITIC Securities, HuaAn Securities, Changjiang Securities, J.P. Morgan Securities, CGS International Securities, Green Court Capital, Boyu Capital, Vontobel, Templeton Fund, Castle Investment, New China Asset, Orient Fund, Tenbagger Investment, CITIC-Prudential Asset, Minsheng Royal Fund, Panjing Invest, PICC Pension	1. The home appliance industry is highly competitive. How does Midea respond to this? 2. Are there any new developments in the Company's overseas manufacturing? 3. What progress has the Company made in green recycling?	Log Sheet of Investor Relations Activities for 26 December 2024 disclosed on www.cninfo.com.cn

Amendments to Constitutional Documents

During the period from the Listing Date to the year ended 31 December 2024, the Company has amended its Articles of Association. Details of the amendments are set out in its circular to the Shareholders dated 30 October 2024. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Hong Kong Stock Exchange's website.

PROFIT DISTRIBUTION POLICY

Subject to the PRC laws and regulations, including the PRC Company Law (《中華人民共和國公司法》) and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》), and Articles 156 through 161 of the Articles of Association, the Company is required to pay cumulative cash dividends of any three fiscal years that account for not less than 30% of its average net profits for those three fiscal years which are available for distribution, calculated in accordance with PRC GAAP. In 2022, the Company formulated the Shareholder Return Plan for 2022-2024. The Company has strictly implemented this plan, which specifies the decision-making process for dividend standards, dividend ratios and profit distribution policies, aiming to ensure a consistent profit distribution policy and to protect the legitimate interests of minority shareholders. Future profit distributions may be carried out in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. Any proposed distribution of dividends is subject to the discretion of the Board and the approval at a general meeting. The Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other conditions that the Board may deem relevant.

REPORT OF THE DIRECTORS

The underlying sections in this annual report mentioned herein form part of this Report of the Directors.

I. PRINCIPAL ACTIVITIES

Midea is a world-leading technology group comprising the Smart Home, Energy Solutions & Industrial Technology, Intelligent Building Technology, Robotics & Automation, Healthcare and smart logistics, among others. A business matrix has been built up, which attaches equal importance to ToC and ToB and provides not only various products and services under smart home for consumers, but also dynamic commercial and industrial solutions for corporate customers. There is no material change in the nature of the principal activities of the Group during the Reporting Period.

For further description and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including description of the Group's response to major risks and uncertainties and forecast for the future development of the Group's business are set out in the "Management Discussion and Analysis" of this annual report.

II. DIVIDEND

The Board of Directors proposes a cash dividend distribution for 2024, with a distribution of RMB35 per 10 shares. The proposed dividend distribution is subject to approval at the Company's 2024 annual general meeting and will be paid in Hong Kong dollars for H shares. For details on the Company's profit distribution and dividend policy, please refer to "Profit distribution policy" under "Corporate Governance Report" in this annual report.

There is no arrangement under which underlying shareholders waived or agreed to waive any dividend during the Reporting Period.

III. CHANGES IN SHARE CAPITAL AND DEBENTURES

Details on the changes in the Company's share capital and share capital of share classes for the year ended 31 December 2024 are set out in "Changes in Shares and Information on Shareholders" of this annual report.

Details on the issuance of debentures by the Company during the Reporting Period are set out in "Bonds" of this annual report.

IV. PRE-EMPTIVE RIGHT

The Company's shareholders are not entitled to have pre-emptive right according to the provisions of Chinese law and the Articles of Association.

V. ISSUE AND LISTING OF SECURITIES

For the details of the Company's issue of shares during the Reporting Period, please refer to "Changes in shares" under "Changes in Shares and Information on Shareholders" of this annual report.

For the details of the Company's issuance of debentures, please refer to "Bonds" in this annual report.

Save as disclosed above, there is no other issue and listing of securities of the Company during the Reporting Period.

VI. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2024, the Company had repurchased and cancelled certain restricted A Shares (the "Repurchase and Cancellation") granted to certain participants (the "Repurchase Participants") under the rules for the Restricted Share Incentive Schemes. None of the Repurchase Participants was a connected person of the Company. A special resolution in relation to the Repurchase and Cancellation was submitted to the extraordinary general meeting for consideration and approval. The summary of the Repurchase and Cancellation is set out below:

In March 2024, the Company, in accordance with the rules of the 2018, 2019, 2021, 2022 and 2023 Restricted Share Incentive Schemes, repurchased and canceled an aggregate of 920,814 restricted A Shares granted to certain participants under such schemes, with a total consideration of RMB22,767,547.44. The repurchase prices under the 2018, 2019, 2021, 2022 and 2023 Restricted Share Incentive Schemes were RMB14.96 per share, RMB18.46 per share, RMB35.75 per share, RMB23.97 per share and RMB25.89 per share, respectively.

In December 2024, the Company, in accordance with the rules of the 2018, 2019, 2021, 2022 and 2023 Restricted Share Incentive Schemes, repurchased and canceled an aggregate of 1,843,398 restricted A Shares granted to certain participants under such schemes, with a total consideration of RMB40,644,141.56. The repurchase prices under the 2018, 2019, 2021, 2022 and 2023 Restricted Share Incentive Schemes were RMB11.96 per share, RMB15.46 per share, RMB32.75 per share, RMB20.97 per share and RMB22.89 per share, respectively.

Save as disclosed above, the Company and its subsidiaries did not repurchase, redeem or sell any listed securities (including treasury shares) of the Company during the Reporting Period.

VII. RESERVES AND DISTRIBUTABLE RESERVES

For changes in the Company's reserves and distributable reserves, please refer to the "Consolidated statement of changes in equity" under the consolidated financial statements and notes 37 and 38 of this annual report.

VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

The Group has always integrated ESG concepts into its development strategies and business decisions. Despite the complex and volatile external environment, the Group has always taken "progressiveness of corporate governance, updated values, and the growth of management's mental model" as the three bedrock for sustainable development. Taking into account the four dimensions of "protecting the blue planet, building a harmonious community, practicing the best of technology, and creating a prosperous ecology", the Company insists on scientific and technological innovation, promotes the construction of a green, low-carbon and recyclable ecosystem, improves the level of corporate governance and fulfills its social responsibility, so as to realize global sustainable development, and lead the green future with innovation.

The Company has complied with mandatory disclosure requirements and "comply or explain" provisions set out in the ESG Reporting Guide. For the details, please refer to the 2024 Midea Environmental, Social and Governance (ESG) Report《2024年美的集團環境、社會及管治(ESG)報告》 issued by the Company.

For details of corporate governance, please also refer to "Corporate Governance Report" in this annual report.

IX. CHARITABLE DONATION

The Group has made charitable donations of RMB8.9 million during the Reporting Period.

X. COMPLIANCE WITH LAWS AND REGULATIONS

The Board is responsible for the review and supervision of the Company's compliance with policies and procedures in relation to laws and regulatory requirements with the assistance of the Company's internal audit and risk control department, legal affairs department and investor relations department. The Company has formulated compliance procedures to ensure compliance with laws and regulations applicable to the Company.

The Company has always persisted in operating in compliance with laws and regulations and followed the national laws and regulations and provisions issued by regulatory authorities. In 2024, the Company has continued to enhance its internal control and management, improved the regulations and institutions and procedures of compliance management and business management; promptly implemented the requirements made by regulators and self-regulatory organizations during the Company's operation, constantly strengthened publicity and training in fields like laws and compliance culture and raised every business department's awareness of prevention from compliance risks in the process of conducting business.

We believe that the Group has acted in compliance with the laws and regulations of the jurisdictions where we operate in all material aspects, the overall compliance of operation and management activities is sound and compliance risk management operates normally during the year.

XI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From the Listing Date to the Latest Practicable Date, the general information and biographies of the Directors, Supervisors and members of the senior management are set out in "Directors, Supervisors and Senior Management" of the "Corporate Governance Report" of this annual report.

XII. EMPLOYEES

The following table sets forth the breakdown of our employees by profession as at 31 December 2024:

Profession	Number of professionals
Manufacturing	154,138
Sales	13,893
R&D	23,693
Financial	2,861
Administrative	3,847
Total	**198,432**

For details of the employee's remuneration policy of our Company, please refer to "Remuneration Policy of Employees" set out in the "Corporate Governance Report" of this annual report. The Company provides benefits to employees as part of its remuneration package, which the Company considers to be in line with industry standards. The Company has complied with various labor-related laws and regulations in Mainland China and other jurisdictions in which we operate. For example, the Company contributes to various types of social insurance (including pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance) and housing provident fund for our employees in Mainland China. The Company is committed to sharing success with employees and introducing multi-tier share incentive plans that enable them to benefit from our success and growth.

The Company has been committed to creating a corporate culture that encourages lifelong learning, and establishing a sound talent training system to help our employees to realize their potential and improve their professional and integrated skills. Our professional online learning platform, M-Learning, empowers the growth of our employees through unique courses and practical trainings. Meanwhile, though building an offline three-tier empowerment system, linking the Group-business units-departments, we can help employees to comprehensively develop the job knowledge and skills required at each stage, maintain the balance of personal development and corporate needs, and support the learning and growth of all Midea employees.

For details of the employees of the Company, please refer to 2024 Midea Environmental, Social and Governance (ESG) Report published by the Company.

XIII. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's sales to the top five customers accounted for less than 30% of the Group's total sales for the year, and the Group's purchases from the top five suppliers accounted for less than 30% of the Group's total purchases for the year.

XIV. RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

We uphold the concept of "being people-oriented", dedicating to creating a fair, open and inclusive work environment. We meticulously construct the talent blueprint, comprehensively safeguard employee rights and enhance our ability to attract and cultivate top talent. We carefully establish diverse and frequent communication channels, encouraging employees to express their thoughts and responding to their genuine concerns. We also prioritize employee well-being, promoting a healthy and positive work-life balance, and support comprehensive personal growth.

We prioritize the customer by implementing policies such as the Measures for the Administration of the Whole-Process Service, Work Orders, and Upgrading Information. These policies standardize mechanisms in customer communication, after-sales services, and complaint handling. This year, to maintain our industry-leading standards in terms of user services, we launched "Midea Group Service 3.0" to create a fully digital service ecosystem. It covers the entire customer journey – pre-sales, during-sales, and post-sales – enhancing consultations, measurements, replacements, renovations, installations, extended warranties, cleaning, repairs, and recycling. This approach provides a more convenient, reliable, and reassuring home appliance service experience.

Our Global Supplier Cloud (GSC) platform integrates supplier sourcing and evaluation, enabling full-process, information-based management and control of suppliers. The platform embeds supply chain system requirements to achieve end-to-end, transparent, and systematic management. We are cautious in supplier selection, assessing potential suppliers for business qualifications and environmental impact. We manage suppliers by class, considering their business models and distribution channels, with targeted standards to ensure efficient management.

XV. SHARE SCHEMES

The Company currently has three types of share schemes, namely A Share Option Incentive Plans ("Stock Option Incentive Plans"), Restricted A Share Incentive Schemes ("Restricted Share Incentive Schemes") (collectively, the "Share Incentive Plans") and A Share Ownership Schemes ("Stock Ownership Schemes").

(I) Summary of Stock Option Incentive Plans

During the Reporting Period, the existing Stock Option Incentive Plans of the Company include the Fifth Stock Option Incentive Plan, the Sixth Stock Option Incentive Plan, the Seventh Stock Option Incentive Plan, the Eighth Stock Option Incentive Plan and the Ninth Stock Option Incentive Plan. Given no further share options will be granted under the aforesaid Stock Option Incentive Plans upon the listing of the H Shares of the Company, the terms of these Stock Option Incentive Plans are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The purpose of the Stock Option Incentive Plans is to improve our Group's corporate governance structure and incentive mechanism and incentivize our Group's management and key employees to achieve a sustained and healthy development of our Group in order to align the interests of the Shareholders with the interests of our Group and employees and realize our Group's long-term objectives.

2. Participants

The participants of the Stock Option Incentive Plans include key technical personnel and mid-level management members in our Group's research and development, production and quality control departments, overseas personnel, young management members and technology talent. The scope of participants does not include independent directors, supervisors and shareholders or actual controllers who individually or collectively hold 5% or more of the shares of our Company and their spouses, parents and children.

3. **Maximum number of options that can be granted**

The shares underlying the options to be granted under the Stock Option Incentive Plans are A Shares to be issued by our Company to the selected participants. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price. Pursuant to each of the Stock Option Incentive Plans, the maximum number of A Shares which may be issued upon the grant of options and as a percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date are as follows:

Stock Option Incentive Plan	The maximum number of A Shares which may be issued upon the grant of options and as a percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date
Fifth Stock Option Incentive Plan	62,080,000(0.81%)
Sixth Stock Option Incentive Plan	47,240,000(0.62%)
Seventh Stock Option Incentive Plan	65,260,000(0.86%)
Eighth Stock Option Incentive Plan	82,480,000(1.08%)
Ninth Stock Option Incentive Plan	109,074,000(1.43%)

As of the Latest Practicable Date, the maximum number of A Shares which may be issued under each of the Stock Option Incentive Plans and as a percentage of the Company's issued Shares (excluding treasury shares) are as follows:

Stock Option Incentive Plan	The maximum number of A Shares which may be issued and as a percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date
Fifth Stock Option Incentive Plan	35,000(0.0005%)
Sixth Stock Option Incentive Plan	947,716(0.01%)
Seventh Stock Option Incentive Plan	0(0%)
Eighth Stock Option Incentive Plan	35,471,865(0.46%)
Ninth Stock Option Incentive Plan	67,358,106(0.88%)

4. **Maximum entitlement of participants**
   The shares of the Company granted to any participant under all effective Stock Option Incentive Plans shall not exceed 1% of the total share capital of the Company.

5. **Vesting and exercise arrangements**
   The vesting and exercise arrangements of the granted options are as follows:

   (a) The Fifth Stock Option Incentive Plan and the Sixth Stock Option Incentive Plan: 25% of the options may be exercised in tranches during each of the four exercise periods commencing on the first trading day after the expiry of 24 months from the date of grant and ending on the last trading day of 72 months from the date of grant;

   (b) The Seventh Stock Option Incentive Plan: 20%, 30% or 50% of the options may be exercised in tranches during each of the three exercise periods commencing on the first trading day after the expiry of 12 months from the date of grant and ending on the last trading day of 48 months from the date of grant; and

   (c) The Eighth Stock Option Incentive Plan and the Ninth Stock Option Incentive Plan: 30% or 40% may be exercised in tranches during each of the three exercise periods commencing on the first trading day after the expiry of 24 months from the date of grant and ending on the last trading day of 60 months from the date of grant.

6. **Consideration for granted options**
   No consideration was paid/payable for the options granted under the Stock Option Incentive Plans.

7. **Determination of exercise price**
   The exercise price of options granted under each Stock Option Incentive Plan shall be the higher of the following prices:

   (a) The Fifth and the Sixth Stock Option Incentive Plans: the higher of (i) the average trading price of the Shares on the trading day before the announcement of the draft scheme; (ii) the average trading price of the Shares during the 20 trading days before the announcement of the draft scheme; (iii) the average trading price of the Shares during the 60 trading days before the announcement of the draft scheme; and (iv) the average trading price of the Shares during the 120 trading days before the announcement of the draft scheme;

   (b) The Seventh Option Incentive Plan: the higher of (i) the average trading price of the Shares on the trading day before the announcement of the draft scheme; (ii) the average trading price of the Shares during the 20 trading days before the announcement of the draft scheme; and (iii) the average trading price of the Shares during the 60 trading days before the announcement of the draft scheme; and

(c) The Eighth and the Ninth Stock Option Incentive Plans: the higher of (i) the average trading price of the Shares on the trading day before the announcement of the draft scheme; and (ii) the average trading price of the Shares during the 20 trading days before the announcement of the draft scheme.

The exercise price of the options granted will be adjusted upon the occurrence of certain events, including dividend distribution, capitalisation of capital reserves, distribution of stock dividends, subdivision or reduction of shares, issuance of additional shares, etc.

8. Changes in the exercise of options during the Reporting Period and scheme life

Name and category of participants[1]	1 January 2024[4] Number of options outstanding (units)	Exercise price (RMB/share)	Exercised during the year (units)[3]	Cancelled during the year (units)[3]	Lapsed during the year (units)	31 December 2024[2][4] Number of options outstanding (units)	Exercise price (RMB/share)	Weighted average closing price of the relevant shares immediately before the exercise date (RMB/share)	Date of grant	Scheme validity period
Other employees										
The Fifth Stock Option Incentive Plan – Initial Grant	4,883,260	47.71	4,868,360	0	14,900	0	N/A	62.17	2018.5.7	2018.5.7-2024.5.6
The Fifth Stock Option Incentive Plan – Reserved Grants	1,359,050	38.54	788,850	325,000	130,000	115,200	35.56	63.32	2019.3.11	2019.3.11-2025.3.10
The Sixth Stock Option Incentive Plan	13,315,043	45.54	10,327,333	973,000	15,100	1,999,610	42.56	64.66	2019.5.30	2019.5.30-2025.5.29
The Seventh Stock Option Incentive Plan	15,047,225	44.69	14,974,028	0	73,197	0	41.71	62.34	2020.6.5	2020.6.5-2024.6.4
The Eighth Stock Option Incentive Plan	43,416,450	77.24	1,654,423	5,845,566	0	35,916,461	74.26	75.96	2021.6.4	2021.6.4-2026.6.3
The Ninth Stock Option Incentive Plan	106,436,123	52.11	19,297,440	16,957,378	0	70,181,305	49.13	67.64	2022.6.8	2022.6.8-2027.6.7

Notes:

(1) No options have been granted to Directors, chief executives or Substantial Shareholders or their respective associates under any Stock Option Incentive Plan.

(2) During the reporting period, no options were granted under any Stock Option Incentive Plan of the Company.

(3) Pursuant to the provisions of the Stock Option Incentive Plan regarding the adjustment of the exercise price of the granted options, the exercise price prior to the ex-dividend date of the profit distribution of the Company's A-shares on 15 May 2024 will be the same as that of 1 January 2024, and the exercise price after 15 May 2025 will be the same as that of 31 December 2024.

(4) The vesting and exercise arrangements of the options granted are as follows:

(a) The Fifth Stock Option Incentive Plan and the Sixth Stock Option Incentive Plan: 25% of the options may be exercised in tranches during each of the four exercise periods commencing on the first trading day after the expiry of 24 months from the date of grant and ending on the last trading day of 72 months from the date of grant;

(b) The Seventh Stock Option Incentive Plan: 20%, 30% or 50% of the options may be exercised in tranches during each of the three exercise periods commencing on the first trading day after the expiry of 12 months from the date of grant and ending on the last trading day of 48 months from the date of grant; and

(c) The Eighth Stock Option Incentive Plan and the Ninth Stock Option Incentive Plan: 30% or 40% may be exercised in tranches during each of the three exercise periods commencing on the first trading day after the expiry of 24 months from the date of grant and ending on the last trading day of 60 months from the date of grant.

(II) Summary of the Restricted Share Incentive Scheme

During the Reporting Period, the Company's existing Restricted Share Incentive Schemes included the 2018 Restricted Share Incentive Scheme – Reserved Grants, the 2019 Restricted Share Incentive Scheme, the 2021 Restricted Share Incentive Scheme, the 2022 Restricted Share Incentive Scheme and the 2023 Restricted Share Incentive Scheme. Given that no further restricted shares will be granted under the above Restricted Share Incentive Schemes after the listing of the Company's H shares, the terms of such Restricted Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The purpose of the Restricted Share Incentive Schemes is to improve the Group's corporate governance structure and incentive mechanism and incentivize the Group's management and key employees to achieve a sustained and healthy development of the Group to align the interests of the Shareholders with the interests of the Group and employees in order to realize the Group's long-term objectives.

2. Participants

Participants of the Restricted Share Incentive Schemes include the Company's core research and development talents and core personnel who are primarily responsible for the operating results of the Company or a division. The scope of participants does not include independent Directors, Supervisors and Shareholders or actual controllers who individually or collectively hold 5% or more of the shares of our Company and their spouses, parents and children.

3. Source and maximum number of shares

The shares covered by the 2018 Restricted Share Incentive Scheme – Reserved Grants are A shares issued by the Company, all of which were fully issued on 21 June 2018 and 10 May 2019; the shares covered by other restricted share incentive schemes (other than the 2018 Restricted Share Incentive Scheme) are A shares purchased by the Company from the secondary market. The maximum number of restricted shares that may be granted under each of the Restricted Share Incentive Schemes and as a percentage of the Company's shares in issue (excluding treasury shares) as of the Latest Practicable Date are set out below:

Restricted Share Incentive Scheme	Maximum number of restricted shares that may be granted and as a percentage of the Company's shares in issue (excluding treasury shares) as of the Latest Practicable Date
2018 Restricted Share Incentive Scheme – Reserved Grants	2,800,000(0.04%)
2019 Restricted Share Incentive Scheme	30,350,000(0.40%)
2021 Restricted Share Incentive Scheme	10,570,000(0.14%)
2022 Restricted Share Incentive Scheme	12,630,000(0.17%)
2023 Restricted Share Incentive Scheme	18,375,000(0.24%)

As of the Latest Practicable Date, the number of outstanding restricted shares granted under each of the restricted share incentive schemes and as a percentage of the Company's shares in issue (excluding treasury shares) are as follows:

Restricted Share Incentive Scheme	Number of restricted shares outstanding and as a percentage of the Company's shares in issue (excluding treasury shares) as of the Latest Practicable Date
2018 Restricted Share Incentive Scheme – Reserved Grants	0(0%)
2019 Restricted Share Incentive Scheme	0(0%)
2021 Restricted Share Incentive Scheme	2,475,952(0.03%)
2022 Restricted Share Incentive Scheme	6,229,500(0.08%)
2023 Restricted Share Incentive Scheme	10,229,500(0.13%)

4. Maximum entitlement of participants

The aggregate number of shares of the Company granted to any participant through all Restricted Share Incentive Schemes within the validity period shall not exceed 1% of the total share capital of the Company.

5. Sale restriction and vesting arrangements

A Restricted Share Incentive Schemes shall be effective from the date of completion of the grant of restricted shares until the date on which the restricted shares granted are no longer restricted or have been repurchased and cancelled, provided that the duration of the scheme shall not exceed 48 months, 60 months or 72 months, as the case may be. Restricted shares are subject to a 12-month or 24-month restriction period, which commences on the date of grant of the restricted shares to the participants. During the restriction period, the restricted shares may not be transferred, used as collaterals or to repay debts. Restricted shares may only be unlocked upon fulfilment of the conditions set out in the scheme. The vesting arrangements of the restricted shares are as follows:

(a) 2018 and 2019 Restricted Share Incentive Schemes: 25% of the restricted shares may be unlocked in tranches during each of the four unlocking periods commencing on the first trading day after 24 months from the date of grant and ending on the last trading day after 72 months from the date of grant;

(b) 2021 and 2022 Restricted Share Incentive Schemes: 30% or 40% of the restricted shares may be unlocked in tranches during each of the three unlocking periods commencing on the first trading day after 24 months from the date of grant and ending on the last trading day after 60 months from the date of grant; and

(c) 2023 Restricted Share Incentive Scheme: 30% or 40% of the restricted shares may be unlocked in tranches during each of the three unlocking periods commencing on the first trading day after 12 months from the date of grant and ending on the last trading day after 48 months from the date of grant.

6. Consideration for the grant of restricted shares

Upon the grant of restricted shares, the participants shall pay the funds for the subscription of restricted shares to the designated account of the Company in accordance with the grant price, which shall be confirmed by a certified public accountant; otherwise, it shall be deemed that the participants have given up the subscription of the restricted shares granted to them.

No consideration was paid/required to be paid by the participants on the unlocking of restricted shares under the Restricted Share Incentive Schemes.

7. **Determination of grant price**

The grant price of each restricted Share shall not be lower than the nominal value of each Share and, in principle, shall not be lower than the following prices specified in the scheme:

(a) 2018 and 2019 Restricted Share Incentive Schemes: the higher of (i) 50% of the average trading price of the Shares on the trading day before the announcement of the draft scheme; (ii) 50% of the average trading price of the Shares during the 20 trading days before the announcement of the draft scheme; (iii) 50% of the average trading price of the Shares during the 60 trading days before the announcement of the draft scheme; and (iv) 50% of the average trading price of the Shares during the 120 trading days before the announcement of the draft scheme; and

(b) 2021, 2022 and 2023 Restricted Share Incentive Schemes: the higher of (i) 50% of the average trading price of the Shares on the trading day before the announcement of the draft scheme; and (ii) 50% of the average trading price of the Shares during the 20 trading days before the announcement of the draft scheme.

The grant prices of restricted Shares will be adjusted upon the occurrence of certain events during the period from the date of the announcement of the draft scheme to the date on which registration is completed with respect to the grant of restricted Shares to the participants, including dividend distribution, capitalisation of capital reserves, distribution of stock dividends, subdivision or reduction of shares, issuance of additional shares, etc.

8. **Changes in the number of restricted Shares during the Reporting Period and validity period of the Scheme**

Name and category of the participant	Number of restricted Shares as at 1 January 2024 (share)(1)(2)	Vested during the year (share)(2)	Cancelled during the year (share)(2)	Number of restricted Shares as at 31 December 2024 (share)(1)(2)(3)	Grant price (RMB/share)	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)	Date of grant	Validity period of the Scheme
Director								
Guan Jinwei – 2019 Restricted Share Incentive Scheme	25,000	25,000	0	0	25.79	63.81	2019.5.30	2019.5.30-2025.5.29
Non-director employee								
2018 Restricted Share Incentive Scheme – reserved grant	320,000	277,916	42,084	0	23.59	63.95	2019.3.11	2019.3.11-2025.3.10
2019 Restricted Share Incentive Scheme	5,252,875	4,589,947	662,928	0	25.79	63.81	2019.5.30	2019.5.30-2025.5.29
2021 Restricted Share Incentive Scheme	5,149,000	1,923,726	490,654	2,734,620	39.92	60.08	2021.6.4	2021.6.4-2026.6.3
2022 Restricted Share Incentive Scheme	10,830,000	2,837,812	1,081,188	6,911,000	26.47	63.60	2022.6.8	2022.6.8-2027.6.7
2023 Restricted Share Incentive Scheme	18,325,000	7,054,767	487,358	10,782,875	25.89	62.88	2023.6.20	2023.6.20-2027.6.19
Five aggregately highest paid individuals during the Reporting Period (total)								
2018 Restricted Share Incentive Scheme – reserved grant	20,000	20,000	0	0	23.59	63.59	2019.3.11	2019.3.11-2025.3.10
2019 Restricted Share Incentive Scheme	55,000	55,000	0	0	25.79	63.81	2019.5.30	2019.5.30-2025.5.29
2021 Restricted Share Incentive Scheme	56,000	24,000	0	32,000	39.92	60.08	2021.6.4	2021.6.4-2026.6.3

Notes:

(1) The vesting arrangements of the restricted Shares are as follows:

(a) 2018 and 2019 Restricted Share Incentive Schemes: the Shares may be unlocked in tranches of 25% in each of the four unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 72-month anniversary of the date of grant;

(b) 2021 and 2022 Restricted Share Incentive Schemes: the Shares may be unlocked in tranches of 30% or 40% in each of the three unlocking periods that occur between the first trading date after the 24-month anniversary from the date of grant and the last trading day up to the 60-month anniversary of the date of grant; and

(c) 2023 Restricted Share Incentive Scheme: the Shares may be unlocked in tranches of 30% or 40% in each of the three unlocking periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

(2) No consideration is paid/payable by the participants with respect to the unlocking of restricted Shares under any Restricted Shares Incentive Scheme.

(3) During the Reporting Period, the Company has not granted restricted Shares under any Restricted Shares Incentive Scheme, and no restricted Shares lapsed.

(III) Summary of the Stock Ownership Schemes

During the Reporting Period, the Company's subsisting Stock Ownership Schemes include the Fourth and Fifth Business Partner Stock Ownership Schemes under the Core Management Team Stock Ownership Scheme (the "Fourth Business Partner Stock Ownership Scheme" and the "Fifth Business Partner Stock Ownership Scheme"), the Seventh and Eighth Global Partner Stock Ownership Schemes under the Core Management Team Stock Ownership Scheme (the "Seventh Global Partner Stock Ownership Scheme" and the "Eighth Global Partner Stock Ownership Scheme"), the 2023 Stock Ownership Scheme and the 2024 Stock Ownership Scheme. As the Stock Ownership Schemes do not involve the issuance of new Shares by the Company, the terms of such schemes are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purposes

The Stock Ownership Schemes aim to continuously enhance corporate governance, improve governance mechanisms, and increase the overall value of the Company; foster an internal group of entrepreneurs, further unleash the self-motivation and creativity of the core management team, while attracting, incentivizing, and retaining key management and technical personnel critical to the Company's future development; uphold the "partnership" philosophy to ensure strong alignment between the core management team and the Company's growth value, thereby fostering a sense of mission and responsibility; establish and refine a benefit-sharing mechanism between employees and shareholders to align the interests of the Company, its shareholders, and employees; maintain and improve a future-oriented overall compensation structure, advocate a value-driven performance culture, and facilitate long-term incentives and constraints for the core management team, ensuring the achievement of the Company's strategic development and operational objectives.

2. **Participants**

The participants of the Stock Ownership Schemes include the core management, key technical personnel and senior management of the Company as set out in the Schemes.

3. **Maximum number of A Shares available to be held under the Stock Ownership Schemes**

The maximum number of A Shares available to be held under each of the Stock Ownership Schemes as well as their percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date are as follows:

Stock Ownership Scheme	Maximum number of A Shares available to be held and as a percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date
Fourth Business Partner Stock Ownership Scheme	1,985,611 (0.03%)
Fifth Business Partner Stock Ownership Scheme	2,826,759 (0.04%)
Seventh Global Partner Stock Ownership Scheme	2,436,518 (0.03%)
Eighth Global Partner Stock Ownership Scheme	3,770,433 (0.05%)
2023 Stock Ownership Scheme	9,946,276 (0.13%)
2024 Stock Ownership Scheme	20,106,662 (0.26%)

As of the Latest Practicable Date, the number of A Shares held under each of the Stock Ownership Schemes, and that as a percentage of the Company's issued Shares (excluding treasury shares) are as follows:

Stock Ownership Scheme	Number of A Shares held and as a percentage of the Company's issued Shares (excluding treasury shares) as of the Latest Practicable Date
Fourth Business Partner Stock Ownership Scheme	0 (0%)
Fifth Business Partner Stock Ownership Scheme	2,826,759 (0.04%)
Seventh Global Partner Stock Ownership Scheme	0 (0%)
Eighth Global Partner Stock Ownership Scheme	3,770,433 (0.05%)
2023 Stock Ownership Scheme	6,207,876 (0.08%)
2024 Stock Ownership Scheme	20,106,662 (0.26%)

4. **Maximum entitlement for Participants**

The total number of Shares corresponding to the equity interest granted to any participant of the Stock Ownership Schemes shall not in aggregate exceed 1% of the total share capital of the Company.

5. **Lock-up and vesting arrangement**

The lock-up period for A Shares held under the Stock Ownership Scheme shall be 12 months (the Fourth and Fifth Business Partner Stock Ownership Schemes, the Seventh and Eighth Global Partner Stock Ownership Schemes, and the 2023 Stock Ownership Scheme) or 24 months (the 2024 Stock Ownership Scheme) commencing from the date of the announcement in relation to the completion of transferring the repurchased underlying Shares from the Company's special securities account for repurchase.

Upon expiration of the above lock-up period, subject to the achievement of performance targets and individual evaluation results, the corresponding portion of the A Shares (together with dividends) held by the Participants under the Stock Ownership Scheme shall be divided into three tranches for vesting at the ratios of 40%, 30% and 30%, and the vested A Shares shall be disposed of by the Scheme Management Committee, with proceeds from such disposal distributed among the Participants on a pro-rata basis.

6. **Consideration for entitlement**

No consideration for the entitlement granted or vested under the Stock Ownership Schemes shall be paid by a participant of such schemes. The source of funds for the Stock Ownership Schemes is the special fund set aside by the Company for such schemes and part of the performance bonuses for senior management. The Company has not provided any financial assistance or loan guarantee to the Participants, nor were leveraged funds involved. No third party provided incentives, subsidies, or backstop arrangements for employees to participate in the Stock Ownership Schemes.

7. **Changes in the number of A Shares held under the Stock Ownership Scheme during the Reporting Period and validity period of the Scheme**

Name of stock ownership scheme[1]	Name and category of the participant	Number of A Shares held as at 1 January 2024 (share)[2][3]	Granted during the year (share)[2][3][5]	Vested during the year (share)[1]	Lapsed during the year (share)	Number of A Shares held as at 31 December 2024 (share)[2][3][4]	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)	Date of grant	Validity period of the Scheme
Fourth Business Partner Stock Ownership Scheme	Non-director employee	343,521	–	320,096	23,425	–	61.38	2021.8.13	2021.5.21-2025.5.20
	Five aggregately highest paid individuals during the Reporting (total)	15,253	–	15,253	–	–	61.38	2021.8.13	2021.5.21-2025.5.20
Fifth Business Partner Stock Ownership Scheme	Non-director employee	1,300,806	–	622,898	142,913	534,995	62.84	2022.7.29	2022.7.29-2027.7.28
Seventh Global Partner Stock Ownership Scheme	Director – Fang Hongbo	224,909	–	224,909	–	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Director – Wang Jianguo	36,276	–	36,276	–	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Director – Fu Yongjun	46,433	–	46,433	–	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Director – Gu Yanmin	36,276	–	36,276	–	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Director – Guan Jinwei	29,021	–	29,021	–	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Non-director employee	190,084	–	170,858	19,226	–	62.99	2021.8.4	2021.5.21-2025.5.20
	Five aggregately highest paid individuals during the Reporting (total)	329,384	–	329,384	–	–	62.99	2021.8.4	2021.5.21-2025.5.20

Name of stock ownership scheme[1]	Name and category of the participant	Number of A Shares held as at 1 January 2024 (share)[2][3]	Granted during the year (share)[2][3][5]	Vested during the year (share)[1]	Lapsed during the year (share)	Number of A Shares held as at 31 December 2024 (share)[2][3][4]	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)	Date of grant	Validity period of the Scheme
Eighth Global Partner Stock Ownership Scheme	Director – Fang Hongbo	675,906	–	337,953	–	337,953	63.60	2022.7.21	2022.7.21-2027.7.20
	Director – Wang Jianguo	95,949	–	47,974	–	47,975	63.60	2022.7.21	2022.7.21-2027.7.20
	Director – Fu Yongjun	136,460	–	68,230	–	68,230	63.60	2022.7.21	2022.7.21-2027.7.20
	Director – Gu Yanmin	95,949	–	47,974	–	47,975	63.60	2022.7.21	2022.7.21-2027.7.20
	Director – Guan Jinwei	104,477	–	52,239	–	52,238	63.60	2022.7.21	2022.7.21-2027.7.20
	Non-director employee	886,992	–	432,835	94,883	359,274	63.60	2022.7.21	2022.7.21-2027.7.20
	Five aggregately highest paid individuals during the Reporting (total)	1,138,590	–	569,296	–	569,294	63.60	2022.7.21	2022.7.21-2027.7.20
2023 Stock Ownership Scheme	Director – Fang Hongbo	959,676	–	383,870	–	575,806	60.08	2023.7.25	2023.7.25-2027.7.24
	Director – Wang Jianguo	190,174	–	76,069	–	114,105	60.08	2023.7.25	2023.7.25-2027.7.24
	Director – Fu Yongjun	199,683	–	79,873	–	119,810	60.08	2023.7.25	2023.7.25-2027.7.24
	Director – Gu Yanmin	140,870	–	56,348	–	84,522	60.08	2023.7.25	2023.7.25-2027.7.24
	Director – Guan Jinwei	220,109	–	88,043	–	132,066	60.08	2023.7.25	2023.7.25-2027.7.24
	Non-director employee	8,235,764	–	3,054,108	593,422	4,588,214	60.08	2023.7.25	2023.7.25-2027.7.24
	Five aggregately highest paid individuals during the Reporting (total)	1,661,210	–	664,482	–	996,728	60.08	2023.7.25	2023.7.25-2027.7.24

Name of stock ownership scheme[1]	Name and category of the participant	Number of A Shares held as at 1 January 2024 (share)[2][3]	Granted during the year (share)[2][3][5]	Vested during the year (share)[1]	Lapsed during the year (share)	Number of A Shares held as at 31 December 2024 (share)[2][3][4]	Weighted average closing price of relevant Shares immediately before the vesting date (RMB/share)	Date of grant	Validity period of the Scheme
2024 Stock Ownership Scheme	Director – Fang Hongbo	–	1,848,609	–	–	1,848,609	–	2024.6.25	2024.6.25-2029.6.24
	Director – Wang Jianguo	–	234,595	–	–	234,595	–	2024.6.25	2024.6.25-2029.6.24
	Director – Fu Yongjun	–	351,892	–	–	351,892	–	2024.6.25	2024.6.25-2029.6.24
	Director – Gu Yanmin	–	172,037	–	–	172,037	–	2024.6.25	2024.6.25-2029.6.24
	Director – Guan Jinwei	–	367,532	–	–	367,532	–	2024.6.25	2024.6.25-2029.6.24
	Non-director employee	–	17,131,997	–	–	17,131,997	–	2024.6.25	2024.6.25-2029.6.24
	Five aggregately highest paid individuals during the Reporting (total)	–	3,420,395	–	–	3,420,395	–	2024.6.25	2024.6.25-2029.6.24

Notes:

(1) There were no Directors among the participants of the Fourth Business Partner Stock Ownership Scheme, and there were no Directors or any of the five aggregately highest paid individuals during the Reporting Period among the participants of the Fifth Business Partner Stock Ownership Scheme.

(2) No consideration shall be paid by a participant of the Stock Ownership Schemes for the grant or vesting of benefits under such schemes.

(3) Sale restriction and vesting arrangements of Stock Ownership Scheme are as follows:

The Stock Ownership Scheme shall be subject to a lock-up period of 12 months (the Fourth and Fifth Business Partner Stock Ownership Schemes, the Seventh and Eighth Global Partner Stock Ownership Schemes, and the 2023 Stock Ownership Scheme) or 24 months (the 2024 Stock Ownership Scheme) commencing from the date of the announcement in relation to the completion of transferring the repurchased underlying Shares from the Company's special securities account for repurchase.

Upon expiration of the above lock-up period, subject to the achievement of performance targets and individual evaluation results, the corresponding portion of the A Shares (together with dividends) held by the Participants under the Stock Ownership Scheme shall be divided into three tranches for vesting at the ratios of 40%, 30% and 30%, and the vested A Shares shall be disposed of by the Scheme Management Committee, with proceeds from such disposal distributed among the Participants on a pro rata basis.

(4) The Share Ownership Schemes do not involve cancellation of A Shares held.

(5) The indicators of the Company's performance appraisal under the 2024 Stock Ownership Scheme are, the weighted average ROE in 2024 and 2025 is not less than 18%, and the weighted average ROE in 2026 and 2027 is not less than 17% and 16.5%, respectively, during the vesting assessment period (the above indicators include the impact of capital operation matters disclosed as of the date of announcement of the Scheme, excluding the impact of mergers and acquisitions and capital operations occurred in the assessment year on the assessment indicators), and the corresponding target share quota is determined according to the assessment results of the individuals and units where the holders belong during the vesting assessment period.

If the performance appraisal indicators of the Company in each period of the vesting assessment period under this Scheme are achieved, and the individual performance appraisal results of the holder in the vesting assessment period are Grade B or above, and given the annual comprehensive evaluation of the vesting assessment period at the unit level is "excellent", then the holder is entitled to all the equities in the underlying shares attributable to the holder under the Share Ownership Schemes in this period according to the above rules; if the annual comprehensive evaluation of the vesting assessment period at the unit level is "good", the holder is entitled to 90% of the equities in the underlying shares attributable to the holder under the Share Ownership Schemes in this period, and the other 10% of the underlying target share interests are entitled to the Company; if the annual comprehensive evaluation of the vesting assessment period at the unit level is "pass", the holder is entitled to 80% of the equities in the underlying shares attributable to the holder under the Share Ownership Schemes in this period, and the other 20% of the underlying target share interests are entitled to the Company; if the annual comprehensive evaluation of the vesting assessment period at the unit level is "fail", the holder is not entitled to the equities in the underlying shares attributable to the holder under the Share Ownership Schemes in this period.

If the individual performance appraisal result of the holder does not reach Grade B during the vesting assessment period, the holder is not entitled to the equities in the underlying shares attributable to the holder under the Share Ownership Schemes in this period.

If all of the performance appraisal indicators of the Company in each period of the vesting assessment period are not fulfilled, all the underlying equity rights under the Share Ownership Schemes shall be owned by the Company, and all holders are not entitled to the underlying equity rights under the Share Ownership Schemes.

The closing price of the A Shares immediately before the grant date of the Scheme (i.e. 25 June 2024 Announcement on the Completion of the Scheme to Transfer the Target Shares for Repurchase from special account for repurchased shares of the Company) was RMB64.88 per share. The fair value of the Scheme on grant date and the accounting principles and policies adopted are set out in "Note 40 to the Consolidated Financial Statements" in this annual report.

XVI. SIGNIFICANT CONTRACTS

During the Reporting Period, save for the disclosed connected transactions and continuing connected transactions, the Company or any of its subsidiaries does not have any significant contract with controlling shareholders or its subsidiaries, and there are no significant contracts of services provided by the controlling shareholders or its subsidiaries to the Company or subsidiaries.

XVII. EQUITY-LINKED AGREEMENT

Other than the Share Option Incentive Plans, the Company had not entered or participated in any equity-linked agreements that will or may result in the Company issuing Shares during the year ended 31 December 2024.

XVIII. CONNECTED TRANSACTIONS

We have entered into the agreements and arrangements for continuing connected transactions with the connected persons under the Hong Kong Listing Rules in the ordinary and usual course of our business and in compliance with the requirements under Chapter 14A of the Hong Kong Listing Rules. Details of the continuing connected transactions of the Group are set out below.

(I) Supply of Products Framework Agreement

On 3 September 2024, our Company, for itself and on behalf of its subsidiaries, entered into a framework agreement (the "Supply of Products Framework Agreement") with Carrier Global, for itself and on behalf of its associates, pursuant to which, our Group would supply to Carrier Global and its associates electrical appliances (including but not limited to: (i) HVAC products and dehumidifiers; (ii) multi-split outdoor air conditioner units, water heaters and water engines; and (iii) air conditioner compressors and motors), parts and components, and ancillary products and services (collectively, the "Products") as they may require from time to time.

Carrier Global, through its subsidiary Toshiba Carrier Corporation, holds 20.0% of the issued share capital of GD Midea Air-Conditioning Equipment Co., Ltd. (廣東美的製冷設備有限公司), which is a major subsidiary of the Company. Carrier Global is therefore a connected person at the subsidiary level of the Company.

The initial term of the Supply of Products Framework Agreement will commence on the Listing Date and end on 31 December 2026. Both parties or their respective subsidiaries or associates will enter into separate underlying agreements which will set out the specific terms and conditions for the supply of Products according to the principles provided in the Supply of Products Framework Agreement.

(II) Reasons for the transaction

Carrier Global, a corporation organized and existing under the laws of the State of Delaware, is a global leader in intelligent climate and energy solutions with a focus on providing differentiated, digitally-enabled lifecycle solutions to its customers with its shares listed on the New York Stock Exchange under the symbol "CARR".

Our Group has a long-term and stable business relationship with Carrier Global. Our Group is familiar with Carrier Global's business needs, quality standards and operational requirements in respect of the Products. The supply of Products to Carrier Global and its associates helps to increase the sales scale and the sales revenue of our Group.

(III) Consideration and pricing policies

The fees to be charged by our Group for the Products to be supplied to Carrier Global and its associates pursuant to the Supply of Products Framework Agreement shall be determined by commercial negotiation between the parties according to the principles of fairness and reasonableness, taking into account various factors including but not limited to the type of products, transaction volume and prices for the supply of products of similar nature, type and quantity by our Group to other independent third parties in the market.

(IV) The annual caps and the actual transaction amounts for 2024

During the Reporting Period, the continuing connected transactions of the Company were implemented according to the Supply of Products Framework Agreement entered into between the Company, for itself and on behalf of its subsidiaries, and Carrier Global, for itself and on behalf of its associates, and the consideration and pricing policies of the relevant transactions were strictly followed. The transaction amount and subject matter did not exceed the scope of the agreement. The annual caps and the actual transaction amounts for 2024 are set out below:

Subject matter	Annual cap of transaction amount for 2024 (RMB in billion)	Actual transaction amount for 2024 (RMB in billion)
Total fees received from Carrier Global and its associates	5.0	4.7

(V) Waiver

In respect of the transactions as contemplated under the Supply of Products Framework Agreement as described above, upon the Listing in September 2024, the Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Hong Kong Listing Rules.

(VI) Confirmation of auditor

PricewaterhouseCoopers, the auditor of the Company has implemented the procedures for the abovementioned continuing connected transactions and provided a letter to the Board of the Company, stating that:

1. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

4. with respect to the aggregate amount of the above mentioned continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

(VII) Opinions of the Company and independent non-executive Directors

The Company confirms that the continuing connected transactions in 2024 complied with the requirements under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, no other related party transactions set out in the "Notes to the Consolidated Financial Statements" constitute connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Hong Kong Listing Rules.

Our independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that:

1. such continuing connected transactions were entered into in the ordinary course of business of the Group;

2. such continuing connected transactions were on normal commercial terms or better; and

3. such continuing connected transactions were conducted under the agreements of corresponding transactions and in accordance with their terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

XIX. MANAGEMENT CONTRACT

During the Reporting Period, no contracts were subsisted (other than the service contracts with any Directors or Supervisors or any of the full-time employees of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual or entities.

XX. TAX RELIEF

(1) A Shareholders

In accordance with provisions of the "Notice on Relevant Issues of Implementation of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies" (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the "Notice on Relevant Issues of Individual Income Tax Policy of Dividends and Bonus Differentiation of Listed Companies" (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for dividends and bonuses of individual investors received from listed companies from the date when individual investors acquire shares of the company till the equity registration date, if shareholding period is more than one year, individual income tax will be exempted; if shareholding period is not more than one year (including one year), the listed company will not withhold and remit individual income tax and the amount of tax payable will be calculated on the transfer of shares by an individual investor based on the period of holding the shares.

As for shareholders of resident enterprises, income tax of cash bonuses will be paid by themselves.

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the "Notice on Relevant Issues Regarding the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII" (Guo Shui Han [2009] No. 47) 《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得税有關問題的通知》(國税函[2009]47號)). If the QFII shareholders intend to claim the preferential treatment as stipulated in tax treaties (arrangements) for their dividend and bonus incomes, they may by themselves, or may entrust a withholding agent on their behalf to, apply to the competent tax authority of the listed company for the treatment as stipulated in such tax treaties.

Pursuant to the provisions under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127) 《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), for dividends and bonus incomes received by investors (including enterprises and individuals) in the Hong Kong market from investing in A Shares listed on the SZSE, the implementation of differentiated tax policies based on period of shareholding is suspended before Hong Kong Securities Clearing Co., Ltd. meets the conditions of providing identification, terms of shareholding and other specific data of investors to China Securities Depository and Clearing Corporation Limited, and the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the competent tax authority. For Hong Kong investors who are tax residents from another country and that country has entered into a tax treaty with the PRC stipulating a tax rate of lower than 10% for dividends, those enterprises or individuals may by themselves, or may entrust a withholding agent on their behalf to, apply to the competent tax authority of the listed company for the treatment as stipulated in such tax treaties.

(2) H Shareholders

In accordance with the provisions of the "Notice of the State Administration of Taxation on Individual Income Tax Collection Issues Following the Repeal of the Document with the Number of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348) 《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), withholding and remitting obligor will withhold and remit individual income tax as per item of "interest, dividends and bonus income" for dividends and bonuses income of overseas resident individual shareholders from the domestic non-foreign-funded enterprises by issuing shares in Hong Kong. When the domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with the tax convention signed by China and the country stated in the residential identity and tax arrangement of Mainland China and Hong Kong (Macau). In general, the tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonuses, individual income tax will be generally withheld and remitted at the tax rate of 10% and application is not necessary. If the tax rate for dividends is not fall within 10%, the following provisions shall apply: (1) for residents from countries which have entered into tax treaties with a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the competent tax authorities, the excess tax amounts withheld will be refunded; (2) for residents from countries which have entered into tax treaties with a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the effective tax rate under the treaties when distributing dividends without application; (3) for residents from countries without tax treaties or otherwise, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

In accordance with the provisions of the "Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H shares and Withhold and Remit Enterprise Income Tax" (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), when PRC resident enterprises distribute dividends for 2008 and future years to overseas non-resident enterprise shareholders of H-shares, they will withhold and remit enterprise income tax at the tax rate of 10%.

In accordance with provisions of the "Notice on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism" (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies will withhold individual income tax at the tax rate of 20% for dividend and bonus of individual investors in Mainland China who invest in H-shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect. Individual income tax will be collected in accordance with the above provisions for dividends and bonuses income of the securities investment fund in Mainland China which invests in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect. H-share companies will not withhold dividend and bonus income tax for dividends and bonuses of enterprise investors in Mainland China who invest in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect and income tax will be paid by the enterprises themselves. Dividends and bonuses income obtained by resident enterprises in Mainland China as they have continuously held H-shares for 12 months will be exempted from enterprise income tax according to laws.

Under the current practice of the Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company will pay relevant taxes and/or enjoy tax concession in accordance with the above provisions.

XXI. SUFFICIENT PUBLIC FLOAT

Upon the listing of the H Shares of the Company, the Hong Kong Stock Exchange granted a waiver to the Company that the minimum percentage of the H Shares of the Company to be held by the public shall be 5.00% of the total issued share capital of the Company.

As of the Latest Practicable Date, based on the available information and to the best knowledge of the Directors, the Company's public float complies with the minimum public float requirements under Rule 8.08 of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon the listing of the H Shares of the Company.

XXII. EVENTS AFTER THE REPORTING PERIOD

Apart from the aforementioned dividend distribution, there were no other material subsequent events since the end of the Reporting Period.

XXIII. PERFORMANCE OF UNDERTAKINGS

Undertakings of the Company's actual controller, Shareholders, related parties, acquirer, the Company and other parties fulfilled during the Reporting Period and as of the end of the Reporting Period are as follows:

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
Undertaking made in offering documents or shareholding alternation 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 March 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: (1) None of the entities or individuals mentioned above are 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;	28 March 2013	Long-standing	2. To the best knowledge, information and belief of the Directors (including the independent non-executive Directors), the Company's controlling shareholder and actual controller of the Company did not violate this undertaking during the Reporting Period.

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
			(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 have already performed such production and operations, as long as Midea Holding is still as the controlling shareholder of Midea Group, and He Xiangjian as the actual controller, they will agree on solving the problem of competition within the industry arising therefrom within a reasonable period; (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 as the controlling shareholder, they will not engage in competitive business to the new ones of Midea Group and its controlled companies; (4) In accordance with effective laws, regulations or other regulatory documents of the 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; (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 will bear the corresponding legal responsibilities according to relevant laws, rules, regulations and regulatory documents.			

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
	Controlling shareholder and actual controller	Regulation of related transactions	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: (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.	28 March 2013	Long-standing	3. There has been no violation of this undertaking.

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
			(2) They shall fulfill the obligation of withdrawing from voting that involves the above-mentioned related transactions at the general meeting of Midea Group; (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; (4) In accordance with effective laws, regulations or other regulatory documents of the 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; (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.			

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
	Controlling shareholder and actual controller	On Midea Trade Union Committee transferring its limited equity of Midea Group	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 a mutual discussion based on their true opinions, therefore there was no dispute or potential dispute. On 28 June 2013, Foshan Shunde Beijiao General Union, 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 of any property of the committee, and such property disposal does not need any agreement from all staff committee members. 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.	28 March 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.

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
	Controlling shareholder and actual controller	Issues about Payment of the Staff Social Insurance and the Housing Provident Fund involved in Midea Group's Overall Listing	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; or (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.	28 March 2013	Long-standing	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.
	Controlling shareholder and actual controller	Issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries	6. Undertakings on issues about asset alteration, asset flaw and house leasing of Midea Group and its subsidiaries. Midea Holding and He Xiangjian have undertaken as follows: (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. (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. (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 require 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).	28 March 2013	Long-standing	6. So far, the issues about asset alteration, asset flaw and house leasing 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.

Undertaking	Party(ies) giving the undertaking	Type of undertaking	Details of undertaking	Date of giving undertaking	Term	Particulars on the performance
			(4) Under any circumstances that Midea Group suffers from 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 for the actual loss Midea Group suffers from any circumstances above resulting in penalties subjected to by competent authorities or through claims from any other third party. (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. (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. 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.			

XXIV. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no material litigation and arbitration.

XXV. CREDIT CONDITIONS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, neither the Company nor the Controlling Shareholder or actual controller had unperformed obligations determined by court legal instruments or large overdue debts.

XXVI. CONTINGENT LIABILITIES

As of the end of the Reporting Period, save as disclosed in Note 47 to the consolidated financial statements, the Company had no other material contingent liabilities.

XXVII. PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors, and the senior management.

XXVIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN MAJOR TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

At the end of the Reporting Period or at any time during the Reporting Period, save as disclosed in Note 45 to the consolidated financial statements, there was no transaction, arrangement or contract that was significant to the Group's business to which the Company or any of its subsidiaries was a party, and in which any person who served as a Director or Supervisor at any time during the Reporting Period, or any of their connected entities, had a material direct or indirect interest.

XXIX. DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2024, none of the Directors and Supervisors had an interest in any business that directly or indirectly competed with our business under rule 8.10(2) of the Hong Kong Listing Rules.

XXX. RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, neither the Company nor any of its subsidiaries was a party to any arrangement that would enable Directors and Supervisors to benefit from acquiring shares or debentures of the Company or any other corporation during the Reporting Period.

XXXI. AUDIT COMMITTEE

The audit committee, together with auditors, has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024. The audit committee has also reviewed the accounting standards and practices adopted by the Group and discussed the auditing, risk management, internal control, and financial reporting matters.

XXXII. AUDITORS

The Company has not changed its domestic auditors in the past three years. The Company has not changed its overseas auditor since its H Shares were issued and listed on the Main Board of the Hong Kong Stock Exchange on 17 September 2024.

The Company's domestic and overseas auditors for 2024 were PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, respectively. They have audited the 2024 consolidated financial statements prepared by the Company in accordance with the Accounting Standards for Business Enterprises (China Accounting Standards) and the IFRS Accounting Standards, respectively.

I. CHANGES IN SHARES

Details of changes in Shares of the Company during the Reporting Period are as follows:

Unit: Share

	Before the change		Increase/decrease (+, -)			After the change	
	Number	Percentage (%)	Issuance of new Shares	Others	Sub-total	Number	Percentage (%)
I. Restricted shares	133,563,090	1.90	–	-19,161,666	-19,161,666	114,401,424	1.49
1. Shares held by the state	–	–	–	–	–	–	–
2. Shares held by state-owned corporation	–	–	–	–	–	–	–
3. Shares held by other domestic investors	131,923,090	1.88	–	-18,546,916	-18,546,916	113,376,174	1.48
Including: shares held by domestic corporation	2,363,601	0.03	–	-124,357	-124,357	2,239,244	0.03
Shares held by domestic individual	129,559,489	1.84	–	-18,422,559	-18,422,559	111,136,930	1.45
4. Shares held by foreign investors	1,640,000	0.02	–	-614,750	-614,750	1,025,250	0.01
Including: shares held by foreign corporation	–	–	–	–	–	–	–
Shares held by foreign individual	1,640,000	0.02	–	-614,750	-614,750	1,025,250	0.01
II. Non-restricted shares	6,892,205,935	98.10	702,758,934	-53,410,410	649,348,524	7,541,554,459	98.51
1. RMB ordinary shares	6,892,205,935	98.10	51,910,434	-53,410,410	-1,499,976	6,890,705,959	90.00
2. Domestic listed foreign shares	–	–	–	–	–	–	–
3. Overseas listed foreign shares	–	–	650,848,500	–	650,848,500	650,848,500	8.50
4. Others	–	–	–	–	–	–	–
III. Total number of shares	7,025,769,025	100.00	702,758,934	-72,572,076	630,186,858	7,655,955,883	100.00

Notes:

1. On 17 September 2024, 565,955,300 H Shares were issued by the Company at the price of HK$54.80 per Share and listed on the Main Board of the Hong Kong Stock Exchange. Subsequently, on 25 September 2024, 84,893,200 H Shares were issued by the Company at the price of HK$54.80 per Share under the over-allotment option. A total of 650,848,500 H Shares were issued by the Company with total proceeds of HK$35,666 million (approximately RMB32,399 million), and net proceeds of approximately RMB32,146 million (approximately RMB49.39 per share) after deducting issuance costs incurred directly by issuing new shares.

2. During the Reporting Period, a total of 51,910,434 A shares were registered and increased by the Participants under the A Share Option Incentive Plan of the Company at their own discretion.

3. For the details of the repurchase and cancellation of restricted shares by the Company during the Reporting Period, please refer to “Repurchase, redemption or sale of listed securities of the Company” under “Report of the Directors” in this annual report.

4. As of the end of the Reporting Period, 28,452,226 A-share ordinary shares (treasury shares) were held in the Company’s special securities account for repurchase, representing approximately 0.37% of the issued share capital of the Company. These treasury shares are used for Share Option Incentive Plans and/or Stock Ownership Schemes. During the Reporting Period, the Company has not sold its treasury shares on the market.

II. INFORMATION ON SHAREHOLDERS AND ACTUAL CONTROLLER

(I) Information on the number of shareholders and the shareholding of the Company

Unit: Share

Shareholdings of ordinary shareholders holding more than 5% of the total share capital or top ten ordinary shareholders								
							Pledged or frozen	
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of ordinary shares held as at the end of the Reporting Period	Increase/ decrease during the Reporting Period	Number of restricted ordinary shares held	Number of non-restricted ordinary shares held	Status of shares	Number
Midea Holding Co., Ltd.	Domestic non-state-owned corporation	28.33%	2,169,178,713	–	–	2,169,178,713	–	–
Hong Kong Securities Clearing Company Limited[(1)]	Foreign corporation	14.54%	1,113,322,948	-225,413,075	–	1,113,322,948	–	–
HKSCC NOMINEES LIMITED[(2)]	Foreign corporation	8.50%	650,830,570	650,830,570	–	650,830,570	–	–
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	2.59%	198,145,134	–	–	198,145,134	–	–
Fang Hongbo	Domestic individual	1.53%	116,990,492	–	87,742,869	29,247,623	–	–
Central Huijin Asset Management Ltd.	State-owned corporation	1.15%	88,260,460	–	–	88,260,460	–	–
Huang Jian	Domestic individual	1.13%	86,140,000	-30,000	–	86,140,000	–	–
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Traded Open-ended Index Securities Investment Fund	Others	1.10%	84,336,743	47,599,110	–	84,336,743	–	–
China Construction Bank Corporation – E Fund CSI 300 Trading Open-end Index Sponsored Securities Investment Fund	Others	0.76%	58,219,643	44,478,997	–	58,219,643	–	–
Li Jianwei	Foreign individual	0.60%	45,591,545	–	–	45,591,545	–	–

Shareholding of top ten non-restricted ordinary shareholders			
	Number of non-restricted ordinary shares as at the end of the Reporting	Class of shares	
Name of shareholder	**Period**	**Class of shares**	**Number**
Midea Holding Co., Ltd.	2,169,178,713	RMB common stock	2,169,178,713
Hong Kong Securities Clearing Company Limited[1]	1,113,322,948	RMB common stock	1,113,322,948
HKSCC NOMINEES LIMITED[2]	650,830,570	Overseas Listed Foreign Shares	650,830,570
China Securities Finance Co., Ltd.	198,145,134	RMB common stock	198,145,134
Central Huijin Asset Management Ltd.	88,260,460	RMB common stock	88,260,460
Huang Jian	86,140,000	RMB common stock	86,140,000
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Traded Open-ended Index Securities Investment Fund	84,336,743	RMB common stock	84,336,743
China Construction Bank Corporation – E Fund CSI 300 Trading Open-end Index Sponsored Securities Investment Fund	58,219,643	RMB common stock	58,219,643
Li Jianwei	45,591,545	RMB common stock	45,591,545
Industrial and Commercial Bank of China Limited – ChinaAMC CSI 300 Traded Open-ended Index Securities Investment Fund	38,707,323	RMB common stock	38,707,323

Notes:

1. Hong Kong Securities Clearing Company Limited is the nominee holder of the Company's Shenzhen-Hong Kong Stock Connect shares.

2. HKSCC NOMINEES LIMITED is the nominee holder of the Company's H Shares held by non-registered shareholders.

(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	Organization code	Main business scope
Midea Holding Co., Ltd.	He Xiangjian	5 August 2002	914406067429989733	Manufacture and commerce investment; domestic commerce and materials supply and marketing industry (excluding state-designated monopoly); CP software and hardware development; industrial product design; IT consulting services, enterprises investment consulting and advisory services; home appliance installation, maintenance and after-sales services; real estate agency services, transportation agency services. (Business activities subject to approval according to law can only be carried out after obtaining the approval of relevant departments)
Shareholdings of the controlling shareholder in other controlled or non-controlled listed companies at home or abroad during the Reporting Period	Apart from a direct control over the Company, Midea Holding does not directly control or have shares in other listed companies at home or abroad.			

During the Reporting Period, there was no change in the controlling shareholder of the Company.

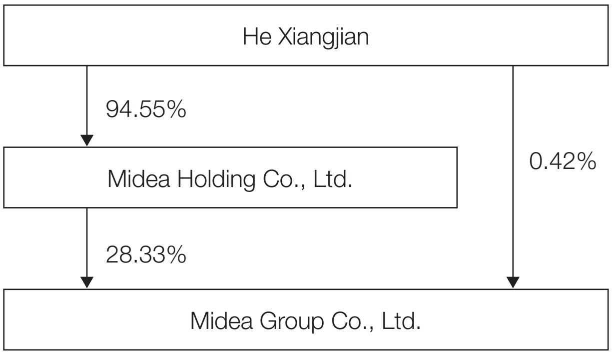
(3) Actual controller and acting-in-concert parties thereof

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 (the current chairman of the Board of Midea Holding)	Actual controller himself	The People's Republic of China	No

During the Reporting Period, there was no change in the actual controller of the Company.

Ownership and control relations between the actual controller and the Company:



The actual controller did not control the Company via trust or other ways of asset management,

III. SUBSTANTIAL SHAREHOLDER AND OTHER INDIVIDUALS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As of 31 December 2024, the Company was aware of the following individuals who had an interest or short position, which were required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interests or short positions as recorded in the register required to be kept by the Company under Section 336 of SFO, or, directly or indirectly, be interested in 5% or more of the nominal value of any class of our Company's share capital.

Name of shareholder	Nature of interest	Class of Share	Number of Shares directly or indirectly held/ Nature of Shares Held	Percentage of the respective type of shares[3]	Percentage of the total issued share capital[4]
Midea Holding	Beneficial owner	A Shares	2,169,178,713 (Long position)	30.97%	28.33%
Mr. He Xiangjian[1]	Interest in controlled corporations	A Shares	2,169,178,713 (Long position)	30.97%	28.33%
	Beneficial owner	A Shares	31,909,643 (Long position)	0.46%	0.42%
China International Capital Corporation (International) Limited	Interest in controlled corporations	H Shares	59,788,729 (Long position)	9.19%	0.78%
			85,534,400 (Short position)	13.14%	1.12%

Name of shareholder	Nature of interest	Class of Share	Number of Shares directly or indirectly held/ Nature of Shares Held	Percentage of the respective type of shares[3]	Percentage of the total issued share capital[4]
China International Capital Corporation Hong Kong Securities Limited	Underwriter	H Shares	59,147,529 (Long position)	9.09%	0.77%
			84,893,200 (Short position)	13.04%	1.11%
China COSCO SHIPPING Corporation Limited[2]	Interest in controlled corporations	H Shares	40,008,200 (Long position)	6.15%	0.52%
China Ocean Shipping Company Limited[2]	Interest in controlled corporations	H Shares	40,008,200 (Long position)	6.15%	0.52%
COSCO SHIPPING Holdings Co., Ltd.[2]	Interest in controlled corporations	H Shares	40,008,200 (Long position)	6.15%	0.52%
COSCO SHIPPING Holdings (Hong Kong) Limited	Beneficial owner	H Shares	40,008,200 (Long position)	6.15%	0.52%
HHLR Advisors, Ltd.	Investment manager	H Shares	170,500,000 (Long position)	26.20%	2.23%
HHLR Fund, L.P.	Beneficial owner	H Shares	89,670,500 (Long position)	13.78%	1.17%
HHLR CF, L.P.	Beneficial owner	H Shares	49,322,300 (Long position)	7.58%	0.64%
HSBC Holdings plc	Interest in controlled corporations, custodian (other than exempted from custodian interest)	H Shares	38,347,449 (Long position)	5.89%	0.50%
			10,299,053 (Short position)	1.58%	0.13%
JPMorgan Chase & Co.[3]	Interest in controlled corporations	H Shares	58,528,075 (Long position)	8.99%	0.76%
			24,513,382 (Short position)	3.77%	0.32%
			9,420,344 (Lending pool)	1.45%	0.12%

Notes:

1. Mr. He is interested in approximately 94.55% of Midea Holding and is deemed to be interested in all the A Shares held by Midea Holding.

2. Each of China Ocean Shipping Company Limited, COSCO SHIPPING Holdings Co., Ltd. and China COSCO SHIPPING Corporation Limited is deemed to be interested in the shares held by COSCO SHIPPING Holdings (Hong Kong) Limited under the SFO.

3. JPMorgan Chase & Co. has underlying interests in the long position of 58,528,075 H shares, among which 9,420,344 H shares were held in the capacity as approved lending agent and available for lending, and the short position of 24,513,382 H shares of the Company through a series of corporations under its control.

4. As at 31 December 2024, the Company had a total of 7,655,955,883 issued shares, comprising 7,005,107,383 A Shares and 650,848,500 H Shares (including treasury shares). The above calculation is based on the total number of issued shares and the total number of relevant classes of shares (including treasury shares) as of 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Company was not aware of any other person (other than the Directors, Supervisors and chief executives of the Company) having any interests or short position in the shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

IV. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As of 31 December 2024, to the best of the knowledge of the Company, the interests and short position of the Directors, Supervisors and chief executives in the share capital and underlying Shares of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code were as follows:

(1) Interests And Short Position in Shares Of the Company

Name	Position	Nature of interest	Class of Share	Number of Shares directly or indirectly held/Nature of Shares Held	Percentage of the respective type of Shares[3]	Percentage of the total issued share capital[3]
Mr. Fang Hongbo	Executive Director, chairman of the Board and chief executive officer	Beneficial owner	A Shares	116,990,492 (Long position)	1.67%	1.53%
Mr. Fu Yongjun	Executive Director and vice president	Beneficial owner	A Shares	200,000 (Long position)	0.003%	0.003%
Mr. Guan Jinwei[1]	Executive Director and vice president	Beneficial owner and Interest of Spouse	A Shares	538,500[1] (Long position)	0.008%	0.007%
Ms. Ren Lingyan[2]	Supervisor	Interest of Spouse	A Shares	8,100[2] (Long position)	0.0001%	0.0001%

Notes:

(1) The spouse of Mr. Guan holds 3,500 A Shares and Mr. Guan is deemed to be interested in the A Shares held by his spouse.

(2) The spouse of Ms. Ren holds 8,100 A Shares and Ms. Ren is deemed to be interested in the A Shares held by her spouse.

(3) As at 31 December 2024, the Company had a total of 7,655,955,883 issued shares, comprising 7,005,107,383 A Shares and 650,848,500 H Shares (including treasury shares). The above calculation is based on the total number of issued shares and the total number of relevant classes of shares (including treasury shares) as of 31 December 2024.

(2) Interest in Associated Corporations of the Company

Name	Position	Nature of Interest	Member of our Group	Number of Shares directly or indirectly held	% of Shareholding
Mr. Fang Hongbo[(1)]	Executive Director, chairman of the Board and chief executive officer	Interest in controlled corporation	Midea Robozone Technology Co., Ltd.	3,270,000 (Long position)	6.54%
Mr. Fang Hongbo[(2)]	Executive Director, chairman of the Board and chief executive officer	Interest in controlled corporation	Meicloud Technology Co., Ltd.	14,160,000 (Long position)	5.30%
Mr. Fang Hongbo[(3)]	Executive Director, chairman of the Board and chief executive officer	Interest in controlled corporation	Annto Logistics Supply Chain Technology Co., Ltd.	17,658,000 (Long position)	3.27%
Mr. Fang Hongbo[(4)]	Executive Director, chairman of the Board and chief executive officer	Interest in controlled corporation	Guangdong Midea Smart Technology Industry Investment Fund (LLP)	112,000,000 (Long position)	5.38%

Notes:

(1) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 6.54% of the equity interest of Midea Robozone Technology Co., Ltd. Mr. Fang Hongbo holds 38.65% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(2) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 5.30% of the equity interest of Meicloud Technology Co., Ltd. Mr. Fang Hongbo holds 38.65% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(3) Ningbo Meiyue Venture Capital Partnership (Limited Partnership) is interested in 3.27% of the equity interest of Annto Logistics Supply Chain Technology Co., Ltd. Mr. Fang Hongbo holds 38.65% interest in Ningbo Meiyue Venture Capital Partnership (Limited Partnership), an employee shareholding platform. As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meiyue Venture Capital Partnership (Limited Partnership).

(4) Ningbo Meishan Venture Capital Partnership (Limited Partnership) and Meishan (Guangdong) Equity Investment Partnership (Limited Partnership) are interested in 2.98% and 2.40% of the equity interest of Guangdong Midea Smart Technology Industry Investment Fund (LLP), respectively. Mr. Fang Hongbo holds 80.65% interest in Ningbo Meishan Venture Capital Partnership (Limited Partnership) and 99.98% interest in Meishan (Guangdong) Equity Investment Partnership (Limited Partnership). As such, Mr. Fang is deemed to be interested in the shares held by Ningbo Meishan Venture Capital Partnership (Limited Partnership) and Meishan (Guangdong) Equity Investment Partnership (Limited Partnership), respectively.

Save as disclosed above, as at 31 December 2024, none of the Directors, Supervisors and chief executives had any interests or short position in the Shares or underlying Shares of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

I. ENTERPRISE BONDS

The Company did not have any enterprise bonds during the Reporting Period.

II. CORPORATE BONDS

Bond name	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding balance	Interest rate	Payment method of principal and interest	Trading venue
Midea Investment Development Company Limited (美的投資發展有限公司) 2.88% Secured Notes 2027	MIDEAZ 2.88% 02/24/2027	ISIN XS2432130453	2022-02-16	2022-02-24	2027-02-24	US$450 million	2.88%	Interest payable on a half-year basis, with the principal and interest will be paid on the maturity date	Hong Kong Stock Exchange

III. NON-FINANCIAL CORPORATE DEBT FINANCING INSTRUMENTS

The Company had no debt financing instruments of non-financial enterprises during the Reporting Period.

IV. CONVERTIBLE BONDS

The Company had no convertible bonds during the Reporting Period.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of Midea Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Midea Group Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 173 to 320, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 – Smart Home Solutions
- Goodwill impairment assessments – KUKA Group and TLSC Group

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition – Smart Home Solutions Refer to Note 5(e)(i) and Note 5(b) to the consolidated financial statements. The Group recognises revenue when (or as) the control of the goods or services is transferred to a customer, and the amount recognized reflects the consideration the Group expects to be entitled to. During the year ended 31 December 2024, the Group's operating revenue was approximately RMB407.15 billion and the revenue derived from Smart Home Solutions was approximately RMB295.23 billion. We focused on this area because we spent significant audit efforts in this area due to the variety of sales channels used in the sales of Smart Home Solutions domestically and internationally, large number of customers, huge volume of transactions and the magnitude of the revenue derived from Smart Home Solutions. Therefore, we identified this area as a key audit matter.	Our procedures in relation to revenue recognition of Smart Home Solutions mainly included: 1. Understood and evaluated the design of the internal controls over the revenue recognition of Smart Home Solutions from different sales channels and tested the operating effectiveness of relevant internal controls; 2. Evaluated the appropriateness of the Group's accounting policy on Smart Home Solutions' revenue recognition by examining the Smart Home Solutions sales contract with customers through different sales channels on a sample basis, with reference to the understanding obtained from the interviews conducted with the management, our understanding of the Smart Home Solutions and audit experience; 3. Performed the monthly fluctuation analysis on revenue and gross margin of Smart Home Solutions; 4. Checked the revenue recorded for Smart Home Solutions against the relevant supporting documents including sales contracts, sales orders, rebate agreements, sales invoices, shipping documents, delivery records and goods receipt notes and billings etc., on a sample basis;

Key Audit Matter	How our audit addressed the Key Audit Matter
	5. Tested sales return, on a sample basis, by examining relevant supporting documents, including sales return records, sales invoices and return records after the financial year end date etc. to assess the reasonableness of sales return; 6. Verified the revenue transactions by sending external confirmations, on a sample basis; and 7. Tested sales transactions that recorded before and after the financial year end date, on a sample basis, by tracing to relevant supporting documents (including goods receipt notes or delivery records, where appropriate) to assess whether revenue of Smart Home Solutions was recognised in the proper reporting period. Based on the procedures performed above, we considered that the revenue recognition of Smart Home Solutions was supported by the evidence obtained.

Key Audit Matter

Goodwill impairment assessments – KUKA Group and TLSC Group

Refer to Note 4(a), Note 16(b), Note 16(c) and Note 16(d)(i) to the consolidated financial statements.

As at 31 December 2024, the carrying amount of the Group's goodwill is approximately amounted to RMB29.58 billion, which included the goodwill arising from the acquisition of the business of KUKA Aktiengesellschaft and its subsidiaries ("KUKA Group") and the business of Toshiba Lifestyle Products & Services Corporation ("TLSC Group"), amounted to RMB21.42 billion and RMB2.15 billion respectively.

Goodwill impairment assessments are undertaken by management at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Management determined the recoverable amounts of the cash generating unit ("CGU") and CGUs based on the higher of the fair value less costs of disposals and value in use, which is the present value of the future cash flows expected to be derived from each CGU and CGUs. The determination of the present value of the future cash flows involves key assumptions, including revenue annual growth rate, gross margin, perpetual annual growth rates and pre-tax discount rate. Based on the results of the goodwill impairment assessments, management determined that the recoverable amounts of KUKA Group CGUs and TLSC Group CGU, exceeded their carrying amounts respectively and therefore no impairment loss was recorded for the year ended 31 December 2024.

We identified this area as a key audit matter due to the magnitude of the carrying amount of the goodwill arising from KUKA Group CGUs and TLSC Group CGU, and the significant accounting estimations and judgements involved in the goodwill impairment assessments.

How our audit addressed the Key Audit Matter

The procedures we performed in relation to goodwill impairment assessments for KUKA Group CGUs and TLSC Group CGU mainly included:

1. Obtained an understanding of the internal controls and assessment process of goodwill impairment assessments and assessed the inherent risks of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias and fraud;

2. Evaluated and tested the operating effectiveness of relevant controls over the goodwill impairment assessments, including controls over the development of the impairment assessment model and the review and approval of key assumptions used by impairment assessment model;

3. Evaluated the reasonableness of identification of KUKA Group CGUs and TLSC Group CGU to which the goodwill was allocated;

4. Evaluated the effectiveness of management's estimation process and whether there is management bias by comparing the forecast used in prior year to the actual performance of KUKA Group CGUs and TLSC Group CGU in the current year;

5. Evaluated the appropriateness of the impairment assessment methodologies and pre-tax discount rate used by management, with the assistance of our internal valuation experts;

6. Evaluated the reasonableness of revenue annual growth rate, gross margin and perpetual annual growth rate based on historical financial performance, future business plans, long-term expected inflation rates and the market developments of KUKA Group CGUs and TLSC Group CGU etc.; and evaluated whether these assumptions were consistent with evidence obtained in other areas on auditing; and

7. Tested the mathematical accuracy of the calculations in the model.

Based on the procedures performed above, management's significant estimates and judgements used in the goodwill impairment assessments of KUKA Group and TLSC Group were supported by the evidence obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are 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 the directors either intend to liquidate the Group or to cease operations, or have 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 CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 the consolidated 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, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is YAO WENPING.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000 (Restated)
Revenue	5	**409,084,266**	373,709,804
Cost of revenue	8	**(301,982,533)**	(278,248,191)
Gross profit		**107,101,733**	95,461,613
Selling and marketing expenses	8	**(38,753,424)**	(31,952,763)
General and administrative expenses	8	**(15,403,802)**	(13,975,965)
Research and development expenses	8	**(16,232,771)**	(14,586,346)
Net impairment reversal/(losses) on financial assets and contract assets	3.1(b)	**28,676**	(235,002)
Other income	6	**9,680,098**	8,120,251
Other gains/(losses), net	7	**396,234**	(945,664)
Operating profit		**46,816,744**	41,886,124
Finance income	10	**944,785**	1,085,256
Finance costs	10	**(1,916,510)**	(3,372,815)
Finance costs, net		**(971,725)**	(2,287,559)
Share of profit of associates and joint ventures, net	13(a)	**847,098**	680,759
Profit before income tax		**46,692,117**	40,279,324
Income tax expense	11	**(7,933,153)**	(6,532,371)
Profit for the year		**38,758,964**	33,746,953
Attributable to:			
Owners of the Company		**38,538,987**	33,721,536
Non-controlling interests		**219,977**	25,417
		38,758,964	33,746,953
Earnings per share for profit attributable to owners of the Company:	12		
– Basic (RMB per share)		**5.44**	4.93
– Diluted (RMB per share)		**5.42**	4.92

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**38,758,964**	33,746,953
Other comprehensive income:		
Items that may be reclassified to profit or loss		
– Other comprehensive income that will be transferred subsequently to profit or loss under the equity method, net of tax	**37,830**	7,751
– Cash flow hedging reserves, net of tax	**(435,632)**	(139,710)
– Currency translation differences of foreign operations	**(240,744)**	(53,552)
– Others, net of tax	**(34,592)**	25,033
Items that will not be reclassified to profit or loss		
– Changes arising from remeasurement of defined benefit plan, net of tax	**(43,558)**	(88,017)
– Changes in fair value of investments in other equity instruments, net of tax	**(2,336)**	(1,025)
Other comprehensive loss for the year, net of tax	**(719,032)**	(249,520)
Attributable to:		
Owners of the Company	**(353,788)**	(272,554)
Non-controlling interests	**(365,244)**	23,034
Total comprehensive income for the year	**38,039,932**	33,497,433
Attributable to:		
Owners of the Company	**38,185,199**	33,448,982
Non-controlling interests	**(145,267)**	48,451

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**39,628,721**	36,382,765
Right-of-use assets	15	**10,799,523**	11,501,892
Investment properties		**1,184,541**	1,293,629
Intangible assets	16	**38,562,436**	40,860,697
Deferred tax assets	17	**14,074,278**	12,771,150
Prepayments, other receivables and other assets	19	**2,907,320**	2,705,275
Investments in associates and joint ventures	13(a)	**5,223,478**	4,976,109
Loan receivables	21	**308,903**	975,272
Derivative financial instruments	24	**481,315**	2,082,347
Other financial assets at amortized cost	22	**97,682,820**	79,121,387
Other financial assets at fair value through other comprehensive income	23	**35,595**	6,356,921
Other financial assets at fair value through profit or loss	23	**4,399,137**	5,687,591
Total non-current assets		**215,288,067**	204,715,035
Current assets			
Inventories	25	**63,339,188**	47,339,255
Contract assets	26	**3,499,556**	4,045,925
Trade and note receivables at amortized cost	27	**42,517,549**	38,406,699
Trade and note receivables at fair value through other comprehensive income	20	**17,646,449**	13,330,008
Prepayments, other receivables and other assets	19	**22,652,175**	14,796,946
Loan receivables	21	**11,047,886**	14,296,958
Derivative financial instruments	24	**5,255,303**	1,670,754
Other financial assets at amortized cost	22	**69,234,257**	59,275,572
Other financial assets at fair value through other comprehensive income	23	**6,525,002**	4,694,429
Other financial assets at fair value through profit or loss	23	**6,936,113**	1,790,588
Term deposits and restricted cash	28	**85,291,580**	21,786,586
Cash and cash equivalents	28	**55,118,728**	59,887,260
Total current assets		**389,063,786**	281,320,980
Total assets		**604,351,853**	486,036,015

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	29	**13,758,532**	49,356,705
Lease liabilities	15	**1,825,258**	2,047,319
Deferred tax liabilities	17	**4,896,815**	5,097,810
Other payables and accruals	32	**2,181,809**	2,253,296
Deferred income	34	**2,196,222**	1,734,932
Derivative financial instruments	24	**6,020**	2,282
Total non-current liabilities		**24,864,656**	60,492,344
Current liabilities			
Trade and note payables	30	**118,774,248**	94,238,073
Contract liabilities	31	**49,254,717**	41,765,475
Borrowings	29	**69,549,174**	22,109,985
Lease liabilities	15	**1,122,108**	1,166,901
Customer deposits		**137,344**	88,960
Derivative financial instruments	24	**3,095,850**	413,222
Other financial liabilities at fair value through profit or loss	33	**873,776**	1,346,674
Current tax liabilities		**3,798,350**	3,477,253
Other payables and accruals	32	**105,214,239**	86,639,178
Total current liabilities		**351,819,806**	251,245,721
Total liabilities		**376,684,462**	311,738,065

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
EQUITY			
Share capital	35	**7,655,956**	7,025,769
Treasury shares	36	**(5,728,446)**	(12,871,738)
Reserves	38	**61,231,287**	32,440,770
Retained earnings	37	**153,591,297**	136,282,362
Equity attributable to owners of the Company		**216,750,094**	162,877,163
Non-controlling interests		**10,917,297**	11,420,787
Total equity		**227,667,391**	174,297,950
Total equity and liabilities		**604,351,853**	486,036,015

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 173 to 320 were approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Fang Hongbo
Chairman

Wang Jianguo
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 35)	Treasury shares RMB'000 (Note 36)	Reserves RMB'000 (Note 38)	Retained earnings RMB'000 (Note 37)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024	7,025,769	(12,871,738)	32,440,770	136,282,362	162,877,163	11,420,787	174,297,950
Comprehensive income:							
Profit for the year	–	–	–	38,538,987	38,538,987	219,977	38,758,964
Other comprehensive loss	–	–	(353,788)	–	(353,788)	(365,244)	(719,032)
Total comprehensive (loss)/income	–	–	(353,788)	38,538,987	38,185,199	(145,267)	38,039,932
Transactions with owners							
Issuance of H share IPO	650,849	–	31,495,383	–	32,146,232	–	32,146,232
Capital injection (Note 35, Note 38)	51,910	–	2,389,370	–	2,441,280	32,294	2,473,574
Share-based compensation expenses (Note 40(iv))	–	–	1,144,276	–	1,144,276	43,509	1,187,785
Appropriation to general reserves	–	–	486,489	(486,489)	–	–	–
Reversal of general reserves	–	–	(21,213)	21,213	–	–	–
Cancellation of shares	(69,808)	5,159,408	(5,089,600)	–	–	–	–
Dividends (Note 39)	–	–	–	(20,764,776)	(20,764,776)	(416,536)	(21,181,312)
Appropriation to special reserves	–	–	5,499	–	5,499	4,522	10,021
Special reserves utilization	–	–	(3,264)	–	(3,264)	(4,003)	(7,267)
Exercise or lapse (repurchases and cancellation) of other share schemes (Note 35, Note 36, Note 38)	(2,764)	1,983,884	(1,350,954)	–	630,166	(3,301)	626,865
Transaction with NCI	–	–	–	–	–	(16,008)	(16,008)
Others	–	–	88,319	–	88,319	1,300	89,619
Balance at 31 December 2024	7,655,956	(5,728,446)	61,231,287	153,591,297	216,750,094	10,917,297	227,667,391

	Attributable to owners of the Company						
	Share capital RMB'000 (Note 35)	Treasury shares RMB'000 (Note 36)	Reserves RMB'000 (Note 38)	Retained earnings RMB'000 (Note 37)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	6,997,273	(14,933,944)	31,193,091	119,675,616	142,932,036	8,988,529	151,920,565
Comprehensive income:							
Profit for the year	–	–	–	33,721,536	33,721,536	25,417	33,746,953
Other comprehensive (loss)/income	–	–	(272,554)	–	(272,554)	23,034	(249,520)
Total comprehensive (loss)/income	–	–	(272,554)	33,721,536	33,448,982	48,451	33,497,433
Transactions with owners							
Capital injection (Note 35, Note 38)	38,490	–	1,781,144	–	1,819,634	45,581	1,865,215
Non-controlling interests arising from business combinations (Note 42)	–	–	–	–	–	2,563,374	2,563,374
Share-based compensation expenses (Note 40(iv))	–	–	1,208,095	–	1,208,095	37,361	1,245,456
Appropriation to general reserves	–	–	19,678	(19,678)	–	–	–
Reversal of general reserves	–	–	(49,152)	49,152	–	–	–
Dividends (Note 39)	–	–	–	(17,144,264)	(17,144,264)	(349,745)	(17,494,009)
Appropriation to special reserves	–	–	7,227	–	7,227	11,500	18,727
Special reserves utilization	–	–	(7,537)	–	(7,537)	(11,464)	(19,001)
Exercise or lapse (repurchases and cancellation) of other share schemes (Note 35, Note 36, Note 38)	(9,994)	2,062,206	(1,373,096)	–	679,116	–	679,116
Transaction with NCI	–	–	(54,307)	–	(54,307)	12,666	(41,641)
Others	–	–	(11,819)	–	(11,819)	74,534	62,715
Balance at 31 December 2023	7,025,769	(12,871,738)	32,440,770	136,282,362	162,877,163	11,420,787	174,297,950

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Cash flows from operating activities			
Cash generated from operations	41(a)	**68,462,867**	64,551,866
Interest received		**836,778**	974,378
Income tax paid		**(8,788,073)**	(7,623,633)
Net cash generated from operating activities		**60,511,572**	57,902,611
Cash flows from investing activities			
Disposal of subsidiaries, net of cash acquired/(disposed)		**78,073**	(83,019)
Proceeds from acquisition of subsidiaries, net of cash acquired		**–**	373,104
Proceeds from disposal of investments in associates and joint ventures		**49,346**	97,579
Payments for purchase of investments in associates and joint ventures		**–**	(6,348)
Proceeds from disposal of financial assets		**112,858,496**	115,977,114
Payments for purchase of financial assets		**(197,985,757)**	(146,991,826)
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets		**960,404**	391,359
Payments for purchase of property, plant and equipment, intangible assets and other non-current assets		**(7,839,636)**	(6,314,051)
Interest received and others		**3,382,322**	4,975,483
Dividends received from associates and joint ventures	13	**594,950**	360,750
Net cash used in investing activities		**(87,901,802)**	(31,219,855)

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from financing activities			
Proceeds from issuance of H shares		**32,235,427**	–
Proceeds from share schemes		**2,440,494**	2,647,263
Payments for repurchase of shares and refund the exercise price of lapsed restricted shares		**(63,412)**	(257,576)
Transactions with non-controlling interests		**20,000**	24,812
Proceeds from borrowings		**37,800,361**	33,888,703
Repayments of borrowings		**(24,986,249)**	(33,114,644)
Interest paid		**(1,631,801)**	(2,121,654)
Dividends paid to the Company's shareholders		**(20,780,278)**	(17,188,858)
Dividends paid to non-controlling interests in subsidiaries		**(409,782)**	(333,316)
Related payments of lease liabilities		**(1,442,485)**	(1,553,852)
Listing expenses paid		**(56,218)**	(30,876)
Others		**(428,103)**	129,785
Net cash generated from/(used in) financing activities		**22,697,954**	(17,910,213)
Net (decrease)/increase in cash and cash equivalents		**(4,692,276)**	8,772,543
Cash and cash equivalents at beginning of the year		**59,887,260**	51,131,968
Exchange losses on cash and cash equivalents		**(76,256)**	(17,251)
Cash and cash equivalents at end of the year	28	**55,118,728**	59,887,260

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Midea Group Co., Ltd. (hereinafter referred to as "the Company"), was set up by the Council of Trade Unions of GD Midea Group Co., Ltd. and was registered in Market Safety Supervision Bureau of Shunde District, Foshan, PRC on 7 April 2000, with its headquarters located in Foshan, Guangdong. On 30 August 2012, the Company was transformed into a joint stock 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. The Company's A shares have been listed on Shenzhen Stock Exchange since 18 September 2013. The Company's H shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 17 September 2024.

The Company and its subsidiaries (hereinafter collectively referred to as "the Group") are principally engaged in manufacturing and sales of residential air-conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, elevators, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation system. The Group also carried out other businesses including provision of the smart supply chain; sale, wholesale and processing of raw materials of household electrical appliances; and financial businesses involving customer deposits, interbank lending and borrowings, consumption credits, buyer's credits and finance leases.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards

- IAS Standards

- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations)

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets at fair value through other comprehensive income ("FVOCI"), financial assets and financial liabilities at fair value through profit or loss ("FVPL") and derivative financial instruments, which are carried at fair value.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The material accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

Other than those material accounting policies information as disclosed elsewhere in the consolidated financial statements, a summary of the other accounting policies information has been set out in Note 50 to the consolidated financial statements.

2.2 Changes in accounting policies

2.2.1 Amended standards adopted by the Group

The Group has applied the following amended standards for the financial year beginning on 1 January 2024.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sales and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of the amended standards does not have significant impact on the consolidated financial statements of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

2.2.2 New and amended standards not yet been adopted

Certain new and amended standards have been issued but not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Annual Improvements to IFRS Accounting Standards – Volume 11	Clarifications, simplifications, corrections, and changes intended to improve consistency	1 January 2026
Amendments to IFRS 9 and IFRS 7	Financial Instruments Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined

The above new standards and amended standards are not expected to have a material impact on the Group's financial position and performance in the current or future reporting periods and on foreseeable future transactions.

2.2.3 Changes in presentation of quality guarantee expenses

The Group previously presented the quality guarantee expenses that does not constitute a single performance obligation in the item of "selling and marketing expenses" in the consolidated statement of profit or loss. Due to the change in presentation of such quality guarantee obligation under Accounting Standard for Business Enterprise issued by the Ministry of Finance of China, the Group reclassified the quality guarantee expenses from "selling and marketing expenses" to "cost of revenue" in the consolidated statement of profit or loss under IFRS in 2024. Accordingly, the comparative consolidated statement of profit or loss for the year ended 31 December 2023 was restated with the amount of RMB2,928,031,000 reclassified from "selling and marketing expenses" to "cost of revenue". This change did not have any impact on the opening consolidated statement of financial position for the year ended 31 December 2023.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, other price risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors and senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollar ("USD"), RMB, Hong Kong Dollar ("HKD") and Euro ("EUR"). Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's subsidiaries.

The Group's finance department has a professional team to manage the risk arising of fluctuation of exchange rate, with approach of the natural hedge for settling currencies, signing forward foreign exchange hedging contracts and controlling the scale of foreign currency assets and liabilities, to minimize foreign exchange risk, and to reduce the impact of exchange rate fluctuations on business performance.

As at 31 December 2024, the cross-currency interest rate swap contracts designated as hedging instruments by the Group are disclosed in Note 24.

As at 31 December 2024, for the USD financial assets and USD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the USD and other factors remain unchanged, the Group will reduce or increase its pre-tax profit by approximately RMB1,182,818,000. As at 31 December 2023, for the USD financial assets and USD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the USD and other factors remain unchanged, the Group will increase or reduce its pre-tax profit by approximately RMB1,051,858,000, respectively.

As at 31 December 2024, for the HKD financial assets and HKD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the HKD and other factors remain unchanged, the pre-tax profit of the Group will reduce or increase by approximately RMB1,607,750,000. As at 31 December 2023, for the HKD financial assets and HKD financial liabilities, if the functional currencies appreciates or depreciates by 5% against the HKD and other factors remain unchanged, the pre-tax profit of the Group will increase or reduce by approximately RMB16,932,000.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2024, for the EUR financial assets and EUR financial liabilities, if the functional currencies appreciates or depreciates by 5% against the EUR and other factors remain unchanged, the pre-tax profit of the Group will reduce or increase by approximately RMB326,868,000. As at 31 December 2023, for the EUR financial assets and EUR financial liabilities, if the functional currencies appreciates or depreciates by 5% against the EUR and other factors remain unchanged, the pre-tax profit of the Group will increase or reduce by approximately RMB27,850,000.

As at 31 December 2024, for the RMB financial assets and RMB financial liabilities, if the functional currencies appreciates or depreciates by 5% against the RMB and other factors remain unchanged, the pre-tax profit of the Group will reduce or increase or by approximately RMB86,854,000. As at 31 December 2023, for the RMB financial assets and RMB financial liabilities, if the functional currencies appreciates or depreciates by 5% against the RMB and other factors remain unchanged, the pre-tax profit of the Group will reduce or increase by approximately RMB317,553,000, respectively.

Other foreign currencies of changes have no significant impact on foreign exchange risk.

The aggregate net foreign exchange gains/(losses) recognized in profit or loss were:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net foreign exchange losses included in other gains/(losses), net (Note 7)	**(1,935,321)**	(340,027)
Exchange gains/(losses) on foreign currency borrowings included in finance costs (Note 10)	**536,851**	(564,711)
Total net foreign exchange losses recognized in profit before income tax for the year	**(1,398,470)**	(904,738)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Other price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as either FVPL or FVOCI. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of FVPL and FVOCI at the end of each reporting period. If prices of the respective instruments held by the Group had increased/decreased by 10% as at 31 December 2024 and 2023, with all other variable held constant, pre-tax profit would increase/decrease approximately RMB602,948,000 and RMB606,750,000, respectively as a result of gains/losses on financial instruments classified as FVPL, other comprehensive income would increase/decrease approximately RMB3,560,000 and RMB3,787,000, respectively, as a result of gains/losses on financial instruments classified as FVOCI. The amounts recognized in profit or loss and other comprehensive income in relation to the various investments held by the Group are disclosed in Note 23.

(iii) Interest rate risk

The Group's interest rate risk primarily arises from long-term interest-bearing borrowings and bonds. Long-term borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings and bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and bonds issued at floating rates and fixed rates based on the market environment.

The Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at floating rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap floating rates into fixed rates.

As at 31 December 2024 and 2023, no borrowings of the Group which were bearing at floating rate after considering the arrangement of interest rate swaps.

The interest rate of cash and cash equivalents and fair value interest rate risk arises from financial assets and liabilities carried at fixed rates is not significant for the Group.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its contract assets, trade and note receivables at amortized cost, trade and note receivables at FVOCI, loan receivables, other financial assets at amortized cost, other financial assets at FVOCI (excluding unlisted securities), term deposits and restricted cash, cash and cash equivalents. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage this risk arising from other financial assets at FVOCI (excluding unlisted securities), constant return financial products in other financial assets at amortized cost, term deposits and restricted cash, cash and cash equivalents, the Group mainly transacts with the People's Bank of China, state-owned banks or other reputable listed banks with high credit rating. There has been no recent history of default in relation to those financial institutions.

For contract assets, trade and note receivables at amortized cost, loan receivables and other financial assets at amortized cost (excluding constant return financial products), the Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

In addition, for loans receivables, the Group determines the amount and type of collateral required based on the credit risk assessment of the counterparty. The pledged collateral of the loan mainly includes receivables and inventories. The Group monitors the market value of the collateral, requests additional collateral in accordance with the relevant agreements, and monitors changes in the market value of the collateral in the context of the adequacy review of the provision for impairment. As at 31 December 2024 and 2023, the Group had no other material collateral held for debtors or other credit enhancements.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

The Group has eight types of assets that are subject to the expected credit loss model:

- Contract assets;
- Trade and note receivables at amortized cost;
- Trade and note receivables at FVOCI;
- Other receivables and other assets;
- Loan receivables;
- Other financial assets at amortized cost;
- Other financial assets at FVOCI (excluding unlisted securities);
- Cash and cash equivalents, term deposits and restricted cash.

While cash and cash equivalents, term deposits and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2024 and 2023.

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL"), which uses a lifetime expected loss allowance for all contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI.

To measure the ECL, contract assets, trade and note receivables at amortized cost have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and note receivables at amortized cost are a reasonable approximation of the loss rates for the contract assets. The Group also made individual assessment on the recoverability of its contract assets and trade and note receivables at amortized cost for certain customer based on historical settlement record.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Total Retail Sales of Consumer goods and the Gross Domestic Product ("GDP") of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(i) Contract assets

For contract assets, the Group measures the loss provision based on the lifetime ECL regardless of whether there exists a significant financing component. Set out below is the information about credit risk exposure on the Group's contract assets:

	As at 31 December	
	2024	2023
Assessed based on grouping:		
Domestic business grouping		
Expected loss rate	**0.91%**	2.31%
Gross carrying amount *(RMB'000)*	**1,234,281**	1,359,776
Loss allowance provision *(RMB'000)*	**(11,192)**	(31,467)
Overseas business grouping		
Expected loss rate	**1.16%**	1.25%
Gross carrying amount *(RMB'000)*	**2,289,919**	2,732,050
Loss allowance provision *(RMB'000)*	**(26,497)**	(34,103)

The Group individually assessed the recoverability of the balance with certain customers as significant increase in credit risk were identified as at 31 December 2024 and 2023. An impairment loss of RMB11,163,000 and RMB51,772,000 were individually recognized for contract asset and gross carrying amount were RMB24,208,000 and RMB71,441,000 as at 31 December 2024 and 2023, respectively. There was no significant concentrations of credit risk as at 31 December 2024 and 2023.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(ii) Trade receivables

Set out below is the information about credit risk exposure on the Group's trade receivables:

	less than 1 year	1 to 2 years	Over 2 years	Total
Assessed based on grouping:				
Domestic business grouping				
At 31 December 2024				
Expected loss rate	**1.24%**	**13.42%**	**35.44%**	**3.00%**
Gross carrying amount *(RMB'000)*	**14,581,442**	**581,815**	**601,563**	**15,764,820**
Loss allowance provision *(RMB'000)*	**(180,928)**	**(78,089)**	**(213,203)**	**(472,220)**
At 31 December 2023				
Expected loss rate	1.12%	17.27%	32.29%	3.00%
Gross carrying amount *(RMB'000)*	13,032,971	712,320	489,575	14,234,866
Loss allowance provision *(RMB'000)*	(146,341)	(123,052)	(158,079)	(427,472)

	less than 1 year	1 to 2 years	Over 2 years	Total
Assessed based on grouping:				
Overseas business grouping				
At 31 December 2024				
Expected loss rate	**1.04%**	**27.13%**	**87.57%**	**1.18%**
Gross carrying amount (*RMB'000*)	**20,588,102**	**37,091**	**21,284**	**20,646,477**
Loss allowance provision *(RMB'000)*	**(214,776)**	**(10,062)**	**(18,638)**	**(243,476)**
At 31 December 2023				
Expected loss rate	1.21%	34.39%	96.78%	1.45%
Gross carrying amount (*RMB'000*)	18,785,226	28,378	37,645	18,851,249
Loss allowance provision *(RMB'000)*	(226,829)	(9,758)	(36,431)	(273,018)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(ii) Trade receivables (Continued)

At 31 December 2024 and 2023, the expected loss rate of trade receivables assessed based on overseas business grouping continued to decrease mainly due to the improved repayment and collection data of the corresponding period.

	As at 31 December	
	2024	2023
Assessed individually:		
Domestic business		
Expected loss rate	**86.75%**	89.86%
Gross carrying amount *(RMB'000)*	**723,560**	656,920
Loss allowance provision *(RMB'000)*	**(627,666)**	(590,325)
Overseas business		
Expected loss rate	**88.47%**	30.73%
Gross carrying amount *(RMB'000)*	**64,855**	624,425
Loss allowance provision *(RMB'000)*	**(57,376)**	(191,906)

The Group individually assessed the recoverability of the balance with certain customers as at 31 December 2024 and 2023. Changes in the expected loss rate of trade receivables assessed individually are mainly due to its customers' financial condition, operation results and ability to repay.

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI

As at 31 December 2024 and 2023, the Group measured provision for impairment based on the lifetime ECL and expected that there was no significant credit risk associated with its bank acceptance notes and did not expect that there would be any significant losses from non-performance by these banks.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

Other receivables and other assets and loan receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk in other receivables and other assets and loan receivables, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counterparty; and

- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

Other receivables and other assets and loan receivables (Continued)

Set out below is the information about credit risk exposure on the Group's other receivables:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
Other receivables				
Assessed based on grouping:				
At 31 December 2024				
Expected loss rate	**2.10%**	**–**	**–**	**2.10%**
Gross carrying amount *(RMB'000)*	**2,051,560**	**–**	**–**	**2,051,560**
Loss allowance provision *(RMB'000)*	**(43,008)**	**–**	**–**	**(43,008)**
At 31 December 2023				
Expected loss rate	2.19%	–	–	2.19%
Gross carrying amount *(RMB'000)*	2,074,507	–	–	2,074,507
Loss allowance provision *(RMB'000)*	(45,385)	–	–	(45,385)
Assessed individually:				
At 31 December 2024				
Expected loss rate	**–**	**–**	**100.00%**	**16.14%**
Gross carrying amount *(RMB'000)*	**68,860**	**–**	**13,256**	**82,116**
Loss allowance provision *(RMB'000)*	**–**	**–**	**(13,256)**	**(13,256)**
At 31 December 2023				
Expected loss rate	–	–	100.00%	3.98%
Gross carrying amount *(RMB'000)*	152,756	–	6,332	159,088
Loss allowance provision *(RMB'000)*	–	–	(6,332)	(6,332)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

Other receivables and other assets and loan receivables (Continued)

As at 31 December 2024 and 2023, other receivables for which the related provision for bad debts was provided on the grouping basis were all at stage 1 in accordance with IFRS 9.

As at 31 December 2024 and 2023, the loss allowance provision for long-term receivables and futures margin were not material and set out in Note 19.

Set out below is the information about credit risk exposure on the Group's loan receivables:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
Loan receivables				
Assessed based on grouping				
At 31 December 2024				
Expected loss rate	**1.89%**	**19.13%**	**52.44%**	**2.64%**
Gross carrying amount *(RMB'000)*	**10,751,069**	**151,358**	**112,301**	**11,014,728**
Loss allowance provision *(RMB'000)*	**(203,470)**	**(28,955)**	**(58,896)**	**(291,321)**
At 31 December 2023				
Expected loss rate	1.36%	20.31%	74.60%	2.35%
Gross carrying amount *(RMB'000)*	12,322,554	72,574	150,320	12,545,448
Loss allowance provision *(RMB'000)*	(167,586)	(14,740)	(112,136)	(294,462)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

Other receivables and other assets and loan receivables (Continued)

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL (non-credit impaired))	Stage 3 (Lifetime ECL (credit impaired))	Total
Loan receivables				
Assessed individually				
At 31 December 2024				
Expected loss rate	**0.72%**	**–**	**–**	**0.72%**
Gross carrying amount *(RMB'000)*	**637,946**	**–**	**–**	**637,946**
Loss allowance provision *(RMB'000)*	**(4,564)**	**–**	**–**	**(4,564)**
At 31 December 2023				
Expected loss rate	2.02%	–	–	2.02%
Gross carrying amount *(RMB'000)*	3,083,537	–	–	3,083,537
Loss allowance provision *(RMB'000)*	(62,293)	–	–	(62,293)

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

As at 31 December 2024 and 2023, the Group considered that there was no significant increase in credit risk of constant return financial products and transferable certificate of deposit since initial recognition, and made provision for loss based on 12-month ECL. The Group considered that there was no significant credit risk associated with constant return financial products and transferable certificate of deposit and did not expect that there would be any significant losses from non-performance by these financial institutions.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Contract assets, trade and note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

(iii) Note receivables at amortized cost and trade and note receivables at FVOCI (Continued)

Net impairment reversal/(losses) on financial assets and contract assets recognized in profit or loss

The following gains/(losses) were recognized in profit or loss in relation to impaired financial assets and contract assets:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Impairment losses		
– movement in loss allowance for trade and note receivables at amortized cost	**(359,161)**	(594,362)
– movement in loss allowance for contract assets	**(16,340)**	(47,814)
– movement in loss allowance for other receivables and other assets	**(64,946)**	(146,971)
– movement in loss allowance for loan receivables	**(72,768)**	(44,273)
Reversal of previous impairment losses		
– movement in reversal for trade and note receivables at amortized cost	**342,426**	402,822
– movement in reversal for contract assets	**49,611**	11,436
– movement in reversal for other receivables and other assets	**38,688**	13,886
– movement in reversal for loan receivables	**111,166**	170,274
Net impairment reversal/(losses) on financial assets and contract assets	**28,676**	(235,002)

For the years ended 31 December 2024 and 2023, the reversal/provision of loss allowances were recognized in profit or loss in "Net impairment reversal/(losses) on financial assets and contract assets" in relation to the impaired financial assets and contract assets.

Financial assets and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery amongst others, include the failure of a debtor to engage in a repayment plan with the Group.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such.

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows or the carrying amount of the financial assets to be delivered after taking into account relevant cross-currency interest rate swaps.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2024						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	**122,461,062**	**34,306**	**5,286**	**–**	**122,500,654**	**122,500,654**
Customer deposits	**137,440**	**–**	**–**	**–**	**137,440**	**137,344**
Borrowings	**68,232,856**	**7,902,228**	**5,851,815**	**136,472**	**82,123,371**	**83,307,706**
Other financial liabilities at FVPL	**873,776**	**–**	**–**	**–**	**873,776**	**873,776**
Lease liabilities	**1,164,070**	**759,194**	**883,774**	**385,323**	**3,192,361**	**2,947,366**
Derivative financial liabilities	**3,095,850**	**3,626**	**2,394**	**–**	**3,101,870**	**3,101,870**
	195,965,054	**8,699,354**	**6,743,269**	**521,795**	**211,929,472**	**212,868,716**
At 31 December 2023						
Trade and other payables (excluding Salaries, wages and benefits payables, tax payables and other non-financial liabilities)	98,681,001	–	36,883	–	98,717,884	98,717,884
Customer deposits	89,022	–	–	–	89,022	88,960
Borrowings	21,896,135	38,351,043	11,137,826	154,216	71,539,220	71,466,690
Other financial liabilities at FVPL	1,346,674	–	–	–	1,346,674	1,346,674
Lease liabilities	1,227,125	815,583	1,069,277	446,468	3,558,453	3,214,220
Derivative financial liabilities	413,222	2,218	64	–	415,504	415,504
	123,653,179	39,168,844	12,244,050	600,684	175,666,757	175,249,932

As at 31 December 2023, the Group provided loan guarantees to facilitate the borrowing of an associate. Besides, no guarantees demand was made to the Group as at 31 December 2024 and 2023.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital on the basis of the asset-liability ratio and the asset-liability ratio as at 31 December 2024 and 2023 were as follows:

	As at 31 December	
	2024	2023
Total assets *(RMB'000)*	**604,351,853**	486,036,015
Total liabilities *(RMB'000)*	**376,684,462**	311,738,065
Asset-liability ratio	**62.33%**	64.14%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy

As at 31 December 2024 and 2023, the financial assets and liabilities measured at fair value on a recurring basis by the above three levels were analyzed below:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2024				
Financial assets:				
Trade and note receivables at FVOCI (Note 20)	–	17,646,449	–	17,646,449
Derivative financial instruments (Note 24)	–	5,736,618	–	5,736,618
Other financial assets at FVPL (Note 23(a))	2,504,122	4,431,991	4,399,137	11,335,250
Other financial assets at FVOCI (Note 23(b))	–	6,525,002	35,595	6,560,597
Total financial assets	2,504,122	34,340,060	4,434,732	41,278,914
Financial liabilities:				
Other financial liabilities at FVPL (Note 33)	–	–	873,776	873,776
Derivative financial instruments (Note 24)	–	3,101,870	–	3,101,870
Total financial liabilities	–	3,101,870	873,776	3,975,646

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2023				
Financial assets:				
Trade and note receivables at FVOCI (Note 20)	–	13,330,008	–	13,330,008
Derivative financial instruments (Note 24)	–	3,753,101	–	3,753,101
Other financial assets at FVPL (Note 23(a))	1,726,584	64,004	5,687,591	7,478,179
Other financial assets at FVOCI (Note 23(b))	–	11,013,476	37,874	11,051,350
Total financial assets	1,726,584	28,160,589	5,725,465	35,612,638
Financial liabilities:				
Other financial liabilities at FVPL (Note 33)	–	–	1,346,674	1,346,674
Derivative financial instruments (Note 24)	–	415,504	–	415,504
Total financial liabilities	–	415,504	1,346,674	1,762,178

The timing of transfers is determined at the date of the event or change in circumstances that caused the transfers. During the years ended 31 December 2024 and 2023, there was no transfer between Level 1 and Level 2.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow approach, market comparable company approach and net assets approach. The inputs of the valuation technique mainly include risk-free interest rate, floating rate, foreign exchange rate, volatility, financial data of target companies, market multiple of comparable companies and discount for lack of marketability.

Assets and liabilities subject to Level 2 fair value measurement were mainly included trade and note receivables at FVOCI, structured deposits in other financial assets at FVPL, transferable certificate of deposit in other financial assets at FVOCI and derivative financial instruments are evaluated by discounted cash flows approach, market approach and income approach.

Assets and liabilities subject to Level 3 fair value measurement were mainly included unlisted securities of other financial assets at FVPL and other financial assets at FVOCI, and financial liabilities at FVPL. These assets and liabilities were measured mainly using market approach, net asset value and consensus pricing. The judgement of Level 3 of the fair value hierarchy is based on the materiality of unobservable inputs towards calculation of whole fair value. Significant unobservable inputs mainly include the financial data of targeted companies, market multiple of comparable companies and discount for lack of marketability.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values (Continued)

The following table presents the changes in level 3 items for the years ended 31 December 2024 and 2023:

Reconciliation of Level 3 fair value measurements	Financial assets at FVOCI and FVPL	
	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Opening balance	**5,725,465**	6,389,915
Additions	**2,663**	172,008
Disposals/settlements	**(261,462)**	(282,046)
Transfer out of Level 3 (a)	**(1,389,110)**	(375,466)
Changes in fair value recognized in other comprehensive income	**(2,355)**	(1,025)
Changes in fair value recognized in profit or loss	**334,280**	(199,037)
Currency translation differences	**25,251**	21,116
Closing balance	**4,434,732**	5,725,465

(a) For the years ended 31 December 2024 and 2023, certain financial assets were transferred out of level 3 of fair value hierarchy classifications mainly as a result of the conversion of restricted listed securities into tradable listed securities.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values (Continued)

Reconciliation of Level 3 fair value measurements	Other financial liabilities at FVPL	
	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Opening balance	**1,346,674**	1,580,771
Disposals/settlements	**(251,270)**	(364,272)
Changes in fair value recognized in profit or loss	**(221,628)**	130,175
Closing balance	**873,776**	1,346,674

For the years ended 31 December 2024 and 2023, the Group's own credit risk on other financial liabilities at FVPL was not considered to be a significant input factor.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Valuation inputs and relationships to fair value

The following table summaries the quantitative information about the significant unobservable inputs of major financial assets and liabilities used in level 3 fair value measurements:

Description	Fair value As at 31 December 2024 RMB'000	Fair value As at 31 December 2023 RMB'000	Valuation technique(s)	Unobservable inputs	Range of inputs As at 31 December 2024	Range of inputs As at 31 December 2023	Sensitivity of fair value to the input
Equity securities	**2,104,630**	3,149,305	Market approach	Price Earnings Ratio	**1.49 – 44.13**	1.82 – 16.98	1% increase (decrease) in price earnings ratio would result in increase (decrease) in fair value by 2024: RMB2,220,000 (RMB2,220,000) 2023: RMB4,490,000 (RMB4,490,000)
				Price Sales Ratio	**0.30 – 11.24**	2.21 – 13.39	1% increase (decrease) in Price sales ratio would result in increase (decrease) in fair value by 2024: RMB18,405,000 (RMB18,405,000) 2023: RMB10,243,000 (RMB10,243,000)
				Discount for lack of marketability ("DLOM")	**15% – 40%**	4% – 40%	1% increase (decrease) in DLOM would result in (decrease) increase in fair value by 2024: (RMB1,994,000) RMB1,994,000 2023: (RMB19,406,000) RMB19,406,000
	1,944,224	1,792,884	Net asset value (Note (a))	N/A	**N/A**	N/A	N/A

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Valuation inputs and relationships to fair value (Continued)

Description	Fair value As at 31 December 2024 RMB'000	Fair value As at 31 December 2023 RMB'000	Valuation technique(s)	Unobservable inputs	Range of inputs As at 31 December 2024	Range of inputs As at 31 December 2023	Sensitivity of fair value to the input
Equity securities	**242,661**	458,865	Consensus pricing	Offered quotes	**16.36 – 264.06**	11.01 – 214.44	1% increase (decrease) in offered quotes would result in increase (decrease) in fair value by 2024: RMB2,427,000 (RMB2,427,000) 2023: RMB4,589,000 (RMB4,589,000)
	-	119,994	Option model	Expected volatility	**NA**	38% – 43%	5% increase (decrease) in expected volatility would result in increase (decrease) in fair value by 2024: RMBNil 2023: RMB197,000 (RMB140,000)
				Risk-free rate	**NA**	2%	1% increase (decrease) in risk-free interest rate would result in (decrease) increase in fair value by 2024: RMBNil 2023: (RMB1,746,000) RMB1,777,000
Liabilities to fund investors	**873,776**	1,346,674	Net asset value (Note (a))	N/A	**N/A**	N/A	N/A

(a) The Group determines the fair value as at the reporting date based on the reported net asset values.

(b) Other than described above, there were no significant unobservable inputs that materially affect its fair values.

(d) Valuation processes

The Group has a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports the valuation results to the management and Audit Committee. Discussions of valuation processes and results are held by valuation team at least once every three months, in line with the Group's quarterly reporting periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the asset group or group of asset groups that contain the apportioned goodwill is determined by the higher value between the present value of the future cash flows and the net value that is calculated by the fair value less the disposal costs. Accounting estimate is required for the calculation of the recoverable amount. The impairment testing is performed by assessing the recoverable amount of the asset group or group of asset groups containing the relevant goodwill, based on the present value of cash flow forecasts. Key assumptions adopted in the impairment testing of goodwill included revenue annual growth rate, gross margin, perpetual annual growth rate, pre-tax discount rate, etc. which involved critical accounting estimates and judgement.

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Uncertain tax position and recognition of current and deferred income tax assets

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

As stated in Note 11, some subsidiaries of the Group are high-tech enterprises. The "High – Tech Enterprise Certificate" is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and the actual condition of the subsidiaries, the Group considers that the subsidiaries are able to obtain the qualification for high-tech enterprises in future years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If some subsidiaries cannot obtain the qualification for high-tech enterprise upon expiration, then the subsidiaries are subject to a statutory tax rate of 25% for the calculation of the income tax, which further influences the recognized deferred tax assets, deferred tax liabilities and income tax expenses.

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

(c) Fair value measurement of financial assets and liabilities at level 3 fair value hierarchy

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets and liabilities at level 3 fair value hierarchy see Note 3.3.

5. SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's chief operating decision maker, consisting of the chief executive officer, the chief financial officer and the manager for corporate planning, examines the Group's performance both from a product and geographic perspective and has identified four reportable segments of its business:

- Smart home solutions: this part of the business manufacturing and sales of a wide range of home appliances, including air conditioners, refrigerators, washing machines, kitchen appliances, and various other appliances.

- Intelligent building technology: this part of the business providing intelligent and integrated solutions for infrastructure, public premises, industrial parks, agricultural facilities and more, supported by offerings of commercial air conditioners, elevators, building energy management and building control software.

- Energy solutions and industrial technology: this part of the business manufacturing and sales of green energy solutions and core industrial components, including compressors, motors, industrial control systems, large-scale energy storage, industrial and commercial energy storage, household energy storage, intelligent power grids, distributed photovoltaic solutions and new energy vehicle components (such as thermal management systems).

- Others: this part of the business were mainly one-stop automation solutions of industrial robotics, production cells and fully automated systems, automated logistics systems, intelligent supply chain business integration solutions, financial services and medical device products and related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that net impairment losses on financial assets and contract assets, other income (excluding interest income), other gains/losses (excluding net foreign exchange gains/losses), share of profit of associates and joint ventures, net, impairment provision for inventories and other assets and impairment provision for investments in associates and joint ventures are excluded from such measurement.

During the year, due to business development and changes in internal organizational structure, the Group revised the reportable segments based on changes in the internal reporting used by the Chief Operating Decision Maker for the purposes of resource allocation and performance evaluation. The composition of its reportable segments is adjusted, and the corresponding information for prior year is restated.

5. SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment information

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

Segment information for the year ended 31 December 2024 is as follows:

	Smart home solutions	Intelligent building technology	Energy solutions and industrial technology	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	295,231,074	28,835,174	40,274,192	44,743,826	–	409,084,266
Inter-segment revenue	1,764,638	1,284,339	23,304,064	9,072,483	(35,425,524)	–
Operating costs and expenses	(268,277,841)	(25,069,335)	(59,165,122)	(50,697,276)	35,339,309	(367,870,265)
– Cost of revenue (excluding impairment loss, taxes and surcharges)	(215,864,488)	(21,196,400)	(54,712,819)	(42,279,837)	34,464,045	(299,589,499)
Segment profit	28,717,871	5,050,178	4,413,134	3,119,033	(86,215)	41,214,001
Other profit or loss						5,478,116
Total profit before income tax						46,692,117
Total assets	386,253,672	39,086,692	66,059,770	413,659,854	(300,708,135)	604,351,853
Total liabilities	265,820,926	26,106,072	43,326,227	348,506,989	(307,075,752)	376,684,462
Long-term equity investments in associates and joint ventures	839,536	38,155	319,931	4,025,856	–	5,223,478
Share of profit of associates and joint ventures, net	548,921	9,817	(32,969)	321,329	–	847,098
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	5,258,764	526,374	2,465,284	4,133,130	–	12,383,552
Net impairment (reversal)/losses on financial assets and contract assets	(273,373)	45,349	89,651	160,843	(51,146)	(28,676)
Depreciation and amortisation	3,136,991	451,176	1,358,366	2,877,482	(2,546)	7,821,469

5. SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment information (Continued)

Segment information for the year ended 31 December 2023 is as follows:

	Smart home solutions	Intelligent building technology	Energy solutions and industrial technology	Other segments and unallocated	Inter-segment elimination	Total
Revenue from external customers	266,977,340	26,351,930	33,840,582	46,539,952	–	373,709,804
Inter-segment revenue	1,083,897	1,097,224	21,145,258	7,787,840	(31,114,219)	–
Operating costs and expenses	(240,229,556)	(23,205,887)	(51,241,322)	(51,560,107)	31,226,488	(335,010,384)
– Cost of revenue (excluding impairment loss, taxes and surcharges)	(195,631,660)	(19,624,857)	(47,635,070)	(41,468,333)	27,916,184	(276,443,736)
Segment profit	27,831,681	4,243,267	3,744,518	2,767,685	112,269	38,699,420
Other profit or loss						1,579,904
Total profit before income tax						40,279,324
Total assets	302,365,667	33,214,954	58,021,574	300,160,728	(207,726,908)	486,036,015
Total liabilities	193,453,802	21,945,404	33,909,602	276,437,818	(214,008,561)	311,738,065
Long-term equity investments in associates and joint ventures	723,001	55,909	379,494	3,817,705	–	4,976,109
Share of profit of associates and joint ventures, net	464,443	7,113	12,556	196,647	–	680,759
Increase in non-current assets (excluding long-term equity investments, financial assets, goodwill and deferred tax assets)	6,195,928	891,710	6,834,627	3,043,975	–	16,966,240
Net impairment losses/(reversal) on financial assets and contract assets	165,829	(4,515)	21,862	(32,186)	84,012	235,002
Depreciation and amortisation	3,143,965	393,904	1,168,328	2,643,627	(3,064)	7,346,760

Revenue from external customers is derived from sales of the Smart home solutions, intelligent building technology, energy solutions and industrial technology, and other businesses.

There was no customer who individually contributed 10% or more of the Group's revenue during the years ended 31 December 2024 and 2023.

5. SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment information (Continued)

Revenue is analysed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Operating revenue	**407,149,600**	372,037,280
Interest income	**1,934,090**	1,671,908
Fees and commission income	**576**	616
	409,084,266	373,709,804

The timing of revenue recognition is shown in the table below:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognized at a point in time	**380,685,404**	351,424,153
Revenue recognized over time	**26,346,455**	20,484,625

The Company is domiciled in Mainland China. The amount of the Group's revenue from external customers by location of the customers is shown in the table below:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Mainland China	**240,049,883**	222,804,120
Other countries or regions	**169,034,383**	150,905,684
	409,084,266	373,709,804

(c) Assets and liabilities related to contracts with customers

The assets and liabilities related to contracts with customers refer to Note 26 and Note 31.

5. SEGMENT INFORMATION AND REVENUE (Continued)

(d) Unsatisfied long-term contracts

As at 31 December 2024 and 2023, the transaction price allocated to the performance obligations that are unsatisfied or partially unsatisfied, mainly relating to the robotics and automation system contracts, amounted to approximately RMB18,758,021,000 and RMB13,546,344,000, respectively. The Group will recognize the expected revenue from substantially all of the long-term contracts upon provision of the products or services. The amounts disclosed do not include variable consideration which is constrained.

All other contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(e) Accounting policies of revenue recognition

Revenue is recognized at the amount of the expected entitled consideration when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as assets and subsequently amortized when the related revenue is recognized.

(i) Sales of goods

The Group is principally engaged in the design, manufacturing and sales of residential air conditioner, central air-conditioner, heating and ventilation systems, kitchen appliances, refrigerators, washing machines and various small appliances, elevators, high-voltage inverters, low-voltage inverters, medical imaging products, robotics and automation system, other products and materials to buyers.

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

5. SEGMENT INFORMATION AND REVENUE (Continued)

(e) Accounting policies of revenue recognition (Continued)

(i) Sales of goods (Continued)

Revenue from overseas sales of goods is recognized when the products have been declared to the customs and shipped out of the port in accordance with the sales contract.

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component.

The Group provides distributors and retailers with sales rebate and discount, and the relevant revenue is recognized based on contract consideration net of the rebate and discount amount estimated. The Group estimates the sales return based on the historical experience and relevant data. Sales return is the contra account to revenue and offsets the revenue in the consolidated statement of profit and loss. The estimated amount expected to be repaid due to sales return was recorded in other payables and accruals; the carrying value of the goods expected to be returned at the time of sales, net of the estimated recovery costs, is recorded in prepayment, other receivables and other assets.

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 and the Group recognises provision for the warranty, which is presented as cost of revenue.

The rights to receive consideration for transferring goods to the customer (and such rights depend on factors other than the passage of time) are recognized as assets. The Group's obligation to transfer products to customers for consideration received or receivable is presented as contract liabilities.

(ii) Rendering of services

The Group provides external services such as the robotics and automation system construction services, intelligent logistics integration solution, storage services, delivery services, installation services and transportation service, and the revenue is mainly recognized over a period of time based on the progress towards completing satisfaction of a performance obligation. On the balance sheet date, the Group re-estimates the stage of the progress towards completing satisfaction of a performance obligation, which is mainly measured based on input method to reflect the actual status of contract performance.

When the Group recognizes revenue based on the progress towards complete satisfaction of a performance obligation, the amount with unconditional right to consideration obtained by the Group is recognized as trade receivables, and the rest is recognized as contract assets. Meanwhile, provision for trade receivables and contract assets is recognized on the basis of expected credit losses (Note 50.10(iv)). If the contract consideration received or receivable exceeds the progress of the service performed, the excess portion will be recognized as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

5. SEGMENT INFORMATION AND REVENUE (Continued)

(e) Accounting policies of revenue recognition (Continued)

(ii) Rendering of services (Continued)

Contract costs include costs to fulfil a contract and costs to obtain a contract. Costs incurred for provision of the aforesaid services are recognized as costs to fulfil a contract, which is carried forward to the cost of revenue when revenue recognized based on the progress of the service performed. Incremental costs incurred by the Group for the acquisition of the aforesaid service contract are recognized as the costs to obtain a contract. For the costs to obtain a contract with the amortization period within one year, the costs are charged to profit or loss when incurred. For the costs to obtain a contract with the amortization period beyond one year, the costs are charged in the profit or loss on the same basis as aforesaid revenue of rendering of services recognized under the relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained by rendering of the service net of the estimated cost to be incurred, the Group makes provision for impairment on the excess portion and recognizes it as asset impairment losses. As at the date of the end of the reporting period, based on whether the amortization period of the costs to fulfil a contract is more than one year when initially recognized, the amount of the Group's costs to fulfil a contract net of related provision for asset impairment is presented as inventories or other non-current assets. For costs to obtain a contract with amortization period beyond one year at the initial recognition, the amount net of related provision for asset impairment is presented as other non-current assets.

6. OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest income (a)	**6,367,934**	5,977,068
Government grants (b)	**1,797,690**	1,892,262
Additional Deduction for VAT (c)	**1,514,474**	250,921
	9,680,098	8,120,251

(a) Interest income

Interest income from other financial assets at FVPL is included in the net fair value gains on these assets, see Note 7 below. Interest income on other financial assets at amortized cost and other financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

6. OTHER INCOME (Continued)

(b) Government grants

The government grants were mainly incentives provided by local government authorities in the PRC, including various forms of government financial incentives and preferential tax treatments, to reward the Group's support and contribution for the development of local economies. As at 31 December 2024 and 2023, there were no unfulfilled conditions or contingencies relating to these government grants.

(c) Pursuant to the Notice on the Additional Value-added Tax ("VAT") Credit Policy for Advanced Manufacturing Enterprises (Announcement [2023] No. 43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, advanced manufacturing enterprises are eligible for a 5% additional VAT deduction based on deductible input VAT.

7. OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net gains/(losses) on financial instruments (a)	**2,005,139**	(262,395)
Net foreign exchange losses	**(1,935,321)**	(340,027)
Net gains/(losses) on disposal of property, plant and equipment and other assets	**214,895**	(60,868)
Others	**111,521**	(282,374)
	396,234	(945,664)

(a) Net gains/(losses) on financial instruments mainly include net gains/(losses) on derivative financial instruments, other financial assets at FVPL and other financial liabilities at FVPL.

8. EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses, general and administrative expenses and research and development expenses are analyzed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	**238,073,033**	219,556,360
Employee benefit expenses	**45,143,440**	43,210,848
Advertising and promotion expenses	**21,361,103**	16,024,801
Transportation and insurance charges	**21,236,684**	16,656,570
Installation and after-sales expenses	**11,840,153**	11,692,876
Depreciation and amortization	**7,821,469**	7,346,760
Auditors' remuneration		
– Audit services	**47,624**	42,901
– Non-audit services	**6,062**	4,830
Listing expenses	**8,332**	3,060
Others	**26,834,630**	24,224,259
	372,372,530	338,763,265

9. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are analyzed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages and bonuses	**34,526,927**	33,546,497
Share-based compensation expenses	**1,187,785**	1,245,456
Pension costs – defined contribution plans (a)	**2,338,227**	2,019,454
Pension costs – defined benefit plans (b)	**65,687**	59,925
Other employee benefits	**7,024,814**	6,339,516
	45,143,440	43,210,848

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Defined contribution plans

Employees of the subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension and other welfare benefits. The plans are organized and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other commitments owing to the employees. According to the relevant regulations, the contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

For the years ended 31 December 2024 and 2023, no forfeited contributions were utilized by the Group to reduce its contributions to the abovementioned social insurance plan.

As at 31 December 2024 and 2023, the contributions payable in respect of the abovementioned social insurance plan amounted to RMB176,251,000 and RMB103,515,000, respectively.

(b) Defined benefit pension plans

The Group sponsors funded defined benefit plans for qualifying employees of Toshiba Lifestyle Products & Services Corp. ("TLSC") and its subsidiaries (together, the "TLSC Group") and other subsidiaries in Japan, Germany, Switzerland and other countries. The defined benefit plans are administered by separate funds that are legally separated from the subsidiaries. The boards of the pension funds are composed of an equal number of representatives from both employers and (former) employees. The boards of the pension funds are required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers, which are responsible for the investment policy with regard to the assets of the fund.

The defined benefit plan requires contributions from employers and employees. Contributions are based on the number of years of service or fixed percentage of salary of the employees. Employees can also make discretionary contributions to the plan.

Supplementary retirement benefits obligation of the Group recognized on the balance sheet date is calculated using the projected unit credit method and reviewed by external independent actuary institution.

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Defined benefit pension plans (Continued)

The net liability disclosed above is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Present value of obligation	**3,015,232**	3,208,084
Less: Fair value of plan assets	**(1,809,979)**	(1,905,589)
Defined benefit liabilities	**1,205,253**	1,302,495

The net liability disclosed by subsidiaries is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
TLSC Group (i)	**635,164**	746,082
Others	**570,089**	556,413
	1,205,253	1,302,495

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

	As at 31 December	
	2024	2023
Discount rate (%)	**0.79%~10.00%**	0.22%~10.00%
Inflation rate (%)	**1.49%**	1.23%
Salary growth rates (%)	**0.00%~6.00%**	0.00%~6.20%
Pension dynamics (%)	**0.00%~3.70%**	1.10%~2.50%
Early retirement rate (%)	**0.00%~19.55%**	0.00%~11.60%
Changes in cost of medical services (%)	**0.00%~10.00%**	8.25%

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Defined benefit pension plans (Continued)

(i) TLSC Group

For the years ended 31 December 2024 and 2023, movements in the present value of the defined benefit obligations were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**1,311,041**	1,370,625
Current service cost	**26,861**	29,063
Gains on curtailment and settlement	**(693)**	(454)
Interest expense	**10,694**	11,071
Remeasurement losses	**41,187**	44,686
Exchange realignment on foreign plans	**(103,656)**	(56,149)
Payments made	**(93,079)**	(87,801)
At the end of the year	**1,192,355**	1,311,041

For the years ended 31 December 2024 and 2023, movements in the fair value of the plan assets were as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**(564,959)**	(529,327)
Interest income	**(7,147)**	(6,355)
Remeasurement gains	**(42,447)**	(53,718)
Exchange realignment on foreign plans	**45,432**	21,735
Contributions from the employer	**(25,950)**	(29,063)
Payments made	**37,880**	31,769
At the end of the year	**(557,191)**	(564,959)

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Defined benefit pension plans (Continued)

(i) TLSC Group (Continued)

The major categories of plan assets are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Equity instruments	**219,332**	240,214
Debt instruments	**241,594**	238,608
Other instruments	**96,265**	86,137
Total	**557,191**	564,959

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	(Decrease)/Increase impact on defined benefit obligation	
		As at 31 December	
		2024	2023
		RMB'000	RMB'000
Discount rate	0.10%	**(5,856)**	(7,241)
Inflation rate	0.10%	**1,011**	1,668
Salary growth rates	0.10%	**(60)**	242
Early retirement rate	0.10%	**(602)**	(826)

	Decrease in assumption	Increase/(decrease) impact on defined benefit obligation	
		As at 31 December	
		2024	2023
		RMB'000	RMB'000
Discount rate	0.10%	**5,936**	7,342
Inflation rate	0.10%	**(988)**	(1,640)
Salary growth rates	0.10%	**(4)**	(246)
Early retirement rate	0.10%	**506**	694

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Directors' and Supervisors' remuneration

For the years ended 31 December 2024 and 2023, Directors' and Supervisors' remuneration is as follows:

	Fees RMB'000	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans) RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Year ended 31 December 2024				
Executive Directors				
Mr. Fang Hongbo	–	13,782	68,104	81,886
Dr. Gu Yanmin	–	6,153	8,528	14,681
Mr. Wang Jianguo	–	11,614	10,776	22,390
Mr. Fu Yongjun (i)	–	11,847	13,611	25,458
Mr. Guan Jinwei (vi)	–	5,773	7,240	13,013
Non-executive Directors				
Mr. Zhao Jun (ii)	–	–	–	–
Dr. Yu Gang (iii)	225	–	–	225
Mr. He Jianfeng (iii)	–	–	–	–
Independent non-executive Directors				
Dr. Xiao Geng (iv)	225	–	–	225
Dr. Xu Dingbo (vi)	225	–	–	225
Dr. Liu Qiao (vi)	225	–	–	225
Dr. Qiu Lili (vi)	225	–	–	225
Dr. Xue Yunkui (v)	225	–	–	225
Dr. Guan Qingyou (v)	225	–	–	225
Dr. Han Jian (v)	225	–	–	225
Supervisors				
Mr. Dong Wentao	–	1,327	264	1,591
Ms. Liang Huiming	–	609	–	609
Ms. Ren Lingyan (vi)	–	–	–	–
Total	1,800	51,105	108,523	161,428

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Directors' and Supervisors' remuneration (Continued)

	Fees RMB'000	Salaries, wages, bonuses and benefits in kind (including contributions to pension plans) RMB'000	Share-based compensation expense RMB'000	Total RMB'000
Year ended 31 December 2023				
Executive Directors				
Mr. Fang Hongbo	–	13,539	51,105	64,644
Dr. Gu Yanmin	–	9,878	6,181	16,059
Mr. Wang Jianguo	–	11,427	8,102	19,529
Mr. Fu Yongjun (i)	–	5,771	5,616	11,387
Non-executive Directors				
Dr. Yu Gang	450	–	–	450
Mr. He Jianfeng	–	–	–	–
Independent non-executive Directors				
Dr. Xue Yunkui	450	–	–	450
Dr. Guan Qingyou	450	–	–	450
Dr. Han Jian	450	–	–	450
Dr. Xiao Geng (iv)	–	–	–	–
Supervisors				
Mr. Dong Wentao	–	958	–	958
Ms. Liang Huiming	–	417	–	417
Mr. Zhao Jun (ii)	–	–	–	–
Total	1,800	41,990	71,004	114,794

(i) Mr. Fu Yongjun was appointed as executive Director of the Company in July 2023 and resigned as executive Directors of the Company in March 2025.

(ii) Mr. Zhao Jun resigned as Supervisor and was appointed as non-executive Director of the Company in July 2024.

(iii) Dr. Yu Gang and Mr. He Jianfeng resigned as non-executive Directors of the Company in July 2024.

(iv) Dr. Xiao Geng was appointed as independent non-executive Director of the Company in July 2024.

(v) Dr. Xue Yunkui, Dr. Guan Qingyou and Dr. Han Jian resigned as independent non-executive Directors of the Company in July 2024.

(vi) Mr. Guan Jinwei was appointed as executive Director of the Company in July 2024. Dr. Xu Dingbo, Dr. Liu Qiao and Dr. Qiu Lili were appointed as independent non-executive Directors of the Company in July 2024. Ms. Ren Lingyan was appointed as Supervisor of the Company in July 2024.

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Directors' and Supervisors' remuneration (Continued)

For the years ended 31 December 2024 and 2023, the executive Directors (including Mr. Fang Hongbo, Dr. Gu Yanmin, Mr. Wang Jianguo, Mr. Fu Yongjun and Mr. Guan Jinwei) and the Supervisors (including Mr. Dong Wentao and Ms. Liang Huiming) have provided management services in connection with the management of the affairs of the Company or its subsidiaries undertaking. Since the emoluments as Directors, Supervisors or management cannot be distinguished from each other, emoluments as the mentioned roles are combined disclosed together.

For the years ended 31 December 2024 and 2023, the emoluments of Mr. Zhao Jun and Ms. Ren Lingyan in relation to his services rendered for the Group were borne by the holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(d) Directors' and Supervisors' other benefits

For the years ended 31 December 2024 and 2023, no retirement and termination benefits were paid to the Directors and Supervisors of the Company by the Group in respect of the Director's services as a Director and a Supervisor of the Group or other services in connection with the management of the affairs of the Group.

For the years ended 31 December 2024 and 2023, no consideration provided to third parties for making available Directors' and Supervisors' services subsisted at the end of each reporting period or at any time.

For the years ended 31 December 2024 and 2023, there were no loans, quasi-loans or other dealings entered into in favor of Directors, controlled bodies corporate by and connected entities with such Directors.

For the years ended 31 December 2024 and 2023, save as disclosed in Note 45, there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a Director and a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted.

9. EMPLOYEE BENEFIT EXPENSES (Continued)

(e) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2024 and 2023 include 3 and 2 directors respectively whose emoluments are reflected in the analysis shown in Note 9(c). The emoluments paid to the remaining 2 and 3 individuals during the years ended 31 December 2024 and 2023, respectively, are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	**35,695**	50,919
Share-based compensation expenses	**25,029**	25,360
	60,724	76,279

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

Number of individuals

	Year ended 31 December	
	2024	2023
HK$25,000,000 to HK$30,000,000	**1**	3
HK$30,000,000 to HK$35,000,000	**–**	–
HK$35,000,000 to HK$40,000,000	**1**	–

10. FINANCE COSTS, NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income:		
Interest income from financial assets held for cash management purposes (a)	**833,057**	974,378
Reclassification from cost of hedge reserves (Note 24 (d)) (b)	**111,728**	110,878
	944,785	1,085,256
Finance costs:		
Interest and finance charges paid/payable for borrowings	**(2,302,180)**	(2,656,770)
Interest and finance charges paid/payable for lease liabilities (Note 15 (b))	**(151,181)**	(151,334)
Net exchange gains/(losses) on foreign currency borrowings	**536,851**	(564,711)
	(1,916,510)	(3,372,815)
Finance costs, net	**(971,725)**	(2,287,559)

(a) Interest income represents interest income from cash and cash equivalent, including bank balances and term deposits with initial terms within three months.

(b) Reclassification from cost of hedge reserves mainly represents the amortization of the foreign currency basis spread. The foreign currency basis spread was separated from a cross-currency interest rate swaps, or CCIRSs, and excluded from the designation of the CCIRSs as hedging instruments which hedge time-period relate hedged items. According to IFRS 9, the foreign currency basis spread from the CCIRSs at the date of designation was recognized in other comprehensive income to the extent that it related to the hedged item and amortized on a systematic and rational basis over the period during which the hedge adjustment for the value of the CCIRSs could affect profit or loss. For the years ended 31 December 2024 and 2023, the amortization was reclassified from the other comprehensive income into profit or loss as a reclassification adjustment.

11. INCOME TAX EXPENSE

Income tax expense is recognized based on management's best knowledge of the income tax rates expected for the financial year.

(i) PRC corporate income tax ("CIT")

The income tax provision of the Group in respect of its operations in Mainland China was calculated at a tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretation and practices in respect thereof.

Certain subsidiaries of the Company in Mainland China were approved as high-tech enterprises, and they were subject to a preferential corporate income tax rate of 15% for the years ended 31 December 2024 and 2023.

Certain subsidiaries of the Company were entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments and application conditions of relevant preferential policies.

For the years ended 31 December 2024 and 2023, certain subsidiaries of the Company located in Mainland China met the criteria for small and micro enterprises under the Chinese corporate income tax system. Therefore, these subsidiaries were subject to the effective income tax rate of 5%.

The Company's subsidiaries in Mainland China other than those mentioned above are subject to enterprise income tax at the rate of 25%.

(ii) Cayman Islands and British Virgin Islands corporate income tax

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

(iii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2024 and 2023.

11. INCOME TAX EXPENSE (Continued)

(iv) Corporate income tax in other jurisdictions

The income tax rates of the subsidiaries in Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, USA and Vietnam are 17%, 34%, 34.01%, 24%, 32%, 23%, 22.5%, 21% and 20%, respectively.

Midea Electric Trading (Singapore) Co., Pte Ltd., the Company's subsidiary, was awarded with the Certificate of Honor for Development and Expansion (No. 587) by the Singapore Economic Development Board and subject to the applicable preferential income tax rate of 5.5%, 6% and 6% during the period from 1 January 2023 to 31 July 2023, the period from 1 August 2023 to 31 December 2023 and the year ended 31 December 2024, respectively.

Under the investment preferential BOI policy of the Thailand Board of Investment, eligible subsidiaries in Thailand are not subject to tax on their BOI business income which belongs to the preferential policy for the years ended 31 December 2024 and 2023.

Income tax on profit arising from other jurisdictions, including Singapore, Brazil, Japan, Italy, Germany, Israel, Egypt, the USA and Vietnam had been calculated on the estimated assessable profit for the year at the respective rates prevailing in the relevant jurisdictions.

(v) Additional deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Council of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Additional Deduction"). The State Taxation Administration of The People's Republic of China ("STA") further announced in March 2021 that manufacturing enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Accelerated Deduction since 1 January 2021. The STA further announced in March 2023 that eligible enterprises would entitle to claim 200% of their research and development expenses as Additional Deduction since 1 January 2023. The Group has made its best estimate for the Additional Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the period.

(vi) Withholding tax ("WHT")

According to the New Enterprise Income Tax Law ("New EIT Law"), distribution of profits earned by companies in Mainland China since 1 January 2008 to foreign investors is subject to withholding tax of 10% or treaty tax rate, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas-incorporated immediate holding companies. As at 31 December 2024 and 2023, the Group has recognized deferred tax liabilities in relation to withholding taxes for the earnings of the Mainland China subsidiaries to be remitted in the foreseeable future.

11. INCOME TAX EXPENSE (Continued)

(vi) Withholding tax ("WHT") (Continued)

As at 31 December 2024 and 2023, the Group does not have plans to require some overseas subsidiaries to distribute their unremitted earnings in the foreseeable future, and intends to retain them to operate and expand its business in overseas. Accordingly, no deferred income tax liability related to WHT on unremitted earnings of these subsidiaries was accrued as at the end of each reporting period.

(vii) OECD Pillar Two model rules

The Organization for Economic Co-operation and Development ("OECD") published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws ("Pillar Two legislation") to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which the Group is reasonably expected to fall into. It imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two model rules in various jurisdictions and engaged external tax specialists to assist them with applying the legislation and determining the related impact.

As at 31 December 2024, the Group mainly operates in the Mainland of China, in which exposures to Pillar Two income taxes might exist although the legislation is not yet substantively enacted or enacted. The Group applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Besides, certain subsidiaries of the Company are located in jurisdictions mainly including Netherlands, Japan, Germany and Italy where Pillar Two legislation had been enacted and effected. The Pillar two legislation was effected in Japan and other aforementioned countries from 1 April 2024 and 1 January 2024, respectively. For those jurisdictions, the Group's assessment indicates that there is no material related current tax exposure in these jurisdictions for the 12 months ended 31 December 2024. For those jurisdictions mainly including Singapore, Hong Kong and Switzerland where the Pillar Two legislation was enacted but not effective by 31 December 2024, the Group has no related current tax exposure.

11. INCOME TAX EXPENSE (Continued)

(vii) OECD Pillar Two model rules (Continued)

The following table sets forth the component of income tax expenses of the Group for the years ended 31 December 2024 and 2023:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax	**9,424,735**	8,474,651
Deferred income tax (Note 17)	**(1,491,582)**	(1,942,280)
	7,933,153	6,532,371

Reconciliation between income tax expenses and profit before income tax at applicable tax rates for the years ended 31 December 2024 and 2023:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	**46,692,117**	40,279,324
Tax at the statutory tax rate of 25%	**11,673,029**	10,069,831
Effect of different tax rates applicable to subsidiaries	**(3,271,196)**	(2,932,107)
Adjustments of prior years	**164,345**	36,833
Tax effect of non-taxable income	**(290,091)**	(387,848)
Tax effect of non-deductible expenses	**681,640**	642,991
Utilization of previously unrecognized tax losses and temporary differences	**(276,739)**	(304,850)
Others	**(747,835)**	(592,479)
	7,933,153	6,532,371

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("EPS") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2024 and 2023, excluding ordinary shares held for share schemes as these shares are not considered outstanding for earnings per share calculation purposes.

	Year ended 31 December	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	**38,538,987**	33,721,536
Less: Dividends payable to expected vested restricted shares (RMB'000)	**(83,941)**	(66,155)
Profit attributable to owners of the Company used in calculating basic EPS (RMB'000)	**38,455,046**	33,655,381
Weighted average number of ordinary shares in issue (thousand shares)	**7,071,322**	6,824,100
Basic EPS (RMB per share)	**5.44**	4.93

12. EARNINGS PER SHARE (Continued)

(b) Diluted

The share schemes granted by the Company and the subsidiaries have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted EPS).

For the years ended 31 December 2024 and 2023, the Restricted Share Incentive Schemes and Stock Ownership Schemes granted by the Group's subsidiaries had either anti-dilutive effect or insignificant dilutive effect to the Group's diluted earnings per share.

	Year ended 31 December	
	2024	2023
Adjusted profit attributable to owners of the Company used in calculating diluted EPS (RMB'000)	**38,538,987**	33,715,846
Weighted average number of ordinary shares in issue (thousand shares)	**7,071,322**	6,824,100
Adjustments for potential shares arising from share schemes (thousand shares)	**41,872**	25,141
Weighted average number of ordinary shares used in calculating diluted EPS (thousand shares)	**7,113,194**	6,849,241
Diluted EPS (RMB per share)	**5.42**	4.92

13(a). INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Movement of investments in associates and joint ventures is analyzed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**4,976,109**	5,188,817
Additions and transfers	**34,819**	15,348
Disposals and transfers	**(85,236)**	(936,303)
Business combination	**–**	366,938
Share of profit, net	**847,098**	680,759
Share of other comprehensive income	**37,830**	8,031
Share of other equity movement	**168**	3,412
Dividends	**(594,950)**	(360,750)
Currency translation differences	**7,640**	9,857
	5,223,478	4,976,109
Less: Impairment loss	**–**	–
At the end of the year	**5,223,478**	4,976,109

Investments in associates and joint ventures of the Group mainly included the investments in Guangdong Shunde Rural Commercial Bank Co., Ltd., Hefei Royalstar Motor Co., Ltd., Carrier Midea North America LLC, Foshan Micro Midea Filter Mfg. Co., Ltd, Concepcion Midea Inc., TWENTYTHREEC LLC, ShenZhen CEGN Co., Ltd., Hefei Tianmei Environmental Equipment Co., Ltd. and T.G. Battery Co. (Hong Kong) Ltd.

Management has assessed the level of influence that the Group exercises on certain associates and determined that it has significant influence through the board representation and other relevant facts and circumstances, even though the respective shareholding of some investments is below 20%. Accordingly, these investments have been classified as associates. In the opinion of the directors, no investments in associate are material to the Group.

13(a). INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

The Group has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The carrying amount and the Group's share of the results of individually immaterial associates and joint ventures are shown in aggregate as below:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	**5,223,478**	4,976,109
Aggregate amounts of the Group's share of:		
Profit from operations	**847,098**	680,759
Other comprehensive income	**37,830**	8,031
Total comprehensive income	**884,928**	688,790

The associates and joint ventures of the Group have been accounted for by using equity method based on the financial information of the associates and joint ventures prepared under the accounting policies generally consistent with those of the Group.

There are no commitment or contingent liabilities relating to the Group interest in the associates and joint ventures.

13(b). INVESTMENTS IN SUBSIDIARIES

As at 31 December 2024 and 2023, the Company's principal subsidiaries are as follows:

				Percentage of equity interest			
				As at 31 December			
				2024		2023	
Name of entity	Place of Incorporation and Operation and Kind of legal entity	Principal Activities	Issued ordinary/ registered share capital ('000)	Direct	Indirect	Direct	Indirect
Anhui Meizhi Precision Manufacturing Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of air conditioner parts, such as electric motors, gas compressors and mechanical and electrical equipment	RMB842,105	**95.00%**	**5.00%**	95.00%	5.00%
Annto Logistics Supply Chain Technology Co., Ltd.	Mainland China, limited liability company	Logistics and warehousing services	RMB540,000	**-**	**73.85%**	–	73.85%
Beijing Wandong Medical Technology Co., Ltd.	Mainland China, Company limited by shares	Manufacturing and sales of medical devices	RMB703,061	**45.46%**	**-**	45.46%	–
Chongqing Midea Air-Conditioning Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of air conditioners, refrigerators and freezes	RMB50,000	**95.00%**	**5.00%**	95.00%	5.00%
Foshan Shunde Midea Electrical Heating Appliances Manufacturing Co., Ltd.	Mainland China, limited liability company	Manufacturing of small appliances, such as electrothermal steamer pots and pressure cookers	USD42,000	**-**	**100.00%**	–	100.00%
Foshan Shunde Midea Household Appliances Industry Co., Ltd.	Mainland China, limited liability company	Investment holding	RMB5,500,000	**100.00%**	**-**	100.00%	–
Foshan Shunde Midea Washing Appliances Manufacturing Co., Ltd.	Mainland China, limited liability company	Manufacturing of kitchen appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	USD46,000	**75.00%**	**25.00%**	75.00%	25.00%
GD Midea Air-Conditioning Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of residential air conditioners	RMB854,000	**73.00%**	**7.00%**	73.00%	7.00%
GD Midea Group Wuhu Air-Conditioning Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of residential air conditioners	USD6,928	**93.00%**	**7.00%**	93.00%	7.00%

13(b). INVESTMENTS IN SUBSIDIARIES (Continued)

Name of entity	Place of Incorporation and Operation and Kind of legal entity	Principal Activities	Issued ordinary/ registered share capital ('000)	Percentage of equity interest As at 31 December 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect
GD Midea Heating & Ventilating Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing of commercial air conditioners	RMB500,000	**90.00%**	**10.00%**	90.00%	10.00%
Guangdong Midea Kitchen Appliances Manufacturing Co., Ltd.	Mainland China, limited liability company	Manufacturing of small appliances, such as dishwashers, range hoods, ovens, sterilizers and gas and heating appliances	RMB1,055,224	**-**	**100.00%**	–	100.00%
Guangzhou Hualing Refrigerating Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of residential air conditioners	RMB640,000	**75.00%**	**25.00%**	75.00%	25.00%
Hefei Midea Heating & Ventilating Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of air conditioners and heating and ventilating equipment	RMB1,060,000	**99.00%**	**1.00%**	99.00%	1.00%
Hefei Midea Refrigerator Co., Ltd.	Mainland China, limited liability company	Manufacturing of refrigerators, freezers and refrigeration products	USD92,110	**75.00%**	**25.00%**	75.00%	25.00%
Hiconics Eco-energy Technology Co., Ltd.	Mainland China, Company limited by shares	Manufacturing and sales of electrical equipments	RMB1,116,701	**-**	**18.74%**	–	18.74%
Hubei Midea Refrigerator Co., Ltd.	Mainland China, limited liability company	Manufacturing of refrigerators, freezers and refrigeration products	RMB850,000	**97.00%**	**3.00%**	97.00%	3.00%
KUKA AG	Germany, Aktiengesellschaft	Manufacturing and sales of robots and robot-based products and solutions	EUR103,416	**-**	**100.00%**	–	100.00%
Midea Capital Corporation Limited	Mainland China, limited liability company	Investment in companies providing capital market and business-related services	RMB50,000	**95.00%**	**5.00%**	95.00%	5.00%
Midea Electric Netherlands (I) B.V.	Netherlands, limited liability company	Investment holding	EUR25	**-**	**100.00%**	–	100.00%

13(b). INVESTMENTS IN SUBSIDIARIES (Continued)

Name of entity	Place of Incorporation and Operation and Kind of legal entity	Principal Activities	Issued ordinary/ registered share capital ('000)	Percentage of equity interest As at 31 December 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect
Midea Electric Trading (Singapore) Co. Pte. Ltd.	Singapore, limited liability company	Export trade of household appliances	SGD479,712	-	100.00%	–	100.00%
Midea Group (Shanghai) Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of intelligent home appliances and automation solutions	RMB1,000,000	90.00%	10.00%	90.00%	10.00%
Midea Group Finance Co., Ltd.	Mainland China, limited liability company	Providing financial services for companies within the Group	RMB3,500,000	95.00%	5.00%	95.00%	5.00%
Midea Innovation Investment Co., Ltd.	Mainland China, limited liability company	Investment holding	RMB100,000	85.00%	15.00%	85.00%	15.00%
Midea International Corporation Company Limited	Hong Kong, limited liability company	Investment holding	USD23,800	100.00%	-	100.00%	–
Midea Investment Development Company Limited	British Virgin Islands, limited liability company	Investment in home appliances manufacturers	Nil	-	100.00%	–	100.00%
Ningbo Midea United Materials Supply Co. Ltd.	Mainland China, limited liability company	Wholesale and retail of raw materials and components	RMB480,000	100.00%	-	100.00%	–
Shenzhen CLOU Electronics Co. Ltd	Mainland China, Company limited by shares	Manufacturing and sales of electrical equipments	RMB1,660,817	22.79%	-	22.79%	–
TLSC	Japan, Corporation	Manufacturing of home and kitchen appliances, office appliances, and industrial appliances	JPY100,000	-	100.00%	–	100.00%
Toshiba Consumer Marketing Corporation	Japan, Corporation	Manufacturing and sales of home appliances	JPY100,000	-	100.00%	–	100.00%

13(b). INVESTMENTS IN SUBSIDIARIES (Continued)

Name of entity	Place of Incorporation and Operation and Kind of legal entity	Principal Activities	Issued ordinary/ registered share capital ('000)	Percentage of equity interest As at 31 December 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect
Wuhu Maty Air-Conditioning Equipment Co., Ltd.	Mainland China, limited liability company	Manufacturing of air conditioners and refrigeration equipment	RMB830,000	**87.00%**	**13.00%**	87.00%	13.00%
Wuhu Midea Kitchen & Bath Appliances Mfg. Co., Ltd.	Mainland China, limited liability company	Manufacturing of kitchen appliances, such as range hoods, gas appliances, dishwashers, garbage disposers, sterilizers and water heaters	RMB60,000	**90.00%**	**10.00%**	90.00%	10.00%
Wuhu Midea Life Appliances Mfg Co., Ltd.	Mainland China, limited liability company	Manufacturing of small appliances and smart home appliances	RMB60,000	**100.00%**	**-**	100.00%	-
Wuxi Little Swan Electric Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of laundry appliances	RMB732,488	**100.00%**	**-**	100.00%	-
Zhejiang Meizhi Compressor Co., Ltd.	Mainland China, limited liability company	Manufacturing and sales of air conditioner parts, such as gas compressors and refrigeration, electrical and mechanical equipment	RMB50,000	**100.00%**	**-**	100.00%	-
Guangdong Midea Smart Home Retail Co., Ltd.	Mainland China, limited liability company	Sales of intelligent home appliances and automation solutions	RMB100,000	**95%**	**5%**	95%	5%

(i) During the years ended 31 December 2024 and 2023, the increase of the investments in subsidiaries was mainly due to the capital injections, addition of new subsidiaries and deemed investments arising from share-based compensation.

(ii) The English names of the Mainland China companies are direct translation or transliteration of their Chinese registered names.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Overseas land RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
Year ended 31 December 2024								
Opening net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765
Additions	443,183	121,863	3,457,757	584,400	1,386,625	3,427,069	422,905	9,843,802
Transfer from construction in progress to other property, plant and equipment, net	2,210,161	–	303,302	–	111,137	(2,628,365)	3,765	–
Disposals and others	(432,935)	(1,536)	(765,191)	(29,305)	(128,621)	(92,292)	(10,345)	(1,460,225)
Currency translation differences	(127,018)	(58,655)	(121,839)	(1,164)	(23,008)	(17,259)	(5,253)	(354,196)
Depreciation charge	(1,258,558)	–	(1,737,975)	(55,658)	(1,026,484)	–	(438,818)	(4,517,493)
Impairment loss	(218,941)	–	(40,106)	–	(489)	(6,396)	–	(265,932)
Closing net book amount	16,006,150	1,444,082	12,783,160	747,010	2,548,506	5,363,977	735,836	39,628,721
At 31 December 2024								
Cost	28,356,572	1,449,003	27,491,658	1,077,920	8,289,231	5,388,805	1,059,350	73,112,539
Accumulated depreciation and impairment	(12,350,422)	(4,921)	(14,708,498)	(330,910)	(5,740,725)	(24,828)	(323,514)	(33,483,818)
Net book amount	16,006,150	1,444,082	12,783,160	747,010	2,548,506	5,363,977	735,836	39,628,721

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Overseas land RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023								
Cost	22,049,136	1,335,277	24,331,913	773,893	6,376,643	3,877,919	826,496	59,571,277
Accumulated depreciation and impairment	(9,937,975)	(5,365)	(13,698,463)	(573,609)	(4,568,458)	(34,142)	(237,032)	(29,055,044)
Net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Year ended 31 December 2023								
Opening net book amount	12,111,161	1,329,912	10,633,450	200,284	1,808,185	3,843,777	589,464	30,516,233
Additions	1,381,338	64,694	3,429,407	168,436	1,410,092	4,386,848	524,305	11,365,120
Transfer from construction in progress to other property, plant and equipment, net	3,266,288	–	126,355	–	73,969	(3,483,975)	17,363	–
Disposals and others	(274,718)	(19,673)	(904,400)	(19,958)	(139,816)	(46,274)	(36,109)	(1,440,948)
Currency translation differences	17,020	7,477	(11,348)	(880)	17,923	(725)	4,740	34,207
Depreciation charge	(1,100,853)	–	(1,565,697)	(99,145)	(937,590)	–	(336,181)	(4,039,466)
Impairment loss	(9,978)	–	(20,555)	–	(3,417)	(18,431)	–	(52,381)
Closing net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765
At 31 December 2023								
Cost	26,431,255	1,387,628	26,110,126	890,849	7,352,388	4,735,799	1,302,832	68,210,877
Accumulated depreciation and impairment	(11,040,997)	(5,218)	(14,422,914)	(642,112)	(5,123,042)	(54,579)	(539,250)	(31,828,112)
Net book amount	15,390,258	1,382,410	11,687,212	248,737	2,229,346	4,681,220	763,582	36,382,765

(i) Certain property, plant and equipment as at 31 December 2024 and 2023 respectively, were pledged as securities for bank loan facilities and financing lease.

(ii) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Cost of revenue	**2,446,333**	2,344,088
General and administrative expenses	**1,005,610**	766,068
Research and development expenses	**782,640**	636,661
Selling and marketing expenses	**282,910**	292,649
	4,517,493	4,039,466

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Depreciation methods and useful lives

Property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Overseas land	Permanent
Buildings	15 to 50 years
Machinery and equipment	2 to 25 years
Motor vehicles	2 to 20 years
Electronic equipment and others	2 to 20 years
Leasehold improvements	Shorter of their useful lives and the lease term

See Note 50.6 for the other accounting policies relevant to property, plant and equipment.

15. LEASE

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated statement of financial position

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**2,499,018**	2,804,826
Machinery and equipment	**201,026**	157,036
Land use rights and others	**6,586,615**	6,845,052
Trademark use rights	**1,512,864**	1,694,978
	10,799,523	11,501,892
Lease liabilities		
Current	**1,122,108**	1,166,901
Non-current	**1,825,258**	2,047,319
	2,947,366	3,214,220

Additions to the right-of-use assets during the year ended 31 December 2024 and 2023 were approximately RMB1,407,528,000 and RMB3,044,727,000, respectively.

Certain Leasehold land and land use rights were pledged as securities for bank loan facilities as at 31 December 2024 and 2023.

15. LEASE (Continued)

(b) Amounts recognized in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Buildings	**1,180,699**	1,182,850
Machinery and equipment	**108,739**	100,858
Land use rights and others	**197,902**	218,928
Trademark use rights	**45,750**	52,334
	1,533,090	1,554,970
Interest expense (included in finance cost)	**151,181**	151,334
Expense relating to short-term leases (included in cost of goods sold and general and administrative expenses)	**1,092,476**	821,277
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses and general and administrative expenses)	**12,897**	3,524
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses and general and administrative expenses)	**437,564**	348,469

The total cash outflow for leases during the years ended 31 December 2024 and 2023 were approximately RMB3,100,934,000 and RMB2,823,561,000, respectively.

(c) Operating lease proceeds after the date of statement of financial position

No material operating lease proceeds after the date of statement of financial position.

15. LEASE (Continued)

(d) The Group's leasing activities and how these are accounted for

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The trademark use rights are measured at cost when acquired. The trademark use rights are acquired in the business combinations involving enterprises not under common control, and are amortized over the estimated useful life of 40 years.

Payments associated with short-term leases and all leases of low-value assets are recognized as expenses in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

See Note 50.5 for the other accounting policies relevant to leases.

(e) Extension and termination

Options Lease payments to be made under reasonably certain extension options are included in the measurement. No termination options are included in building leases across the Group.

(f) Residual value guarantees

No residual value guarantees are provided in relation to leases.

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Patents and non-patent technologies RMB'000	Trademark rights RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2024					
Opening net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697
Additions	–	56,235	–	360,122	416,357
Disposals	(15,423)	(10,495)	–	(15,686)	(41,604)
Currency translation differences	(1,261,800)	(18,216)	(192,875)	(150,314)	(1,623,205)
Amortization charge	–	(322,240)	(72,493)	(655,076)	(1,049,809)
Impairment loss	–	–	–	–	–
Closing net book amount	29,581,014	2,520,279	4,562,532	1,898,611	38,562,436
At 31 December 2024					
Cost	30,150,019	4,382,170	4,918,031	6,237,006	45,687,226
Accumulated amortization and impairment	(569,005)	(1,861,891)	(355,499)	(4,338,395)	(7,124,790)
Net book amount	29,581,014	2,520,279	4,562,532	1,898,611	38,562,436

16. INTANGIBLE ASSETS (Continued)

	Goodwill RMB'000	Patents and non-patent technologies RMB'000	Trademark rights RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023					
Cost	29,072,058	3,232,374	4,894,654	5,841,999	43,041,085
Accumulated amortization and impairment	(523,405)	(1,280,015)	(219,885)	(3,710,346)	(5,733,651)
Net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
Year ended 31 December 2023					
Opening net book amount	28,548,653	1,952,359	4,674,769	2,131,653	37,307,434
Additions	1,074,462	1,136,056	–	769,191	2,979,709
Disposals	–	(776)	–	(31,222)	(31,998)
Currency translation differences	1,235,122	22,934	220,100	104,731	1,582,887
Amortization charge	–	(295,578)	(66,969)	(589,146)	(951,693)
Impairment loss	–	–	–	(25,642)	(25,642)
Closing net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697
At 31 December 2023					
Cost	31,391,066	4,415,503	5,116,437	6,408,543	47,331,549
Accumulated amortization and impairment	(532,829)	(1,600,508)	(288,537)	(4,048,978)	(6,470,852)
Net book amount	30,858,237	2,814,995	4,827,900	2,359,565	40,860,697

(a) Amortization of the intangible assets

During the year ended 31 December 2024, the amortization of the intangible assets amounting to approximately RMB939,651,000, RMB100,202,000 and RMB9,956,000 has been recognized in cost of revenue, general and administrative expenses, and research and development expenses, respectively. During the year ended 31 December 2023, the amortization of the intangible assets amounting to approximately RMB832,292,000, RMB109,392,000 and RMB10,009,000 has been recognized in cost of revenue, general and administrative expenses, and research and development expenses, respectively.

16. INTANGIBLE ASSETS (Continued)

(b) Impairment tests for goodwill and trademark rights with an indefinite useful life

The carrying amount of goodwill allocated to the group of Cash-Generating Units ("CGU" or "CGUs") are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
KUKA Group	**21,415,464**	22,364,486
TLSC Group	**2,152,719**	2,338,037
Little Swan	**1,361,306**	1,361,306
Others	**5,220,530**	5,327,237
	30,150,019	31,391,066
Less: Impairment	**(569,005)**	(532,829)
	29,581,014	30,858,237

The trademark rights with an indefinite useful life of the Group are used by KUKA Group for its robotics and automation system business, the carrying amounts of which are RMB4,189,557,000 and RMB4,375,217,000 as at 31 December 2024 and 2023, respectively.

Impairment reviews on the goodwill and trademark rights with an indefinite useful life of the Group have been conducted by the management as at 31 December 2024 and 2023, according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amounts of CGU or group of CGUs are determined based on value in use ("VIU") calculations by using the discounted cash flow method.

The key assumptions used by management for VIU calculation for the impairment test of KUKA Group as at 31 December 2024 and 2023, included: the revenue annual growth rates of 6.86%~11.46% and 4.73%~15.43%; the gross margins of 22.68%~23.65% and 22.79%~23.60%; the perpetual annual growth rates of 2.00% and 2.00%; and the pre-tax discount rates of 10.88% and 10.73%, respectively.

The key assumptions used by management for VIU calculation for the impairment test of TLSC Group as at 31 December 2024 and 2023, included: the revenue annual growth rates of 2.89%~11.35% and 2.89%~7.00%; the gross margins of 26.22%~28.80% and 26.22%~29.00%; the perpetual annual growth rates of 1.00% and 1.00%; and the pre-tax discount rates of 14.85% and 14.92%, respectively.

The key assumptions used by management for VIU calculation for the impairment test of Little Swan as at 31 December 2024 and 2023, included: the revenue annual growth rates of 3.00%~11.51% and 3.00%~8.70%; the gross margins of 32.89%~34.10% and 31.79%~34.17%; the perpetual annual growth rates of 2.00% and 2.00%; and the pre-tax discount rates of 12.36% and 12.41%, respectively.

16. INTANGIBLE ASSETS (Continued)

(b) Impairment tests for goodwill and trademark rights with an indefinite useful life (Continued)

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Revenue annual growth rate	Revenue annual growth rate is estimated over the five-year or six-year forecast period; based on past performance and management's expectations of market development. The management of the Group used a six-year period as the projection period for the cash flow forecast, which was in line with the period length used in the corresponding strategic planning and long-term budgeting purpose for many years. Based on the industry knowledge and understanding of the market and business cycle, the management considered that before the projections move into a long term stable period, such six-year period projection was reasonable and supportable.
Gross margin	Based on past performance and management's expectations for the future.
Perpetual annual growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are determined after making reference to long term inflation rate of the countries in which they operate. The perpetual annual growth rates remained stable which was due to the fact that the long term inflation rates of the relevant countries were relatively stable for the years ended 31 December 2024 and 2023.
Pre-tax discount rate	Estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of the business.

16. INTANGIBLE ASSETS (Continued)

(c) Impact of possible changes in key assumptions

Based on management's assessment on the recoverable amounts, the headroom of KUKA Group, TLSC Group and Little Swan as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
KUKA Group	**2,395,232**	2,963,925
TLSC Group	**1,837,280**	1,682,908
Little Swan	**29,875,621**	27,501,707

For the sensitivity analysis of KUKA Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of KUKA Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2024, the recoverable amount would decrease by RMB1,347,724,000, RMB2,179,612,000, RMB2,286,157,000 and RMB1,525,168,000.

For the sensitivity analysis of TLSC Group conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of TLSC Group as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2024, the recoverable amount would decrease by RMB416,980,000, RMB1,017,615,000, RMB295,497,000 and RMB469,362,000.

For the sensitivity analysis of Little Swan conducted during the impairment review, had there been reasonably possible changes with reduction of the revenue annual growth rate of each year during the forecast period by 3.00%, or a reduction of the gross margin of each year during the forecast period by 2.00%, or an increase in pre-tax discount rate by 0.50%, or a reduction of perpetual annual growth rate by 0.50%, it would cause the reduction of the recoverable amount of Little Swan as follows, if one of the key assumptions was to change while other variable held constant: As at 31 December 2024, the recoverable amount would decrease by RMB777,994,000, RMB2,629,704,000, RMB1,940,758,000 and RMB2,055,929,000.

As disclosed above, the management has considered and assessed reasonably possible changes for the key assumptions and has not identified any instances that would cause the carrying amounts of the CGUs to exceed their recoverable amounts as at 31 December 2024 and 2023, respectively.

16. INTANGIBLE ASSETS (Continued)

(d) Amortisation methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following:

(i) Goodwill

Goodwill is measured as described in Note 50.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Trademark rights

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

(iii) Patents and non-patent technologies

Patents are amortized on a straight-line basis based on the statutory period of validity, the period as stipulated by contracts or the beneficial period over their estimated useful life of 2 to 20 years.

(iv) Other intangible assets

Other intangible assets mainly represent the customer relationships, concession rights, software, etc. They are recognized at cost or fair value at the date of the acquisition and are subsequently amortized on a straight-line basis over their estimated useful life of 2 to 25 years.

See Note 50.8 for the other accounting policies relevant to intangible assets.

17. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The net amounts of deferred tax assets and liabilities after offsetting are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Gross deferred tax assets:		
– to be recovered after more than 12 months	**4,129,426**	4,084,927
– to be recovered within 12 months	**12,037,811**	10,595,710
	16,167,237	14,680,637
Offsetting against deferred tax liabilities	**(2,092,959)**	(1,909,487)
Net deferred tax assets	**14,074,278**	12,771,150
Gross deferred tax liabilities:		
– to be recovered after more than 12 months	**5,717,180**	5,848,421
– to be recovered within 12 months	**1,272,594**	1,158,876
	6,989,774	7,007,297
Offsetting against deferred tax assets	**(2,092,959)**	(1,909,487)
Net deferred tax liabilities	**4,896,815**	5,097,810

17. DEFERRED TAX (Continued)

(i) Deferred tax assets

The movements in deferred tax assets before offsetting for the years ended 31 December 2024 and 2023 are as follows:

	Tax Losses RMB'000	Loss allowance and impairment provision RMB'000	Employee benefits RMB'000	Accrued expenses RMB'000	Lease Liability RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	**2,126,566**	**1,038,938**	**213,045**	**7,386,896**	**694,084**	**3,221,108**	**14,680,637**
Credited to consolidated statement of profit or loss	**(485,891)**	**(182,255)**	**42,989**	**1,360,652**	**(44,379)**	**865,305**	**1,556,421**
Credited to other comprehensive income	**–**	**–**	**2,548**	**–**	**–**	**4,920**	**7,468**
Currency translation differences	**(8,515)**	**(12,770)**	**(4,152)**	**(35,898)**	**(9,870)**	**(6,084)**	**(77,289)**
At 31 December 2024	**1,632,160**	**843,913**	**254,430**	**8,711,650**	**639,835**	**4,085,249**	**16,167,237**
At 1 January 2023	1,500,622	753,511	190,398	6,534,476	581,409	2,652,150	12,212,566
Acquisition of subsidiaries	339,503	205,877	–	–	–	5,401	550,781
Credited to consolidated statement of profit or loss	252,277	70,839	674	807,158	93,344	511,289	1,735,581
Credited to other comprehensive income	–	–	15,751	–	–	1,211	16,962
Currency translation differences	34,164	8,711	6,222	45,262	19,331	51,057	164,747
At 31 December 2023	2,126,566	1,038,938	213,045	7,386,896	694,084	3,221,108	14,680,637

17. DEFERRED TAX (Continued)

(ii) Deferred tax liabilities

The movements in deferred tax liabilities before offsetting for the years ended 31 December 2024 and 2023 are as follows:

	Business combinations RMB'000	Changes in fair value RMB'000	WHT RMB'000	Right-of-Use Asset RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	**3,124,747**	**202,257**	**1,587,302**	**697,688**	**1,395,303**	**7,007,297**
(Credited)/Charged to consolidated statement of profit or loss	**(250,156)**	**339,809**	**(33,731)**	**(22,779)**	**31,696**	**64,839**
Credited to other comprehensive income	**–**	**(29,751)**	**–**	**–**	**18,654**	**(11,097)**
Currency translation differences	**(24,587)**	**(608)**	**(27,172)**	**(9,864)**	**(9,034)**	**(71,265)**
At 31 December 2024	**2,850,004**	**511,707**	**1,526,399**	**665,045**	**1,436,619**	**6,989,774**
At 1 January 2023	2,921,290	236,440	1,421,839	573,844	1,461,412	6,614,825
Acquisition of subsidiaries	437,873	–	–	–	–	437,873
(Credited)/Charged to consolidated statement of profit or loss	(282,397)	(48,220)	178,639	103,846	(158,567)	(206,699)
Credited to other comprehensive income	–	13,769	–	–	18,344	32,113
Currency translation differences	47,981	268	(13,176)	19,998	74,114	129,185
At 31 December 2023	3,124,747	202,257	1,587,302	697,688	1,395,303	7,007,297

17. DEFERRED TAX (Continued)

(iii) Deferred tax assets not recognized

The Group has not recognized deferred tax assets in respect of the items below, which were incurred by certain subsidiaries that were not likely to generate taxable:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Tax losses	**14,735,303**	13,498,350
Deductible temporary differences	**2,229,326**	1,692,317
	16,964,629	15,190,667

The tax losses not recognized deferred tax assets can be carried forward in future years. As at 31 December 2024 and 2023, the following table shows unused tax losses based on its expected expiry date:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Expiring within 1 year (including 1 year)	**225,408**	264,348
Expiring within 2 years (including 2 years)	**418,204**	495,325
Expiring within 3 years (including 3 years)	**553,097**	702,361
Expiring within 4 years (including 4 years)	**749,544**	991,896
Expiring after 4 years (excluding 4 years)	**12,789,050**	11,044,420
	14,735,303	13,498,350

18. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets as per consolidated statement of financial position		
Financial assets at fair value:		
– Other financial assets at FVPL (Note 23)	**11,335,250**	7,478,179
– Other financial assets at FVOCI (Note 23)	**6,560,597**	11,051,350
– Trade and note receivables at FVOCI (Note 20)	**17,646,449**	13,330,008
– Derivative financial instruments (Note 24)	**5,736,618**	3,753,101
Financial assets at amortized costs:		
– Trade and note receivables (Note 27)	**42,517,549**	38,406,699
– Loan receivables (Note 21)	**11,356,789**	15,272,230
– Other receivables (Note 19)	**2,077,412**	2,181,878
– Long-term receivables and futures margin (Note 19)	**1,258,806**	1,561,879
– Other Financial assets at amortized cost (Note 22)	**166,917,077**	138,396,959
– Term deposits and restricted cash (Note 28 (b))	**85,291,580**	21,786,586
– Cash and cash equivalents (Note 28 (a))	**55,118,728**	59,887,260
Liabilities as per consolidated statement of financial position		
Financial liabilities at fair value:		
– Other financial liabilities at FVPL (Note 33)	**873,776**	1,346,674
– Derivative financial instruments (Note 24)	**3,101,870**	415,504
Financial liabilities at amortized cost:		
– Trade and note payables (Note 30)	**118,774,248**	94,238,073
– Other payables (Note 32)	**3,686,814**	4,442,928
– Borrowings (Note 29)	**83,307,706**	71,466,690
– Lease liabilities (Note 15)	**2,947,366**	3,214,220

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments and other assets		
Prepayments (a)	**5,346,518**	4,767,457
Deductible value-added tax	**8,558,983**	5,852,464
Others	**8,317,776**	3,138,543
	22,223,277	13,758,464
Less: non-current portion	**(2,788,449)**	(2,454,756)
	19,434,828	11,303,708
Other receivables and other assets		
Other receivables (d)	**2,133,676**	2,233,595
Long-term receivables (b)	**572,291**	1,050,627
Futures margin	**775,294**	632,773
	3,481,261	3,916,995
Less: provision for impairment		
– Other receivables	**(56,264)**	(51,717)
– Long-term receivables	**(88,779)**	(121,521)
	(145,043)	(173,238)
Less: non-current portion	**(118,871)**	(250,519)
	3,217,347	3,493,238
Prepayments, other receivables and other assets	**22,652,175**	14,796,946

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

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**173,238**	46,788
Allowance for impairment	**64,946**	146,971
Written off and written down	**(47,623)**	(4,096)
Reversal	**(38,688)**	(13,886)
Exchange adjustment	**(6,830)**	(2,539)
At the end of the year	**145,043**	173,238

(d) Classification as other receivables

Other receivables are recognized initially at fair value. Majority of other receivables are security deposit and guarantee, current accounts, petty cash to staff and receivables related to stock options. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method, less provision for impairment. See Note 50.10 for a description of the Group's impairment policies.

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade and note receivables at FVOCI	**17,646,449**	13,330,008

Trade and note receivables at FVOCI were mainly accounts receivable and bank acceptance notes transferred, discounted and endorsed for the purpose of daily treasury management and were qualified for derecognition.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 3.1(b)(ii).

21. LOAN RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Loan receivables to individuals	**948,575**	1,555,477
Loan receivables to corporations	**10,704,099**	14,073,508
	11,652,674	15,628,985
Less: Provision for impairment	**(295,885)**	(356,755)
	11,356,789	15,272,230
Less: Non-current portion	**(308,903)**	(975,272)
	11,047,886	14,296,958

By type of collateral held:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Unsecured loans	**944,672**	1,553,285
Guaranteed loans	**422,534**	481,542
Pledged loans	**10,285,468**	13,594,158
	11,652,674	15,628,985

21. LOAN RECEIVABLES (Continued)

Movement of impairment of loan receivables is analyzed as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**356,755**	463,929
Increase in the current year	**72,768**	44,273
Reversal	**(111,166)**	(170,274)
Write-off	**(23,749)**	(9,466)
Others	**1,277**	28,293
At the end of the year	**295,885**	356,755

Loan receivables is subject to the impairment assessment according to IFRS 9, details are disclosed in Note 3.1(b)(ii).

22. OTHER FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Constant Return Financial Products	**166,917,077**	138,396,959
Less: Non-current portion	**(97,682,820)**	(79,121,387)
	69,234,257	59,275,572

As at 31 December 2024 and 2023, constant return financial products of the Group were mainly included term bank deposits with initial terms over one year, custom deposits and certificates of deposits deposited in financial institutions, which were subsequently measured at amortized cost.

Certain other financial assets at amortized cost were pledged as guaranteed deposits for notes payables as at 31 December 2024 and at 31 December 2023.

Other Financial assets at amortized cost is subject to the impairment assessment according to IFRS 9, the identified impairment loss was immaterial as at 31 December 2024 and 2023. Details are disclosed in Note 3.1(b)(ii).

23. OTHER FINANCIAL ASSETS AT FVPL AND FVOCI

(a) Other financial assets at FVPL

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current:		
– Equity securities (a)	**4,399,137**	5,687,591
Current:		
– Structured deposits	**4,054,888**	53,750
– Listed securities	**2,504,122**	1,726,584
– Others	**377,103**	10,254
	6,936,113	1,790,588
	11,335,250	7,478,179

(a) Equity securities mainly comprise unlisted securities. The fair values of these equity securities are measured using a valuation technique with unobservable inputs and hence classified as Level 3 of the fair value hierarchy. The major assumptions used in the valuation refer to Note 3.3.

(b) Other financial assets at FVOCI

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Non-current:		
– Equity securities	**35,595**	37,874
– Transferable certificate of deposits	**–**	6,319,047
	35,595	6,356,921
Current:		
– Transferable certificate of deposits	**6,525,002**	4,694,429
	6,560,597	11,051,350

23. OTHER FINANCIAL ASSETS AT FVPL AND FVOCI (Continued)

(b) Other financial assets at FVOCI (Continued)

As at 31 December 2024 and 2023, the cost of the Group's transferable certificate of deposits approximated its fair value.

Other financial assets at FVOCI is subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2024 and 2023. Details are disclosed in Note 3.1(b)(ii).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Assets:		
– Cross-currency interest rate swaps – used for hedging (a)	**2,744,237**	1,924,092
– Cross-currency interest rate swaps – held for trading	**660,236**	1,213,625
– Foreign currency and futures contracts – used for hedging (b)	**61,531**	392,593
– Others – held for trading (c)	**2,270,614**	222,791
	5,736,618	3,753,101
Less: Non-current portion	**(481,315)**	(2,082,347)
	5,255,303	1,670,754
Liabilities:		
– Foreign currency and futures contracts – used for hedging (b)	**463,990**	155,554
– Others – held for trading (c)	**2,637,880**	259,950
	3,101,870	415,504
Less: Non-current portion	**(6,020)**	(2,282)
	3,095,850	413,222

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives are used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at FVPL. The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 3.3.

(a) In 2022, the Group purchased cross-currency interest rate swap to mitigate the cash flow risk associated with the guaranteed borrowings with principal of USD3,419,058,000. Under the swap, a nominal amount of USD3,419,058,000 was exchanged for EUR at an agreed exchange rate, and the USD floating rate (SOFR+0.55% p.a.) was exchanged for the agreed EUR fixed rate. The agreed swap period was scheduled to start in August 2022 and end in August 2025. The Group designated such borrowings as the hedged item, and the change in the value of cross-currency interest rate swap (excluding the foreign currency basis spread) as the hedging instrument for cash flow hedge. There was an economic relationship between the hedging instrument and the hedged item. The cross-currency interest rate swap matched the currency, notional amount and other major terms of borrowings denominated in USD.

The Group included the effective part of the changes in fair value of the cross-currency interest rate swap (excluding the foreign currency basis spread) in "Reserve – cash flow hedges reserve" and transferred them from other comprehensive income to financial cost, net in the period in which the hedging relationship affected profit or loss, in a bid to offset the effect of hedged item on profit or loss for the current period. The changes in fair value of foreign currency basis spread were recorded in "Reserve – Costs of hedging reserve" and the foreign currency basis spread was transferred from other comprehensive income to financial cost, net in the period in which the hedging relationship affected profit or loss (Note 10).

(b) Foreign currency and futures contracts mainly included foreign currency forwards, foreign currency options and futures contracts.

(c) Others mainly included foreign currency forwards, foreign currency options, futures contracts and cross-currency swaps.

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

	Cash flow hedge reserve			
	Cost of hedging reserve	Cross-currency interest rate swaps	Others	Total hedge reserves
Opening balance 1 January 2024	**94,915**	**371,328**	**193,429**	**659,672**
Add: Change in fair value of hedging instrument recognized in OCI	**–**	**1,999,561**	**(167,246)**	**1,832,315**
Add: Costs of hedging deferred and recognized in OCI	**77,136**	**–**	**–**	**77,136**
Less: Reclassified from OCI to profit or loss	**(111,728)**	**(2,081,472)**	**(209,384)**	**(2,402,584)**
Less: Deferred tax	**–**	**–**	**32,619**	**32,619**
Closing balance 31 December 2024	**60,323**	**289,417**	**(150,582)**	**199,158**
Opening balance 1 January 2023	69,882	663,057	36,904	769,843
Add: Change in fair value of hedging instrument recognized in OCI	–	(578,010)	167,862	(410,148)
Add: Costs of hedging deferred and recognized in OCI	135,911	–	–	135,911
Less: Reclassified from OCI to profit or loss	(110,878)	286,281	(23)	175,380
Less: Deferred tax	–	–	(11,314)	(11,314)
Closing balance 31 December 2023	94,915	371,328	193,429	659,672

25. INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Finished goods	**48,969,138**	35,291,863
Raw materials	**11,083,471**	8,572,689
Work in progress	**2,864,446**	3,170,699
Consigned processing materials	**486,960**	444,995
Contract fulfilment costs	**859,581**	556,540
	64,263,596	48,036,786
Less: Provision for impairment loss	**(924,408)**	(697,531)
	63,339,188	47,339,255

(i) The cost of inventories carried forward to the profit or loss during the year is mainly recognized as the cost of revenue. The cost of inventories carried forward to the cost of revenue for the years ended 31 December 2024 and 2023 amounted to approximately RMB298,341,774,000 and RMB274,827,957,000, respectively.

26. CONTRACT ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract assets (i)	**3,548,408**	4,163,267
Less: allowance for credit losses	**(48,852)**	(117,342)
	3,499,556	4,045,925

(i) Contract assets are mainly related to robotics and automation system construction service.

(a) Contract assets is subject to the impairment assessment according to IFRS 9, details are disclosed in Note 3.1(b)(ii).

27. TRADE AND NOTE RECEIVABLES AT AMORTIZED COST

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade and note receivables		
– Trade receivables	**37,199,712**	34,367,460
– Note receivables	**6,780,317**	5,587,562
	43,980,029	39,955,022
Less: allowance for credit losses		
– Trade receivables	**(1,400,738)**	(1,482,721)
– Note receivables	**(61,742)**	(65,602)
	(1,462,480)	(1,548,323)
	42,517,549	38,406,699

(a) The Group has various credit policies for different business operations depending on the requirements of the markets and businesses. The aging analysis of trade receivables based on the invoice date was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Below 3 months	**31,696,901**	29,183,011
Between 3 and 6 months	**2,728,345**	2,047,141
Between 6 months and 1 year	**936,438**	1,378,882
Between 1 and 2 years	**708,810**	1,114,153
Over 2 years	**1,129,218**	644,273
	37,199,712	34,367,460

There was no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Certain trade and note receivables at amortized cost were pledged for bank loan facilities, notes receivable discounted and notes payables as at 31 December 2024 and 2023 respectively.

27. TRADE AND NOTE RECEIVABLES AT AMORTIZED COST (Continued)

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Details are disclosed in Note 3.1(b)(ii).

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**1,548,323**	1,394,365
Allowance for impairment	**359,161**	594,362
Written off and written down	**(61,958)**	(75,948)
Reversal	**(342,426)**	(402,822)
Exchange adjustment	**(40,620)**	38,366
At the end of the year	**1,462,480**	1,548,323

(c) The carrying amount of trade receivables approximated their fair values. The provision and reversal of provision for impairment of receivables have been included in the consolidated statement of profit or loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

(d) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3.1(b).

28. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at banks and in hand	**52,852,096**	57,783,145
Short-term bank deposits with initial terms within three months	**1,900,854**	1,956,144
Other deposits at financial institutions	**365,778**	147,971
	55,118,728	59,887,260

Other deposits at financial institutions consist of the surplus reserve deposits in the Central Banks and the deposits at other financial institutions. As of 31 December 2024, the Group has surplus reserve deposits amounting to RMB82,913,000 in the Central Banks.

28. CASH AND CASH EQUIVALENTS, TERM DEPOSITS AND RESTRICTED CASH (Continued)

(b) Term deposits and restricted cash

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Term bank deposits (i)	**78,155,209**	16,848,494
Guarantee deposits (ii)	**3,607,056**	4,072,963
Statutory reserve deposits at Central Bank	**2,460,330**	415,070
Interest receivable	**1,068,985**	450,059
	85,291,580	21,786,586

(i) Term bank deposits are bank deposits with original maturities over three months and due within one year.

(ii) Guarantee deposits mainly consist of the deposits for letter of bank acceptance notes, letters of guarantee and letters of credit.

29. BORROWINGS

	As at 31 December					
	2024			2023		
	Current RMB'000	**Non-current RMB'000**	**Total RMB'000**	Current RMB'000	Non-current RMB'000	Total RMB'000
Secured						
Bank loans	**16,922,989**	**141,957**	**17,064,946**	3,094,159	152,966	3,247,125
Unsecured						
Bank loans (b)	**52,626,185**	**10,349,800**	**62,975,985**	19,015,826	45,985,770	65,001,596
Debentures	**–**	**3,266,775**	**3,266,775**	–	3,217,969	3,217,969
Total unsecured borrowings	**52,626,185**	**13,616,575**	**66,242,760**	19,015,826	49,203,739	68,219,565
Total borrowings	**69,549,174**	**13,758,532**	**83,307,706**	22,109,985	49,356,705	71,466,690

(a) As at 31 December 2024 and 2023, the annual interest rate of short-term borrowings were ranged from 0.35% to 11.00% and 2.20% to 7.04%, respectively.

As at 31 December 2024 and 2023, the annual interest rate range of long-term borrowings were ranged from 0.33% to 3.65% and 0.30% to 4.50%, respectively.

(b) As at 31 December 2024, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to approximately RMB3,762,850,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in May 2025; (ii) borrowings with a principal equivalent to approximately RMB1,203,339,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in June 2025; (iii) borrowings with a principal equivalent to approximately RMB2,749,900,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in April 2027; (iv) after deducting the bank fee, borrowings with a principal equivalent to approximately RMB24,555,336,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, matured in August 2025.

29. BORROWINGS (Continued)

(b) (Continued)

As at 31 December 2023, guaranteed bank borrowings mainly included: (i) borrowings with a principal equivalent to RMB2,129,843,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in April 2024; (ii) borrowings with a principal equivalent to approximately RMB4,490,432,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in May 2024; (iii) borrowings with a principal equivalent to approximately RMB1,185,644,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every month, matured in June 2025; (iv) after deducting the bank fee, borrowings with a principal equivalent to approximately RMB24,157,339,000 guaranteed by the Company, interest is calculated at a floating rate with interest paid every quarter, matured in August 2025; and (v) borrowings with a principal equivalent to approximately RMB3,929,600,000 guaranteed by the Company, interest is calculated at a fixed rate with interest paid every quarter, matured in May 2025.

(c) At 31 December 2024 and 2023, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**69,549,174**	22,109,985
Between 1 and 2 years	**7,619,857**	38,383,925
Between 2 and 5 years	**6,016,675**	10,839,625
Over 5 years	**122,000**	133,155
	83,307,706	71,466,690

(d) Fair value

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since either the interest rates on those borrowings is close to current market rates, or the borrowings are of a short-term nature.

30. TRADE AND NOTE PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade and note payables		
– Trade payables	**92,800,426**	72,530,465
– Notes payables	**25,973,822**	21,707,608
	118,774,248	94,238,073

An aging analysis of the trade payables based on the invoice date as at the end of the reporting period was as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Below 3 months	**86,873,115**	67,421,139
Between 3 and 6 months	**2,392,548**	1,838,583
Between 6 months and 1 year	**1,609,844**	1,597,946
Over 1 year	**1,924,919**	1,672,797
	92,800,426	72,530,465

31. CONTRACT LIABILITIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contract liabilities		
– advances on sales and services	**46,124,179**	38,549,278
– advances for construction projects	**3,130,538**	3,216,197
	49,254,717	41,765,475

(i) More than 90% of contract liabilities included in the carrying amount as at 31 December 2023, were transferred to operating revenue for the year ended 31 December 2024.

(ii) For the years ended 31 December 2024 and 2023, more than 6% of the revenue recognized relates to carried-forward contract liabilities.

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Sales rebate accruals	**55,539,161**	48,311,934
Marketing and transportation expenses accruals	**9,145,017**	7,908,952
Salaries, wages and benefits	**10,521,325**	10,509,901
Endorsed note receivables without been derecognized and not yet due	**3,703,254**	2,951,899
Other taxes payable	**2,395,707**	1,977,849
Other payables	**3,686,814**	4,442,928
Others	**22,404,770**	12,789,011
	107,396,048	88,892,474
Less: non-current portion		
– Salaries, wages and benefits	**(1,360,484)**	(1,433,874)
– Others	**(821,325)**	(819,422)
	105,214,239	86,639,178

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Liabilities to fund investors	**873,776**	1,346,674

The Group controls a technology industry investment fund, which is a structured entity managed and invested by the Group, as the Group has power over, is exposed to and has rights to variable returns from its involvement with the fund and has the ability to affect those returns through its power over the fund.

For the amount raised from limited partners of the fund, the Group has contractual obligation to settle the liability with the limited partners and the management designates it as a financial liability at FVPL.

34. DEFERRED INCOME

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Government grant	**2,196,222**	1,734,932

35. SHARE CAPITAL AND SHARE HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital

	Year ended 31 December 2024		
	Domestic listed A shares (RMB'000)	Overseas listed H shares (RMB'000)	Number of shares ('000)
At the beginning of the year	**7,025,769**	**–**	**7,025,769**
Issuance of H share IPO	**–**	**650,849**	**650,849**
Issuance of shares under share schemes	**51,910**	**–**	**51,910**
Cancellation of shares	**(69,808)**	**–**	**(69,808)**
Treasury shares cancelled under share schemes	**(2,764)**	**–**	**(2,764)**
At the end of the year	**7,005,107**	**650,849**	**7,655,956**

	Year ended 31 December 2023	
	Domestic listed A shares (RMB'000)	Number of shares ('000)
At the beginning of the year	6,997,273	6,997,273
Issuance of shares under share schemes	38,490	38,490
Treasury shares cancelled under share schemes	(9,994)	(9,994)
At the end of the year	7,025,769	7,025,769

(i) The Capital Injection stated in the consolidated statement of changes in equity represents the increase in shareholders' equity resulted from share-based payments and contributions by minority shareholders of subsidiaries.

35. SHARE CAPITAL AND SHARE HELD FOR EMPLOYEE SHARE SCHEME (Continued)

(b) Shares held for share schemes

	As at 31 December	
	2024	2023
Shares held for share schemes ('000)	**77,871**	174,179

Details	Year ended 31 December	
	2024	2023
At the beginning of the year	**174,179**	213,279
Exercised shares ('000)	**(22,897)**	(26,151)
Lapsed shares ('000)	**(3,603)**	(12,949)
Cancellation of shares ('000)	**(69,808)**	–
At the end of the year	**77,871**	174,179

36. TREASURY SHARES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**12,871,738**	14,933,944
Cancellation of shares	**(5,159,408)**	–
Treasury shares transferred to the grantees or cancelled under share schemes	**(1,983,884)**	(2,062,206)
At the end of the year	**5,728,446**	12,871,738

(i) As at 31 December 2024, treasury stock mainly comprised treasury stock of approximately RMB2,102,867,000 used for share schemes in future years, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB3,625,579,000 that have not met vesting condition, amounting to approximately RMB5,728,446,000 in total.

(ii) As at 31 December 2023, treasury stock mainly comprised treasury stock of approximately RMB8,748,331,000 used for share schemes in future years, as well as restricted share incentive schemes and stock ownership schemes amounting to approximately RMB4,123,407,000 that have not met vesting condition, amounting to approximately RMB12,871,738,000 in total.

(iii) Pursuant to the resolutions of shareholder's meeting on 29 January 2024, the use of 69,808,000 repurchased shares have been changed from used for share schemes to cancel and reduce the Company's registered capital. On 7 February 2024, the 69,808,000 repurchased shares have been cancelled, the Company recognized a decrease of RMB69,808,000 in share capital, RMB5,159,408,000 in treasury shares and RMB5,089,600,000 in reserves.

37. RETAINED EARNINGS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**136,282,362**	119,675,616
Net profit	**38,538,987**	33,721,536
Dividends (Note 39)	**(20,764,776)**	(17,144,264)
Appropriation to general reserves (Note 38)	**(486,489)**	(19,678)
Reversal of general reserves (Note 38)	**21,213**	49,152
At the end of the year	**153,591,297**	136,282,362

38. RESERVES

	Share-based payments reserves RMB'000	Share premium RMB'000	Statutory reserves RMB'000	General reserves RMB'000	Special reserves RMB'000	Hedging RMB'000	Foreign currency translation RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2024	**2,020,605**	**17,382,223**	**10,702,928**	**642,525**	**16,040**	**659,672**	**(892,613)**	**1,909,390**	**32,440,770**
Issuance of H share IPO	–	31,495,383	–	–	–	–	–	–	31,495,383
Appropriation to general reserves	–	–	–	486,489	–	–	–	–	486,489
Reversal of general reserves	–	–	–	(21,213)	–	–	–	–	(21,213)
Appropriation to special reserves	–	–	–	–	5,499	–	–	–	5,499
Special reserves utilization	–	–	–	–	(3,264)	–	–	–	(3,264)
Cancellation of shares	–	(5,089,600)	–	–	–	–	–	–	(5,089,600)
Share-based payment:									
– Share-based compensation expenses	1,144,276	–	–	–	–	–	–	–	1,144,276
– Exercise of the stock option	(692,840)	3,082,210	–	–	–	–	–	–	2,389,370
– Exercise or lapse of other share schemes	(828,021)	(522,933)	–	–	–	–	–	–	(1,350,954)
Share of OCI of investments in associates and joint ventures and OCI reclassified to profit and loss, net of tax	–	–	–	–	–	–	–	37,830	37,830
Cash flow hedging reserve, net of tax (Note 24)	–	–	–	–	–	(425,922)	–	–	(425,922)
Cost of hedging, net of tax (Note 24)	–	–	–	–	–	(34,592)	–	–	(34,592)
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(42,498)	(42,498)
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	(536)	(536)
Transaction with NCI (Note 44)	–	–	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	–	111,930	–	111,930
Others	–	–	–	–	–	–	–	88,319	88,319
At 31 December 2024	**1,644,020**	**46,347,283**	**10,702,928**	**1,107,801**	**18,275**	**199,158**	**(780,683)**	**1,992,505**	**61,231,287**

38. RESERVES (Continued)

	Share-based payments reserves RMB'000	Share premium RMB'000	Statutory reserves RMB'000	General reserves RMB'000	Special reserves RMB'000	Hedging RMB'000	Foreign currency translation RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2023	2,279,108	15,507,577	10,702,928	671,999	16,350	769,843	(808,243)	2,053,529	31,193,091
Appropriation to general reserves	–	–	–	19,678	–	–	–	–	19,678
Reversal of general reserves	–	–	–	(49,152)	–	–	–	–	(49,152)
Appropriation to special reserves	–	–	–	–	7,227	–	–	–	7,227
Special reserves utilization	–	–	–	–	(7,537)	–	–	–	(7,537)
Share-based payment:									
– Share-based compensation expenses	1,208,095	–	–	–	–	–	–	–	1,208,095
– Exercise of the stock option	(536,639)	2,317,783	–	–	–	–	–	–	1,781,144
– Exercise or lapse of other share schemes	(929,959)	(443,137)	–	–	–	–	–	–	(1,373,096)
Share of OCI of investments in associates and joint ventures and OCI reclassified to profit and loss, net of tax	–	–	–	–	–	–	–	7,751	7,751
Cash flow hedging reserve, net of tax (Note 24)	–	–	–	–	–	(135,204)	–	–	(135,204)
Cost of hedging, net of tax (Note 24)	–	–	–	–	–	25,033	–	–	25,033
Remeasurement of defined benefit plan, net of tax	–	–	–	–	–	–	–	(87,280)	(87,280)
Other financial assets at FVOCI, net of tax									
– Fair value changes	–	–	–	–	–	–	–	1,516	1,516
Transaction with NCI (Note 44)	–	–	–	–	–	–	–	(54,307)	(54,307)
Currency translation differences	–	–	–	–	–	–	(84,370)	–	(84,370)
Others	–	–	–	–	–	–	–	(11,819)	(11,819)
At 31 December 2023	2,020,605	17,382,223	10,702,928	642,525	16,040	659,672	(892,613)	1,909,390	32,440,770

(a) In accordance with the Company Law of the People's Republic of China and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory reserves, and the Company can cease appropriation when the statutory reserves accumulated to more than 50% of the registered capital. The statutory reserves can be used to make up for the losses or increase the share capital after approval from the appropriate authorities.

39. DIVIDENDS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Final dividends in respect of the previous year, declared or paid during the year (tax inclusive)	**20,780,278**	17,188,858
Dividends of lapsed restricted shares	**(15,502)**	(44,594)
	20,764,776	17,144,264

The final dividend distribution of RMB20,764,776,000 in respect of the year ended 31 December 2023 was paid in 2024.

On the basis of the total shares 7,631,903,546 to be distributed (total 7,660,355,772 shares net of repurchased 28,452,226 shares) of the Company at the date on which the consolidated financial statements were authorized for issue, a final dividend distribution in respect of the year ended 31 December 2024 of RMB26,711,662,411 at RMB35 per 10 shares (tax inclusive) (2023: RMB30 per 10 shares) was proposed pursuant to a resolution passed by the Board of Directors on 28 March 2025 and subject to the approval of the Company's 2024 Annual General Meeting.

The proposed dividend is not reflected as dividend payable in the Group's consolidated financial statements.

40. SHARE-BASED PAYMENT

Equity-Settled shared-based payment arrangement

(i) Stock Option Incentive Plans

	Year ended 31 December			
	2024		2023	
	Average exercise price per share option (RMB)	**Number of options ('000)**	Average exercise price per share option (RMB)	Number of options ('000)
Outstanding as at the beginning of the year	**60.66**	**188,158**	61.80	275,548
Exercised	**53.96**	**(51,910)**	52.40	(38,490)
Lapsed	**60.82**	**(24,354)**	73.56	(48,900)
Outstanding as at the end of the year	**63.74**	**111,894**	60.66	188,158

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

			Share options	
Grant Date	**Expiry date**	**Exercise price (a)**	**As at 31 December**	
			2024 ('000)	2023 ('000)
7 May 2018	6 May 2024	56.34	**–**	4,883
11 March 2019	10 March 2025	47.17	**165**	1,409
30 May 2019	29 May 2025	52.87	**2,026**	13,341
5 June 2020	4 June 2024	50.43	**–**	15,047
4 June 2021	3 June 2026	81.41	**38,285**	45,785
8 June 2022	7 June 2027	54.61	**71,418**	107,693
			111,894	188,158

(a) According to the stock option incentive plans, the exercise prices shall be adjusted in accordance with relevant matters between the grant date and the exercise date, including but not limited to the dividend distribution.

40. SHARE-BASED PAYMENT (Continued)

Equity-Settled shared-based payment arrangement (Continued)

(i) Stock Option Incentive Plans (Continued)

The weighted-average remaining contract life for outstanding share options was 2.05 years and 2.71 years as at 31 December 2024 and 2023, respectively.

(ii) Restricted Share Incentive Schemes

Pursuant to the restricted shares incentive scheme for 2023 approved at the 2022 annual general meeting on 19 May 2023 (the "2023 Restricted Shares Incentive Scheme"), the Company granted 18,325,000 restricted shares to 415 incentive participants. The grant date was 20 June 2023, and the granted price was RMB25.89 per share. The vesting periods for restricted shares granted are 1 year, 2 years and 3 years from the grant date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of restricted shares will be vested respectively.

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

	Year ended 31 December	
	2024	2023
	('000)	('000)
Outstanding as at the beginning of the year	**39,903**	50,211
Granted	**–**	18,325
Vested	**(16,711)**	(18,639)
Lapsed	**(2,764)**	(9,994)
Outstanding as at the end of the year	**20,428**	39,903

The Group determines the fair value of restricted shares on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price.

The fair value of granted shares was RMB580,719,000 for the Restricted Shares Incentive Scheme for 2023.

40. SHARE-BASED PAYMENT (Continued)

Equity-Settled shared-based payment arrangement (Continued)

(iii) Stock Ownership Schemes

Pursuant to the 2024 Stock Ownership Scheme approved at the 2023 annual general meeting on 19 April 2024, the Company granted 20,107,000 shares to incentive participants. The vesting periods for employee shares granted are 2 years, 3 years and 4 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

Pursuant to the 2023 Stock Ownership Scheme approved at the 2022 annual general meeting on 19 May 2023, the Company granted 9,946,000 shares to incentive participants. The vesting periods for employee shares granted are 1 year, 2 years and 3 years from the granted date. According to the Company's performance appraisal and individual performance appraisal, 40%, 30% and 30% of employee shares plan will be vested respectively.

The granted shares of stock ownership scheme are derived from the shares repurchased from the secondary market under the special securities account of the Company. The Group determines the fair value of the shares on the basis of the single-day closing price of the circulating shares on the date when the equity instruments are granted, less the exercise price.

The fair value of granted shares were RMB1,347,548,000 and RMB564,849,000 for 2024 Stock Ownership Scheme and 2023 Stock Ownership Scheme, respectively.

(iv) Share-based compensation expenses

The expense arising from equity-settled share-based payments for the years ended 31 December 2024 and 2023 were RMB1,187,785,000, and RMB1,245,456,000, respectively.

An accumulated amount of RMB1,644,020,000 and RMB2,020,605,000 respectively, for the years ended 31 December 2024 and 2023 has been recognized as share-based payments reserves.

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax for the year	**46,692,117**	40,279,324
Adjustments for:		
Interest income (Note 6)	**(6,367,934)**	(5,977,068)
Finance cost – net (Note 10)	**971,725**	2,287,559
Depreciation and amortization of non-current assets	**7,821,469**	7,346,760
Net (gains)/losses on disposal of property, plant and equipment and other non-current assets (Note 7)	**(214,895)**	60,868
Net impairment (reversal)/losses on financial assets and contract assets (Note 3.1(b))	**(28,676)**	235,002
Impairment provision for inventories and other assets	**1,041,378**	403,399
Share of profit of associates and joint ventures, net (Note 13(a))	**(847,098)**	(680,759)
Net (gains)/losses on financial instruments (Note 7)	**(2,005,139)**	262,395
Net losses on other assets	**107,152**	181,295
Net foreign exchange losses	**76,256**	17,251
Share-based compensation expenses and others	**1,193,484**	1,261,836
Changes in working capital:		
Increase in trade and note receivables	**(12,373,036)**	(8,012,781)
Decrease in contract assets	**447,291**	547,562
Decrease/(increase) in loan receivables	**3,976,311**	(333,006)
(Increase)/decrease in inventories	**(15,794,154)**	206,064
Increase in trade and note payables	**23,997,184**	1,989,270
Increase in contract liabilities	**7,925,662**	12,251,616
Increase in other payables and accruals	**18,244,059**	14,174,995
Changes in other assets and liabilities	**(6,400,289)**	(1,949,716)
Cash generated from operations	**68,462,867**	64,551,866

41. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Non-cash activities

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Purchase of inventories and long-term assets by bank acceptance notes	**65,855,585**	65,413,361
Addition of right-of-use assets (excluding land use rights)	**1,337,491**	2,284,630
	67,193,076	67,697,991

(c) Net debt reconciliation

	Liabilities from financing activities			
	Bank borrowings and others	**Debentures**	**Leases liabilities**	**Total**
At 1 January 2024	**68,487,826**	**3,217,969**	**3,214,220**	**74,920,015**
Financing cash flows	**12,814,112**	**–**	**(1,324,639)**	**11,489,473**
Interest paid for borrowings	**(1,539,478)**	**(92,323)**	**–**	**(1,631,801)**
Interest expense accrued	**2,210,084**	**92,096**	**151,181**	**2,453,361**
Other non-cash movements (i)	**(1,726,802)**	**49,033**	**906,604**	**(771,165)**
At 31 December 2024	**80,245,742**	**3,266,775**	**2,947,366**	**86,459,883**
At 1 January 2023	62,350,510	3,163,616	2,499,622	68,013,748
Financing cash flows	1,274,059	(500,000)	(1,430,001)	(655,942)
Interest paid for borrowings	(2,002,477)	(119,177)	–	(2,121,654)
Acquisition of subsidiaries	3,425,076	522,497	56,876	4,004,449
Interest expense accrued	2,559,961	96,809	151,334	2,808,104
Other non-cash movements (i)	880,697	54,224	1,936,389	2,871,310
At 31 December 2023	68,487,826	3,217,969	3,214,220	74,920,015

(i) The other non-cash movement included currency translation differences on borrowings, maturity of notes receivables that did not qualify for derecognition and lease liability mainly resulted from the new leases contract entered during the years ended 31 December 2024 and 2023.

42. BUSINESS COMBINATIONS

No significant acquisition took place during the year ended 31 December 2024.

For the non-controlling interests in acquirees during the year ended 31 December 2023, the Group elected to recognize the non-controlling interests at its proportionate share of the acquired net identifiable assets.

43. DISPOSAL OF SUBSIDIARIES

Major transactions of disposal of subsidiaries during the year ended 31 December 2024 had no significant impact on the Group's consolidated financial statements.

44. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

No non-controlling interests' transaction made a significant impact of the Group during the year ended 31 December 2024.

The Group acquired certain equity interests of certain subsidiaries from non-controlling shareholders, and the difference between consideration paid and the carrying amount of equity interest acquired was recognized as a decrease of RMB54,307,000 in reserves for the year ended 31 December 2023.

45. RELATED PARTY TRANSACTIONS

(i) Parent entities

Name	Type	Place of incorporation	Ownership interest As at 31 December	
			2024	2023
Midea Holding Co., Ltd.	Ultimate parent entity	Foshan	**28.33%**	30.87%

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

45. RELATED PARTY TRANSACTIONS (Continued)

(ii) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties maybe individuals or other entities.

Save as disclosed in this report, the directors of the Company are of the view that the following parties were significant related parties of the Group that had transactions or balances with the Group for the years ended 31 December 2024 and 2023:

Name of the related party	Relationship with the Group
Orinko Advanced Plastics Co., Ltd. and its subsidiaries	Controlled by immediate family members of the Company's ultimate controlling shareholder
Midea Real Estate Holding Limited and its subsidiaries	Controlled by the Company's ultimate controlling shareholder
Carrier Global Corporation and its subsidiaries	Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries

For the years ended 31 December 2024 and 2023, The following transactions and balances were carried out between the Group and its related parties. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. In addition to those disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

45. RELATED PARTY TRANSACTIONS (Continued)

(iii) Transactions with related parties

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Purchases of goods and services:		
Controlled by immediate family members of the Company's ultimate controlling shareholder	**1,473,644**	1,442,426
Associates and joint ventures of the Group	**966,554**	859,288
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	**518,398**	358,684
Controlled by the Company's ultimate controlling shareholder	**47,922**	36,915
	3,006,518	2,697,313
Sales of goods and rendering of services:		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	**4,722,250**	3,721,933
Associates and joint ventures of the Group	**1,157,649**	939,683
Controlled by the Company's ultimate controlling shareholder	**326,659**	474,962
Controlled by immediate family members of the Company's ultimate controlling shareholder	**121,851**	11,270
	6,328,409	5,147,848
Interest income:		
Associates and joint ventures of the Group	**301,244**	293,347
Dividend income:		
Associates and joint ventures of the Group (Note 13(a))	**594,950**	360,750

45. RELATED PARTY TRANSACTIONS (Continued)

(iv) Balance with related parties

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents		
Associates and joint ventures of the Group	**548,290**	4,604,976
Other financial assets at amortized cost		
Associates and joint ventures of the Group	**6,096,927**	5,900,564
Trade and note receivables at amortized cost		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	**269,365**	283,153
Associates and joint ventures of the Group	**386,550**	183,835
Controlled by the Company's ultimate controlling shareholder	**81,989**	75,472
Controlled by immediate family members of the Company's ultimate controlling shareholder	**17,220**	3,222
	755,124	545,682
Trade and note payables		
Holding company of a principal subsidiary's substantial shareholder together with its subsidiaries	**98,256**	106,645
Associates and joint ventures of the Group	**259,534**	269,155
Controlled by immediate family members of the Company's ultimate controlling shareholder	**99,327**	204,348
Controlled by the Company's ultimate controlling shareholder	**3,091**	897
	460,208	581,045
Contract liabilities		
Controlled by the Company's ultimate controlling shareholder	**10,871**	7,693
Controlled by immediate family members of the Company's ultimate controlling shareholder	**5,229**	534
Associates and joint ventures of the Group	**30,159**	28,588
	46,259	36,815

45. RELATED PARTY TRANSACTIONS (Continued)

(iv) Balance with related parties (Continued)

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments, other receivables and other assets		
Controlled by the Company's ultimate controlling shareholder	**2,229**	–
Controlled by immediate family members of the Company's ultimate controlling shareholder	**1,759**	–
Associates and joint ventures of the Group	**1,391**	1,777
	5,379	1,777
Other payables and accruals		
Controlled by the Company's ultimate controlling shareholder	**4,663**	1,600
Controlled by immediate family members of the Company's ultimate controlling shareholder	**1,769**	69
Associates and joint ventures of the Group	**4,675**	18,873
	11,107	20,542

As at 31 December 2024 and 2023, customers deposits are from the associates and joint ventures of the Group. Other financial assets at amortized cost and other financial assets at FVOCI were non-trade in nature. Trade and note receivables at amortized cost, trade and note payables, contract liabilities, prepayments, other receivables and other assets and other payables and accruals were trade in nature.

The non-trade in nature balances as at 31 December 2024 are other financial assets at amortized cost, which will be mature until July 2026 according to the agreements.

45. RELATED PARTY TRANSACTIONS (Continued)

(v) Key management compensation

Compensation of the key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in Note 9, was as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Fee	**1,800**	1,800
Salaries, wages, bonuses and benefits in kind (including contributions to pension plans)	**132,523**	120,684
Share-based compensation expenses	**182,241**	124,707
	316,564	247,191

As at 31 December 2024 and 2023, the short-term benefits disclosed above include RMB83,205,000 and RMB73,726,000 of bonuses payable under a short-term incentive scheme which were unpaid as at year end and are included in other payables and accruals. The share-based payments provided to key management personnel consist of stock option incentive plans, restricted share incentive schemes and stock ownership schemes which are equity-settled, see note 40.

46. COMMITMENTS

Capital commitments

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Contracted, but not provided for purchase of property, plant and equipment	**4,595,387**	4,005,911

In April 2024, the Group entered into an agreement with Arbonia AG to acquire all equity interest of its Climate division. The Group completed the acquisition with a consideration of EUR542 million in February 2025.

In June 2024, the Group entered into an agreement with Heritage B B.V. to acquire 97.38% equity interests of Teka Industrial, S.A., which designs and manufactures household appliances and sinks. The acquisition consideration of the transaction is approximately EUR175 million. The transaction has not been completed as of the date of this report.

47. CONTINGENCIES

As at 31 December 2024, the amounts of the maximum potential loss in tax disputes involving Brazilian subsidiary with 51% interests held by the Company were approximately BRL570 million (equivalent to approximately RMB661 million). Some of these cases have been ongoing for more than 10 years. The above amounts included the principal, penalties, related interest, etc. According to the agreement signed between the Company and the original shareholders of the Brazilian subsidiary prior to the acquisition (the "Original Shareholders"), the Original Shareholders have committed to compensating the Company according to verdict results of the above tax disputes. As at 31 December 2024, the maximum remaining compensation commitment of the Original Shareholders is approximately BRL131 million (equivalent to approximately RMB152 million). As at the date of this report, the relevant cases were still ongoing. Upon consulting the Group's external legal counsel, management believes that the probability of losing the lawsuits is low. Accordingly, management has made necessary provision based on its best estimate.

48. SUBSEQUENT EVENTS

Expect for the above events as disclosed elsewhere in this report, there are no other significant events that occurred subsequent to 31 December 2024.

49. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2024	2023
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,575,284**	2,050,932
Right-of-use assets		**607,948**	585,397
Investment properties		**369,455**	393,988
Deferred tax assets		**156,359**	289,426
Prepayments, other receivables and other assets		**23,532,003**	324,180
Investments in associates and joint ventures		**3,768,525**	3,559,731
Investments in subsidiaries		**104,566,516**	72,398,113
Other financial assets at amortized cost		**64,882,760**	70,880,635
Other financial assets at fair value through other comprehensive income		**–**	3,334,059
Other financial assets at fair value through profit or loss		**299,348**	285,170
Total non-current assets		**200,758,198**	154,101,631
Current assets			
Prepayments, other receivables and other assets		**26,689,025**	20,019,238
Derivative financial instruments		**208,243**	–
Other financial assets at amortized cost		**46,088,446**	48,703,727
Other financial assets at fair value through other comprehensive income		**3,441,614**	4,049,224
Other financial assets at fair value through profit or loss		**4,524,109**	299,001
Term deposits and restricted cash		**11,559,130**	977,444
Cash and cash equivalents		**6,882,690**	29,283,158
Total current assets		**99,393,257**	103,331,792
Total assets		**300,151,455**	257,433,423

49. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		**7,599,900**	16,600,000
Lease liabilities		**1,523**	–
Deferred income		**204,289**	157,917
Total non-current liabilities		**7,805,712**	16,757,917
Current liabilities			
Borrowings		**10,849,700**	7,019,900
Lease liabilities		**1,453**	2,010
Other payables and accruals		**174,989,564**	171,422,566
Total current liabilities		**185,840,717**	178,444,476
Total liabilities		**193,646,429**	195,202,393
EQUITY			
Share capital		**7,655,956**	7,025,769
Treasury shares		**(5,728,446)**	(12,871,738)
Reserves	(a)	**68,923,698**	40,175,469
Retained earnings	(b)	**35,653,818**	27,901,530
Total equity		**106,505,026**	62,231,030
Total equity and liabilities		**300,151,455**	257,433,423

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2025 and were signed on its behalf.

Fang Hongbo
Chairman

Wang Jianguo
Director

49. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Reserves

	Share-based payments reserves RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2024	**2,706,105**	**26,324,507**	**10,702,928**	**441,929**	**40,175,469**
Issuance of H share IPO	**–**	**31,495,383**	**–**	**–**	**31,495,383**
Cancellation of shares	**–**	**(5,089,600)**	**–**	**–**	**(5,089,600)**
Share-based payment:					
– Share-based compensation expenses	**1,187,519**	**–**	**–**	**–**	**1,187,519**
– Exercise of the stock option	**(692,840)**	**3,082,210**	**–**	**–**	**2,389,370**
– Exercise or lapse of other share schemes	**(827,420)**	**(524,970)**	**–**	**–**	**(1,352,390)**
Share of OCI of investments in associates and joint ventures, net of tax	**–**	**–**	**–**	**30,077**	**30,077**
Others	**–**	**–**	**–**	**87,870**	**87,870**
At 31 December 2024	**2,373,364**	**55,287,530**	**10,702,928**	**559,876**	**68,923,698**
At 1 January 2023	2,927,774	24,452,338	10,702,928	440,417	38,523,457
Share-based payment:					
– Share-based compensation expenses	1,244,929	–	–	–	1,244,929
– Exercise of the stock option	(536,639)	2,317,783	–	–	1,781,144
– Exercise or lapse of other share schemes	(929,959)	(445,614)	–	–	(1,375,573)
Share of OCI of investments in associates and joint ventures, net of tax	–	–	–	(960)	(960)
Others	–	–	–	2,472	2,472
At 31 December 2023	2,706,105	26,324,507	10,702,928	441,929	40,175,469

49. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Retained earnings

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At the beginning of the year	**27,901,530**	27,719,633
Net profit	**28,517,064**	17,326,161
Dividends (Note 39)	**(20,764,776)**	(17,144,264)
At the end of the year	**35,653,818**	27,901,530

50. SUMMARY OF OTHER ACCOUNTING POLICIES

50.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

On the situation that the Group holds no more than 50% of the voting rights, the Group comprehensively evaluates whether it has de-facto control over the invested entity based on factors such as laws and regulations, agreements among shareholders, the dispersion of equity held by other shareholders, the historical decision-making process and outcomes, and the degree of business synergy with the invested entity.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 50.2).

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.1 Principles of consolidation and equity accounting (Continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated statement of financial position.

(d) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 50.9.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.1 Principles of consolidation and equity accounting (Continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.2 Business combinations

The acquisition method of accounting is used to account for all business combinations by the Group, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment test of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill.

50.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since the majority of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is also the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.4 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position of the Group's entities are translated at the closing rate at the end of the reporting period;

- income and expenses for each income statement of the Group's entities are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.5 Leases

(i) The Group as the lessee:

The Group's accounting policy for leases is explained in Note 15.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.5 Leases (Continued)

(i) The Group as the lessee: (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group also has interests in leasehold land and land use rights for use in its operations. Lump sum payments were made upfront to acquire these land interests from their previous registered owners or governments in the jurisdictions where the land is located. There are no ongoing payments to be made under the term of the land leases, other than insignificant lease renewal costs or payments based on rateables value set by the relevant government authorities. These payments are stated at cost and are amortized over the term of the lease which includes the renewal period if the lease can be renewed by the Group without significant cost.

(ii) The Group as the lessor:

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.6 Property, plant and equipment

The Group's accounting policy for property, plant and equipment is explained in Note 14. All property, plant and equipment are stated at historical costs less accumulated depreciation and accumulated impairment charges. Historical costs include expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the periods in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 50.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statement of comprehensive income.

Construction in progress mainly represents property, plant and equipment under construction and is stated at cost less impairment losses. It will be reclassified to the relevant property, plant and equipment category upon completion and available for use.

50.7 Investment properties

Investment properties of the Group are interests in land and buildings held to earn rental income, including properties under construction for such purpose, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	20 to 40 years
Land use rights	30 to 50 years

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.7 Investment properties (Continued)

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. As at 31 December 2024 and 2023, the fair values are not materially different from their original cost.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

50.8 Intangible assets

The Group's accounting policy for intangible assets is explained in Note 16.

Research and development

All research costs are charged to the statement of profit or loss as incurred.

Development costs are capitalised only when all the following conditions are met:

- the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; and

- its intention to complete and its ability to use or sell the asset; and

- how the asset will generate economic benefits (including demonstration that the product derived from the intangible asset or the intangible asset itself will be marketable or, in the case of internal use, the usefulness of the intangible asset as such); and

- the availability of technical and financial resources to complete the project and procure the use or sale of the intangible asset; and

- the ability to measure reliably the expenditure during the development.

Self-developed systems and software, when the development is done and ready for use, are stated at cost less any impairment losses. The development costs are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding ten years.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.9 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

50.10 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when one of the following criteria is met: (i) the contractual rights to receive cash flows from the financial asset have expired, (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, or (iii) the financial asset has been transferred to the transferee 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.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.10 Financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net, and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.10 Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in 'other (losses)/gains, net' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.10 Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVOCI and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 24. Movements in the hedging reserve in shareholders' equity are shown in Note 38.

(i) Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other income or other gains/(losses), net.

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI in the costs of hedging reserve within equity.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.11 Derivative financial instruments and hedging activities (Continued)

(i) Cash flow hedge that quantity for hedge accounting (Continued)

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognized within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), net.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.12 Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at FVPL at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortized cost, including trade and note payables, other payables and accruals, borrowings and customer deposit. Such financial liabilities are initially recognized at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

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

50.13 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method when issued. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using first-in-first-out method.

50.14 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognized as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Restricted and pledged bank deposits are not included in cash and cash equivalents.

50.16 Share capital and capital reserve

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

50.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

50.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.18 Borrowings (Continued)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

50.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

50.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future (Note 17).

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.21 Current and deferred income tax (Continued)

(iii) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

50.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.22 Employee benefits (Continued)

(iii) Post-employment benefits

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

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 social basic pensions are made by the Group according to the 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 recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

Supplementary retirement benefits

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

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.23 Share-based payments

Share-based payments can be distinguished into equity-settled share-based payments and cash-settled share-based payments. Equity-settled share-based payments are transactions of the Group settled through the payment of shares or other equity instruments in consideration for receiving services.

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. Instruments which are vested immediately upon the grant are charged to relevant costs or expenses at the fair value on the date of grant and the capital reserve is credited accordingly. Instruments of which vesting is conditional upon completion of services or fulfillment of performance conditions are measured by recognizing services rendered during the period in relevant costs or expenses and crediting the capital reserve accordingly at the fair value on the date of grant according to the best estimates conducted by the Group at each date of the end of the reporting period during the pending period. The fair value of equity instruments is determined using the binomial option pricing model. For details see Note 40. Share-based payment.

No expense is recognized for awards that do not ultimately vest due to non-fulfillment of non-market conditions and/or vesting conditions. For the market or non-vesting condition under the share-based payments agreement, it should be treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that other performance condition and/or vesting conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum, services obtained are recognized as if the terms had not been modified. In addition, an expense is recognized for any modification which increases the total fair value of the instrument ranted or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, equity-settled share-based payments are deemed cancelled. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new awards are treated as if they were a modification of the original award.

50.24 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

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

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

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

50.26 Dividend income

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

50.27 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by

- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (excluding treasury shares).

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.27 Earnings per share (Continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

50.28 Government grants

Government grants relating to income are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

50.29 Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

50. SUMMARY OF OTHER ACCOUNTING POLICIES (Continued)

50.29 Related party (Continued)

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate of the other entity (or a associate of a member of a group of which the other entity is a member).

(iii) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(iv) The entity is controlled or jointly controlled by a person identified in (a).

(v) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(vi) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.


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