

**Hisense** 海信家電

海信家電集團股份有限公司

Hisense Home Appliances Group Co., Ltd.

Stock Code: 00921

**Hisense**



2020欧洲杯全球官方合作伙伴



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## CORPORATE INFORMATION

Hisense Home Appliances Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group") is a major manufacturer of electrical appliances in the People's Republic of China (the "PRC" or "China"). Founded in 1984 and headquartered in Shunde District, Guangdong Province, the PRC, the Company is principally engaged in research and development, production and marketing of electrical appliances such as refrigerators, residential air-conditioners, central air-conditioners, freezers, washing machines and kitchen electrical appliances. In 1996 and 1999 respectively, the Company's shares were listed on the main boards of The Stock Exchange of Hong Kong Limited and the Shenzhen Stock Exchange, with stock code of 00921 (H Shares) and 000921 (A Shares), respectively.

### REGISTERED OFFICE IN CHINA

No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, The People's Republic of China

### PLACE OF BUSINESS IN HONG KONG

Room 3101-3105, Singa Commercial Centre, No. 148 Connaught Road West, Hong Kong

### SECRETARY FOR THE BOARD OF DIRECTORS & COMPANY SECRETARY

Secretary for the Board: Huang Qian Mei  
Company Secretary: Wong Tak Fong

### AUTHORISED REPRESENTATIVES

Tang Ye Guo  
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### I. INDUSTRY OVERVIEW

During the six months ended 30 June 2020 (“Reporting Period”), due to the adverse impact of the novel coronavirus (“COVID-19”) epidemic, the demand in household appliance industry was sluggish and the market size has contracted as compared with last year. According to the inferential statistics from China Market Monitor Company Limited (“CMM”), for the first half of 2020, the cumulative retail sales volume and amount in the domestic refrigerator segment decreased by 7.0% and 11.1% year-on-year, respectively; the cumulative retail sales volume and amount in the domestic air-conditioning segment decreased by 15.3% and 26.0% respectively, as compared to the corresponding period last year. According to the Report on Central Air-conditioning Market of China in the First Half of 2020 issued by aircon (艾肯), the overall domestic central air-conditioning market capacity in the first half of 2020 decreased by 14.9% year-on-year. Household appliance enterprises are facing severe and complex operating situations.

### II. ANALYSIS OF THE COMPANY’S OPERATION

During the Reporting Period, in the face of severe challenges, the Company adhered to the business philosophy of “making good, high-quality products”, vigorously promoted mid-to-high-end products while actively optimising product structure. Meanwhile, as the “offline” market was adversely impacted by COVID-19, the Company actively changed its marketing model to ensure stable operations. The Company achieved operating revenues of RMB21.087 billion, representing a year-on-year increase of 11.27% for the Reporting Period. In terms of products, the air-conditioner business achieved principal operating revenue of RMB11.208 billion, representing a year-on-year increase of 25.72%; the refrigerator and washing machines business achieved principal operating revenue of RMB7.267 billion, representing a year-on-year decrease of 5.13%. In terms of domestic and overseas revenues, principal operating revenues of domestic sales business and export sales business amounted to RMB12.491 billion and RMB6.683 billion respectively, representing year-on-year increases of 13.59% and 5.52% respectively.

During the Reporting Period, net profits attributable to shareholders of the Company amounted to RMB503 million, representing a year-on-year decrease of 47.56%. Notwithstanding the decrease, the performance of the Group in the second quarter of 2020 improved significantly as compared with the first quarter.

The major performance of each business is as follows:

#### 1. Air-conditioner business

##### *Central air-conditioner business:*

During the Reporting Period, despite the fact that the industry has generally suffered from year-on-year decline in performance, Hisense Hitachi, through exploring innovative marketing models, strengthening the promotion of mid-to-high-end products and empowering strategic partners, was able to consolidate and improve business confidence of its terminal clients and its capabilities of sales and operation, laying a solid foundation for subsequent recovery in scale. In the second quarter of 2020, operating revenue of Hisense Hitachi achieved a double-digit growth as compared with the corresponding period last year, of which revenue of labour and installation achieved a year-on-year increase of over 20%. In addition, with the continuous addition of premium products, the Hisense Hi-Multi New M2 series of central air-conditioner was launched as scheduled, which provides a comprehensive air-conditioning system solution for broader usage in more settings. The competitiveness of the Group’s air-conditioning products was continuously highlighted, with the Hisense 5G version of the Honorary Home (榮耀家) series of central air-conditioner being award the title of “2020 Outstanding Product Award for Ingenuity and Quality” in the 2020 International Quality Manufacturing Festival.

**II. ANALYSIS OF THE COMPANY'S OPERATION** — *Continued***1. Air-conditioner business** — *Continued****Residential air-conditioner business:***

During the Reporting Period, the Group's air-conditioner company continued to be user-oriented, focused on value marketing, and realised continuous innovation and breakthroughs in technology and products surrounding the user needs of "comfort, health, green, and smart". In line with the consumption trend of healthy household appliances, the Company took the lead in formulating the first group standard for domestic "Fresh Air" (新風) air-conditioners – "Room Air-Conditioners with Fresh Air Function", and actively launched the "Fresh Air" series of new air-conditioners to continuously optimise product structure and promote product competitiveness. According to the statistics from CMM, the Company's offline cumulative sales volume of "Fresh Air" cabinet air-conditioners and "Fresh Air" on-board air-conditioner ranked the second and the third in the industry, respectively. With its outstanding performance, Hisense X7 "Fresh Air" cabinet air-conditioner has passed rigorous testing and became the only "Fresh Air" air-conditioning product in the world which has passed the accreditation of JQA (Japan Quality Assurance Organisation). The continuous improvement of product power and user experience has driven the simultaneous increase of both the customer satisfaction in the Company's air-conditioning products and the Group's overall brand influence. In the "2020 China's Customer Satisfaction Index (C-CSI) Brand Ranking and Analysis Report", which was regarded as the "consumption weather vane in China", the Group's product strength is further demonstrated when customer satisfaction of Hisense air-conditioner ranked the third in the air-conditioning category.

**2. Refrigerator and washing machine business**

During the Reporting Period, the Group's refrigerator company adhered to its high-end strategy, enhanced product competitiveness with technologies, continued to optimise sales structure, expanded into the high-end market, and kept up with the rising trend of "livestream sale of products" to continuously innovate and promote the media communication model, rapidly expand the Group's brand and product fame, strengthen product and brand promotion, and achieve a breakthrough in the market share of high-end products. According to the statistics of CMM, in the first half of 2020, the cumulative online and offline retail market share of the two brands under the Company, "Hisense" and "Ronshen", increased by 1.6 percentage point. The Ronshen WILL Refrigerator repeatedly topped the CMM weekly best-selling list of refrigerators valued at over RMB10,000 since it was being launched, and the Hisense VACUUM Refrigerator has as well constantly entered top 10 of the best-selling list with its unique ice temperature technology. As for washing machines, focusing on the serialised matrix of "tri-tube washing, steaming, ironing and washing, swirling and waterfall washing, and maternity washing", the Group continues to create industry-leading new technologies and new products, especially the deep cultivation of "steaming, ironing and washing" technologies, to become the first manufacturer in the industry in setting the group standard for "steaming, ironing and washing" technologies. Following the launch of the Hisense Warm Idol S9 washing machine featuring "fast steaming and wrinkle removal within 15 minutes" in March 2020, the Group's products and technologies have been further upgraded. In July 2020, the black technology "ion steaming, ironing and streaming" was released with the launch of the new Hisense steaming and ironing washing machine S60, which integrates the functions of "washing, protecting and drying clothes, and ironing". In addition, the Group's refrigerator company actively developed overseas business, fully utilised its production capacity and product advantages, ensured that overseas orders were delivered on time, and, as a result, larger growth in export sales revenue was achieved.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Did the Company need to make retrospective adjustment to or restatement of the accounting data of prior years?

Yes  No

Unit: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	21,086,699,809.27	18,950,275,309.93	11.27
Net profits attributable to shareholders of the Company (RMB)	503,307,515.41	959,746,468.35	-47.56
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	331,261,366.70	878,846,308.56	-62.31
Net cash flow from operating activities (RMB)	2,540,816,943.34	1,969,095,990.99	29.03
Basic earnings per share (RMB/share)	0.37	0.70	-47.14
Diluted earnings per share (RMB/share)	0.37	0.70	-47.14
Weighted average rate of return on net assets (%)	5.67	12.36	-6.69 percentage point

Item	At the end of the Reporting Period	At the end of 2019	Increase or decrease as compared to last year (%)
Total assets (RMB)	36,679,569,955.56	33,990,663,543.85	7.91
Net assets attributable to shareholders of the Company (RMB)	8,687,022,218.53	8,721,593,732.62	-0.40

(II) NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Unit: RMB

Item	Amount	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-250,761.55	
Government grants recognised in the profits or losses (excluding government grants closely related to the Company's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	124,509,272.22	
Profit and losses from assets which entrust others to invest or manage	43,263,435.60	
Other non-operating income and expenses other than the aforementioned items	42,303,144.08	
Less: Effect of income tax	23,431,285.74	
Effect of minority interests (after tax)	14,347,655.90	
Total	172,046,148.71	

## MANAGEMENT DISCUSSION AND ANALYSIS

### III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — *Continued*

#### (III) ANALYSIS OF PRINCIPAL BUSINESS

##### 1. *Changes of major financial information as compared to corresponding period in previous year*

*Unit: RMB*

Item	Closing balance at the end of the Reporting Period	Opening balance at the beginning of the Reporting Period	Change (%)	Reasons of change
Other non-current assets	2,879,988,617.82	2,148,329,801.65	34.06	Mainly due to the increase of fixed term deposit at the end of the Reporting Period.
Accounts payable	6,916,897,072.87	5,317,357,636.81	30.08	Mainly due to the increase of purchase amount with the increase of sales since the end of the Reporting Period is a peak season of sales.

  

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Change (%)	Reasons of change
Operating revenue	21,086,699,809.27	18,950,275,309.93	11.27	No significant changes
Operating costs	16,242,231,290.38	15,091,028,662.14	7.63	No significant changes
Sales expenses	2,929,008,342.00	2,624,883,463.85	11.59	No significant changes
Management expenses	314,893,289.04	241,004,121.20	30.66	Mainly due to the consolidation of the financial results of Hisense Hitachi into those of the Group for the Reporting Period (the "Consolidation of Hisense Hitachi").
Research and development expenses	570,088,355.30	377,178,975.93	51.15	Mainly due to the increase of research and development expenses and the Consolidation of Hisense Hitachi.
Financial expenses	-70,444,472.45	14,787,894.44	Not applicable	Mainly due to the increase of interest income.
Investment income	52,520,463.97	498,007,782.36	-89.45	Mainly due to the profits of Hisense Hitachi being recognised by equity method and listed under investment gain in the corresponding period last year before the consolidation of Hisense Hitachi.
Non-operating income	103,853,562.74	66,745,068.73	55.60	Mainly due to the Consolidation of Hisense Hitachi.
Income tax expenses	261,703,838.42	122,414,482.21	113.79	Mainly due to the Consolidation of Hisense Hitachi.
Cash received from sales of goods and rendering of service	17,833,168,508.85	13,398,803,503.74	33.10	Mainly due to the Consolidation of Hisense Hitachi.
Cash paid for purchases of commodities and receipt of services	11,105,370,886.09	8,123,396,535.83	36.71	Mainly due to the Consolidation of Hisense Hitachi.
Cash paid for taxes and surcharges	912,166,726.27	640,693,975.21	42.37	Mainly due to the Consolidation of Hisense Hitachi.
Net cash flow from operating activities	2,540,816,943.34	1,969,095,990.99	29.03	No significant changes

**III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — Continued**
**(III) ANALYSIS OF PRINCIPAL BUSINESS — Continued**
**1. Changes of major financial information as compared to corresponding period in previous year — Continued**

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Change (%)	Reasons of change
Cash received from recovery of investments	27,930,000.00	753,441,600.00	-96.29	Mainly due to the profits of Hisense Hitachi being recognised by equity method and dividends were received in the corresponding period last year before the consolidation of Hisense Hitachi.
Cash received from investment income	43,263,435.60	12,582,123.27	243.85	Mainly due to the increase of investment gain received from expired wealth management products for the Reporting Period.
Cash received relating to other investing activities	5,339,490,186.08	790,000,000.00	575.88	Mainly due to the increase in recovery of expired wealth management products and fixed term deposit in the Reporting Period.
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	176,306,048.83	129,728,799.89	35.90	Mainly due to the Consolidation of Hisense Hitachi.
Cash paid relating to other investing activities	6,352,500,000.00	1,980,000,000.00	220.83	Mainly due to the increase of purchase of wealth management products and additional fixed term deposit in the Reporting Period.
Net cash flow from investing activities	-1,117,975,720.54	-553,341,688.58	Not applicable	Mainly due to the increase of purchase of wealth management products and additional fixed term deposit in the Reporting Period.
Cash paid for distribution of dividends, profits or payment of interest expenses	432,813,844.46	23,380,327.66	1751.19	Mainly due to the Consolidation of Hisense Hitachi.
Net cash flow from financing activities	-1,414,862,522.90	-710,572,704.38	Not applicable	Mainly due to the Consolidation of Hisense Hitachi.
Net increase in cash and cash equivalents	7,467,861.92	704,697,522.03	-98.94	Mainly due to the profits of Hisense Hitachi being recognised by equity method and dividends were received in the corresponding period last year before the consolidation of Hisense Hitachi.

There were no significant changes on the composition or source of profits for the Reporting Period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — *Continued*

#### (III) ANALYSIS OF PRINCIPAL BUSINESS — *Continued*

##### 2. *Composition of operating revenue*

*Unit: RMB*

Item	The Reporting Period		The corresponding period last year		Change (%)
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	
Total operating revenue	21,086,699,809.27		18,950,275,309.93		11.27
<b>By industry</b>					
Home appliances manufacturing industry	19,173,965,773.80	90.93	17,329,449,608.54	91.45	10.64
<b>By product</b>					
Air-conditioners	11,207,575,905.80	53.15	8,914,777,401.66	47.04	25.72
Refrigerators and washing machines	7,266,745,240.35	34.46	7,659,743,689.33	40.42	-5.13
Others	699,644,627.65	3.32	754,928,517.55	3.98	-7.32
<b>By region</b>					
Mainland	12,491,456,155.12	59.24	10,996,497,355.33	58.03	13.59
Overseas	6,682,509,618.68	31.69	6,332,952,253.21	33.42	5.52

##### 3. *Analysis of principal business segments and gross profit margin*

*Unit: RMB*

Item	Principal operating revenue	Principal operating costs	Gross profit margin (%)	Increase or decrease in principal operating revenue as compared to corresponding period last year (%)	Increase or decrease in principal operating costs as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
<b>By industry</b>						
Home appliances manufacturing industry	19,173,965,773.80	14,447,911,708.69	24.65	10.64	6.38	3.02
<b>By product</b>						
Air-conditioners	11,207,575,905.80	8,221,893,451.48	26.64	25.72	15.82	6.27
Refrigerators and washing machines	7,266,745,240.35	5,666,730,740.56	22.02	-5.13	-3.39	-1.41
Others	699,644,627.65	559,287,516.65	20.06	-7.32	-9.32	1.76
<b>By region</b>						
Mainland	12,491,456,155.12	8,384,460,922.22	32.88	13.59	7.88	3.56
Overseas	6,682,509,618.68	6,063,450,786.47	9.26	5.52	4.39	0.98

## MANAGEMENT DISCUSSION AND ANALYSIS

### IV. ASSETS AND LIABILITIES POSITION

#### (I) SIGNIFICANT CHANGES IN ASSET ITEMS

Unit: RMB

Item	At the end of the Reporting Period		At the beginning of the Reporting Period		Change (percentage point)	Explanation of significant changes
	Amount	Weighting to total assets (%)	Amount	Weighting to total assets (%)		
Cash at bank and on hand	6,689,879,614.82	18.24	6,120,563,237.47	18.01	0.23	No significant changes
Accounts receivable	5,060,522,094.47	13.8	3,967,576,310.11	11.67	2.13	No significant changes
Inventories	3,578,309,334.28	9.76	3,498,945,347.28	10.29	-0.53	No significant changes
Investment properties	18,910,228.04	0.05	20,240,850.71	0.06	-0.01	No significant changes
Long-term equity investment	449,817,212.77	1.23	468,080,722.63	1.38	-0.15	No significant changes
Fixed assets	3,718,188,762.22	10.14	3,813,541,683.85	11.22	-1.08	No significant changes
Construction in progress	202,244,635.03	0.55	216,943,108.59	0.64	-0.09	No significant changes
Short-term borrowings	-	-	100,083,424.66	0.29	-0.29	Mainly due to the repayment of the short-term bank loan borrowed by a subsidiary at the end of the Reporting Period

#### (II) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Unit: RMB

Item	Amount at the beginning of the Reporting Period	Gain or loss from change in fair value during the Reporting Period	Accumulated changes in fair value accounted in equity	Impairment provided during the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Other changes	Amount at the end of the Reporting Period
<b>Financial assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	2,120,000,000.00				3,600,000,000.00	3,280,000,000.00		2,440,000,000.00
2. Derivative financial assets		425,542.00			425,542.00			425,542.00
3. Other investments in debt	4,099,608,704.80				135,169,243.12			4,234,777,947.92
4. Other investments in equity instruments								
Sub-total of financial assets	6,219,608,704.80	425,542.00			3,735,594,785.12	3,280,000,000.00	-	6,675,203,489.92
Investment properties								
Productive biological assets								
Others								
<b>Total</b>	<b>6,219,608,704.80</b>	<b>425,542.00</b>			<b>3,735,594,785.12</b>	<b>3,280,000,000.00</b>		<b>6,675,203,489.92</b>
<b>Financial liabilities</b>		<b>1,233,219.00</b>			<b>1,233,219.00</b>			<b>1,233,219.00</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### IV. ASSETS AND LIABILITIES POSITION — *Continued*

#### (III) RESTRICTIONS ON ASSET RIGHTS AT THE END OF THE REPORTING PERIOD

Save for the earnest money and notes receivable required to be pledged for issuing electronic bank acceptance drafts (for details, please refer to Note VI. 55 to the financial statements), as at the end of the Reporting Period, none of the major assets of the Company was being sealed up, impounded, frozen, mortgaged or pledged and there existed no other restrictions on the Company's rights on its major assets.

### V. INVESTMENT POSITION

#### (I) FINANCIAL ASSETS MEASURED AT FAIR VALUE

*Unit: RMB*

Assets category	Investment cost at the beginning of the Reporting Period	Gain or loss from change in fair value during the Reporting Period	Accumulated changes in fair value accounted in equity	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Accumulated investment gain	Amount at the end of the Reporting Period	Source of funding
Derivative financial instruments		425,542.00		425,542.00			425,542.00	Export trade payment
Total		425,542.00		425,542.00			425,542.00	-

V. INVESTMENT POSITION — *Continued*

(II) DERIVATIVES INVESTMENT

*Unit: RMB (in ten thousand)*

Name of operator of derivatives investment	Connected relationship	Whether it is a connected transaction or not	Type of derivatives investment	Initial investment of derivatives investment	Effective date	Expiry date	Investment at the beginning of the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Amount of provision for impairment (if any)	Investment at the end of the Reporting Period	Proportion of investment to the net asset of the Company at the end of the Reporting Period (%)	Actual amount of profit and loss during the Reporting Period
Bank	No	No	Forward foreign exchange contracts		1 January 2020	30 June 2020		24,687.35	10,707.40		13,979.95	1.61	-151.78
Source of derivatives investment funding												Export trade payment	
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)												14 April 2020	
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)												Not applicable	
Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.)				The derivatives business of the Company mainly represents the forward foreign exchange contracts used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose.									
				The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and the "Internal Control System for Forward Foreign Exchange Capital Transactions". The measures specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business.									
Changes in market price or product fair value of invested derivatives during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value				The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognised as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognised a loss on change in fair value of the derivatives of RMB0.8077 million. Investment loss amounted to RMB0.7101 million, resulting in a total loss of RMB1.5178 million.									
Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the Reporting Period and the corresponding period last year				During the Reporting Period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to the corresponding period last year.									
Specific opinions of independent Directors on the derivatives investment and risk control of the Company				Opinion of independent non-executive directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the "Internal Control System for Forward Foreign Exchange Capital Transactions" to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.									

## MANAGEMENT DISCUSSION AND ANALYSIS

### VI. PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

*Unit: RMB ten thousand*

Product type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 30 June 2020	Amount of undue principal and return as at 30 June 2020	Overdue balance return as at 30 June 2020
Wealth management products of banks	Self-owned funds	244,000.00	244,000.00	
<b>TOTAL</b>		244,000.00	244,000.00	

During the Reporting Period, the Company did not have high-risk entrusted wealth management the individual amount of which was significant, and the Company was not aware of any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management.

### VII. MAJOR SUBSIDIARIES AND COMPANIES IN WHICH THE COMPANY HAS EQUITY INTEREST

*Unit: RMB ten thousand*

Name of company	Company type	Major product or service	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hisense Hitachi	A subsidiary of the Company	Production and sale of central air-conditioners	US\$150 million	1,324,419.85	593,147.15	559,073.78	98,204.56	81,023.82

### VIII. THE RISKS FACED BY THE GROUP AND OUTLOOK

The major risks faced by the Group are as follows:

1. Macroeconomic cyclical fluctuation risk. If the macroeconomic growth trend slows down, domestic consumption may be insufficient to support the industry, which will affect the consumer demand for household appliances.
2. Market risks brought about by trade barriers that may continue to increase. In order to protect their own economic interests, some countries and regions have imposed higher tariffs and compulsory certification, resulting in increased operating costs.
3. Exchange rate fluctuation risk. If the RMB exchange rate fluctuates sharply, it will directly affect the cost competitiveness of the Company's export products, thereby affecting the profitability of its export business.
4. Increasing costs risk. If the price of raw materials increases significantly, it will affect the Company's product costs. In addition, the rising cost of installation services may adversely affect the Company's profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS

### VIII. THE RISKS FACED BY THE GROUP AND OUTLOOK — *Continued*

For the second half of 2020, major tasks of the Group are as follows:

1. Maintaining scale and adjusting structure: Focusing on key domestic and overseas markets, incremental markets and market segments, enriching marketing and promotion models, promoting cooperation by forming cross-industry alliance, and achieving steady growth in scale, deepening technological innovation, creating differentiated high-end products while continuously implementing high-end strategies, focusing on high-end promotion, constantly improving the sales structure, and gaining a larger share of the high-end market.
2. Creating high-quality products and enhancing product capabilities: Continuously refining the quality system construction and improving key technologies, creating high-quality differentiated products and enhancing product competitiveness.
3. Achieving efficiency improvement and upgrade: Firmly implementing smart manufacturing strategies, promoting smart manufacturing and in-depth transformation, enhancing supply chain delivery capabilities while further improving the level of informatisation and promoting mass consumption to help improve system efficiency.
4. Enhancing brand value: Deploying multi-brand operations, clarifying and forming effective brand positioning and differentiation, strengthening brand labels, raising brand awareness, and enhancing brand value.
5. Strictly controlling capital risks: Strengthening the management and control of the payment terms, reducing the keeping of idle funds, accelerating capital turnover and improving the proceeds utilisation capabilities.

### IX. PARTICULARS OF CONNECTED TRANSACTIONS IN RELATION TO ORDINARY BUSINESS OCCURRED DURING THE REPORTING PERIOD

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Purchase	Finished goods	Agreed price	186.73	0.01
Hisense Visual Technology	Purchase	Finished goods	Agreed price	0.61	Less than 0.01
Hisense International	Purchase	Finished goods	Agreed price	1,967.58	0.12
Johnson Hitachi	Purchase	Finished goods	Agreed price	1,462.30	0.09
Hisense Group	Purchase	Materials	Agreed price	15,760.25	0.97
Hisense Visual Technology	Purchase	Materials	Agreed price	1,450.57	0.09
Johnson Hitachi	Purchase	Materials	Agreed price	17,980.91	1.11
Hisense Group	Receipt of services	Receipt of services	Agreed price	22,723.71	1.40
Hisense Visual Technology	Receipt of services	Receipt of services	Agreed price	1,121.88	0.07
Hisense International	Receipt of services	Receipt of services	Agreed price	282.08	0.02
Hisense Marketing Management	Receipt of services	Receipt of services	Agreed price	7,501.65	0.46
Johnson Hitachi	Receipt of services	Receipt of services	Agreed price	1,101.66	0.07
Hisense Hong Kong	Receipt of purchase financing agency services	Receipt of purchase financing agency services	Agreed price	16,150.92	0.99
Hisense Group	Sale	Finished goods	Agreed price	11,031.91	0.52
Hisense Visual Technology	Sale	Finished goods	Agreed price	85.82	Less than 0.01
Hisense International	Sale	Finished goods	Agreed price	587,057.30	27.84
Hisense Marketing Management	Sale	Finished goods	Agreed price	16,610.79	0.79
Johnson Hitachi	Sale	Finished goods	Agreed price	12,418.26	0.59
Hisense Group	Sale	Materials	Agreed price	6,100.13	0.29

## MANAGEMENT DISCUSSION AND ANALYSIS

### IX. PARTICULARS OF CONNECTED TRANSACTIONS IN RELATION TO ORDINARY BUSINESS OCCURRED DURING THE REPORTING PERIOD — *Continued*

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Visual Technology	Sale	Materials	Agreed price	69.31	Less than 0.01
Hisense International	Sale	Materials	Agreed price	2,092.55	0.10
Johnson Hitachi	Sale	Materials	Agreed price	578.00	0.03
Hisense Visual Technology	Sale	Moulds	Market price	2,979.36	0.14
Hisense International	Sale	Moulds	Market price	1,792.22	0.08
Hisense Group	Provision of services	Provision of services	Agreed price	1,204.66	0.06
Hisense Visual Technology	Provision of services	Provision of services	Agreed price	367.54	0.02
Hisense International	Provision of services	Provision of services	Agreed price	117.31	0.01
Johnson Hitachi	Provision of services	Provision of services	Agreed price	6.01	Less than 0.01

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB12.071 billion, recognised interest income of approximately RMB117 million, the actual balance of loan of RMB nil, the balance of electronic bank acceptance bill of approximately RMB6.497 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB2.7634 million with Hisense Finance. For the Reporting Period, the loan interest paid was approximately RMB6.6531 million, the actual amount of discounted interest for the provision of draft discount services was approximately RMB0.9653 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately RMB275 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was approximately RMB0.372 million. As at the end of the Reporting Period, the balance of recourse factoring services at Hisense Financial Holdings was RMB nil, the balance of non-recourse factoring services was RMB nil, and the balance of financial leasing services was RMB nil.

## OTHER INFORMATION

### CONNECTED TRANSACTIONS IN ACQUISITION AND SALE OF ASSETS OR EQUITY RIGHTS

During the Reporting Period, there were no connected transactions involving the acquisition or sale of assets or equity.

### CONNECTED TRANSACTIONS IN RELATION TO JOINT EXTERNAL INVESTMENT

During the Reporting Period, there were no connected transactions in relation to joint external investment.

### CONNECTED CREDITOR'S RIGHTS AND LIABILITIES

During the Reporting Period, the Company did not have any non-operational connected creditor's rights and liabilities.

### OTHER MAJOR CONNECTED TRANSACTIONS

During the Reporting Period, no other major connected transactions had been conducted by the Company.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB2,541 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB1,969 million).

As at 30 June 2020, the Group had cash and cash equivalents (including bank deposits, cash and pledged bank balances) amounting to approximately RMB6,690 million (as at 30 June 2019: RMB5,030 million), of which more than RMB6,484 million are denominated in Renminbi, and bank loans amounting to RMB nil (as at 30 June 2019: RMB nil).

Total capital expenditures of the Group for the six months ended 30 June 2020 amounted to approximately RMB176 million (for the six months ended 30 June 2019: RMB130 million).

Please refer to the section headed "Share Capital Structure" below for details of the Group's capital structure.

### TRUST DEPOSITS

As at 30 June 2020, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institutions in the PRC and Hong Kong.

### EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and overseas sales of the Group during the Reporting Period were denominated in foreign currency, the Group is exposed to certain risk of exchange rate fluctuation. The Group has used financial instruments such as import/export documentary bills and forward contracts for exchange rate hedging purposes.

### AUDIT COMMITTEE

The tenth session of the audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2020.

### GEARING RATIO

As at 30 June 2020, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 66% (as at 30 June 2019: 66%).



## OTHER INFORMATION

### HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2020, the Group had approximately 39,580 employees, mainly comprising 4,343 technical staff, 13,275 sales representatives, 228 financial staff, 485 administrative staff and 21,249 production staff. The Group had 31 employees with a doctorate degree, 965 with a master's degree and 5,299 with a bachelor's degree. There were 1,103 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2020, the Group's staff payroll amounted to RMB2,096 million (for the six months ended 30 June 2019: RMB1,764 million).

The Company adopts a position-based remuneration policy for its staff. Staff remuneration is determined with reference to the relative importance of and responsibility assumed by the position of the staff and other performance indicators.

### CHARGE ON THE GROUP'S ASSETS

As at 30 June 2020, the Group did not have any property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2019: nil) which were pledged as security for the Group's borrowings.

### SHARE CAPITAL STRUCTURE

As at 30 June 2020, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total issued share capital
H Shares	459,589,808	33.73%
A Shares	903,135,562	66.27%
Total	1,362,725,370	100.00%

## OTHER INFORMATION

### TOP TEN SHAREHOLDERS

As at 30 June 2020, there were 26,983 shareholders of the Company (the "Shareholders") in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	Number of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	Number of shares held subject to trading moratorium
Qingdao Hisense Air-conditioning Company Limited	State-owned legal person	516,758,670	37.92%	57.22%	0
HKSCC Nominees Limited <sup>Note 1</sup>	Foreign legal person	457,151,069	33.55%	99.47%	
The Hong Kong Securities Clearing Company Limited ("HKSCC") <sup>Note 2</sup>	Foreign legal person	56,522,085	4.15%	6.26%	0
Shanghai Gaoyi Asset Management Partnership-Gaoyi Linshan No.1 Long-range Fund* (上海高毅資產管理合夥企業(有限合夥)-高毅鄰山1號遠望基金)	Other	51,800,000	3.80%	5.74%	0
Central Huijin Investment Ltd.	State-owned legal person	26,588,700	1.95%	2.94%	0
Bank of Communications Limited - HSBC Jinxin Market Index Equity Securities Investment Fund* (交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金)	Other	11,120,301	0.82%	1.23%	0
Agricultural Bank of China - Bosera Yulon Flexible Allocation of Mixed Securities Investment Fund* (中國農業銀行股份有限公司-博時裕隆靈活配置混合型證券投資基金) <sup>Note 3</sup>	Other	10,918,488	0.80%	1.21%	0
Industrial and Commercial Bank of China LTD. - Zhong Ou Consumer Equity Securities Investment Fund* (中國工商銀行股份有限公司-中歐消費主題股票型證券投資基金)	Other	8,263,972	0.61%	0.92%	0
Zhang Shao Wu	Domestic natural person	7,200,000	0.53%	0.80%	0
Industrial and Commercial Bank of China - Bosera Growth Preferred Two-year Closed-end Flexible Allocation of Mixed Securities Investment Fund* (中國工商銀行股份有限公司-博時成長優選兩年封閉運作靈活配置混合型證券投資基金) <sup>Note 3</sup>	Other	6,218,850	0.46%	0.69%	0

## OTHER INFORMATION

### SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited HKSCC Nominees Limited <sup>Note 1</sup>	516,758,670	RMB ordinary shares Overseas listed foreign shares
The Hong Kong Securities Clearing Company Limited ("HKSCC") <sup>Note 2</sup>	457,151,069	RMB ordinary shares
Shanghai Gaoyi Asset Management Partnership-Gaoyi Linshan No.1 Long-range Fund* (上海高毅資產管理合夥企業(有限合夥)－ 高毅鄰山1號遠望基金)	56,522,085, 51,800,000	RMB ordinary shares RMB ordinary shares
Central Huijin Investment Ltd.	26,588,700	RMB ordinary shares
Bank of Communications Limited – HSBC Jinxin Market Index Equity Securities Investment Fund* (交通銀行股份有限公司－ 滙豐晉信大盤股票型證券投資基金)	11,120,301	RMB ordinary shares
Agricultural Bank of China – Bosera Yulon Flexible Allocation of Mixed Securities Investment Fund* (中國農業銀行股份有限公司－ 博時裕隆靈活配置混合型證券投資基金) <sup>Note 3</sup>	10,918,488	RMB ordinary shares
Industrial and Commercial Bank of China LTD. – Zhong Ou Consumer Equity Securities Investment Fund* (中國工商銀行股份有限公司－中歐消費主題股票型證券投資基金)	8,263,972	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Industrial and Commercial Bank of China – Bosera Growth Preferred Two-year Closed-end Flexible Allocation of Mixed Securities Investment Fund* (中國工商銀行股份有限公司－博時成長優選兩年封閉 運作靈活配置混合型證券投資基金) <sup>Note 3</sup>	6,218,850	RMB ordinary shares

#### Notes:

1. HKSCC Nominees Limited is the nominee holder of the shares held by non-registered H shareholders of the Company. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, including Hisense Hong Kong, a party acting in concert with the controlling shareholder of the Company, which held a total number of 124,452,000 H Shares as of the end of the Reporting Period, representing 9.13% of the total number of the shares of the Company.
2. HKSCC is the nominee holder of the shares held by non-registered A shareholders of the Company through Shenzhen-Hong Kong Stock Connect. The shares held by HKSCC are held on behalf of a number of its account participants.
3. The managers of Agricultural Bank of China – Bosera Yulon Flexible Allocation of Mixed Securities Investment Fund\* and Industrial and Commercial Bank of China – Bosera Growth Preferred Two-year Closed-end Flexible Allocation of Mixed Securities Investment Fund\* are Bosera Fund Management Company.

Save as disclosed above, the Company is not aware of any Shareholders being connected with each other or any of them being a party acting in concert with any of the other within the meaning of 《上市公司收購管理辦法》(Administrative Measures for the Takeover of Listed Companies).

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to the Directors, supervisors and the chief executives of the Company, as at 30 June 2020, the following persons (other than the Directors, supervisors and the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:

#### Long position or short position in the shares of the Company

Name of Shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited <sup>Note</sup>	Beneficial owner	A shares	516,758,670 (L)	57.22%	37.92%
Qingdao Hisense Electric Holdings Company Limited <sup>Note</sup>	Interest of controlled corporation	A shares	516,758,670 (L)	57.22%	37.92%
Hisense Company Limited <sup>Note</sup>	Interest of controlled corporation	A shares	516,758,670 (L)	57.22%	37.92%
Hisense (Hong Kong) Company Limited <sup>Note</sup>	Beneficial owner	H shares	124,452,000 (L)	27.08%	9.13%
Qingdao Hisense Electric Holdings Company Limited <sup>Note</sup>	Interest of controlled corporation	H shares	124,452,000 (L)	27.08%	9.13%
Hisense Company Limited <sup>Note</sup>	Interest of controlled corporation	H shares	124,452,000 (L)	27.08%	9.13%

The letter "L" denotes a long position, the letter "S" denotes a short position and the letter "P" denotes lending pool.

*Note:* Qingdao Hisense Air-conditioning Company Limited is a company 93.33% directly owned by Qingdao Hisense Electric Holdings Company Limited, whereas Hisense (Hong Kong) Company Limited is a company directly wholly-owned by Qingdao Hisense Electric Holdings Company Limited. Qingdao Hisense Electric Holdings Company Limited is, in turn, 32.36% owned by Hisense Company Limited. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Company Limited were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested.

Save as disclosed above, as at 30 June 2020, in so far as the Directors, supervisors and chief executives of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

### INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, save as disclosed below, none of the members of the Board, supervisors and the chief executives of the Company and their respective associates held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

#### Long position in the shares of the Company

Name of Director	Nature of interest	Number of shares	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company
Tang Ye Guo	Beneficial owner	623,700 A Shares	0.069%	0.046%
Jia Shao Qian	Beneficial owner	404,360 A Shares	0.030%	0.045%

## OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its code for securities transaction by Directors. After having made specific enquiries to the Directors, all Directors confirmed that they had acted in full compliance with the Model Code during their term of office in the Reporting Period.

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### CORPORATE GOVERNANCE CODE

To the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules.

### INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020. No interim dividend was paid for the corresponding period last year.

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Changes in the information of the directors, supervisors and senior management of the Company since the date of the 2019 annual report of the Company is set out below:

On 23 June 2020, Mr. Duan Yue Bin was appointed as a Director.

On 4 September 2020, Mr. Chen Xiao Lu has ceased to be the chief financial officer ("**CFO**") and the chief accountant of the Company due to job rearrangement and Ms. Liang Hong Tao has been appointed as the new CFO.

Save as disclosed above, there were no substantial changes to the information of the directors, supervisors and senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

## DEFINITIONS

In the report, unless the context requires otherwise, the following terms or expressions shall have the following meanings:

"Board"	the board of Directors
"Company"	Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
"Directors"	the directors of the Company
"Hisense Air-Conditioning"	Qingdao Hisense Air-Conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, and holds approximately 37.92% of the issued shares of the Company as at the date of this report
"Hisense Finance"	Hisense Finance Co., Ltd.* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Financial Holdings"	Qingdao Hisense Financial Holdings Co., Ltd.* (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Group"	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
"Hisense Hitachi"	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. (青島海信日立空調系統有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
"Hisense Hong Kong"	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group, and holds approximately 9.13% of the issued shares of the Company as at the date of this report
"Hisense International"	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Marketing Management"	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and 50% owned by the Company
"Hisense Visual Technology"	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group, and whose shares are listed on the Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"RMB"	Renminbi, the lawful currency of the PRC

\* For identification purposes only

**This report is published in both English and Chinese. If there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.**

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**I. AUDITOR'S REPORT**

Whether the interim report has already been audited or not

Yes  No

The interim financial report of the Company has not been audited.

**II. FINANCIAL STATEMENTS**

Unless otherwise indicated, the unit in the financial statements of the financial report is: RMB

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**1. CONSOLIDATED BALANCE SHEETS**

**30 June 2020**

*Unit: RMB*

<b>Item</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Current assets:</b>		
Cash at bank and on hand	6,689,879,614.82	6,120,563,237.47
Balancing with clearing companies		
Lending capital		
Transactional financial assets	2,440,425,542.00	2,120,000,000.00
Derivative financial assets		
Notes receivable	832,002,164.01	1,095,849,666.16
Accounts receivable	5,060,522,094.47	3,967,576,310.11
Factoring of accounts receivables	4,234,777,947.92	4,099,608,704.80
Prepayments	155,475,633.05	192,798,549.08
Insurance premium receivable		
Receivables from reinsurers		
Reserves for reinsurance contract receivable		
Others receivables	274,811,260.42	297,145,507.98
Including: Interest receivable		
Dividend receivable		
Financial assets purchased under agreements to resell		
Inventories	3,578,309,334.28	3,498,945,347.28
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	3,456,635,747.65	3,127,969,954.11
<b>Total current assets</b>	<b>26,722,839,338.62</b>	<b>24,520,457,276.99</b>



**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

1. **CONSOLIDATED BALANCE SHEETS** — *Continued*

30 June 2020

Item	<i>Unit: RMB</i>	
	30 June 2020	31 December 2019
<b>Non-current assets:</b>		
Disbursement of loans and advances		
Bond investments		
Other bond investments		
Long-term receivables		
Long-term equity investments	449,817,212.77	468,080,722.63
Other equity instrument investments		
Other non-current financial assets		
Investment properties	18,910,228.04	20,240,850.71
Fixed assets	3,718,188,762.22	3,813,541,683.85
Construction in progress	202,244,635.03	216,943,108.59
Productive biological assets		
Oil and gas assets		
Right-of-use assets	71,928,989.80	74,162,585.09
Intangible assets	1,814,817,870.58	1,918,063,341.32
Development expenditure		
Goodwill	132,571,746.36	132,571,746.36
Long-term prepaid expenses	41,913,696.04	43,497,841.56
Deferred tax assets	626,348,858.28	634,774,585.10
Other non-current assets	2,879,988,617.82	2,148,329,801.65
<b>Total non-current assets</b>	<b>9,956,730,616.94</b>	<b>9,470,206,266.86</b>
<b>Total assets</b>	<b>36,679,569,955.56</b>	<b>33,990,663,543.85</b>

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**1. CONSOLIDATED BALANCE SHEETS — Continued**

**30 June 2020**

*Unit: RMB*

Item	30 June 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings		100,083,424.66
Borrowings from central bank		
Loans from other banks		
Transactional financial liabilities	1,233,219.00	
Derivative financial liabilities		
Notes payable	7,797,687,103.84	7,560,312,550.23
Accounts payable	6,916,897,072.87	5,317,357,636.81
Advances from customers		
Contract liabilities	1,293,303,000.71	1,013,239,070.20
Proceeds from disposal of financial assets under agreements to repurchase		
Receipt of deposits and deposits from other banks		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Employee remunerations payable	512,284,569.32	620,495,237.41
Taxes payable	397,658,610.33	510,978,731.47
Other payables	2,330,622,752.84	1,920,036,363.71
Including: Interests payable		
Dividends payable	538,276,521.15	
Handling fees and commission payable		
Reinsured accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	35,342,893.50	40,736,624.70
Other current liabilities	4,289,616,135.71	3,755,169,074.60
<b>Total current liabilities</b>	<b>23,574,645,358.12</b>	<b>20,838,408,713.79</b>

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA  
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**1. CONSOLIDATED BALANCE SHEETS — Continued**

**30 June 2020**

Item	<i>Unit: RMB</i>	
	30 June 2020	31 December 2019
<b>Non-current liabilities:</b>		
Reserves for reinsurance contract		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bond		
Lease liabilities	26,103,736.10	24,822,981.21
Long-term payables		
Long-term employee remunerations payable		
Provisions	458,087,565.95	475,055,256.42
Deferred income	104,565,653.12	113,146,567.49
Deferred income tax liabilities	56,354,221.76	58,367,004.14
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>645,111,176.93</b>	<b>671,391,809.26</b>
<b>Total liabilities</b>	<b>24,219,756,535.05</b>	<b>21,509,800,523.05</b>
<b>Shareholders' equity:</b>		
Share capital	1,362,725,370.00	1,362,725,370.00
Other equity instruments		
Including: Preference shares		
Perpetual bond		
Capital reserves	2,056,057,145.37	2,056,057,145.37
Less: Treasury shares		
Other comprehensive income	26,715,993.00	26,318,501.35
Special reserves		
Surplus reserves	632,235,869.58	632,235,869.58
General risk provisions		
Retained profits	4,609,287,840.58	4,644,256,846.32
<b>Total equity attributable to shareholders of the Company</b>	<b>8,687,022,218.53</b>	<b>8,721,593,732.62</b>
Minority interests	3,772,791,201.98	3,759,269,288.18
<b>Total shareholders' equity</b>	<b>12,459,813,420.51</b>	<b>12,480,863,020.80</b>
<b>Total liabilities and shareholders' equity</b>	<b>36,679,569,955.56</b>	<b>33,990,663,543.85</b>

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**2. BALANCE SHEETS OF PARENT COMPANY**

*Unit: RMB*

Item	30 June 2020	31 December 2019
<b>Current assets:</b>		
Cash at bank and on hand	427,945,877.13	161,499,554.78
Transactional financial assets	810,000,000.00	720,000,000.00
Derivative financial assets		
Notes receivable		
Accounts receivable	3,328,805.99	2,018,568.76
Factoring of accounts receivables		
Prepayments	92,317,307.76	26,047,484.79
Others receivables	1,259,913,959.92	1,245,063,266.08
Including: Interest receivable		
Dividend receivable		309.22
Inventories		309.22
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	8,251,074.77	9,574,769.13
<b>Total current assets</b>	<b>2,601,757,025.57</b>	<b>2,164,203,952.76</b>
<b>Non-current assets:</b>		
Bond investments		
Other bond investments		
Long-term receivables		
Long-term equity investments	5,470,069,389.00	5,488,332,898.86
Other equity instrument investments		
Other non-current financial assets		
Investment properties	4,836,386.00	5,528,516.00
Fixed assets	11,591,728.63	14,980,260.63
Construction in progress	9,728,539.54	8,059,220.76
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	176,264,808.00	177,629,620.00
Development expenditure		
Goodwill		
Long-term prepaid expenses	105,835.24	145,513.24
Deferred tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>5,672,596,686.41</b>	<b>5,694,676,029.49</b>
<b>Total assets</b>	<b>8,274,353,711.98</b>	<b>7,858,879,982.25</b>

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

2. BALANCE SHEETS OF PARENT COMPANY — *Continued*

Item	<i>Unit: RMB</i>	
	30 June 2020	31 December 2019
<b>Current liabilities:</b>		
Short-term borrowings		
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	280,152,178.96	285,348,910.71
Advances from customers		
Contract liabilities	9,670,969.29	8,386,159.74
Employee remunerations payable	2,454,172.17	5,031,973.56
Taxes payable	3,562,751.01	1,032,229.96
Other payables	1,209,262,495.26	694,055,119.98
Including: Interests payable		
Dividends payable	538,276,521.15	
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	15,991,016.69	17,113,603.96
<b>Total current liabilities</b>	<b>1,521,093,583.38</b>	<b>1,010,967,997.91</b>
<b>Non-current liabilities:</b>		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bond		
Lease liabilities		
Long-term payables		
Long-term employee remunerations payable		
Provisions	175,798,062.19	180,902,210.36
Deferred income	26,568,031.31	27,046,870.69
Deferred tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>202,366,093.50</b>	<b>207,949,081.05</b>
<b>Total liabilities</b>	<b>1,723,459,676.88</b>	<b>1,218,917,078.96</b>

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA  
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**2. BALANCE SHEETS OF PARENT COMPANY — Continued**

*Unit: RMB*

Item	30 June 2020	31 December 2019
<b>Shareholders' equity:</b>		
Share capital	1,362,725,370.00	1,362,725,370.00
Other equity instruments		
Including: Preference shares		
Perpetual bond		
Capital reserves	2,266,000,437.11	2,266,000,437.11
Less: Treasury shares		
Other comprehensive income	14,296,371.25	14,596,993.48
Special reserves		
Surplus reserves	601,627,244.59	601,627,244.59
Retained profits	2,306,244,612.15	2,395,012,858.11
<b>Total shareholders' equity</b>	<b>6,550,894,035.10</b>	<b>6,639,962,903.29</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,274,353,711.98</b>	<b>7,858,879,982.25</b>

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**3. CONSOLIDATED INCOME STATEMENT**

	<i>Unit: RMB</i>	
Item	First half of 2020	First half of 2019
<b>I. Total operating revenue</b>	<b>21,086,699,809.27</b>	<b>18,950,275,309.93</b>
Including: Operating revenue	21,086,699,809.27	18,950,275,309.93
Interest income		
Insurance premium earned		
Income from handling fees and commission		
<b>II. Total operating costs</b>	<b>20,119,898,070.03</b>	<b>18,499,546,808.04</b>
Including: Operating costs	16,242,231,290.38	15,091,028,662.14
Interest expenses		
Handling fees and commission expenses		
Refunded premiums		
Net amount of compensation payout		
Net amount of insurance reserves provided		
Policyholder dividend expenses		
Reinsurance premium expenses		
Taxes and surcharges	134,121,265.76	150,663,690.48
Sales expenses	2,929,008,342.00	2,624,883,463.85
Management expenses	314,893,289.04	241,004,121.20
Research and development expenses	570,088,355.30	377,178,975.93
Financial expenses	-70,444,472.45	14,787,894.44
Including: Interest expenses	8,420,709.44	973,801.85
Interest income	98,650,603.42	24,740,076.79
Add: Other income	95,262,312.10	107,479,058.57
Investment income (Loss denoted by "-")	52,520,463.97	498,007,782.36
Including: Share of profit of associates and joint ventures	9,967,112.37	487,374,859.09
Income from derecognition of financial assets and amortised cost		
Foreign exchange gains (Loss denoted by "-")		
Gain net exposure to hedging (Loss denoted by "-")		
Gains from changes in fair value (Loss denoted by "-")	-807,677.00	2,266,560.00
Impairment losses on credit (Loss denoted by "-")	-8,391,291.91	-8,530,913.64
Impairment losses on assets (Loss denoted by "-")	-910,060.85	2,505,781.48
Gains on disposal of assets (Loss denoted by "-")	966,689.46	586,691.50
<b>III. Operating profits (Loss denoted by "-")</b>	<b>1,105,442,175.01</b>	<b>1,053,043,462.16</b>
Add: Non-operating income	103,853,562.74	66,745,068.73
Less: Non-operating expenses	6,358,114.25	10,841,854.97
<b>IV. Total profits (Total loss denoted by "-")</b>	<b>1,202,937,623.50</b>	<b>1,108,946,675.92</b>
Less: Income tax expenses	261,703,838.42	122,414,482.21
<b>V. Net profits (Net loss denoted by "-")</b>	<b>941,233,785.08</b>	<b>986,532,193.71</b>
(I) Classified on a going concern basis		
1. Net profit from continuing operations (Net loss denoted by "-")	941,233,785.08	986,532,193.71
2. Net profit from discontinued operations (Net loss denoted by "-")		
(II) Classified by ownership of equity		
1. Net profit attributable to owners of the Company	503,307,515.41	959,746,468.35
2. Profit and loss of minority interests	437,926,269.67	26,785,725.36

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA  
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**3. CONSOLIDATED INCOME STATEMENT** — *Continued*

*Unit: RMB*

Item	First half of 2020	First half of 2019
<b>VI. Other comprehensive income after tax, net</b>	<b>454,327.61</b>	<b>5,722,706.04</b>
Other comprehensive income after tax attributable to shareholders of the Company, net	397,491.65	5,722,706.04
(I) Items not to be reclassified into profit or loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income not to be reclassified into profit or loss under the equity method		
3. Change in fair value of other equity instrument investments		
4. Changes in fair value of the Company's own credit risk		
5. Others		
(II) Items to be reclassified into profit or loss	397,491.65	5,722,706.04
1. Other comprehensive income to be reclassified into profit or loss under the equity method	-300,622.23	6,666,182.49
2. Change in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Credit impairment provision for other debt instruments	1,896,824.06	
5. Reserve for cash flow hedging		
6. Differences on translation of foreign currency financial statements	-1,198,710.18	-943,476.45
7. Others		
Other comprehensive income after tax attributable to minority interests, net	56,835.96	
<b>VII. Total comprehensive income</b>	<b>941,688,112.69</b>	<b>992,254,899.75</b>
Total comprehensive income attributable to shareholders of the Company	503,705,007.06	965,469,174.39
Total comprehensive income attributable to minority interests	437,983,105.63	26,785,725.36
<b>VIII. Earnings per share:</b>		
(I) Basic earnings per share	0.37	0.70
(II) Diluted earnings per share	0.37	0.70



**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**4. INCOME STATEMENT OF PARENT COMPANY**

Item	<i>Unit: RMB</i>	
	First half of 2020	First half of 2019
<b>I. Operating revenue</b>	<b>32,192,286.31</b>	<b>39,338,014.57</b>
Less: Operating costs	25,662,453.92	34,573,929.98
Taxes and surcharges	3,035,571.00	3,037,458.42
Sales expenses	-405,298.81	12,891,204.35
Management expenses	9,328,156.43	13,312,223.59
Research and development expenses		
Financial expenses	-8,388,621.14	-2,378,758.80
Including: Interest expenses		
Interest income	944,008.05	934,076.08
Add: Other income	513,575.10	507,897.10
Investment income (Loss denoted by "-")	416,110,924.77	535,221,711.34
Including: Share of profit of associates and joint ventures	9,967,112.37	487,374,859.09
Income from derecognition of financial assets at amortised cost (Loss denoted by "-")		
Gain net exposure to hedging (Loss denoted by "-")		
Gains from changes in fair value (Loss denoted by "-")		
Impairment losses on credit (Loss denoted by "-")	712,800.00	354,860.88
Impairment losses on assets (Loss denoted by "-")	-309.22	
Gains on disposal of assets (Loss denoted by "-")		
<b>II. Operating profits (Loss denoted by "-")</b>	<b>420,297,015.56</b>	<b>513,986,426.35</b>
Add: Non-operating income	24,586,260.58	103,789.73
Less: Non-operating expenses	-4,624,999.05	6,002,836.27
<b>III. Total profit (Total loss denoted by "-")</b>	<b>449,508,275.19</b>	<b>508,087,379.81</b>
Less: Income tax expenses		
<b>IV. Net profits (Net loss denoted by "-")</b>	<b>449,508,275.19</b>	<b>508,087,379.81</b>
(I) Net profit from continuing operations (Net loss denoted by "-")	449,508,275.19	508,087,379.81
(II) Net profit from discontinued operations (Net loss denoted by "-")		
<b>V. Other comprehensive income after tax, net</b>	<b>-300,622.23</b>	<b>6,666,182.49</b>
(I) Items not to be reclassified into profit or loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income not to be reclassified into profit or loss under the equity method		
3. Change in fair value of other equity instrument investments		
4. Changes in fair value of Company's own credit risk		
5. Others		
(II) Items to be reclassified into profit or loss	-300,622.23	6,666,182.49
1. Other comprehensive income to be reclassified into profit or loss under the equity method	-300,622.23	6,666,182.49
2. Change in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Credit impairment provision for other debt instruments		
5. Reserve for cash flow hedging		
6. Differences on translation of foreign currency financial statements		
7. Others		
<b>VI. Total comprehensive income</b>	<b>449,207,652.96</b>	<b>514,753,562.30</b>
<b>VII. Earnings per share:</b>		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**5. CONSOLIDATED CASH FLOW STATEMENT**

*Unit: RMB*

Item	First half of 2020	First half of 2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	17,833,168,508.85	13,398,803,503.74
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interests, fees and commissions		
Net increase in capital borrowed		
Net increase in repurchase business capital		
Net income from trading securities as broker		
Tax rebates received	578,309,749.71	651,864,270.54
Other cash received concerning operating activities	343,591,513.58	299,181,255.66
<b>Subtotal of cash inflows from operating activities</b>	<b>18,755,069,772.14</b>	<b>14,349,849,029.94</b>
Cash paid for purchases of commodities and receipt of services	11,105,370,886.09	8,123,396,535.83
Net increase in loans and advances to customers		
Net increase in deposits with central bank and other banks		
Cash paid for compensation under original insurance contract		
Net increase from lending capital		
Cash paid for interests, fees and commissions		
Cash paid for policyholders' dividend		
Cash paid to and for employees	2,095,786,639.33	1,764,780,527.01
Cash paid for taxes and surcharges	912,166,726.27	640,693,975.21
Cash paid for other operating activities	2,100,928,577.11	1,851,882,000.90
<b>Subtotal of cash outflows from operating activities</b>	<b>16,214,252,828.80</b>	<b>12,380,753,038.95</b>
<b>Net cash flows from operating activities</b>	<b>2,540,816,943.34</b>	<b>1,969,095,990.99</b>
<b>II. Cash flows from investing activities:</b>		
Cash received from recovery of investments	27,930,000.00	753,441,600.00
Cash received from investment income	43,263,435.60	12,582,123.27
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	146,706.61	363,388.04
Net cash received from disposals of subsidiaries and other operation units		
Cash received relating to other investing activities	5,339,490,186.08	790,000,000.00
<b>Subtotal of cash inflows from investing activities</b>	<b>5,410,830,328.29</b>	<b>1,556,387,111.31</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	176,306,048.83	129,728,799.89
Cash paid for investments		
Net increase in pledge loans		
Cash paid for acquiring subsidiaries and other operation units		
Cash paid relating to other investing activities	6,352,500,000.00	1,980,000,000.00
<b>Subtotal of cash outflows from investing activities</b>	<b>6,528,806,048.83</b>	<b>2,109,728,799.89</b>
<b>Net cash flows from investing activities</b>	<b>-1,117,975,720.54</b>	<b>-553,341,688.58</b>

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA  
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**5. CONSOLIDATED CASH FLOW STATEMENT — Continued**

Item	<i>Unit: RMB</i>	
	First half of 2020	First half of 2019
<b>III. Cash flows from financing activities:</b>		
Cash received from capital contribution		
Including: Cash contribution to subsidiaries from minority shareholders' investment		
Cash received from borrowings	270,000,000.00	
Cash received relating to other financing activities		
<b>Subtotal of cash inflows from financing activities</b>	<b>270,000,000.00</b>	
Cash paid for repayment of borrowings	370,000,000.00	
Cash paid for distribution of dividends, profit or payment of interest expenses	432,813,844.46	23,380,327.66
Including: Dividend and profit paid to minority shareholders by subsidiaries	424,309,710.36	22,406,525.81
Cash paid relating to other financing activities	882,048,678.44	687,192,376.72
<b>Subtotal of cash outflows from financing activities</b>	<b>1,684,862,522.90</b>	<b>710,572,704.38</b>
<b>Net cash flows from financing activities</b>	<b>-1,414,862,522.90</b>	<b>-710,572,704.38</b>
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>	<b>-510,837.98</b>	<b>-484,076.00</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>7,467,861.92</b>	<b>704,697,522.03</b>
Add: Balance of cash and cash equivalents at the beginning of the period	2,065,106,596.27	1,061,364,062.82
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>2,072,574,458.19</b>	<b>1,766,061,584.85</b>

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA**

**ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE**

**6. CASH FLOW STATEMENT OF PARENT COMPANY**

*Unit: RMB*

Item	First half of 2020	First half of 2019
<b>I. Cash flows from operating activities:</b>		
Cash received from sales of goods and rendering of services	712,800.00	99,758,843.17
Tax rebates received		
Cash received concerning other operating activities	55,783,210.35	48,307,603.93
<b>Subtotal of cash inflows from operation activities</b>	<b>56,496,010.35</b>	<b>148,066,447.10</b>
Cash paid for purchases of commodities and receipt of labor services		
Cash paid to and for employees	36,449,250.21	40,059,361.17
Cash paid for taxes and surcharges	742,379.93	996,889.82
Cash paid for other operating activities	95,082,952.78	140,865,206.50
<b>Subtotal of cash outflow from operating activities</b>	<b>132,274,582.92</b>	<b>181,921,457.49</b>
<b>Net cash flows from operating activities</b>	<b>-75,778,572.57</b>	<b>-33,855,010.39</b>
<b>II. Cash flow from investing activities:</b>		
Cash received from recovery of investments	27,930,000.00	753,441,600.00
Cash received from investment income	406,143,812.40	47,846,852.25
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		
Net cash received from disposals of subsidiaries and other operation units		
Cash received relating to other investing activities	1,480,000,000.00	310,000,000.00
<b>Subtotal of cash inflows from investing activities</b>	<b>1,914,073,812.40</b>	<b>1,111,288,452.25</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	1,848,917.48	4,522,580.43
Cash paid for investments		
Net cash paid for acquisition of subsidiaries and other operation units		
Cash paid relating to other investing activities	1,570,000,000.00	800,000,000.00
<b>Subtotal of cash outflows from investing activities</b>	<b>1,571,848,917.48</b>	<b>804,522,580.43</b>
<b>Net cash flows from investing activities</b>	<b>342,224,894.92</b>	<b>306,765,871.82</b>
<b>III. Cash flows from financing activities:</b>		
Cash received from capital contribution		
Cash received from borrowings		
Cash received relating to other financing activities		
Subtotal of cash inflows from financing activities		
Cash paid for repayment of borrowings		
Cash paid for distribution of dividends, profit or payment of interest expenses		
Cash paid relating to other financing activities		
<b>Subtotal of cash outflows from financing activities</b>		
<b>Net cash flows from financing activities</b>		
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		
<b>V. Net increase in cash and cash equivalents</b>	<b>266,446,322.35</b>	<b>272,910,861.43</b>
Add: Balance of cash and cash equivalents at the beginning of the period	161,499,554.78	65,952,462.15
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	<b>427,945,877.13</b>	<b>338,863,323.58</b>

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amount for current period

Unit: RMB

Item	Current period														Total shareholders' equity
	Other equity instruments				Attributable to shareholders of the parent company								Subtotals	Minority interests	
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others			
I. Closing balance of previous year	1,362,725,370.00				2,056,057,145.37		26,318,501.35		632,235,869.58		4,644,256,846.32		8,721,593,732.62	3,759,269,288.18	12,480,863,020.80
Add: Changes in accounting policies															
Correction for error in previous period															
Business combination involving entities under common control															
Others															
II. Opening balance for the year	1,362,725,370.00				2,056,057,145.37		26,318,501.35		632,235,869.58		4,644,256,846.32		8,721,593,732.62	3,759,269,288.18	12,480,863,020.80
III. Movements in the current period															
(Decreases denoted in "-")															
(1) Total comprehensive income							397,491.65				-34,969,005.74		-34,571,514.09	13,521,913.80	-21,049,600.29
(2) Owners' contributions and capital reductions															
1. Ordinary shares contributed by owners															
2. Capital contributions by holders of other equity instruments															
3. Amount of sharebased payment included in owners' equity															
4. Others															
(3) Profit Distribution															
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)															
4. Others															
(4) Transfer of owners' equity															
1. Transfer to capital (or share capital) from capital reserve															
2. Transfer to capital (or share capital) from surplus reserve															
3. Surplus reserves for making up losses															
4. Retained earnings transferred from the changes in defined benefit plan															
5. Retained earnings transferred from the changes in other comprehensive income															
6. Others															
(5) Special reserves															
1. Provided during the period															
2. Used during the period															
(6) Others															
IV. Closing balance for the period	1,362,725,370.00				2,056,057,145.37		26,715,993.00		632,235,869.58		4,609,287,840.58		8,687,022,218.53	3,772,791,201.98	12,459,813,420.51

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY — *Continued*

Amount for previous year

Unit: RMB

Item	Previous period														Total shareholders' equity	
	Other equity instruments				Attributable to shareholders of the parent company											
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotals		Minority interests
I. Closing balance for previous year	1,362,725,370.00				2,076,473,214.56			16,896,290.49		556,272,909.16		3,339,456,580.66		7,351,824,364.87	537,582,611.86	7,889,406,976.73
Add: Changes in accounting policies																
Correction for error in previous period																
Business combination involving entities under common control																
Others																
II. Opening balance for the year	1,362,725,370.00				2,076,473,214.56			16,896,290.49		556,272,909.16		3,339,456,580.66		7,351,824,364.87	537,582,611.86	7,889,406,976.73
III. Movements in the current period																
(Decreases denoted in "-")					-20,416,069.19			9,422,210.86		75,962,960.42		1,304,800,265.66		1,369,769,367.75	3,221,686,676.32	4,591,456,044.07
(1) Total comprehensive income								9,422,210.86				1,793,669,013.19		1,803,091,224.05	156,773,611.11	1,959,864,835.16
(2) Owners' contributions and capital reductions					-24,945,627.43									-24,945,627.43	3,087,568,821.50	3,062,623,194.07
1. Ordinary shares contributed by shareholders															10,370,000.00	10,370,000.00
2. Capital contributions by holders of other equity instruments																
3. Amount of sharebased payment included in owners' equity																
4. Others					-24,945,627.43									-24,945,627.43	3,077,198,821.50	3,052,253,194.07
(3) Profit Distribution									75,962,960.42		-488,868,747.53		-412,905,787.11	-22,655,756.29	-435,561,543.40	
1. Appropriations to surplus reserve									75,962,960.42		-75,962,960.42					
2. Appropriations to general risk provisions																
3. Distribution to owners (shareholders)													-412,905,787.11	-412,905,787.11	-22,655,756.29	-435,561,543.40
4. Others																
(4) Transfer of owners' equity																
1. Transfer to capital (or share capital) from capital reserve																
2. Transfer to capital (or share capital) from surplus reserve																
3. Surplus reserves for making up losses																
4. Retained earnings transferred from the changes in defined benefit plan																
5. Retained earnings transferred from the changes in other comprehensive income																
6. Others																
(5) Special reserves																
1. Provided during the period																
2. Used during the period																
(6) Others					4,529,558.24									4,529,558.24		4,529,558.24
IV. Closing balance for the period	1,362,725,370.00				2,056,057,145.37			26,318,501.35		632,235,869.58		4,644,256,846.32		8,721,593,732.62	3,759,269,288.18	12,480,863,020.80

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

8. STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY

Amount for current period

Unit: RMB

Item	First half of 2020										Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		Others
		Preference shares	Perpetual debts	Others								
<b>I. Closing balance of previous year</b>	1,362,725,370.00				2,266,000,437.11		14,596,993.48		601,627,244.59	2,395,012,858.11		6,639,962,903.29
Add: Changes in accounting policies												—
Correction for error in previous period												—
Others												—
<b>II. Opening balance for the year</b>	1,362,725,370.00				2,266,000,437.11		14,596,993.48		601,627,244.59	2,395,012,858.11		6,639,962,903.29
<b>III. Movements in the current period</b>												
(Decreases denoted in "-")							-300,622.23			-88,768,245.96		-89,068,868.19
(1) Total comprehensive income							-300,622.23			449,508,275.19		449,207,652.96
(2) Owners' contributions and capital reductions												
1. Ordinary shares contributed by owners												
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others												
(3) Profit Distribution										-538,276,521.15		-538,276,521.15
1. Appropriations to surplus reserve										-538,276,521.15		-538,276,521.15
2. Distribution to owners (shareholders)										-538,276,521.15		-538,276,521.15
3. Others												
(4) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Retained earnings transferred from the changes in defined benefit plan												
5. Retained earnings transferred from the changes in other comprehensive income												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others												
<b>IV. Closing balance for the period</b>	1,362,725,370.00				2,266,000,437.11		14,296,371.25		601,627,244.59	2,306,244,612.15		6,550,894,035.10

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

8. STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY — *Continued*

Amount for previous year

Unit: RMB

Item	Previous period											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
		Preference shares	Perpetual debts	Others								
I. Closing balance for previous year	1,362,725,370.00				2,261,470,878.87		5,631,108.11		525,664,284.17	2,124,252,001.41		6,279,743,642.56
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,261,470,878.87		5,631,108.11		525,664,284.17	2,124,252,001.41		6,279,743,642.56
III. Movements in the current period												
(Decreases denoted in "-")					4,529,558.24		8,945,885.37		75,962,960.42	270,760,856.70		360,219,260.73
(1) Total comprehensive income							8,945,885.37			759,629,604.23		768,595,489.60
(2) Owners' contributions and capital reductions												
1. Ordinary shares contributed by owners												
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others												
(3) Profit Distribution									75,962,960.42	-488,868,747.53		-412,905,787.11
1. Appropriations to surplus reserve									75,962,960.42	-75,962,960.42		
2. Distribution to owners (shareholders)										-412,905,787.11		-412,905,787.11
3. Others												
(4) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Retained earnings transferred from the changes in defined benefit plan												
5. Retained earnings transferred from the changes in other comprehensive income												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					4,529,558.24							4,529,558.24
IV. Closing balance for the period	1,362,725,370.00				2,266,000,437.11		14,596,993.48		601,627,244.59	2,395,012,858.11		6,639,962,903.29

Legal representative: Tang Ye Guo

Chief financial officer: Chen Xiao Lu

Accounting supervisor: Liang Hong Tao



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

(Unless otherwise stated, all amounts are denominated in Renminbi)

### I. COMPANY PROFILE

Hisense Home Appliances Group Company Limited (hereinafter referred to as the "Company", collectively referred to as the "Group" when including subsidiaries), formerly known as Guangdong Shunde Pearl River factory (廣東順德珠江冰箱廠) was established in 1984. After the restructuring into a joint stock limited company in December 1992, the Company was renamed as Guangdong Kelon Electrical Holdings Company Limited. The Company's 459,589,808 overseas listed public shares (the "H Shares") were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996. In 1998, the Company obtained the approval to issue 110,000,000 domestic shares (the "A Shares"), which were listed on the Shenzhen Stock Exchange on 13 July 1999.

In October 2001 and March 2002, the former single largest shareholder of the Company, Guangdong Kelon (Ronshen) Group Company Limited (hereinafter referred to as "**Ronshen Group**", which previously held 34.06% interest in the Company) entered into a share transfer agreement and a supplemental agreement with Shunde Greencool Enterprise Development Company Limited (which was renamed as "Guangdong Greencool Enterprises Development Company Limited in 2004, hereinafter referred to as "**Guangdong Greencool**"), in connection with the transfer of 20.64% of the total share capital of the Company to Guangdong Greencool by Ronshen Group. In April 2002, Ronshen Group transferred its shareholding of 6.92%, 0.71% and 5.79% of the total share capital of the Company to Shunde Economic Consultancy Company, Shunde Dong Heng Development Company Limited and Shunde Xin Hong Enterprise Company Limited, respectively. After the abovementioned share transfers, Ronshen Group, the former single largest shareholder of the Company, no longer held shares of the Company.

On 14 October 2004, 5.79% of the total share capital of the Company held by Shunde Xin Hong Enterprise Company was transferred to Guangdong Greencool. Upon completion of the share transfer, the percentage of total share capital of the Company held by Guangdong Greencool increased to 26.43%.

On 13 December 2006, 26.43% of the total share capital of the Company held by Guangdong Greencool Enterprises Development Company Limited was transferred to Qingdao Hisense Air-Conditioning Company Limited ("**Qingdao Hisense Air-Conditioning**"). Upon completion of the share transfer, Guangdong Greencool, the former single largest shareholder of the Company, no longer held shares of the Company.

The Company's share reform scheme was approved on the A shareholders' meeting on 29 January 2007 and approved by the Ministry of Commerce of the PRC on 22 March 2007. The shareholding of Qingdao Hisense Air-Conditioning, the largest shareholder of the Company, was changed to 23.63% after the scheme. On 20 June 2007, the name of the Company was changed from "Guangdong Kelon Electrical Holdings Company Limited" to "Hisense Kelon Electrical Holdings Company Limited".

Since 2008, Qingdao Hisense Air-Conditioning has successively increased the shareholding of the Company through secondary market. At the end of 2009, Qingdao Hisense Air-Conditioning held 25.22% of the total share capital of the Company.

In accordance with the resolutions of the fourth interim general meeting of the Company held on 31 August 2009, and as approved by China Securities Regulatory Commission with the "Letter of Reply Concerning the Approval for the Major Asset Restructuring of Hisense Kelon Electrical Holdings Company Limited and the Acquisition of Assets through Issuance of Shares to Qingdao Hisense Air-Conditioning Company Limited (Zheng Jian Xu Ke [2010] No. 329)", and the "Letter of Reply Concerning the Approval for the Announcement by Qingdao Hisense Air-Conditioning Company Limited of the Acquisition Report of Hisense Kelon Electrical Holdings Company Limited and the Waiver of its General Offer Obligation (Zheng Jian Xu Ke [2010] No. 330)" dated 23 March 2010, the Company was permitted to issue 362,048,187 ordinary shares (A shares) in Renminbi to Qingdao Hisense Air-conditioning (as a specific object), to fund the acquisition of 100% equity interests in Hisense (Shandong) Air-Conditioner Co., Ltd., 51% equity interests in Hisense (Zhejiang) Air-Conditioner Co., Ltd., 49% equity interests in Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. ("**Hisense Hitachi**"), 55% equity interests in Hisense (Beijing) Electrical Co., Ltd., 78.70% equity interests in Qingdao Hisense Mould Co., Ltd. and the white goods marketing businesses and assets including refrigerators and airconditioners of Qingdao Hisense Marketing Co., Ltd. ("**Hisense Marketing**").

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### I. COMPANY PROFILE — Continued

In 2010, the connected transaction in relation to the acquisition of assets by way of share (A share) issue by the Company to a specific object was completed, and the Company issued 362,048,187 additional A shares to Qingdao Hisense Air-Conditioning under seasoned offering. The new shares were listed on 10 June 2010. On 30 June 2010, the registered capital of the Company changed from RMB992,006,563.00 to RMB1,354,054,750.00.

On 18 June 2013, 612,221,909 restricted A shares of the Company held by Qingdao Hisense Air Conditioning were no longer subject to selling moratorium and were listed for trading.

On 23 May 2014, upon the satisfaction of the conditions to the first exercise period of the First Share Option Incentive Scheme of the Company and after approval by and registration with the Shenzhen branch of China Government Securities Depository Trust & Clearing Co. Ltd., an additional of 4,440,810 new shares issued upon the exercise of options were approved for listing.

On 19 June 2015, upon the satisfaction of the conditions to the second exercise period of the First Share Option Incentive Scheme of the Company and after approval by and registration with the Shenzhen branch of China Government Securities Depository Trust & Clearing Co. Ltd., an additional of 4,229,810 new shares issued upon the exercise of options were approved for listing.

On 10 October 2018, the name of the company was changed from Hisense Kelon Electrical Holdings Company Limited to Hisense Home Appliances Group Co., Ltd.

As at 30 June 2020, the total number of shares of the Company was 1,362,725,370 and the registered share capital of the Company was RMB1,362,725,370.00; of which, the shareholding of the Company held by Qingdao Hisense Air-Conditioning was 37.92%.

Scope of operations of the Company:

The Company and its subsidiaries are principally engaged in home appliances (such as refrigerators) development and manufacture, domestic and overseas sales of products, provision of after-sale services and transportation of own products.

Place of registration of the Company: No. 8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.

Address of headquarters: No. 8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.

### II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements of the Group includes 40 subsidiaries, including Hisense (Ronshen) Refrigerator Co., Ltd. (海信(容聲)冰箱有限公司). There was no change during the period.

For details, please refer to "VII. Change in scope of consolidation" and "VIII. Interests in Other Entities" to this note.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### (1) Basis of preparation

The financial statements of the Group are prepared based on going-concern and actual transactions and events according to the Accounting Standards for Business Enterprises and relevant regulations, and the relevant disclosure required by the "Companies Ordinance" of Hong Kong and the "Listing Rules" of The Stock Exchange of Hong Kong, and prepared based on with the accounting policies and accounting assumptions set out in "IV. Major Accounting Policies and Accounting Estimates" in this note.

#### (2) Going-concern

The Group has the going-concern ability, and there is no significant event that has impact on such ability within at least 12 months since the end of the reporting period.

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates: The accounting policies and accounting estimates developed by the Group according to characteristics of actual production and operation include business cycle, impairment of financial asset, the measurement of inventory dispatched, fixed assets classification and depreciation methods, amortization of intangible assets, conditions for capitalizing R&D expenses, recognition and measurement of incomes, etc.

#### 1. Declaration on Compliance with the Accounting Standards for Business

The Company have prepared the financial statements in accordance with the Accounting Standards for Business Enterprises (the "ASBEs"), which gives a true and complete view of the financial position, trading results, cash flows and other information of the Company and of the Group.

#### 2. Accounting period

The Group adopts a calendar year, being the period from 1 January to 31 December, as its accounting period.

#### 3. Business cycle

The Group adopts a 12-month period as its business cycle and the basis for liquidity classification between assets and liabilities.

#### 4. Reporting currency

Renminbi (RMB) is the currency in the primary economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries adopt RMB as their reporting currencies. The overseas subsidiaries of the Company adopt the Hong Kong dollar or Euro as their respective reporting currencies depending on the currency in the primary economic environment where they operate. RMB is the functional currency adopted by the Company in preparing these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 5. Accounting treatment for business combinations involving entities under common and not under common control

The assets and liabilities obtained by the Group as the merging party in a business combination are measured at the combination-date carrying amount of the merged party in the consolidated statement of ultimate controller. The difference between the carrying amount of net assets obtained and the carrying amount of the combination consideration paid shall adjust capital reserve; if the capital reserve is not sufficient for offsetting, the retained earnings shall be adjusted.

The acquiree's identifiable assets, liabilities and contingent liabilities obtained in a business combination not under common control shall be measured at fair value at the acquisition date. The cost of combination is the sum of the fair value of cash and non-cash assets paid, liabilities incurred or assumed and equity securities issued by the Group for obtaining control of the acquiree at the acquisition date and all expenses incurred directly in the business combination (for the business combination is achieved in stages through multiple transactions, its cost of combination is the sum of costs of each single transaction). Where the cost of combination exceeds the acquirer's share of the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is less than the acquirer's share of the fair value of the acquiree's identifiable net assets, the measurement of the fair values of all the identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair values of non-cash assets or equity securities issued as the consideration for combination are firstly reviewed. If, after that review, the cost of combination is still less than the acquirer's share of the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in the consolidated non-operating revenue for the period.

#### 6. Preparation of consolidated financial statements

The Group includes all of its subsidiaries under its control in the scope of consolidated financial statements.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the Company, and proportion of profit or loss for current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, gain or loss attributable to minority interests, other comprehensive income attributable to minor shareholders and total comprehensive income attributable to the minority shareholders" in the consolidated financial statements.

For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, the acquiree shall be regarded as the ultimate controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time which not earlier than the Group and the acquiree are both under the control of ultimate controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets increased due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in assets, shall be written off retained earnings at the beginning of the comparative period and profit or loss for current period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 6. Preparation of consolidated financial statements — *Continued*

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be re-measured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination in the consolidated financial statements, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group loss control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loss control through disposal of shareholding in subsidiaries belongs to a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognised as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for current period upon loss of control.

#### 7. Classification of joint arrangements and accounting treatment for joint operations

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sale under joint operation that do not constitute business, only when profit or loss incurred from that transaction attributable to the other parties under the joint operation.

#### 8. Cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents cash flow statement are terms which are less than three months, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 9. Foreign currency transactions and translation of financial statements in foreign currency

##### (1) *Foreign currency transactions*

For foreign currency transactions of the Group, the amount in foreign currency shall be translated into RMB at the approximate exchange rate of the spot exchange rate at the date when the transactions take place. As at the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Translation differences arising thereon are directly included in the profit or loss for the period, except that exchange differences arising from specific borrowings in foreign currency attributable to the construction or production of a qualifying asset for capitalization are dealt with based on the capitalization principle.

##### (2) *Translation of financial statements in foreign currency*

Asset and liability items in the balance sheet denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. The owners' equity items, except for the "undistributed profits", are translated at the approximate exchange rate of the spot exchange rate when a business takes place. Income and expense items in the income statement are translated at the spot exchange rate at the date when the transaction takes place. The translation differences arising from the above translation of statements denominated in foreign currency are presented in other comprehensive income item. Cash flows dominated in foreign currency are translated using the approximate exchange rate of the spot rate at the date when the cash flow occurs. Effects on cash arising from the changes in exchange rate are presented separately in the cash flow statement.

#### 10. Financial assets and financial liabilities

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

##### (1) *Financial assets*

###### 1) *Classification, recognition and measurement of financial assets*

The Group classifies financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group will classify financial assets that meet the following conditions into financial assets measured at amortized cost: ① the financial assets are managed within a business model whose objective is achieved by collecting contractual cash flow; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value with related transaction costs to be included in the initial recognition amount, and are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the maturity amount is amortized using the effective interest method, and the amortization, impairment, exchange gains or losses and gains or losses arising upon derecognition are included in the profit or loss for the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 10. Financial assets and financial liabilities — *Continued*

##### (1) *Financial assets* — *Continued*

##### 1) *Classification, recognition and measurement of financial assets* — *Continued*

The Group will classify financial assets that meet the following conditions into financial assets at fair value through other comprehensive income: ① the financial assets are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value with related transaction costs to be included in the initial recognition amount. Except for those designated as hedged items, other gains or losses arising from such financial assets, other than credit impairment losses or gains, exchange gains or losses and interest on such financial assets calculated using the effective interest method, are recognized in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred out and be included in the profit or loss for the period.

The Group recognizes interest income using the effective interest method. Interest income is calculated and determined by applying the effective interest rate to the carrying balance of the financial asset, except: ① for the purchased or internally generated credit-impaired financial assets, their interest income is calculated and determined based on amortized cost and credit-adjusted effective interest rate of such financial assets since the initial recognition; ② for the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, their interest income is calculated and determined based on amortized costs and effective interest rate of such financial assets in subsequent periods.

Other than the above financial assets measured at amortized cost, the Group classifies its financial assets as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value with related transaction costs to be directly included in profit or loss for the period. Gains or losses on such financial assets are included in profit or loss for the period.

##### 2) *Recognition and measurement of transfer of financial assets*

The Group derecognizes financial assets if one of the following conditions is satisfied: ① the contractual rights to collect the cash flows from the financial asset expire; ② the financial asset has been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the financial asset; and ③ the financial asset has been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and it has not retained control over such financial asset.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the carrying amount of the transferred financial assets and the sum of the consideration received from the transfer and the accumulative amount of the changes of the fair value originally included in other comprehensive income which shall be apportioned to the derecognized portion (where the contractual terms of the financial assets transferred give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding), are included into current profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 10. Financial assets and financial liabilities — *Continued*

##### (1) *Financial assets — Continued*

##### 2) *Recognition and measurement of transfer of financial assets — Continued*

If the transfer of financial asset partially satisfies the conditions of derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the sum of the consideration received from the transfer and the accumulative amount of the changes of the fair value originally included in other comprehensive income which shall be apportioned to the derecognized portion (where the contractual terms of the financial assets transferred give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding the financial assets transferred are available-for sale financial assets), and the apportioned entire carrying amount of the said financial assets are included into current profit or loss.

##### (2) *Financial liabilities*

##### 1) *Classification, recognition and measurement of financial liabilities*

On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities at fair value through profit or loss include transactional financial liabilities and financial liabilities designated as measured at fair value through profit or loss at initial recognition. They are subsequently measured at fair value. Gains or losses arising from changes in fair value, as well as dividends and interest expenditure related to such financial liabilities are recorded in profit or loss for the period.

Except for the following items, the Group classifies its financial liabilities as those measured at amortized cost: ① financial liabilities at fair value through profit or loss, including transactional liabilities (inclusive of derivatives of such financial liabilities) and financial liabilities designated as measured at fair value through profit or loss. ② financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continuing involvements in the transferred financial assets. ③ financial guarantee contracts that do not fall within the range of ① or ②, and loan commitments that do not fall within the range of above ① and are at a rate less than the market interest rate.

##### 2) *Conditions for derecognition of financial liabilities*

When the present obligations of financial liabilities are released in whole or in part, such financial liabilities are derecognized to the extent of the obligations released. Where the Group enters into an agreement with its creditor to replace existing financial liabilities by assuming new financial liabilities with contractual terms substantively differ from those of the existing financial liabilities, the existing financial liabilities are derecognized while the new financial liabilities are recognized. Where the Group substantively revises, in whole or in part, the contractual terms of existing financial liabilities, such existing financial liabilities are derecognized in whole or in part, while those financial liabilities with their terms revised are recognized as new financial liabilities. The difference between the carrying amount of the derecognised part and the consideration paid is included in the profit or loss for the current period.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 10. Financial assets and financial liabilities — *Continued*

##### **(3) Method for determination of fair values of financial assets and financial liabilities**

Fair values of financial assets and financial liabilities of the Group are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Group: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level of fair value measurement is determined by the lowest level of inputs which are significant to the measurement of fair value as a whole.

The Group measures investments in equity instruments at fair value. However, in limited circumstances, if recent information on determining fair value is insufficient, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, the cost may be an appropriate estimate of fair value with that range.

##### **(4) Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and shall not be offset. However, when all of the following conditions are met, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet: (1) the Group has a legal right that is currently enforceable to set off the recognized amount, and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously. °

##### **(5) Classification and treatment of financial liabilities and equity instruments**

The Group classifies financial liabilities and equity instruments on the following principles: (1) Where the Group is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument will or may be settled in the Group's own equity instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Group's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

When classifying a financial instrument (or a component thereof) in consolidated financial statements, the Group shall consider all terms and conditions agreed between members of the Group and the holders of the financial instrument. If the Group as a whole has an obligation in respect of the instrument to settle it by delivering cash or another financial asset or in such a way that it would be a financial liability, such instrument shall be classified as a financial liability.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 10. Financial assets and financial liabilities — *Continued*

##### (5) *Classification and treatment of financial liabilities and equity instruments — Continued*

If the financial instrument or its component is attributable to the financial liability, the relevant interests, dividends, gains or losses, and gains or losses arising from redemption or refinancing, shall be recorded in the profit or loss of the current period.

If the financial instrument or its component is attributable to equity instrument, the Group shall treat it as change in equity when it is issued (including refinanced), repurchased, sold or cancelled, and shall not recognize changes in fair value of equity instrument.

#### 11. Impairment of financial assets

Financial assets with their impairment loss to be recognised by the Group are financial assets at amortised cost and lease receivable, which include notes receivable, accounts receivable and other receivables, etc.. In addition, the Company shall also make provision for impairment of contract assets and part of the financial guarantee contracts and recognise their credit impairment loss in accordance with the accounting policies as stated in this section.

##### (1) *Recognition method of impairment provision*

Based on the expected credit loss, the Group makes impairment provisions for each of the above items with the measurement methods (being general approach or simplified approach) of expected credit loss applicable to them, and recognises their credit impairment loss.

Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls. In particular, the credit-impaired financial assets purchased or originated by the Group shall discount based on the credit-adjusted effective interest rate of such financial assets.

General approach for measuring expected credit loss means that the Group assesses whether credit risk of financial assets (including other applicable items such as contract assets) has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Group measures loss provision based on the amount of expected credit losses for the entire duration of the life; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months. The Company considers all reasonable and evidenced information, including forward-looking information, when assessing expected credit loss.

For financial instruments with lower credit risk on balance sheet date, the Company assumes that their credit risk has not increased significantly since the initial recognition and chooses to measure loss provision based on the expected credit loss within the next 12 months.

##### (2) *Criteria for judging significant increases in credit risk after initial recognition*

If a financial asset's probability of default within the expected duration of the life as determined on balance sheet date is significantly higher than its probability of default within the expected duration of the life as determined on initial recognition, this shows that the credit risk of such financial asset is significantly increased. Except for special circumstances, the Group adopts the changes in default risks within the next 12 months as reasonable estimates for changes in default risks within the entire duration of the life, so as to determine whether credit risk is significantly increase or not after initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 11. Impairment of financial assets — Continued

##### (3) Assessment method of expected credit loss on a group basis

The Group conducts individual assessment on the credit risk of financial assets with obviously different credit risks. For examples, assessment will be conducted on the receivables for which there are disputes, lawsuit or arbitration; the receivables for which there are obvious evidences showing that the debtor is not likely able to perform the repayment obligation, etc. In addition to financial assets with individually assessed credit risks, the Company divides financial assets into different groups based on common risk characteristics, and assess their credit risks on a group basis.

##### (4) Accounting treatment method of impairment of financial assets

As at the end of the period, the Group calculated the expected credit losses of various types of financial assets. If the expected credit loss is higher than the carrying amount of its current impairment provision, the difference is recognised as the impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognised as the impairment gain.

##### (5) Determination of credit losses of various types of financial assets

###### ① Notes receivable

The Group calculates loss provision of notes receivable based on the amount equivalent to the expected credit loss within the entire duration of the life. Based on the credit risk characteristics of notes receivable, the Company divides them into different groups:

Item	Basis for determination of groups
Bank acceptance notes	Acceptor being a bank with less credit risk
Commercial acceptance notes	Based on the credit risk of the acceptor (same as accounts receivable)

###### ② Accounts receivable and contract assets

For accounts receivable and contract assets which do not contain significant financing components, the Company measures the loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables, contract assets and lease receivable which contain significant financing components, the Company always chooses to measure the loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to accounts receivable and contract assets with individually assessed credit risks, based on their credit risk characteristics, the Company divides them into different groups:

Item	Basis for determination of groups
Ageing analysis	This group is based on the using of ageing of receivables as the credit risk characteristics.
Receivables from related parties	This group is based on receivables from related parties
Other receivables	This group is based on accounts receivable from special business

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 11. Impairment of financial assets — Continued

##### (5) Determination of credit losses of various types of financial assets — Continued

###### ③ Other receivables

Based on whether the credit risk of other receivables is significantly increased or not after initial recognition, the Group measures impairment loss by using the amount of expected credit losses equivalent to the entire duration of the life or within the next 12 months. In addition to other receivables with individually assessed credit risks, based on their credit risk characteristics, the Company divides them into different groups:

Item	Basis for determination of groups
Ageing analysis	This group is based on the using of ageing of other receivables as the credit risk characteristics.
Receivables from related parties	This group is based on other receivables from related parties
Other receivables	This group is based on other receivable from special business

#### 12. Financing receivables

As for notes receivable and Accounts receivable that classified as measured at fair value through other comprehensive income, the portion within one year (inclusive) from the date of acquisition is presented as financing receivables; while the portion over one year is presented as other investments in debt. For relevant accounting policies, please refer to Note 10 Financial assets and financial liabilities and Note 11 Impairment of financial assets as stated above.

#### 13. Inventories

The Group's inventories mainly includes raw materials, work in progress, finished goods and etc.

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low-value consumables and packaged goods are amortised using one-time resale method.

The Group carries out a comprehensive inventory on the balance sheet date. The net realisable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

#### 14. Contract Assets

##### (1) Method and standards for recognition of contract assets

A contract asset represents the Group's right, which depends on factors other than the passage of time, to receive consideration in exchange for goods that the Group has transferred to a customer. If the Group sells two clearly distinguishable goods to customers, it is entitled to receive payment for one of the goods that has been delivered, but the payment is also dependent on the delivery of the other of the goods, the Group regards the right to receive payment as a contract asset.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 14. Contract Assets — *Continued*

##### **(2) Method of determination and accounting treatment of expected credit loss of contract assets**

For method of determination of expected credit loss of contract assets, please refer to the description in "11. Impairment of financial assets" above.

About the accounting treatment method, the Group calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for contract assets, the Group recognises the difference as impairment losses, and it will debit "credit impairment loss" and credit "provision for impairment of contract assets". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit loss and determines that the relevant contract assets are unrecoverable, subject to the approval for writing off, it will debit "provision for impairment of contract assets" and credit "contract assets" based on the approved amount written-off. If the written-off amount is greater than the loss allowance made, the "credit impairment loss" is debited for the difference.

#### 15. Contract costs

##### **(1) Method of determination of amount of assets relating to contract costs**

The Group's assets relating to contract costs include contract performance cost and contract acquisition cost.

Contract performance cost refers to the cost incurred by the Group to perform a contract which does not fall under the scope of the Accounting Standards for Business Enterprises and meets all of the following conditions, which is recognised as an asset as contract performance cost: the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract; the costs generate resources of the Group that will be used in satisfying performance obligations in the future; the costs are expected to be recovered.

Contract acquisition cost refers to the incremental cost for the Group to obtain a contract which is expected to be recoverable which is recognised as an asset as contract acquisition cost. If the amortisation period is no more than one year, the contract acquisition cost is included in profit or loss as incurred. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired (such as commission etc.). Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) (such as travelling expenses which will be incurred regardless of whether the contract will be obtained) are included in profit or loss as incurred, save for those expressly to be borne by customers.

##### **(2) Amortisation of assets relating to contract costs**

The Group's assets relating to contract costs are amortised using the same basis as that for recognition of the revenue from goods relating to the assets, which are included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 15. Contract costs — *Continued*

##### (3) *Impairment of assets relating to contract costs*

In determining the loss on impairment of assets relating to contract costs, the Group first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal had no provision for impairment been made.

#### 16. Long-term equity investments

Long-term equity investments of the Group are the investments in subsidiaries and investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

When the Group directly or indirectly throughout its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee. For voting rights less than 20% in the investee, the board or representative in similar authority in the investee or the implementation processes of financial or operation policies of investee have also been taken into account, or significant transaction with the investee, or management personnel send to the investee, or significant technology information provided to the investee which have significant influence to the investee.

If the Group has control over an investee, it is a subsidiary of the Group. For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

For equity interests in investees under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of long-term equity investments in the financial statements of the Company for the reporting period in which the control is acquired. For example, for equity interests in investees under common control acquired in a series of transactions which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For long-term equity investment acquired through business combination not under common control, cost of combination will be treated as the initial investment cost.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 16. Long-term equity investments — *Continued*

For equity interests in investees not under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of cost of long-term equity investments in the financial statements of the Company for the reporting period in which the control is acquired. For example, for equity interests in investees not under common control acquired in a series of transactions which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not belong to a series of transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the investee when it directly disposes of related assets or liabilities upon disposal. For shareholding which it holds before acquisition and accounted for under fair value method in the available-for-sale financial assets, the accumulated change in fair value which is originally included in other comprehensive income shall be change to profit or loss for current period on the date of combination.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.

Investments in subsidiaries are accounted for the Group using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be increased according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the investee, it shall be recognised as investment income for current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders' equity of the investee. When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognised after adjustment is made to the net profit of the investee.

On disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term equity investments accounted for under equity method, the movements of shareholder's equity, other than the net profit or loss, of the investee company, previously recorded in the shareholder's equity of the Company are recycled to investment income for the period on disposal.

When the Group loss control in the investee due to reasons such as disposal of part of the equity investment, remaining shareholding after disposal of will be accounted for under available-for-sale financial assets, difference between fair value and the carry value on the date of loss of common control or significant influence will be included in the profit or loss for current period. Other comprehensive income recognised in the original equity investment which is accounted for using equity method, upon it will no longer be accounted for under equity method, it shall be using the same accounting basis as the investee directly disposing related assets or liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 16. Long-term equity investments — *Continued*

For loss of control in the investee due to partly disposed long-term equity investment, for remaining shareholding which can apply common control or impose significant influence to the investee after disposal, shall be accounted for under equity method. Difference between the carrying value of equity disposal and the disposal consideration shall be included as investment income. Such remaining shareholding shall be treated as accounting for under equity method since the shareholding is obtained and make adjustment. For remaining shareholding which cannot apply common control or impose significant influence after disposal, it can be accounted as under available-for-sale financial assets, and difference between carrying value of equity disposal and the disposal consideration shall be included as investment income, difference between fair value and the carrying value of remaining shareholding on the date loss of control shall be included in the investment profit or loss for such period.

If the transactions from the step-by-step disposal of equity to the loss of controlling equity do not fall under a series of transactions, the Group shall separately carry out accounting treatment for each transaction. If the transaction falls under a series of transactions, each transaction is accounted for as a disposal of subsidiary with control lost. However, the difference between the consideration for each transaction before losing control and the carrying value of the long-term equity investments corresponding to the equity disposed of is recognised as other comprehensive income and transferred to profit or loss upon loss of control.

#### 17. Investment properties

Investment properties are the properties held to earn rental or for capital appreciation or both, and represent buildings which have been leased out by the Company.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortised using the same policy as that for buildings and land use rights. In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

#### 18. Fixed assets

Fixed assets of the Group are tangible assets that held for production of goods or provision of services, leasing to others, or for administrative purposes; have useful life over one accounting year.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets of the Group comprise buildings and structures, machinery equipment, electronic equipment, appliances and furniture, transportation equipment, moulds, etc.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 18. Fixed assets — Continued

Apart from fixed assets which are provided in full and continue to be in use and lands that are accounted separately, the Group made provision for all the fixed assets. The Group made provision for depreciation using straight-line method. The useful life, estimated residual value ratio and depreciation rate of fixed assets of the Group are classified as below:

No.	Category	Useful life (year)	Rate of residual value (%)	Annual depreciation rates (%)
1	Buildings	20-50	0-10	1.8-5
2	Machinery and equipment	5-20	5-10	4.5-19
3	Electronic equipment, appliances and furniture	5-10	5-10	9-19
4	Motor vehicles	5-10	5-10	9-19
5	Moulds	3	0	33.33

The Group makes the assessment on the estimated useful life, estimated rate of salvage value and the depreciation method of fixed assets at each financial year-end. If any changes occur, they will be regarded as changes on accounting estimates.

#### 19. Construction in progress

The Group's constructions in progress are measured at actual cost and are accounted for by individual projects.

Construction in progress is transferred to the fixed assets when the assets are ready for their intended use at an estimated amount based on the project budget or actual cost of construction. Depreciation is calculated from the next month of the transfer. The cost of the asset is adjusted when the construction finalization procedures are completed.

#### 20. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for a relatively long time, and can reached usable or sale condition after that. Borrowing costs start capitalization when the assets expense and borrowing costs were incurred and the construction or production activities, in order to make assets to reach the expected usable or sale condition have started; When construction or assets that fulfil the capitalization conditions reached the expected usable or sale condition, the capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

The amount of interest, accrued from the funds borrowed under a specific-purpose, to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. The Group determines the amount of interest, accrued from the funds borrowed under general-purpose, to be capitalised by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specificpurpose borrowings. The capitalisation rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 21. Right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee.

##### (1) *Initial measurement*

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee, which is defined as incremental costs arising due to the obtaining lease; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, while costs of production of inventory are excluded.

##### (2) *Subsequent measurement*

At the commencement date, the Group shall measure the right-of-use asset at cost, which is the measurement of right-of-use assets at cost less accumulated depreciation and accumulated impairment losses

If the Group re-measures lease liability in accordance with the relevant provisions of the lease standards, the book value of the right-of-use assets shall be adjusted accordingly.

##### (3) *Depreciation of right-of-use asset*

At the commencement date, the Group depreciates the right-of-use asset. Right-of-use assets are usually depreciated starting from the month of the lease term. The depreciation amount accrued is included in the cost of the relevant asset or current profit or loss based on the use of the right-of-use asset.

When determining the depreciation method of the right-of-use assets, the Group makes decision based on the expected consumption method of the economic benefits related to such right-of-use assets, and depreciates the right-of-use assets by the straight-line method.

When determining the depreciation period of the right-of-use assets, the Group follows the following principles: If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life.

If the right-of-use asset is impaired, the Group performs subsequent depreciation based on the book value of the right-of-use assets after deducting the impairment loss.

#### 22. Intangible asset

The Group's intangible assets mainly include land use right, trademark right, patented technology, etc. Intangible assets are measured at the actual costs at acquisition. For purchased intangible assets, actual paid cost and other relevant expenses are used as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the values specified in the investment contract or agreement, while for the unfair agreed value in contract or agreement, the actual cost is determined at the fair value.

The Group amortizes land use right on the basis of its useful life by straight line method since it is acquired. Other intangible assets are amortized evenly on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into profit and loss in the current period according to the beneficiary object of intangible assets. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year. Any changes will be dealt with as changes on accounting estimates.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 22. Intangible asset — *Continued*

The Group will review the useful lives on those intangible assets with indefinite useful lives at each of the accounting period. If there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company shall estimate the useful life and carry out amortization according to the amortization policy for intangible assets with finite useful life.

#### 23. Expenditure on research and development

- (1) The Group classifies the expenditure on an internal research and development project into expenditure at the research phase and expenditure at the development phase.
- (2) Specific criteria for the classification of the Company's internal research and development projects into research phase and development phase:

Research phase: the phase at which creative investigation and research activities are carried out as planned for the purpose of obtaining and understanding new scientific or technical knowledge.

Development phase: the phase at which the research achievement or other knowledge is applied to a particular project or design in order to produce new or substantially improved materials, devices, products and etc. before commercial production or utilization.

- (3) Expenditure at the research phase of an internal research and development project is recognized in profit or loss for the period when it is incurred.
- (4) Expenditure at the development phase of an internal research and development project is recognised as an intangible asset only if all of the following conditions are satisfied at the same time:
  - ① It is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - ② Management intends to complete and to use or sell the intangible asset;
  - ③ It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or for the intangible asset itself, and that it can be used if the intangible asset is to be used internally;
  - ④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
  - ⑤ The expenditure attributable to the intangible asset at its development phase can be reliably measured.
- (5) All the expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in the profit or loss when incurred.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 24. Impairment of long-term assets

The Group would assess intangible assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress, right-to-use assets and intangible assets and operating lease assets with limited useful lives at each of the balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the period end regardless of whether there is indication of impairment loss.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period.

#### 25. Long-term prepaid expenses

Long-term prepaid expenses are expenditures of the Group that have been incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on a straight-line basis over the expected beneficial period. Pre-operating expenses during the establishment period should be recognized directly in profit or loss in the month as incurred.

#### 26. Contract liability

A contract liability reflects the Group's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has paid the contract consideration or the Group has obtained the unconditional rights to consideration before the Group transfers goods to the customer, the Group will present the amount received or receivable as a contract liability at the time of actual payment by the customer or the due date of the amount to be paid by the customer, which is the earlier.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 27. Employee compensation

Staff remuneration of the Group mainly includes short-term remuneration, post-employment benefits and termination benefits.

Short-term remuneration mainly includes salaries, bonuses, allowance and subsidies, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs and non-monetary welfare etc. Short-term remuneration incurred during the accounting period in which the staff provided services is recognised as a liability, and included in profit or loss for the current period or as related asset cost in accordance with beneficiaries.

Post-employment benefits mainly include pension insurance premium and unemployment insurance premium. According to the Company's risks and obligations, they are classified as defined contribution plans. As for the defined contribution plans, the contributions which are made for individual subjects in exchange for the staff's services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in profits or losses in the current period or relevant asset costs according to the beneficiaries.

Where the Group terminates the employment relationship with employees before the expiration of the employment contracts or proposes compensation to encourage employees to accept voluntary redundancy, it shall recognise employee compensation liabilities arising from termination benefit and included in profit or loss for the current period, on the date when the Group may not revoke unilaterally the termination benefit provided due to the termination of employment relationship plans or employee redundancy proposals or when the Group recognises the cost and expenses related to restructuring involving in the payment of termination benefit, whichever is earlier. However, if the termination benefit is not expected to be fully paid within 12 months from the end of the reporting period, it shall be accounted for as other long-term staff remuneration.

#### 28. Lease Liabilities

##### (1) *Initial measurement*

The lease liability is initially measured at the present value of the outstanding lease payments on the commencement date of the lease term.

##### 1) *Lease payment*

The lease payment refers to the amount paid by the Group to the lessor in relation to the right to use the leased asset during the lease term, including: ①The fixed payment and the substantial fixed payment, net of the lease incentive amount when there is a lease incentive; ②The variable lease payments depending on the index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; ③The exercise price of the call option, provided that the Group reasonably determines that it will exercise the option; ④ The amount payable to exercise the option to terminate a lease, provided that the lease term reflects that the Group will exercise the option to terminate the lease; ⑤The amount payable based on the residual value of the security provided by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 28. Lease Liabilities — *Continued*

##### (1) *Initial measurement* — *Continued*

##### 2) *Discount rate*

In calculating the present value of the lease payment, if it is impossible to determine the interest rate implicit in lease, the incremental borrowing rate of the Group shall be adopted as the discount rate. The incremental borrowing rate is defined as the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. Such rate is related to ① The Group's conditions, including its solvency and credit status; ② the term of "borrowing", being the lease term; ③ the amount of "borrowing", being the amount of the lease liabilities; ④ the economic environment, including the jurisdiction where the lessee is located, the denominated currency, and the timing when contract was signed, etc. The Group takes the bank loan interest rate as the basis and adjusts the above factors to achieve the incremental borrowing interest rate.

##### (2) *Subsequent measurement*

After the commencement date, the Group conducts subsequent measurement of the lease liabilities according to the following principles: ① When confirming the interest of the lease liabilities, increase the carrying amount of the lease liabilities; ② When paying the lease payment, reduce the carrying amount of the lease liabilities; ③ When the lease payment changes due to revaluation or lease changes, the book value of the lease liability is remeasured.

The lessee shall calculate the interest expenses of the lease liabilities for each period of the lease term at a cyclically fixed interest rate and include them in profit or loss for the current period, except for those subject to capitalization. The cyclical interest rate refers to the discount rate used by the Group in the initial measurement of lease liabilities, or the amended discount rate used by the Group when lease liabilities need to be remeasured at the revised discount rate due to changes in lease payment or change of lease.

##### (3) *Remeasurement*

After the commencement date, the Group remeasures the lease liability based on the present value of the lease payment after the change and the revised discount rate, if the following situation arises. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss. ① a modification in the in-substance fixed lease payments; ② a change in the amounts expected to be paid under residual value guarantees; ③ a change in future lease payments arising from change in an index or rate; ④ a change in assessment of the purchase option; ⑤ changes in the evaluation result or actual exercise of the option to renew or terminate the lease.

#### 29. Provisions

Obligations pertinent to the contingencies which satisfy all the following conditions are recognised as provisions: (i) The obligation is a current obligation borne by the Group; (ii) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (iii) the amount of the obligation can be reliably measured.

At the balance sheet date, provisions shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or part of the expenses required for settlement of provisions are expected to be compensated by a third party, the compensation amount shall, on a recoverable basis, be recognised as an asset separately, and compensation amount recognised shall not be more than the carrying amount of the provisions.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 30. Share-based payments

The equity-settled share-based payment in return for employees' services shall be measured based on the fair value of equity instruments granted to the employees on the grant date. If the equity-settled share-based payment cannot be vested until the services are completed in vesting period or until the prescribed performance conditions are met, then within the vesting period, the amount of fair value should, based on the best estimate of the number of vested equity instruments, be included in relevant costs or expenses according to the straight-line method, and the capital reserves should be increased accordingly when the equity instruments can be vested upon grant.

Cash-settled share-based payments are measured at the fair value of liabilities determined on the basis of Shares or other equity instruments assumed by the Group. For those vested immediately upon the grant, the fair value of the liabilities assumed as at the date of grant are charged to relevant costs or expenses and the liabilities are increased accordingly. For those vested upon completion of services for the vesting period or fulfilment of performance conditions, the Group charges the services obtained in the current period to costs or expenses at each balance date during the vesting period based on the best estimate of vesting conditions and according to the fair value of the liability assumed by the Group and adjusts the liabilities accordingly.

At each balance sheet date or settlement date before the settlement of relevant liabilities, the fair value of liabilities are remeasured with respective changes included in the profit or loss for the current period.

If the Group cancelled the granted equity instrument during the vesting period (other than cancellations due to non-fulfilment of the vesting conditions), it is deemed as accelerated vesting, as if all vesting conditions of the equity-based payment scheme during the remaining vesting period have been fulfilled, all expenses of the remaining vesting period are recognised during the period of cancellation of such equity instrument granted.

#### 31. Recognition and measurement of revenue

The revenue of the Group mainly included revenue from sale of goods.

The Group recognizes revenue when a performance obligation in the contract is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

When the contract contains two or more performance obligations, on the inception of the contract, the transaction price is allocated to each separate performance obligation in proportion to the stand-alone price of the promised goods or services, and the revenue is recognized according to the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. An entity shall recognize a refund liability if the entity expects to refund some or all of the consideration to the customer which is not included in the transaction price. Where there is significant financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 31. Recognition and measurement of revenue — *Continued*

The Group satisfies a performance obligation over time, if one of the following criteria is met; otherwise, it satisfies a performance obligation at a point in time:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
2. The customer can control the asset which is created by the Group's performance.
3. The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to receive payment in respect of performance completed to date during the whole contract period.

For a performance obligation satisfied over time, the Group shall recognize revenue over time by measuring the process towards complete satisfaction of the performance obligation. If the Group unable to reasonably measure the progress towards complete satisfaction of a performance obligation and the costs incurred by the Group can be expected to be compensated, the revenue shall be recognized according to the costs incurred until such time that it can reasonably measure the process towards complete satisfaction of the performance obligation.

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Group considers the following indications:

1. The Group has a present right to receive the payment in respect of the goods or services.
2. The Group has transferred the legal title of the goods to customers.
3. The Group has transferred physical possession of the goods to customers.
4. The group has transferred the significant risks and rewards of the ownership of the goods to the customers.
5. Customers have accepted the goods or services.

The Group's right to consideration in exchange for goods or services that it has transferred to a customer is stated as contract asset. The Group recognises allowances for impairment loss for expected credit loss on contract assets. Receivable is the Group's unconditional right to consideration to be received from a customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 32. Government grants

Government grants are monetary assets or non-monetary assets transferred from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are divided into asset-related government grants and income-related government grants.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

If a government grant is in the form of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants has been confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants have been given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the Requirements for Disclosure of Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment has been specified in related documents and the payment thereof will be covered by corresponding budget to ensure such grants will be paid on time as specified; (4) pursuant to the specific situation between the Group and such grants, other relevant conditions (if any) should be satisfied.

A government grant related to an asset shall be recognized as deferred income, and included in profit or loss over the useful life of the asset based on reasonable and systemic methods. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognised; where the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

At the same time, if the government grants contain both assets related and income related, the accounting treatment will depend on the different parts of government grants; if it is difficult to distinguish, the whole government grants are classified as the income-related government grants.

The government grants related to daily activities of the Group, depending on the essence of economic business, are recognized in other income or used to offset relevant cost and expenses, otherwise, recognized in non-operating income or non-operating expenses.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be set-off against the book balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is other circumstance, the repayment shall be recognized immediately in profit or loss for the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 33. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred tax asset shall be recognized for deductible losses to the extent that it is probable that tax profit will be available against which the deductible losses can be utilized in accordance with tax law. Deferred tax liabilities for temporary taxable differences relating to goodwill are not recognized to the extent they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognized if the temporary differences arise 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. As at balance sheet date, deferred tax assets and deferred tax liabilities are determined using the applicable tax rates that are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Except for abovementioned circumstances, the Group recognises deferred income tax assets that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

#### 34. Segment statements

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

An operating segment is a component of the Group that satisfies all the following conditions:

- (1) The component is able to generate revenues and incur expenses in the course of ordinary activities;
- (2) The operating results of the component are regularly reviewed by the Company's management in order to make decisions about resources to be allocated to the segment and to assess its performance;
- (3) Information on financial position, operating results and cash flows of the component is available to the Company. The accounting policies of operating segments are the same with the major accounting policies of the Company.

The segment revenue, operating results, assets and liabilities include the amount that is directly attributable to the segment and can be allocated to the segment on a reasonable basis. Revenue, assets and liabilities of an operating segment are determined at the amount before the elimination of inter-group transactions and inter-group current account balances. Transfer price between operating segments is calculated based on terms similar to those of the transactions with other parties.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 35. Lease

##### (1) *Identification of lease*

Lease refers to a contract under which the lessor transfers the right of use of assets to the lessee for consideration within a certain period of time. At the commencement date of the contract, the Group assesses whether the contract is a lease or contains a lease. If a party to the contract transfers the right of use of an identified asset or several identified assets for consideration within a certain period of time, such contract is regarded as leasing or includes leasing. In order to determine whether the right to control the use of the identified assets within a certain period of time has been transferred in the contract, the Group assesses whether the customers in the contract are entitled to substantially all economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conduct accounting treatment respectively for all separate leases. Where a contract concurrently includes both leased and non-leased parts, the Group shall split the leased and non-leased parts and conduct accounting treatment.

##### (2) *The Group as lessee*

The Group recognises a right-of-use asset and a lease liability of the lease at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Group, as lessee, recognises a right-of-use asset and a lease liability of the lease.

##### 1) *Changes in leases*

Changes in leases refer to the changes in the lease scope, lease consideration, and lease term other than the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract. The effective date of the lease change refers to the date both parties agreed on the lease change. If modification of lease happens and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease: ① the modification of lease expands the scope of lease by increasing the rights use of one or more leased assets; ② the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with situation of the contract.

If accounting treatment for the modification of lease as a separate lease is not conducted, on the effective date, the Group shall apportion the consideration of the changed contract in accordance with the relevant provisions of the lease standards, and re-determine the lease period after the change; and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the Group adopts the interest rate implicit in the lease for the remaining lease periods as the discount rate; if the lease interest rate implicit in the lease for the remaining lease period cannot be readily determined, the lessee's incremental borrowing rate shall then be used by the Group as the discount rate on the effective date of modification of lease. In view of the consequences of the above adjustment of the lease liabilities, the Group conducts accounting treatment in each of the following cases accordingly: ① if the modification of lease results in a narrower scope of lease or a shorter lease term, the lessee shall reduce the book value of the right-of-use assets, and recognise the gain or loss relevant to the partial or complete termination of the leases in the current profit or loss; ② for other modification of lease that may lead to remeasurement of lease liabilities, the lessee adjusts the book value of the right-of-use assets accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 35. Lease — Continued

##### (2) The Group as lessee — Continued

###### 2) Short-term leases and low-value asset leases

For short-term leases with a lease period of not more than 12 months and low-value asset leases which are brand-new assets, the Group does not recognise the right-of-use assets and lease liabilities. During different periods in the lease term, lease payments on short-term leases and leases of low-value assets are recognised as relevant asset costs or current profit or loss on a straight-line basis or other systematic and reasonable methods over the lease term.

##### (3) The Group as a lessor

Based on assessment as stated in (1), if the contract is lease or includes lease, such lease for which the Group is a lessor are classified as finance or operating on the lease commencement date.

The lessor classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases other than finance lease shall be classified as operating leases.

A lease is usually classified as a finance lease when one or more of the following conditions are satisfied: ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee. ② The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined at the commencement date of the lease that the lessee will exercise the option. ③ Although the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased assets (not lower than 75% of the useful life of the leased assets). ④ On the commencement date of the lease, the present value of the lease receivable amount is basically equivalent to the fair value of the leased asset (not lower than 90% of the fair value of the leased assets). ⑤ The leased assets are of a special nature. If no major modifications are made to them, only the lessee can use them. If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease: ① If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor ; ② The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee ; ③ The lessee can continue to lease far below the market level for the next period.

###### 1) Accounting treatment for financial lease

###### Initial measurement

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets. When the initial measurement of the financial lease receivable is made by the Group, the Group uses the net lease investment as the entry value of the finance lease receivables.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 35. Lease — Continued

##### (3) The Group as a lessor — Continued

###### 1) Accounting treatment for financial lease — Continued

###### Initial measurement — Continued

The net lease investment is the sum of the unsecured residual value and the present value of rental receipts that has not been received on the start date of the lease term, which is discounted according to the interest rate implicit in lease. The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including: ①The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted; ②Variable lease payments depending on the index or ratio, and such amounts, are determined at the initial measurement based on the index or proportion at the beginning of the lease period; ③The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option; ④The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease; ⑤The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

###### Subsequent measurement

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. Such periodic interest rate refers to the embedded discount rate used to determine the net lease investment. In the case of intermediate lease, if it is impossible to determine the embedded discount rate under such intermediate lease, discount rate of the original lease shall be adopted and adjustments shall be made based on initial direct costs of such intermediate lease. For a financial lease modification that is not accounted for as a separate lease, if the lease is classified as a financial lease when the change becomes effective on the lease start date, its discount rate shall be revised according to relevant regulations.

###### Accounting treatment for lease modification

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate case for accounting treatment: ①The modification expands the scope of the lease by increasing the right to use one or more leased assets; ②The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

For a financial lease modification that is not accounted for as a separate lease, if the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset.

###### Treatment of lease payment

Rental receipts under an operating lease are recognised as rental income on a straight-line basis over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 35. Lease — *Continued*

##### (3) *The Group as a lessor* — *Continued*

##### 2) *Accounting treatment for operating lease*

Incentive measures provided

Total rental is recognised on a straight-line basis over the period of the lease, without excluding the rent-free period, rental fee are recognised during the rent-free period. If the Group has undertaken certain expenses of the lessee, the expenses will be deducted from total rental income, and the rental income will be allocated according to the balance of the rental income after deduction.

Initial direct costs

The initial direct costs incurred by the Group in relation to the operating leases shall be capitalized as the costs of the subject leased asset and apportioned on the same basis as the rental income recognition during the lease term, and included in current profit or loss.

Depreciation

For fixed assets in operating lease, the Group measures the depreciation in accordance with depreciation policies for similar assets; for other operating lease assets, the Group adopts a systematic and reasonable method on amortization.

Variable lease payments

The variable lease payments received by the Group that are not included in the lease receivables related to the operating leases are recognised in profit or loss in the period in which they are actually incurred.

Operating lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any received or receivable rental receipts relating to the original lease as part of the lease receipts for the new lease.

#### 36. Critical accounting judgements and estimates

The Group needs to make judgments, estimates and assumptions as to the carrying amount of statement items which cannot be accurately measured in applying its accounting policies due to inherent uncertainties of operation activities. Such judgments, estimates and assumptions are made based on the historical experience of the Group's management and taking into account other relevant factors, and may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the actual results derived from the uncertainties of such estimates may differ from the current estimation of the Group's management, which may cause critical adjustment to the carrying amount of assets or liabilities which may be affected in the future.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on a going concern basis. A revision to accounting estimate is recognised in the period in which the estimate is revised if it only affects that period; a revision is recognised in the period of the current and future periods if it affects both current and future periods.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 36. Critical accounting judgements and estimates — *Continued*

At the balance sheet date, the critical areas where the Group needs to make judgments, estimates and assumptions as to the amount of items in the financial statements are set out below:

##### (1) *Revenue recognition*

As stated in note (31) revenue recognition principles and measurement methods above, the Group makes the following significant accounting judgements and estimates in terms of revenue recognition: identifying customer contracts; estimating the recoverability of the considerations that are entitled to be obtained by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Group makes judgements primarily based on historical experiences and works. Changes in these significant judgements and estimates can have impacts on the operating revenues, operating costs, and profit or loss of the current or subsequent periods and could have significant impacts.

##### (2) *Impairment of financial assets*

The Group uses the expected credit loss model to assess the impairment of financial assets. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgements and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators, industry risks, external market environment, technical environment and customers' situation.

##### (3) *Allowance for inventories*

In accordance with the accounting policies of inventories and by measuring at the lower of cost and net realisable value, the Group makes allowance for inventories which have costs higher than net realisable value or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the valuation of marketability and net realisable values of inventories. Determination of impairment of inventories requires the management to make judgments and estimates on the basis of definite evidence and taking into account the purpose of holding inventories and impacts of events after balance sheet date. The difference between the actual outcome and original estimates shall affect the carrying amount of inventories and provision for and reversal of the provision for the impairment of inventories during the period in which the estimates are revised.

##### (4) *Provision for impairment of long term assets*

At the balance sheet date, the Group makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their carrying amount cannot be recovered.

When the carrying amount of an asset or asset groups is higher than the recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — *Continued*

#### 36. Critical accounting judgements and estimates — *Continued*

##### (4) *Provision for impairment of long term assets — Continued*

The net amount of the fair value less costs of disposal is determined by making reference to the price in a sale agreement in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such assets (or asset groups) and the discount rate applied in calculating the discount. In estimating the recoverable amount, the Group may adopt all relevant materials including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

##### (5) *Depreciation and amortisation*

The Group shall provide depreciation and amortisation for investment properties, fixed assets and intangible assets over their useful lives and after taking into account of their residual value by using straight-line method. The Group shall regularly review the useful lives to determine the amount depreciated and amortised to be accounted for in each reporting period. The useful life is determined by the Group according to its previous experience on similar assets and estimated technical updates. If there is any material change in the estimate previously made, the depreciation and amortisation will be adjusted over the future period.

##### (6) *Deferred income tax assets*

The deferred income tax assets will be recognised for all unused tax losses to the extent that it is probable there will be sufficient taxable profits against which the loss is utilised. This requires the Group's management to apply numerous judgments to estimate the timing and amount of the future taxable profits so as to determine the amount of deferred income tax assets to be recognised with reference to the tax planning strategy.

##### (7) *Income tax*

There are some uncertainties in tax treatment and calculation for some transactions of the Group during its ordinary course of business. The approval from the tax authority is required for pre-tax expensing of some items. Any difference between the final determined outcome of such tax matters and the initially estimated amount will exert an effect on the current income tax and deferred income tax during the period in which the final amount is determined.

##### (8) *Sales discount*

In recognising revenue from sales of goods, the Group estimates the relevant expenses in accordance with the terms of the sales agreement and advance the sales discounts to customers and deduct the sales revenue of the goods.

##### (9) *Provisions*

Provision for matters including product quality guarantee shall be recognised in terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Group, a projected liability shall be recognised on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the projected liability significantly rely on the management's judgments in consideration of the assessment of factors including relevant risks and uncertainties related to the contingent events.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

#### 36. Critical accounting judgements and estimates — Continued

##### (9) Provisions — Continued

In particular, the Group makes provisions for after-sales quality maintenance commitments to the customers in respect of sold and repaired goods. In making provisions, the Group considers recent repair experience and data, but recent repair experience may not be able to reflect the future repair situation. Any increase or decrease in such provisions may affect the profit or loss in the future years.

#### 37. Changes in critical accounting policies and estimates

##### (1) Changes in critical accounting policies

There are no changes in critical accounting policies of the Group in the current period.

##### (2) Changes in critical accounting estimates

There are no changes in critical accounting estimates of the Group in the current period.

### V. TAXATION

#### 1. The types and rates of taxes applicable to the Group

Type of taxes	Tax basis	Tax rate
Value-added tax	Sales tax is computed on 13%, 9%, 6%, 5% and 3%, respectively, of the taxable income. Value-added tax is computed on the difference after deduction of input value-added tax of the current period. Input value-added tax is not deductible for value-added tax to which simple collection method is applicable.	13% · 9% · 6% · 5% · 3%
City maintenance and construction tax	Turnover tax payable	5% · 7%
Education surcharges	Turnover tax payable	3%
Corporate income tax	Taxable income	25%/for details, please see the table below

Note: The overseas subsidiaries of the Company shall pay tax in accordance with local tax laws where they are located.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### V. TAXATION — Continued

#### 1. The types and rates of taxes applicable to the Group — Continued

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15%
Hisense (Ronshen) Guangdong Refrigerator Co., Ltd.	15%
Hisense (Ronshen) Guangdong Freezer Co., Ltd.	15%
Hisense (Guangdong) Mould Plastic Company Limited	20%
Guangdong Foshan Shunde Kelon Property Service Co., Ltd.	20%
Guangdong Kelon Mould Co., Ltd.	15%
Foshan Shunde Ronshen Plastic Co., Ltd.	15%
Hisense (Shandong) Air-Conditioning Co., Ltd.	15%
Qingdao Hisense Mould Co., Ltd.	15%
Hisense (Shandong) Refrigerator Co., Ltd.	15%
Hisense (Chengdu) Refrigerator Co., Ltd.	15%
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	15%
Kelon International Incorporation (KII)	8.25%/16.5%
Pearl River Electric Refrigerator Co., Ltd.	16.5%
Kelon Development Co., Ltd.	16.5%
Hisense Mould (Deutschland) GmbH	15%

#### 2. Tax preferences and approvals

According to the "Administrative Measures for the Recognition of High-tech Enterprises" (CTP No. [2016] 32) and the "Guidelines for the Recognition Management Work of High-tech Enterprises" (CTP No. [2016] 195), the Leading Group Office of National High-tech Enterprises Recognition and Management publicly issued the 2019 first batch of proposed high-tech enterprises of Guangdong Province on 2 December 2019. Hisense (Guangdong) Kitchen and Bath System Co., Ltd, a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2019, 2020 and 2021). According to the relevant tax preference regulation on Hightech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2019, 2020 and 2021.

Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR201932003825) dated 22 November 2019 which was jointly issued by the Jiangsu Science and Technology Department, Jiangsu Finance Department and Jiangsu Provincial Taxation Bureau of State Administration of Taxation, with an effective period of three years (2019, 2020 and 2021). According to the relevant tax preference regulation on Hightech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2019, 2020 and 2021.

Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, received the High-tech Enterprise Certificate (certificate number: GR201744004409) dated 9 November 2017 which was jointly issued by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau with an effective period of 2017, 2018 and 2019. Pursuant to the tax preference regulation on High-tech Enterprise, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2017, 2018 and 2019.

Hisense Ronshen (Guangdong) Freezer Co., Ltd., a subsidiary of the Company, received the Hightech Enterprise Certificate (certificate number: GR201844002303) dated 28 November 2018 which was jointly issued by the Guangdong Provincial Science and Technology Department, Guangdong Provincial Department of Finance, Guangdong State Administration of Taxation and the Guangdong Local Taxation Bureau, with an effective period of three years (2018, 2019 and 2020). Pursuant to the tax preference regulation on High-tech Enterprise, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2018, 2019 and 2020.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### V. TAXATION — *Continued*

#### 2. Tax preferences and approvals — *Continued*

Hisense (Guangdong) Mould Plastic Company Limited, a subsidiary of the Company, meets the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2019] No. 13: engaging in industries not restricted or prohibited by the state and meeting the annual taxable income of no more than RMB3 million, the number of employees of no more than 300, and total assets of not exceeding RMB50 million; according to the relevant tax preferences for small and micro-sized enterprises, in 2020, the portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income between RMB1 million and RMB3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

Guangdong Foshan Shunde Kelon Property Service Co., Ltd., a subsidiary of the Company, meets the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2019] No. 13: engaging in industries not restricted or prohibited by the state and meeting the annual taxable income of no more than RMB3 million, the number of employees of no more than 300, and total assets of not exceeding RMB50 million; according to the relevant tax preferences for small and micro-sized enterprises, in 2020, the portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income between RMB1 million and RMB3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR201744002498) dated 9 November 2017 which was jointly issued by Guangdong Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Provincial Office State Administration of Taxation and Guangdong Provincial Local Taxation Bureau, with an effective period of three years (2017, 2018 and 2019). Pursuant to the tax preference regulation on High-tech Enterprise, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2017, 2018 and 2019.

Hisense (Shandong) Air-conditioning Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR201737100982) dated 4 December 2017 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Qingdao State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2017, 2018 and 2019). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2017, 2018 and 2019.

Qingdao Hisense Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR201737100218) dated 19 September 2017 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Qingdao State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2017, 2018 and 2019). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2017, 2018 and 2019.

Hisense (Shandong) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR201737100767) dated 4 December 2017 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Qingdao State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2017, 2018 and 2019). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2017, 2018 and 2019.

Hisense (Chengdu) Refrigerator Co., Ltd, a subsidiary of the Company, received a Letter of Chuan Jing Xin Chan Ye Han [2014] No.176 issued by Economic and Information Commission of Sichuan in 7 March 2014. The principle business of Chengdu Refrigerator was recognized as the state incentive items. According to the tax treaty in relation to western development policy, the applicable enterprises income tax for this subsidiary is 15% from 2014 to 2020.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### V. TAXATION — Continued

#### 2. Tax preferences and approvals — Continued

Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR201837100177) dated 12 November 2018 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Qingdao State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2018, 2019 and 2020). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2018, 2019 and 2020.

The subsidiaries of the Company which were incorporated in Hong Kong are subject to an enterprise income tax on the estimated assessable profits derived from or arising in Hong Kong at the following rates: (1) for KII: a rate of 8.25% is applied to the part which is not exceeded HK\$2,000,000, while a rate of 16.5% is applied to the part which is exceeded HK\$2,000,000; (2) for other Hong Kong subsidiaries: a rate of 16.5% is applied to all of them (the rates of profit tax for each company in 2019 were 16.5%).

Hisense Mould (Deutschland) GmbH, a subsidiary of the Company in Germany, is entitled to enterprise income tax rate of 15% (the income tax rate in 2018 was 15%) in respect of its taxable profits as stipulated in German law.

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless otherwise noted, "Beginning Balance" refers to the balance as at 1 January 2020; and "Ending Balance" refers to the balance as at 30 June 2020. "Current Period" refers to the period from 1 January to 30 June 2020; "Last Period" refers to the period from 1 January to 30 June 2019. For details of items with significant changes, please refer to Note XVIII., 4. Significant changes in key items in the Company's accounting statement and explanation of such changes.

#### 1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	4,857.88	1,827.03
Bank deposits	2,063,474,999.38	2,012,263,900.63
Other cash at bank and on hand	4,626,399,757.56	4,108,297,509.81
<b>Total</b>	<b>6,689,879,614.82</b>	<b>6,120,563,237.47</b>
Including: Total amount deposited overseas	15,663,212.57	19,596,783.37

Notes to cash at bank and on hand:

Other cash at bank and on hand at the end of the period represented mainly security deposit for setting up bank acceptance notes (at the end of the period: RMB4,604,242,928.50, at the beginning of the period: RMB4,038,695,311.13).

Breakdown of restricted cash at bank and on hand are listed as follows:

Item	Closing balance	Opening balance
Security deposit	4,617,305,156.63	4,055,456,641.20
<b>Total</b>	<b>4,617,305,156.63</b>	<b>4,055,456,641.20</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 2. Transactional financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss for the current period	2,440,425,542.00	2,120,000,000.00
Including: Derivative financial assets	425,542.00	
Wealth management products	2,440,000,000.00	2,120,000,000.00
<b>Total</b>	<b>2,440,425,542.00</b>	<b>2,120,000,000.00</b>

Notes to transactional financial assets:

The Group did not have high-risk entrusted wealth management of which the individual amount was significant, and no any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management. For details of fair value, please refer to Note 10, 1. Assets and liabilities measured at fair value.

#### 3. Notes and accounts receivable

##### (1) As shown by classification of notes receivable

Category	Closing balance	Opening balance
Bank acceptance notes	664,415,487.46	884,612,587.51
Commercial acceptance notes	167,586,676.55	211,237,078.65
<b>Total</b>	<b>832,002,164.01</b>	<b>1,095,849,666.16</b>

Notes to bills receivable: bills receivable for collecting contractual cash flows (for collection) were presented as bills receivable by the Group, and bills receivable for collecting contractual cash flows (for collection) and selling of these bills (endorsed or discounted) were presented as receivable financing by the Group.

##### (2) Pledged notes receivable used as at the end of the period

Item	Pledged amounts as at the end of the period
Bank acceptance notes	664,415,487.46
<b>Total</b>	<b>664,415,487.46</b>

Note: For details on pledge, please refer to Note 6(55) Assets with limited ownership or use rights.

##### (3) As at the end of the year, there were no notes receivable that were reclassified into accounts receivable due to failure of the issuers to settle the notes.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 3. Notes and accounts receivable — Continued

##### (4) As shown by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debts					
Provision for bad debts on a group basis	837,464,747.72	100.00	5,462,583.71	0.65	832,002,164.01
Including:					
Bank acceptance notes	664,415,487.46	79.34			664,415,487.46
Commercial acceptance notes	173,049,260.26	20.66	5,462,583.71	3.16	167,586,676.55
<b>Total</b>	<b>837,464,747.72</b>	<b>100.00</b>	<b>5,462,583.71</b>	<b>0.65</b>	<b>832,002,164.01</b>

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt receivables for notes receivable					
Provision for bad debts for notes receivable on a group basis	1,102,527,326.72	100.00	6,677,660.56	0.61	1,095,849,666.16
Including:					
Bank acceptance notes	884,612,587.51	80.23			884,612,587.51
Commercial acceptance notes	217,914,739.21	19.77	6,677,660.56	3.06	211,237,078.65
<b>Total</b>	<b>1,102,527,326.72</b>	<b>100.00</b>	<b>6,677,660.56</b>	<b>0.61</b>	<b>1,095,849,666.16</b>

1) Among the group, provision for bad debts for Notes receivable by Bank acceptance notes

Item	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being the bank with less credit risk	664,415,487.46		
<b>Total</b>	<b>664,415,487.46</b>		<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 3. Notes and accounts receivable — Continued

##### (4) As shown by provision for bad debts — Continued

2) Among the group, provision for bad debts for Notes receivable by Commercial acceptance notes

Item	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a third party	173,049,260.26	5,462,583.71	3.16
<b>Total</b>	<b>173,049,260.26</b>	<b>5,462,583.71</b>	<b>3.16</b>

3) Provision for bad debts of notes receivable that are accrued, collected or transferred back in the current period

Item	Opening balance	Changes during the year			Closing balance
		Provision	Recoveries or reversal	Write-off	
Commercial acceptance notes	6,677,660.56		1,215,076.85		5,462,583.71
<b>Total</b>	<b>6,677,660.56</b>		<b>1,215,076.85</b>		<b>5,462,583.71</b>

4) Notes receivable written-off during the period

There was no notes receivable written-off for the period.

#### 4. Accounts receivable

##### (1) Accounts receivable as shown by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debts for accounts receivable					
Provision for bad debts for accounts receivable on a group basis	5,265,670,171.84	100.00	205,148,077.37	3.90	5,060,522,094.47
Including:					
Aging analysis method	2,033,146,031.49	38.61	126,493,192.34	6.22	1,906,652,839.15
Receivables from related parties	2,346,395,320.74	44.56			2,346,395,320.74
Other amount	886,128,819.61	16.83	78,654,885.03	8.88	807,473,934.58
<b>Total</b>	<b>5,265,670,171.84</b>	<b>100.00</b>	<b>205,148,077.37</b>	<b>3.90</b>	<b>5,060,522,094.47</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 4. Accounts receivable — Continued

##### (1) Accounts receivable as shown by provision for bad debts — Continued

Category	Book value		Opening balance		Carrying amount
	Amount	%	Amount	%	
	Separate provision for bad debts for accounts receivable				
Provision for bad debts for accounts receivable on a group basis	4,161,940,502.44	100.00	194,364,192.33	4.67	3,967,576,310.11
Including:					
Aging analysis method	1,305,254,035.39	31.36	123,555,540.61	9.47	1,181,698,494.78
Receivables from related parties	1,881,273,430.13	45.20	603,299.99	0.03	1,880,670,130.14
Other amount	975,413,036.92	23.44	70,205,351.73	7.20	905,207,685.19
<b>Total</b>	<b>4,161,940,502.44</b>	<b>100.00</b>	<b>194,364,192.33</b>	<b>4.67</b>	<b>3,967,576,310.11</b>

1) Among the group, provision for bad debts for Accounts receivable by aging analysis method:

Ageing	Closing balance		%
	Book value	Provision for bad debts	
Within three months	1,901,641,949.53	3,797,709.99	0.20
Over three months but within six months	6,409,152.08	640,915.21	10.00
Over six months but within one year	6,080,725.47	3,040,362.74	50.00
Over one year	119,014,204.41	119,014,204.41	100.00
<b>Total</b>	<b>2,033,146,031.49</b>	<b>126,493,192.34</b>	<b>6.22</b>

Note: This group is based on the aging of Accounts receivable as credit risk characteristic and the provision for bad debts is made based on the expected credit loss of each aging section.

2) Among the group, provision for bad debts for Accounts receivable by receivables from related parties:

Ageing	Closing balance		%
	Book value	Provision for bad debts	
Within one year	2,346,395,320.74		
Over one year			
<b>Total</b>	<b>2,346,395,320.74</b>		



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 4. Accounts receivable — Continued

##### (1) Accounts receivable as shown by provision for bad debts — Continued

3) Among the group, provision for bad debts for Accounts receivable by other amount:

Category	Closing balance		
	Book value	Provision for bad debts	%
Other amount	886,128,819.61	78,654,885.03	8.88
<b>Total</b>	<b>886,128,819.61</b>	<b>78,654,885.03</b>	<b>8.88</b>

##### (2) Accounts receivable presented by ageing as follows

Ageing analysis of accounts receivable based on the date of recognition is as follows:

Ageing	Closing balance	Opening balance
Within three months	4,640,170,222.42	3,576,878,056.75
Over three months but within six months	81,940,055.74	174,766,391.40
Over six months but within one year	203,735,998.07	92,713,978.80
Over one year	339,823,895.61	317,582,075.49
<b>Total</b>	<b>5,265,670,171.84</b>	<b>4,161,940,502.44</b>

##### (3) Provision for bad debts for Accounts receivable during the period

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Aging analysis method	123,555,540.61	2,937,651.73			126,493,192.34
Receivables from related parties	603,299.99		603,299.99		
Other amount	70,205,351.73	8,449,533.30			78,654,885.03
<b>Total</b>	<b>194,364,192.33</b>	<b>11,387,185.03</b>	<b>603,299.99</b>		<b>205,148,077.37</b>

##### (4) Accounts receivable written-off during the year

Item	Written-off amount
Accounts receivable written-off	

##### (5) Top five accounts receivable by closing balance of debtors.

The total top five accounts receivable by closing balance of debtors amounted to RMB2,419,264,116.34, accounting for 45.94% of the closing balance of account receivable. A provision for bad debts of RMB66,562,067.92 in total was made as at the end of the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 5. Factoring of accounts receivable

##### (1) By category

Item	Closing balance	Opening balance
Bank acceptance notes	3,454,827,366.25	3,734,924,583.10
Commercial acceptance notes	318,507,236.38	174,067,764.75
Account receivable	461,443,345.29	190,616,356.95
<b>Total</b>	<b>4,234,777,947.92</b>	<b>4,099,608,704.80</b>

Note: For details on the fair value, please refer to Note 10(1) Assets and liabilities measured at fair value.

##### (2) Notes endorsed or discounted as at the end of the period but not due as at the balance sheet date

Item	Amount derecognized as at the end of the period	Amount not derecognized as at the end of the period
Bank acceptance notes	2,086,466,189.04	
Commercial acceptance notes	14,738,189.35	
<b>Total</b>	<b>2,101,204,378.39</b>	

##### (3) Accounts receivable derecognised due to transfer of financial assets

The Group transferred accounts receivable of RMB919,616,686.24 without recourse rights and relevant costs were RMB20,218,961.81.

#### 6. Prepayments

##### (1) Prepayments presented by ageing as follows

Aging	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	153,412,392.16	98.67	191,900,124.61	99.53
Over one year	2,063,240.89	1.33	898,424.47	0.47
<b>Total</b>	<b>155,475,633.05</b>	<b>100.00</b>	<b>192,798,549.08</b>	<b>100.00</b>

The Company had no prepayments of significant amount with ageing of over one year as at the end of the period.

##### (2) Top five prepayments by supplier based on closing balance

The total top five prepayments by supplier based on closing balance amounted to RMB85,039,049.70, accounting for 54.70% of total closing balance of prepayments.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 7. Other receivables

Item	Closing balance	Opening balance
Other receivables	274,811,260.42	297,145,507.98
<b>Total</b>	<b>274,811,260.42</b>	<b>297,145,507.98</b>

#### (1) Classification of other receivables by nature of the amount

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	62,558,373.43	57,221,064.23
Refund of tax for exports	3,686,642.69	73,999,200.25
Balance with Greencool Companies and specific third parties	224,630,200.00	224,630,200.00
Other current account	86,604,233.30	47,097,572.84
<b>Total</b>	<b>377,479,449.42</b>	<b>402,948,037.32</b>

Including: Current account with Greencool Companies and specific third parties

Name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Jinan San Ai Fu Chemical Co., Ltd. ("Jinan San Ai Fu")	81,600,000.00		81,600,000.00	
Jiangxi Keda Plastic Technology Co. Ltd. ("Jiangxi Keda")	13,000,200.00		13,000,200.00	
Zhuhai Longjia Refrigerating Plant Co., Ltd. ("Zhuhai Longjia")	28,600,000.00		28,600,000.00	
Zhuhai Defa Air-conditioner Fittings Co., Ltd. ("Zhuhai Defa")	21,400,000.00		21,400,000.00	
Wuhan Changrong Electrical Appliance Co., Ltd. ("Wuhan Changrong")	20,000,000.00		20,000,000.00	
Beijing Deheng Solicitors ("Deheng Solicitors")	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Shangqiu Bingxiong Freezing Facilities Co., Ltd. ("Shangqiu Bingxiong")	58,030,000.00	58,030,000.00	58,030,000.00	58,030,000.00
<b>Total</b>	<b>224,630,200.00</b>	<b>60,030,000.00</b>	<b>224,630,200.00</b>	<b>60,030,000.00</b>

From October 2001 to July 2005, the Greencool Companies through the third parties incurred a series of unusual cash inflows and outflows with the Company. The companies are collectively the "specific third party", please see note 11 (6) "The Greencool Companies had a series of transactions or unusual cash inflows and outflows through the following 'Specific Third Party Companies' for details".

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 7. Other receivables — Continued

##### (2) Provision for bad debts for other receivables

	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss in the lifetime (without credit impairment)	Third stage Expected credit loss in the lifetime (with credit impairment)	Total
Opening balance	8,540,497.79	20,357,714.87	76,904,316.68	105,802,529.34
During the period, the balance of other receivables:				
– transferred to second stage				
– transferred to third stage				
– reversed to second stage				
– reversed to first stage				
Provision for the period	3,858,414.67	353,105.00		4,211,519.67
Reversal for the period	4,017,974.01	3,267,886.00		7,285,860.01
Written-off for the period				
Charge off for the period			60,000.00	60,000.00
Other changes				
Closing balance	8,380,938.45	17,442,933.87	76,844,316.68	102,668,189.00

Note: Except for separate assessment, the Company assessed whether the credit risk of financial instruments since its initial recognition was significantly increased based on the aging, and estimated the expected credit loss of other receivables with ageing of over one year in the lifetime.

##### (3) Other receivables presented by ageing as follows

Ageing	Book value as at the end of the period
Within three months	38,747,579.66
Over three months but within six months	32,284,805.11
Over six months but within one year	6,323,885.23
Over one year	300,123,179.42
<b>Total</b>	<b>377,479,449.42</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 7. Other receivables — Continued

##### (4) Provision for bad debts for other receivables

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Individual provision	60,030,000.00				60,030,000.00
Aging analysis method	37,699,613.29		6,685,860.01	60,000.00	30,953,753.28
Receivables from related parties	947,732.00		600,000.00		347,732.00
Other amount	7,125,184.05	4,211,519.67			11,336,703.72
<b>Total</b>	<b>105,802,529.34</b>	<b>4,211,519.67</b>	<b>7,285,860.01</b>	<b>60,000.00</b>	<b>102,668,189.00</b>

##### (5) Other receivables written-off during the period

Item	Amount
Other receivables written-off	60,000.00

##### (6) Top five other receivables by debtor as at the end of the period

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)	Provision for bad debts Closing balance
Top 1	Jinan San Ai Fu Petrochemical Co., Ltd. ("Jinan San Ai Fu")	81,600,000.00	Over three years	21.62	
Top 2	Shang Qiu Bing Xiong Refrigeration Equipment Corporation Limited ("Shang Qiu Bing Xiong")	58,030,000.00	Over three years	15.37	58,030,000.00
Top 3	Zhuhai Longjia Coolant Facility Company Ltd ("Zhuhai Longjia")	28,600,000.00	Over three years	7.58	
Top 4	Zhuhai Defa Air-conditioning Accessories Company Limited ("Zhuhai Defa")	21,400,000.00	Over three years	5.67	
Top 5	Wuhan Changrong Electrical Appliance Company Limited ("Wuhan Changrong")	20,000,000.00	Over three years	5.30	
<b>Total</b>		<b>209,630,000.00</b>		<b>55.54</b>	<b>58,030,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 8. Inventories

##### (1) Classification of inventories

Item	Closing balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	496,756,154.83	4,269,682.91	492,486,471.92
Works in progress	200,343,662.47	2,082,033.25	198,261,629.22
Finished goods	2,910,954,026.05	23,392,792.91	2,887,561,233.14
<b>Total</b>	<b>3,608,053,843.35</b>	<b>29,744,509.07</b>	<b>3,578,309,334.28</b>

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	459,555,057.59	3,983,961.36	455,571,096.23
Works in progress	215,602,838.03	1,709,649.86	213,893,188.17
Finished goods	2,857,067,872.96	27,586,810.08	2,829,481,062.88
<b>Total</b>	<b>3,532,225,768.58</b>	<b>33,280,421.30</b>	<b>3,498,945,347.28</b>

##### (2) Provision for declines in value of inventories

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision for the year	Others	Recovered or written-off	Others	
Raw materials	3,983,961.36	469,781.34		184,059.79		4,269,682.91
Works in progress	1,709,649.86	372,383.39				2,082,033.25
Finished goods	27,586,810.08	2,698,196.27		6,892,213.44		23,392,792.91
<b>Total</b>	<b>33,280,421.30</b>	<b>3,540,361.00</b>		<b>7,076,273.23</b>		<b>29,744,509.07</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 8. Inventories — Continued

(3) *Basis of the provision for declines in value of inventories and reasons for the reversal or write-off during the period*

Item	Basis of the provision for declines in value of inventories	Reasons for the write-off of provision for declines in value of inventories during the period
Raw materials		
Works in progress	The lower of the cost and net	Removal due to sales and
Finished goods	realizable value	consumption for production

#### 9. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	2,827,965,872.92	2,515,406,233.00
Prepaid tax and tax deductible	543,311,186.88	524,083,898.44
Prepaid expenses	85,358,687.85	88,479,822.67
<b>Total</b>	<b>3,456,635,747.65</b>	<b>3,127,969,954.11</b>

Note: Term deposit maturing within one year held by the Group for investment is presented under other current assets, but not recognised as cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 10. Long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Change for the period							Closing balance	Closing balance of provision for impairment	
				Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Others	Closing balance			
I. Joint ventures													
Hisense Marketing Management Co., Ltd.	45,615,225.13			1,409,853.49								47,025,078.62	
II. Associates													
Qingdao Hisense Financial Holdings Co., Ltd.	285,497,760.50			8,600,468.40	88,681.81							294,186,910.71	
Qingdao Hisense International Co., Ltd.	136,967,737.00			-43,209.52	-389,304.04		27,930,000.00					108,605,223.44	
III. Others													
Jiangxi Kelon Combine Electrical Appliances Co., Ltd.	11,000,000.00											11,000,000.00	11,000,000.00
<b>Total</b>	<b>479,080,722.63</b>			<b>9,967,112.37</b>	<b>-300,622.23</b>		<b>27,930,000.00</b>					<b>460,817,212.77</b>	<b>11,000,000.00</b>

- Note: (1) As Jiangxi Kelon Combine Electrical Appliances Co., Ltd., a subsidiary of the Company, has been declared in liquidation, it has not been included in the consolidated financial statements and impairment has been fully provided for the investment cost.
- (2) Qingdao Hisense Financial Holdings Co., Ltd is hereinafter referred to as "Hisense Financial Holdings".
- (3) Hisense Marketing Management Co., Ltd. (formerly known as Qingdao Hisense Commercial Trading Development Co., Ltd.) is hereinafter referred to as "Hisense Marketing Management".
- (4) Qingdao Hisense International Co., Ltd is hereinafter referred to as "Hisense International".
- (5) As at the end of the Reporting Period, all the joint ventures and associates of the Company were unlisted companies.

Including:

Item	Closing balance	Opening balance
Unlisted investments:		
Equity method	449,817,212.77	468,080,722.63
Joint ventures	47,025,078.62	45,615,225.13
Associates	402,792,134.15	422,465,497.50
<b>Total</b>	<b>449,817,212.77</b>	<b>468,080,722.63</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 11. Investment properties

##### (1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	70,238,376.27	70,238,376.27
2. Increase for the period		
(1) Transferred from construction in progress		
3. Decrease for the period		
4. Closing balance	70,238,376.27	70,238,376.27
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	49,997,525.56	49,997,525.56
2. Increase for the period	1,330,622.67	1,330,622.67
(1) Provision made or amortisation	1,330,622.67	1,330,622.67
3. Decrease for the period		
4. Closing balance	51,328,148.23	51,328,148.23
III. Provision for impairment		
1. Opening balance		
2. Increase for the period		
3. Decrease for the period		
4. Closing balance		
IV. Carrying amount		
1. Carrying amount as at the end of the period	18,910,228.04	18,910,228.04
2. Carrying amount as at the beginning of the period	20,240,850.71	20,240,850.71

##### (2) Investment properties without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Mee King Building	2,053,916.55	Due to historical reasons; in the process of application

(3) Depreciation expenses for the half year of 2020 amounted to RMB1,330,622.67, and depreciation expenses for the half year of 2019 amounted to RMB1,308,598.67.

(4) As at 30 June 2020, no investment properties were pledged by the Company.

(5) Among the investment properties, all buildings and structures are located in the Mainland China with useful lives ranging from 20 to 50 years.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 12. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	3,718,101,935.58	3,813,270,924.50
Disposal of fixed assets	86,826.64	270,759.35
<b>Total</b>	<b>3,718,188,762.22</b>	<b>3,813,541,683.85</b>

#### 12.1 Fixed assets

##### (1) Particulars of fixed assets

Item	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Moulds	Total
I. Original carrying amount						
1. Opening balance	2,693,494,465.13	3,596,082,323.83	643,207,650.20	34,750,594.53	2,006,840,379.40	8,974,375,413.09
2. Increase for the period	4,261,143.72	71,982,689.43	35,814,976.98	370,027.89	179,358,102.77	291,786,940.79
(1) Additions	1,620,155.60	11,888,802.64	6,363,537.24	84,629.66	71,549,579.34	91,506,704.48
(2) Transfer from construction in progress	2,640,988.12	60,093,886.79	29,451,439.74	285,398.23	107,808,523.43	200,280,236.31
3. Decrease for the period	448,365.47	66,927,755.25	7,087,209.19	480,957.45	66,714,829.78	141,659,117.14
(1) Disposal or retirement	448,365.47	66,927,755.25	7,087,209.19	480,957.45	66,714,829.78	141,659,117.14
4. Closing balance	2,697,307,243.38	3,601,137,258.01	671,935,417.99	34,639,664.97	2,119,483,652.39	9,124,503,236.74
II. Accumulated depreciation						
1. Opening balance	1,071,978,932.43	1,974,865,504.08	400,852,005.12	28,626,570.61	1,584,630,014.61	5,060,953,026.85
2. Increase for the period	56,185,573.96	144,337,879.40	41,688,023.90	1,834,474.92	135,266,931.77	379,312,883.95
(1) Provision made	56,185,573.96	144,337,879.40	41,688,023.90	1,834,474.92	135,266,931.77	379,312,883.95
3. Decrease for the period	317,685.59	60,326,367.46	6,532,910.84	448,557.45	64,105,998.46	131,731,519.80
(1) Disposal or retirement	317,685.59	60,326,367.46	6,532,910.84	448,557.45	64,105,998.46	131,731,519.80
4. Closing balance	1,127,846,820.80	2,058,877,016.02	436,007,118.18	30,012,488.08	1,655,790,947.92	5,308,534,391.00
III. Provision for impairment						
1. Opening balance	7,877,581.92	90,448,284.65	190,855.44	2,922.63	1,631,817.10	100,151,461.74
2. Increase for the period		952,329.46				952,329.46
(1) Provision made		952,329.46				952,329.46
3. Decrease for the period		3,160,940.99	768.35		75,171.70	3,236,881.04
(1) Disposal or retirement		3,160,940.99	768.35		75,171.70	3,236,881.04
4. Closing balance	7,877,581.92	88,239,673.12	190,087.09	2,922.63	1,556,645.40	97,866,910.16
IV. Carrying amount						
1. Carrying amount as at the end of the period	1,561,582,840.66	1,454,020,568.87	235,738,212.72	4,624,254.26	462,136,059.07	3,718,101,935.58
2. Carrying amount as at the beginning of the period	1,613,637,950.78	1,530,768,535.10	242,164,789.64	6,121,101.29	420,578,547.69	3,813,270,924.50

For the half year of 2020, the fixed assets transferred from construction in progress amounted to RMB200,280,236.31; for the half year of 2019, the fixed assets transferred from construction in progress amounted to RMB147,410,385.99.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 12. Fixed assets — Continued

##### 12.1 Fixed assets — Continued

(2) Depreciation expenses for the half year of 2020 amounted to RMB379,312,883.95, and depreciation expenses for the half year of 2019 amounted to RMB319,364,229.19.

(3) As at the end of the period, no fixed asset was idle transitorily.

(4) As at the end of the period, no fixed asset was held under finance lease.

(5) The rent out fixed asset under operating lease

Item	Closing carrying amount
Buildings and structures	48,995,153.25
Machinery and equipments, etc.	16,607,964.31
<b>Total</b>	<b>65,603,117.56</b>

6) Fixed asset which has not obtained the ownership certificate

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	995,201,585.70	Achieved scheduled availability and were reclassified as fixed assets, the issuance of ownership certificate is in progress

##### 12.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	86,826.64	270,759.35
<b>Total</b>	<b>86,826.64</b>	<b>270,759.35</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 13. Constructions in progress

Item	Closing balance	Opening balance
Construction in progress	202,244,635.03	216,943,108.59
<b>Total</b>	<b>202,244,635.03</b>	<b>216,943,108.59</b>

#### (1) Breakdown of constructions in progress

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Net carrying amount	Book value	Impairment provision	Net carrying amount
MES system	7,433,023.82		7,433,023.82	11,290,643.84		11,290,643.84
Transformation of equipment of Shandong Refrigerator				489,100.00		489,100.00
Transformation of warehouse	9,728,539.54		9,728,539.54	9,173,899.66		9,173,899.66
Air conditioning infrastructure project	28,106,928.26		28,106,928.26	31,006,557.56		31,006,557.56
Others	156,976,143.41		156,976,143.41	165,116,307.53	133,400.00	164,982,907.53
<b>Total</b>	<b>202,244,635.03</b>		<b>202,244,635.03</b>	<b>217,076,508.59</b>	<b>133,400.00</b>	<b>216,943,108.59</b>

#### (2) Movements in key constructions in progress during the period

Name of construction	Opening balance	Increase for the period	Decrease for the year			Closing balance	Budget	Accumulative contribution in budget (%)	Progress	Source of funding
			Transferred to fixed assets	Other decrease						
MES system	11,290,643.84	1,587,582.30	5,445,202.32		7,433,023.82	36,642,725.57	90.88	Not completed	Self funding	
Transformation of equipment of Shandong Refrigerator	489,100.00		489,100.00			30,054,162.87	100.00	Completed	Self funding	
Transformation of warehouse	9,173,899.66	2,072,988.50	1,518,348.62		9,728,539.54	24,431,034.48	68.77	Not completed	Self funding	
Air conditioning infrastructure project	31,006,557.56	16,171,347.98	19,070,977.28		28,106,928.26	433,753,816.31	80.72	Not completed	Self funding	
Others	165,116,307.53	165,616,443.97	173,756,608.09		156,976,143.41			Not completed	Self funding	
<b>Total</b>	<b>217,076,508.59</b>	<b>185,448,362.75</b>	<b>200,280,236.31</b>		<b>202,244,635.03</b>	<b>524,881,739.23</b>				

Note: All constructions in progress of the Company were self-financed, without capitalisation of borrowing cost and interest.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

#### 14. Right of use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	105,538,353.73	105,538,353.73
2. Increase for the period	23,866,154.83	23,866,154.83
(1) Rental	23,866,154.83	23,866,154.83
3. Decrease for the period		
4. Closing balance	129,404,508.56	129,404,508.56
II. Accumulated depreciation		
1. Opening balance	31,375,768.64	31,375,768.64
2. Increase for the period	26,099,750.12	26,099,750.12
(1) Provision	26,099,750.12	26,099,750.12
3. Decrease for the period		
4. Closing balance	57,475,518.76	57,475,518.76
III. Provision for impairment		
1. Opening balance		
2. Increase for the period		
3. Decrease for the period		
4. Closing balance		
IV. Carrying amount		
1. Carrying amount as at the end of the period	71,928,989.80	71,928,989.80
2. Carrying amount as at the beginning of the period	74,162,585.09	74,162,585.09

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 15. Intangible assets

##### (1) Particulars of intangible assets

Item	Land use rights	Trademarks	Know-how	Sales channels	Others	Total
I. Original carrying amount						
1. Opening balance	1,028,108,507.78	650,195,362.47	73,100,447.88	780,759,590.69	334,165,280.09	2,866,329,188.91
2. Increase for the period					11,292,804.71	11,292,804.71
(1) Additions					11,292,804.71	11,292,804.71
3. Decrease for the period						
(1) Disposal						
4. Closing balance	1,028,108,507.78	650,195,362.47	73,100,447.88	780,759,590.69	345,458,084.80	2,877,621,993.62
II. Accumulated amortisation						
1. Opening balance	257,785,426.56	143,564,217.82	71,390,737.70	23,660,141.49	115,271,917.22	611,672,440.79
2. Increase for the period	10,733,553.91	18,867,924.53	11,825.00	47,320,282.98	37,604,689.03	114,538,275.45
(1) Provision made	10,733,553.91	18,867,924.53	11,825.00	47,320,282.98	37,604,689.03	114,538,275.45
3. Decrease for the period						
(1) Disposal						
4. Closing balance	268,518,980.47	162,432,142.35	71,402,562.70	70,980,424.47	152,876,606.25	726,210,716.24
III. Provision for impairment						
1. Opening balance	50,012,843.19	286,061,116.40			519,447.21	336,593,406.80
2. Increase for the period						
3. Decrease for the period						
(1) Disposal						
4. Closing balance	50,012,843.19	286,061,116.40			519,447.21	336,593,406.80
IV. Carrying amount						
1. Carrying amount as at the end of the period	709,576,684.12	201,702,103.72	1,697,885.18	709,779,166.22	192,062,031.34	1,814,817,870.58
2. Carrying amount as at the beginning of the period	720,310,238.03	220,570,028.25	1,709,710.18	757,099,449.20	218,373,915.66	1,918,063,341.32

##### (2) Land use rights which certificates of ownership are pending

Item	Carrying amount	Reason for not completing certificate of ownership
Land use rights	7,125,000.00	Due to the transfer to intangible assets as a result of reaching the scheduled completion, the certificate of ownership is pending

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 15. Intangible assets — Continued

##### (3) Notes to intangible assets:

- 1) Amortization of intangible assets amounted to RMB114,538,275.45 for the half year of 2020, compared to that of RMB18,977,466.72 for the half year of 2019.
- 2) As at the end of the period, no land use rights were pledged.

#### 16. Goodwill

##### (1) The original value of goodwill

Name of investee	Opening balance	Increase for the period: arising from business combination	Decrease for the period	Closing balance
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	132,571,746.36			132,571,746.36
<b>Total</b>	<b>132,571,746.36</b>			<b>132,571,746.36</b>

##### (2) Impairment provision for goodwill

Since the period from the balance sheet date to the combination date is relatively short, the Company believes that the evaluation result at the combination date is still valid and there is no impairment for goodwill.

##### (3) Relevant information on the asset group which goodwill belongs to or group of assets

The goodwill formed by the Company's acquisition of Hisense Hitachi is reflected in the operation of business asset group of Hisense Hitachi at the acquisition date. Since it can generate cash flow independently, the Company regards Hisense Hitachi as an individual asset group.

#### 17. Long-term prepaid expenses

Item	Opening balance	Increase for the period	Amortization for the period	Other deductions	Closing balance
Long-term prepaid expenses	43,497,841.56	16,793,753.11	18,377,898.63		41,913,696.04
<b>Total</b>	<b>43,497,841.56</b>	<b>16,793,753.11</b>	<b>18,377,898.63</b>		<b>41,913,696.04</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 18. Deferred tax assets and deferred tax liabilities

##### (1) Undeducted deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	128,832,177.73	23,003,012.40	159,461,582.80	30,606,152.68
Accrued expenses	3,001,019,022.23	592,701,365.52	2,825,314,753.72	553,755,453.03
Others	67,321,079.96	10,644,480.36	236,940,904.99	50,412,979.39
<b>Total</b>	<b>3,197,172,279.92</b>	<b>626,348,858.28</b>	<b>3,221,717,241.51</b>	<b>634,774,585.10</b>

##### (2) Undeducted deferred tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	201,079,418.79	31,919,980.99	200,238,661.80	31,800,409.61
Transactional financial assets	86,142.00	12,921.30		
Asset appraisal appreciation due to business combination involving entities not under common control	162,808,796.50	24,421,319.47	177,110,630.20	26,566,594.53
<b>Total</b>	<b>363,974,357.29</b>	<b>56,354,221.76</b>	<b>377,349,292.00</b>	<b>58,367,004.14</b>

#### 19. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	2,787,628,666.66	2,093,188,666.66
Others	92,359,951.16	55,141,134.99
<b>Total</b>	<b>2,879,988,617.82</b>	<b>2,148,329,801.65</b>

Note: Term deposit with maturity over one year held by the Group for investment is presented under other non-current assets, but not recognised as cash and cash equivalents.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 20. Short-term borrowings

(1) *Categories of short-term borrowings*

Categories of borrowings	Closing balance	Opening balance
Credit borrowings		100,083,424.66
<b>Total</b>		<b>100,083,424.66</b>

(2) *There are no outstanding short-borrowing due as at the end of the period.*

#### 21. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	1,233,219.00	
Including: Derivative financial liabilities	1,233,219.00	
<b>Total</b>	<b>1,233,219.00</b>	

Note to transactional financial liabilities:

It represented mainly the outstanding forward exchange settlement and sale contracts entered into by the Group and banks, which were recognized as the fair value of transactional financial liabilities based on the difference between the quoted price of the outstanding forward contracts and the forward rates as at the end of the year.

#### 22. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	6,265,401,163.56	5,498,626,969.29
Commercial acceptance notes	1,532,285,940.28	2,061,685,580.94
<b>Total</b>	<b>7,797,687,103.84</b>	<b>7,560,312,550.23</b>

Note: There were no outstanding notes payable due as at the end of the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 23. Accounts payable

Ageing analysis of accounts payable based on the date of recognition is as follows:

Ageing	Closing balance	Opening balance
Within one year	6,801,010,372.87	5,189,464,190.07
Over one year	115,886,700.00	127,893,446.74
<b>Total</b>	<b>6,916,897,072.87</b>	<b>5,317,357,636.81</b>

Note: As at 30 June 2020, accounts payable with ageing of over one year amounted to RMB115,886,700 (31 December 2019: RMB127,893,446.74), which represented mainly raw material payable and was not settled yet.

#### 24. Contract liability

Item	Closing balance	Opening balance
Advance payments	1,293,303,000.71	1,013,239,070.20
<b>Total</b>	<b>1,293,303,000.71</b>	<b>1,013,239,070.20</b>

Note: As at 30 June 2020, the contract liability was advance payments and were not recognized as revenue as the relevant products had not been sold. The contract liability with ageing of over one year amounted to RMB63,472,847.96 (as at 31 December 2019: RMB60,676,109.86).

#### 25. Compensations payable to employee

##### (1) Categories of compensations payable to employee

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term compensations	618,366,135.98	1,912,421,147.15	2,019,056,955.87	511,730,327.26
Post-employment benefits - defined contribution plans	2,129,101.43	75,154,824.09	76,729,683.46	554,242.06
<b>Total</b>	<b>620,495,237.41</b>	<b>1,987,575,971.24</b>	<b>2,095,786,639.33</b>	<b>512,284,569.32</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 25. Compensations payable to employee — Continued

##### (2) Short-term compensations

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages and salaries, bonuses, allowances and subsidies	605,125,520.60	1,683,808,982.39	1,793,153,979.01	495,780,523.98
Staff welfare	8,248,121.92	86,916,060.36	83,152,813.60	12,011,368.68
Social insurance	1,376,895.85	50,445,461.26	51,199,440.63	622,916.48
Including: Medical insurance	712,796.42	45,694,614.79	46,317,167.01	90,244.20
Work-related injury insurance	573,851.58	1,096,512.51	1,144,040.95	526,323.14
Maternity insurance	90,247.85	3,654,333.96	3,738,232.67	6,349.14
Housing provident funds	1,696,237.95	85,962,593.21	86,572,817.63	1,086,013.53
Labour union funds and employee education funds	1,919,359.66	5,288,049.93	4,977,905.00	2,229,504.59
<b>Total</b>	<b>618,366,135.98</b>	<b>1,912,421,147.15</b>	<b>2,019,056,955.87</b>	<b>511,730,327.26</b>

##### (3) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	1,644,478.89	72,847,878.91	74,272,988.89	219,368.91
Unemployment insurance	484,622.54	2,306,945.18	2,456,694.57	334,873.15
<b>Total</b>	<b>2,129,101.43</b>	<b>75,154,824.09</b>	<b>76,729,683.46</b>	<b>554,242.06</b>

Note to compensations payable to employee:

- (1) There were no defaulted payables included in compensations payable to employee.
- (2) Arrangements in respect of expected payout time and amount for employee compensations: calculated in the current month and paid in the following month.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 26. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	116,188,835.88	132,630,877.63
Enterprise income tax	180,415,512.63	279,683,763.34
Others	101,054,261.82	98,664,090.50
<b>Total</b>	<b>397,658,610.33</b>	<b>510,978,731.47</b>

#### 27. Other payables

Item	Closing balance	Opening balance
Other payables	2,330,622,752.84	1,920,036,363.71
<b>Total</b>	<b>2,330,622,752.84</b>	<b>1,920,036,363.71</b>

##### (1) Other payables by nature

Item	Closing balance	Opening balance
Current account	1,098,898,232.67	1,080,984,217.47
Deposit and margin	449,570,543.94	550,115,496.00
Payment for project and equipment	213,111,030.05	258,170,225.21
Amount payable to Greencool Companies and specific third party	30,766,425.03	30,766,425.03
Dividends payable	538,276,521.15	
<b>Total</b>	<b>2,330,622,752.84</b>	<b>1,920,036,363.71</b>

##### (2) Significant other payables with ageing of over 1 year

Name	Closing balance	Reason for unsettlement or carrying forward
Zhuhai Longjia	17,766,425.03	Current account with specific third party
Jiangxi Greencool	13,000,000.00	Balance with Greencool Companies

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 28. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	35,342,893.50	40,736,624.70
<b>Total</b>	<b>35,342,893.50</b>	<b>40,736,624.70</b>

#### 29. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	523,339,644.89	473,825,016.35	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	3,151,684,912.59	2,782,929,327.14	Incurred but not yet settled
Others	614,591,578.23	498,414,731.11	Incurred but not yet settled
<b>Total</b>	<b>4,289,616,135.71</b>	<b>3,755,169,074.60</b>	

#### 30. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	26,103,736.10	24,822,981.21
<b>Total</b>	<b>26,103,736.10</b>	<b>24,822,981.21</b>

#### 31. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	11,603,005.78	16,267,827.84	Estimated litigation compensation
Provision for warranties	422,694,560.17	434,997,428.58	Estimated quality guarantee of products
Others	23,790,000.00	23,790,000.00	Estimated other expenditures
<b>Total</b>	<b>458,087,565.95</b>	<b>475,055,256.42</b>	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 32. Deferred income

##### (1) Classification of deferred Income

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for occurrence
Government grants	113,146,567.49	4,883,735.00	13,464,649.37	104,565,653.12	Amortization of government grants
<b>Total</b>	<b>113,146,567.49</b>	<b>4,883,735.00</b>	<b>13,464,649.37</b>	<b>104,565,653.12</b>	

##### (2) Government grants

Item	Opening balance	New grants received during the period	Amount included in other income during the period	Closing balance	Related to assets/revenue
State debenture projects for technical advancement and industry upgrade	21,450,000.00			21,450,000.00	Related to assets
Technology reform project for design and production of high-precision smart moulds	746,666.67		140,000.00	606,666.67	Related to assets
Transformation project on system integration technology of green supply chain of freezers	11,520,000.00		460,398.28	11,059,601.72	Related to assets
The invested guidance fund within the budget of central government for development of national service industry for 2018	4,505,000.00		265,000.00	4,240,000.00	Related to assets
Transformation projects	10,119,894.12		4,249,797.05	5,870,097.07	Related to assets
Other related to assets	63,981,922.40	4,883,735.00	8,254,514.71	60,611,142.69	Related to assets
Other related to revenue	823,084.30		94,939.33	728,144.97	Related to revenue
<b>Total</b>	<b>113,146,567.49</b>	<b>4,883,735.00</b>	<b>13,464,649.37</b>	<b>104,565,653.12</b>	

#### 33. Share capital

Categories of shares	Opening balance	Change for the period (+,-)				Subtotal	Opening balance
		Issue of new shares	Bonus issue	Conversion from reserve	Others		
Total number of shares	1,362,725,370.00					1,362,725,370.00	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 34. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	1,949,034,302.69			1,949,034,302.69
Other capital reserve	107,022,842.68			107,022,842.68
<b>Total</b>	<b>2,056,057,145.37</b>			<b>2,056,057,145.37</b>

#### 35. Other comprehensive income

Item	Opening balance	Amount incurred in the period					Attributable to parent after tax	Attributable to minority interest after tax	Closing balance
		income tax for the period	Amount before profit or loss in current period	Less: Amount included in other comprehensive income in previous period and transferred to earnings in current period	Less: Included in other comprehensive income in the previous period and transferred in retained earnings in current period	Less: income tax expense			
1. Other comprehensive income that would not be reclassified to profit or loss	-100,000.00								-100,000.00
Including: Changes in the fair value of other equity instruments investment	-100,000.00								-100,000.00
2. Other comprehensive income that would be reclassified to profit or loss	26,418,501.35	454,327.61				397,491.65	56,835.96		26,815,993.00
Including: other comprehensive income that would be reclassified into profit or loss under equity method	14,696,993.48	-300,622.23				-300,622.23			14,396,371.25
Credit impairment provisions for other debt investment	1,095,858.39	1,896,824.06				1,896,824.06			2,992,682.45
Difference arising from translation of financial statements presented in foreign currency	10,625,649.48	-1,141,874.22				-1,198,710.18	56,835.96		9,426,939.30
<b>Total other comprehensive income</b>	<b>26,318,501.35</b>	<b>454,327.61</b>				<b>397,491.65</b>	<b>56,835.96</b>		<b>26,715,993.00</b>

#### 36. Surplus reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	632,235,869.58			632,235,869.58
<b>Total</b>	<b>632,235,869.58</b>			<b>632,235,869.58</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 37. Undistributed profits

Item	Amount for the period	Amount for previous period
Balance at the end of the previous period	4,644,256,846.32	3,339,456,580.66
Add: Adjustment of undistributed profits as at the beginning of the period		
Including: Retroactive adjustment of new regulations of "Business Accounting Standards" (Changes in accounting policies)		
Correcting key errors made in early stage		
Balance at the beginning of the period	4,644,256,846.32	3,339,456,580.66
Add: Net profits attributable to the owners of the parent in current period	503,307,515.41	1,793,669,013.19
Less: Appropriation of statutory surplus reserve		75,962,960.42
Dividends payable on ordinary shares	538,276,521.15	412,905,787.11
<b>Balance at the end of the period</b>	<b>4,609,287,840.58</b>	<b>4,644,256,846.32</b>

#### 38. Operating revenue and costs

##### (1) Particulars operating revenue and operating costs

Item	Amount for the period		Amount for previous period	
	Revenue	Costs	Revenue	Costs
Principal operations	19,173,965,773.80	14,447,911,708.69	17,329,449,608.54	13,580,858,060.22
Other operations	1,912,734,035.47	1,794,319,581.69	1,620,825,701.39	1,510,170,601.92
<b>Total</b>	<b>21,086,699,809.27</b>	<b>16,242,231,290.38</b>	<b>18,950,275,309.93</b>	<b>15,091,028,662.14</b>

##### (2) Principal operation revenue generated from contracts

Categories of contract	Amount for the period		Amount for previous period	
	Revenue	Costs	Revenue	Costs
Categories of product:				
Air-conditioners	11,207,575,905.80	8,221,893,451.48	8,914,777,401.66	7,098,682,342.34
Refrigerators and washing machines	7,266,745,240.35	5,666,730,740.56	7,659,743,689.33	5,865,410,061.74
Others	699,644,627.65	559,287,516.65	754,928,517.55	616,765,656.14
By operating regions:				
Domestic	12,491,456,155.12	8,384,460,922.22	10,996,497,355.33	7,772,316,325.62
Overseas	6,682,509,618.68	6,063,450,786.47	6,332,952,253.21	5,808,541,734.60
<b>Total</b>	<b>19,173,965,773.80</b>	<b>14,447,911,708.69</b>	<b>17,329,449,608.54</b>	<b>13,580,858,060.22</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 39. Tax and surcharges

Item	Amount for the period	Amount for previous period
City maintenance and construction tax	35,134,149.09	30,043,038.70
Education surcharges	18,619,639.10	21,224,933.63
Others	80,367,477.57	99,395,718.15
<b>Total</b>	<b>134,121,265.76</b>	<b>150,663,690.48</b>

#### 40. Sales expenses

Item	Amount for the period	Amount for previous period
Sales expenses	2,929,008,342.00	2,624,883,463.85
<b>Total</b>	<b>2,929,008,342.00</b>	<b>2,624,883,463.85</b>

Note: Sales expenses mainly include installation and maintenance, publicity and promotion, warehousing and logistics, and employee compensation, with the percentage to the total sales expenses over 70% (2019: over 70%).

#### 41. Management expenses

Item	Amount for the period	Amount for previous period
Management expenses	314,893,289.04	241,004,121.20
<b>Total</b>	<b>314,893,289.04</b>	<b>241,004,121.20</b>

Note: Management expenses mainly include employee compensation, depreciation and amortization, and executive office fee, with the percentage to the total management expenses over 80% (2019: over 80%).

#### 42. Research and development expenses

Item	Amount for the period	Amount for previous period
Research and development expenses	570,088,355.30	377,178,975.93
<b>Total</b>	<b>570,088,355.30</b>	<b>377,178,975.93</b>

Note: Research and development expenses mainly include employee compensation, depreciation and amortization, and direct expenses, with the percentage to the total research and development expenses over 80% (2019: over 80%).

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 43. Financial expenses

Item	Amount for the period	Amount for previous period
Interest expenses	8,420,709.44	973,801.85
Less: Interest incomes	98,650,603.42	24,740,076.79
Add: Exchange gain or loss	-4,792,692.15	2,504,516.23
Other expenses	24,578,113.68	36,049,653.15
<b>Total</b>	<b>-70,444,472.45</b>	<b>14,787,894.44</b>

Note: Interest expenses include interest expenses of lease liabilities of RMB1,851,050.78. Other interest expenses for 2020 and 2019 were wholly interests on bank borrowings, of which the last term of repayment is within five years.

#### 44. Other gain

Sources arising other gain	Amount for the period	Amount for previous period
Immediate refund of value-added tax	36,843,455.48	67,079,870.42
Others government subsidies related to general activities	58,418,856.62	40,399,188.15
<b>Total</b>	<b>95,262,312.10</b>	<b>107,479,058.57</b>

#### 45. Investment gain

Item	Amount for the period	Amount for previous period
Gain from long-term equity investment by the equity method	9,967,112.37	487,374,859.09
Gain from disposal of transactional financial assets	42,553,351.60	10,632,923.27
<b>Total</b>	<b>52,520,463.97</b>	<b>498,007,782.36</b>

Gain from long-term equity investments by the equity method

Investees	Amount for the period	Amount for previous period
Hisense Hitachi		463,771,280.41
Hisense Financial Holdings	8,600,468.40	22,173,792.69
Hisense Marketing Management	1,409,853.49	-1,631,120.55
Hisense International	-43,209.52	3,060,906.54
<b>Total</b>	<b>9,967,112.37</b>	<b>487,374,859.09</b>

Note: The gains from equity investment under the equity method of the Company for the current period were all generated from non-listed investments.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 46. Profit and loss arising from changes in fair value

Sources of gain arising from changes in fair value	Amount for the period	Amount for previous period
Transactional financial assets	425,542.00	-64,150.00
Including: Gain from changes in fair value of derivative financial instruments	425,542.00	-64,150.00
Transactional financial liabilities	-1,233,219.00	2,330,710.00
Including: Gain from changes in fair value of derivative financial instruments	-1,233,219.00	2,330,710.00
<b>Total</b>	<b>-807,677.00</b>	<b>2,266,560.00</b>

#### 47. Impairment loss on credit

Item	Amount for the period	Amount for previous period
Loss of bad debts of Notes receivable	1,215,076.85	
Loss of bad debts of Accounts receivable	-10,783,885.04	-11,369,941.49
Credit impairment loss of debt investment	3,074,340.34	2,839,027.85
Loss of bad debts of other receivables	-1,896,824.06	
<b>Total</b>	<b>-8,391,291.91</b>	<b>-8,530,913.64</b>

#### 48. Impairment losses on assets

Item	Amount for the period	Amount for previous period
Decline in value of inventories	42,268.61	4,699,337.87
Impairment loss on construction in progress	-952,329.46	-2,193,556.39
<b>Total</b>	<b>-910,060.85</b>	<b>2,505,781.48</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 49. Gains on disposal of assets (loss expressed with "-")

Item	Amount for the period	Amount for previous period	Amount included in non-recurring profit or loss of the current year
Gains on disposal of non-current assets	966,689.46	586,691.50	966,689.46
Including: Gains on disposal of non current assets which are not classified as held for sale			
Including: Gains on disposal of fixed assets	966,689.46	586,691.50	966,689.46
Gains on disposal of intangible assets			
<b>Total</b>	<b>966,689.46</b>	<b>586,691.50</b>	<b>966,689.46</b>

#### 50. Non-operating income

##### (1) Non operating income

Item	Amount for the period	Amount for previous period	Amount included in non-recurring profit or loss of the current year
Gain from scrapping of non-current assets	1,707,544.15	1,607,408.12	1,707,544.15
Government grants	56,409,755.43	53,200,482.44	56,409,755.43
Others	45,736,263.16	11,937,178.17	45,736,263.16
<b>Total</b>	<b>103,853,562.74</b>	<b>66,745,068.73</b>	<b>103,853,562.74</b>

##### (2) Government grants recognized in the profits or losses for the year:

Item	Amount for the period		Amount for previous period		Related to assets/revenue
	Included in non-operating income	Included in other income	Included in non-operating income	Included in other income	
Immediate refund of value-added tax		32,804,097.69		67,079,870.42	Related to revenue
Design, manufacturing and technical transformation project of highprecision intelligent mold		140,000.00		140,000.00	Related to assets
Energy-saving household SBS large refrigerator production technology transformation project		460,398.28			Related to assets
The invested guidance fund within the budget of central government for development of national service industry for 2018		265,000.00		265,000.00	Related to assets
Transformation projects		4,249,797.05			Related to assets
Other government grants related to assets		8,254,514.70		15,651,805.72	Related to assets
Other government grants related to daily operation		49,088,504.38		24,342,382.43	Related to revenue
Government grants not related to daily operation	56,409,755.43		53,200,482.44		Related to revenue
<b>Total</b>	<b>56,409,755.43</b>	<b>95,262,312.10</b>	<b>53,200,482.44</b>	<b>107,479,058.57</b>	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 51. Non-operating expenses

Item	Amount for the period	Amount for previous period	Amount included in non-recurring profit or loss of the current period
Loss on scrapping of non-current assets	2,924,995.16	1,908,757.06	2,924,995.16
Others	3,433,119.09	8,933,097.91	3,433,119.09
<b>Total</b>	<b>6,358,114.25</b>	<b>10,841,854.97</b>	<b>6,358,114.25</b>

#### 52. Income tax expense

##### (1) Income tax expense

Item	Amount for the period	Amount for previous period
Current income tax expenses	255,290,893.98	108,185,727.08
Including: PRC Enterprise income tax	255,290,893.98	108,185,727.08
Hong Kong profit tax		
Deferred income tax expenses	6,412,944.44	14,228,755.13
<b>Total</b>	<b>261,703,838.42</b>	<b>122,414,482.21</b>

##### (2) Reconciliation of accounting profit and income tax expenses is as follows:

Item	Amount for the period
Total profits	1,202,937,623.50
Income tax expense calculated at statutory (or applicable) tax rates	462,453,594.30
Effect of application of different tax rate to certain subsidiaries	-70,391,566.22
Adjustment to income tax in previous year	
Effect of non-taxable income	-104,001,003.56
Effect of non-deductible cost, expense and loss	8,811,296.83
Effect of utilization of deductible losses unrecognized as deferred tax assets in previous period	-25,003,457.09
Effect of deductible temporary difference or deductible loss unrecognized as deferred tax assets in current period	41,082,462.27
Changes in opening balance of deferred tax assets/liabilities arising from changes in tax rate	
Effect of super deduction of research and development expense	-51,247,488.11
Others	
<b>Income tax expense</b>	<b>261,703,838.42</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 53. Other comprehensive income

Please see note 6(35) Other comprehensive income for details.

#### 54. Cash flows statement

##### (1) Other cash receipt/paid related to operating/investing/financing activities

###### 1) Other cash receipt related to operating activities

Item	Amount for the period	Amount for previous period
Interest incomes	28,379,295.51	24,453,274.02
Government grants	103,011,298.99	119,037,753.37
Others	212,200,917.95	155,690,228.27
<b>Total</b>	<b>343,591,513.58</b>	<b>299,181,255.66</b>

###### 2) Other cash payment related to operating activities

Item	Amount for the period	Amount for previous period
Cash payments for management expenses	1,820,784,938.32	1,642,108,304.12
Others	280,143,638.79	209,773,696.78
<b>Total</b>	<b>2,100,928,577.11</b>	<b>1,851,882,000.90</b>

###### 3) Other cash receipt related to investing activities

Item	Amount for the period	Amount for previous period
Disposal of wealth management products and time deposits upon maturity	5,339,490,186.08	790,000,000.00
<b>Total</b>	<b>5,339,490,186.08</b>	<b>790,000,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 54. Cash flows statement — Continued

##### (1) Other cash receipt/paid related to operating/investing/financing activities — Continued

##### 4) Other cash payment related to investing activities

Item	Amount for the period	Amount for previous period
Acquisition of wealth management products and time deposits	6,352,500,000.00	1,980,000,000.00
<b>Total</b>	<b>6,352,500,000.00</b>	<b>1,980,000,000.00</b>

##### 5) Other cash payments related to financing activities

Item	Amount for the period	Amount for previous period
Security deposit	852,237,996.52	677,104,418.86
Lease payment	29,810,681.92	10,087,957.86
<b>Total</b>	<b>882,048,678.44</b>	<b>687,192,376.72</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 54. Cash flows statement — Continued

##### (2) Supplementary information to consolidated cash flows statement

Item	Amount for the period	Amount for previous period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>	-	-
Net profit	941,233,785.08	986,532,193.71
Add: Provision for assets impairment	910,060.85	-2,505,781.48
Impairment loss on credit	8,391,291.91	8,530,913.64
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	406,743,256.74	331,392,901.51
Amortization of intangible assets	114,538,275.45	18,977,466.72
Amortization of long-term prepaid expenses	18,377,898.63	5,484,058.91
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain denoted in "-")	-966,689.46	-586,691.50
Loss on retirement of fixed assets (Gain denoted in "-")	1,217,451.01	301,348.94
Loss on change in fair value (Gain denoted in "-")	807,677.00	-2,266,560.00
Financial expenses (Gain denoted in "-")	8,420,709.44	973,801.85
Investment loss (Gain denoted in "-")	-52,520,463.97	-498,007,782.36
Decrease in deferred tax assets (Increase denoted in "-")	8,425,726.82	8,184,025.13
Increase in deferred tax liabilities (Decrease denoted in "-")	-2,012,782.38	6,044,730.00
Decrease in inventories (Increase denoted in "-")	-75,828,074.78	89,630,167.68
Decrease in operating receivables (Increase denoted in "-")	-920,716,515.36	-1,170,321,035.39
Increase in operating payables (Decrease denoted in "-")	2,083,795,336.36	2,186,732,233.63
Others		
Net cash flows from operating activities	2,540,816,943.34	1,969,095,990.99
<b>2. Significant investment and financing activities not involving cash receipts and payments:</b>		
Liabilities converted into equity		
Convertible company debentures due within one period		
Fixed assets under finance leases		
<b>3. Net movement in cash and cash equivalents:</b>		
Cash at the end of the period	2,072,574,458.19	1,766,061,584.85
Less: Cash at the beginning of the period	2,065,106,596.27	1,061,364,062.82
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	7,467,861.92	704,697,522.03



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 54. Cash flows statement — Continued

##### (3) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	2,072,574,458.19	2,065,106,596.27
Including: Cash on hand	4,857.88	1,827.03
Bank deposits that are readily available for payment	2,063,474,999.38	2,012,263,900.63
Other cash at bank and on hand that are readily available for payment	9,094,600.93	52,840,868.61
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents as at the end of the period	2,072,574,458.19	2,065,106,596.27
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

#### 55. Assets with limited ownership or use rights

Item	Closing carrying amount	Reason for limitation
Cash at bank and on hand	4,617,305,156.63	Collateral for bank acceptance bills and other secured amount
Notes receivable	664,415,487.46	As collaterals for bank acceptance notes
Other non-current assets	900,000,000.00	As collaterals for bank acceptance notes
<b>Total</b>	<b>6,181,720,644.09</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 56. Monetary items in foreign currencies

##### (1) Monetary items in foreign currencies

Item	Closing balance of foreign currency	Translation rate	Closing balance denominated in RMB
Cash at bank and on hand			
Including: USD	24,912,652.47	7.08	176,369,123.16
EUR	3,342,026.78	7.96	26,605,875.20
Others	1,253,632,993.79		2,425,033.39
Accounts receivable			
Including: USD	33,475,985.18	7.08	236,993,237.06
EUR	9,333,779.82	7.96	74,306,221.15
Others			
Other receivables			
Including: USD	675,000.00	7.08	4,778,662.50
EUR	72,712.23	7.96	578,862.06
Short-term borrowings			
Accounts payable			
Including: USD	2,310,818.58	7.08	16,359,440.12
EUR	75,396.97	7.96	600,235.28
Japanese Yen	146,967,007.00	0.07	9,671,604.80
Other payables			
Including: USD	78,036.16	7.08	552,456.99
EUR	88,250.00	7.96	702,558.25

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

#### 56. Monetary items in foreign currencies — *Continued*

##### (2) Overseas operating entities

Name	Principal place of business	Functional currency	Whether there is change of functional currency
Kelon International Incorporation	Hong Kong	HKD	No
Pearl River Electric Refrigerator Co., Ltd.	Hong Kong	HKD	No
Kelon Development Co., Ltd.	Hong Kong	HKD	No
Hisense Mould (Deutschland) GmbH	Germany	EUR	No

#### 57. Government grants

##### (1) Basic information of government grants

Category	Amount	Item	Amount included in the profit or loss of the period
Related to assets	4,883,735.00	Deferred income	13,369,710.04
Related to revenue		Deferred income	94,939.33
Related to revenue	81,797,662.73	Other gain	81,797,662.73
Related to revenue	56,409,755.43	Non-operating income	56,409,755.43

##### (2) Refund of government grants.

None.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

#### 58. Segment information

The Group manages its business by divisions which are organized by a mixture of both business lines and geographical locations. For the purpose of resource allocation and performance assessment, the management manages the operating results of each business segment separately, and the segment results are assessed based on the profits of the reporting segments.

#### (1) Segment profit or loss and assets and liabilities

Amount for current period	Air-conditioners	Refrigerators and washing machines	Others	Inter-segment elimination	Total
1. Revenue from external sales	11,207,575,905.80	7,266,745,240.35	699,644,627.65		19,173,965,773.80
2. Revenue from inter-segment transactions			839,649,473.68	-839,649,473.68	
3. Gain from investment in associates and joint ventures	704,926.75	704,926.75	8,557,258.87		9,967,112.37
4. Depreciation and amortization	261,932,795.34	196,973,117.78	62,375,619.07		521,281,532.19
5. Gain arising from changes in fair value			-807,677.00		-807,677.00
6. Impairment losses on credits and assets	-8,375,233.92	780,085.52	-1,706,204.36		-9,301,352.76
7. Total profit (losses)	882,605,931.37	241,853,311.21	97,364,487.22	-18,886,106.30	1,202,937,623.50
8. Total assets	28,251,373,712.82	21,674,418,473.22	3,421,755,908.99	-16,667,978,139.47	36,679,569,955.56
9. Total liabilities	17,695,577,299.94	15,167,918,382.34	1,842,350,523.95	-10,486,089,671.18	24,219,756,535.05
10. Additions to other non-current assets other than long-term equity investments	614,594,752.03	-28,167,638.79	-81,639,253.30		504,787,859.94

Continued from above table

Amount for previous period	Air-conditioners	Refrigerators and washing machines	Others	Inter-segment elimination	Total
1. Revenue from external sales	8,914,777,401.66	7,659,743,689.33	754,928,517.55		17,329,449,608.54
2. Revenue from inter-segment transactions			828,152,745.34	-828,152,745.34	
3. Gain from investment in associates and joint ventures	462,955,720.14	-815,560.28	25,234,699.23		487,374,859.09
4. Depreciation and amortization	114,788,623.84	194,348,715.49	41,233,028.90		350,370,368.23
5. Gain arising from changes in fair value			2,266,560.00		2,266,560.00
6. Impairment losses on credits and assets	-431,649.47	-1,997,694.12	-3,595,788.57		-6,025,132.16
7. Total profit (losses)	777,277,815.49	278,109,311.05	78,515,970.70	-24,956,421.32	1,108,946,675.92
8. Total assets	13,256,822,058.57	18,398,418,501.84	3,241,425,643.63	-10,187,617,073.89	24,709,049,130.15
9. Total liabilities	8,576,063,321.52	12,279,011,172.67	1,684,459,567.99	-6,276,585,599.40	16,262,948,462.78
10. Additions to other non-current assets other than long-term equity investments	20,794,613.15	-80,997,563.28	-68,111,686.38		-128,314,636.51

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

#### 58. Segment information — *Continued*

##### (2) *Geographic Information*

Region	Amount for the period/closing balance	Amount of previous period/opening balance
Revenue from domestic transactions	12,491,456,155.12	10,996,497,355.33
Revenues from overseas transactions	6,682,509,618.68	6,332,952,253.21
<b>Total</b>	<b>19,173,965,773.80</b>	<b>17,329,449,608.54</b>
Non-current assets – Domestic	9,946,504,014.67	9,460,087,833.58
Non-current assets – Overseas	10,226,602.27	10,118,433.28
<b>Total</b>	<b>9,956,730,616.94</b>	<b>9,470,206,266.86</b>

The Company operates mainly in Mainland China. Most of the Company's non-current assets are in Mainland China. Therefore it is not necessary to present further details of the regional information.

### VII. CHANGE IN SCOPE OF CONSOLIDATION

There was no change in scope of consolidation in the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VIII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Composition of enterprise group

Name of subsidiary	Abbreviation	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
					Direct	Indirect	
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	Guangdong Refrigerator	Foshan	Foshan	Manufacturing	70	30	Establishment or investment
Guangdong Kelon Air-conditioner Co., Ltd. <sup>(1)</sup>	Guangdong Air-conditioner	Foshan	Foshan	Manufacturing	60		Establishment or investment
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	Guangdong Freezer	Foshan	Foshan	Manufacturing	44	56	Establishment or investment
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	Hisense K&B	Foshan	Foshan	Manufacturing	81.17		Establishment or investment
Foshan Shunde Rongsheng Plastic Co., Ltd.	Rongsheng Plastic	Foshan	Foshan	Manufacturing	44.92	25.13	Establishment or investment
Guangdong Kelon Mould Co., Ltd.	Kelon Mould	Foshan	Foshan	Manufacturing		70.11	Establishment or investment
Guangdong Huao Electronics Co., Ltd. <sup>(1)</sup>	Huao Electronics	Foshan	Foshan	Manufacturing		70	Establishment or investment
Guangdong Foshan Shunde Kelon Property Service Co., Ltd.	Kelon Property	Foshan	Foshan	Provision of services	80	20	Establishment or investment
Foshan Shunde Wangao Import & Export Co., Ltd.	Wangao I&E	Foshan	Foshan	Trading	20	80	Establishment or investment
Guangdong Kelon Jiake Electronics Co., Ltd.	Kelon Jiake	Foshan	Foshan	Manufacturing	70	30	Establishment or investment
Guangdong Kelon Weili Electrical Appliances Co., Ltd.	Kelon Weili	Zhongshan	Zhongshan	Manufacturing	55	25	Establishment or investment
Hisense Ronshen (Yingkou) Refrigerator Co., Ltd.	Yingkou Refrigerator	Yingkou	Yingkou	Manufacturing	42	36.79	Establishment or investment
Jiangxi Kelon Industrial Development Co., Ltd.	Jiangxi Kelon	Nanchang	Nanchang	Manufacturing	60	40	Establishment or investment
Jiangxi Kelon Combine Electrical Appliances Co., Ltd. <sup>(1)</sup>	Combine	Nanchang	Nanchang	Manufacturing		55	Establishment or investment
Hangzhou Kelon Electrical Co., Ltd.	Hangzhou Kelon	Hangzhou	Hangzhou	Manufacturing	100		Establishment or investment
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	Yangzhou Refrigerator	Yangzhou	Yangzhou	Manufacturing	74.33	25.67	Establishment or investment
Shangqiu Kelon Electrical Co., Ltd.	Shangqiu Kelon	Shangqiu	Shangqiu	Manufacturing		100	Establishment or investment
Zhuhai Kelon Electrical Industrial Development Co., Ltd.	Zhuhai Kelon	Zhuhai	Zhuhai	Manufacturing	75	25	Establishment or investment
Shenzhen Kelon Purchase Co., Ltd.	Shenzhen Kelon	Shenzhen	Shenzhen	Trading	95	5	Establishment or investment
Pearl River Electric Refrigerator Co., Ltd.	Pearl River Refrigerator	Hong Kong	Hong Kong	Trading		100	Establishment or investment
Kelon Development Co., Ltd.	Kelon Development	Hong Kong	Hong Kong	Investment	100		Establishment or investment
Kelon International Incorporation	KII	Hong Kong	British Virgin Islands	Trading		100	Establishment or investment
Hisense (Chengdu) Refrigerator Co., Ltd.	Chengdu Refrigerator	Chengdu	Chengdu	Manufacturing	100		Establishment or investment
Hisense (Shandong) Refrigerator Ltd.	Shandong Refrigerator	Qingdao	Qingdao	Manufacturing	100		Establishment or investment
Guangdong Hisense Refrigerator Marketing Co., Ltd.	Refrigerator Marketing Company	Foshan	Foshan	Trading		78.82	Establishment or investment
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Airconditioner Marketing Company	Qingdao	Qingdao	Trading		75.57	Establishment or investment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VIII. INTERESTS IN OTHER ENTITIES — *Continued*

#### 1. Interests in subsidiaries — *Continued*

##### (1) *Composition of enterprise group — Continued*

Name of subsidiary	Abbreviation	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
					Direct	Indirect	
Hisense (Guangdong) Mould Plastic Company Limited	Hisense Guangdong Mould Plastic	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment
Jiangmen Hisense Electrical Appliances Co., Ltd.	Jiangmen Hisense Electrical Appliances	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment
Hisense (Beijing) Electric Co., Ltd.	Beijing Refrigerator	Beijing	Beijing	Manufacturing	55		Business combination under common control
Hisense (Shandong) Air-Conditioning Co. Ltd.	Shandong Air-conditioning	Qingdao	Qingdao	Manufacturing	100		Business combination under common control
Hisense (Zhejiang) Air-conditioning Co., Ltd.	Zhejiang Air-conditioning	Huzhou	Huzhou	Manufacturing		100	Business combination under common control
Qingdao Hisense Mould Co., Ltd.	Hisense Mould	Qingdao	Qingdao	Manufacturing	78.70		Business combination under common control
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	Huzhou	Huzhou	Manufacturing		100	Business combination not under common control
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	Qingdao	Qingdao	Manufacturing		70	Establishment or investment
Hisense Changsha Electronic Commerce Co., Ltd.	Changsha Electronic	Changsha	Changsha	Trading		100	Establishment or investment
Hisense Mould (Deutschland) GmbH	German Hisense Mould	Germany	Germany	Manufacturing		100	Establishment or investment
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	Hisense Hitachi	Qingdao	Qingdao	Manufacturing	49.2		Business combination not under common control
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Hitachi Marketing	Qingdao	Qingdao	Trading		71.52	Business combination not under common control
Qingdao Johnson Controls Air-Conditioning Co., Ltd.	Johnson Controls	Qingdao	Qingdao	Trading		100	Business combination not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	Qingdao	Qingdao	Manufacturing		100	Business combination not under common control

Notes:

- ① The Company holds 60% equity interest in Guangdong Air-conditioner and 70% equity interest in Huaao Electronics. However, as the Company has undertaken to provide them with financial support, bear 100% of their losses and enjoy 100% of their voting rights, they have been accounted for as long-term equity investment at a 100% shareholding percentage;
- ② The Company holds 55% equity interest in Combine. As Combine had been declared in liquidation, it has not been included in the consolidated financial statements;
- ③ All subsidiaries incorporated in the PRC are companies with limited liability, save for Refrigerator Marketing Company, Air-conditioner Marketing Company and Commercial Cold Chain which are joint-stock companies with limited liability.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VIII. INTERESTS IN OTHER ENTITIES — Continued

#### 1. Interests in subsidiaries — Continued

##### (2) Principal non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest (%)	Gain or loss attributable to minority interests for the year	Dividends paid to minority interests for the year	Closing balance of minority interests
Hiseuse Hitachi	50.80	44,144.59	40,991.60	319,620.10

##### (3) Major financial information of principal non-wholly-owned subsidiaries:

Unit: RMB'0000

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hiseuse Hitachi	814,315.33	510,104.52	1,324,419.85	710,699.60	20,573.10	731,272.70

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hiseuse Hitachi	821,536.65	455,622.68	1,277,159.33	667,962.10	19,990.85	687,952.95

Name of subsidiary	Amount for the period				Amount for previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hiseuse Hitachi	559,073.78	81,023.82	81,023.82	100,237.59				



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### VIII. INTERESTS IN OTHER ENTITIES — Continued

#### 2. Interests in joint ventures or associates

##### (1) Joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Accounting method for investment in joint ventures or associates
				Direct	Indirect	
Hisense Financial Holdings	Qingdao	Qingdao	Financial services industry	24.00		Equity method
Hisense Commercial Trading	Qingdao	Qingdao	Trading	50.00		Equity method
Hisense International	Overseas	Qingdao	Trading	12.67		Equity method

The board of directors of Hisense International comprises 9 directors, 2 of which were appointed by the Company. Therefore, the Company had significant influence on it.

##### (2) Aggregated financial information of insignificant joint ventures and associates

Unit: RMB'0000

Item	Closing balance/ Amount for the period	Opening balance/ Amount for previous period
Joint ventures:	-	-
Total carrying amount of investments	4,702.51	4,561.52
Amounts in aggregate in proportion to the shareholdings:	-	-
- Net profit	140.99	-163.11
- Other comprehensive income		
- Total comprehensive income	140.99	-163.11
Associates:	-	-
Total carrying amount of investments	40,279.21	42,246.55
Amounts in aggregate in proportion to the shareholdings:	-	-
- Net profit	855.73	2,523.47
- Other comprehensive income	-30.06	666.62
- Total comprehensive income	825.67	3,190.09

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include: cash at bank and on hand, transactional financial assets, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, bank borrowings. Details of the financial instruments were disclosed in the relevant notes.

Risks with respect to the above financial instruments include: credit risk, liquidity risk, interest rate risk and foreign currency risk.

#### 1. Credit risk

Credit risk is the risk to which the Group is exposed to on financial losses due to the failure of clients or financial instrument counterparties to fulfill their contractual obligations, mainly with respect to bank balances, trade and other receivables and financial derivative.

The Group maintains substantially all of its bank balances in domestic financial institutions with higher credit rating. The Board believes these assets are not exposed to significant credit risk that would cause financial losses.

The Group mitigates its exposure to risks in respect of trade and other receivables by dealing with diversified customers with healthy financial positions. Certain new customers are required by the Group to make cash payment in order to minimise credit risk. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management.

The credit risk on derivative instruments is not significant as the counterparties are high creditworthy banks rated by international credit-rating agencies.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of financial assets shown on the consolidated financial statements.

#### 2. Liquidity risk

In respect of the management of liquidity risk, the Group monitors and maintains cash and cash equivalents at a level which is adequate, in the management's point of views, to finance the Group's operations and mitigate the effects of short-term fluctuations in cash flows. The Group's treasury department is responsible for maintaining a balance between continuity of funding and flexibility through the use of bank credit in order to meet the Group's liquidity requirements.

In order to mitigate the liquidity risk, the directors have carried out a detailed review of the liquidity of the Group, including maturity profile of its accounts and other payables, availability of borrowings and loan financing provided by Hisense Finance, and it is concluded that the Group has adequate funding to fulfill its short-term obligations and capital expenditure requirements.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

#### 2. Liquidity risk — Continued

As at the balance sheet date, the undiscounted contractual cash flows of financial assets and financial liabilities of the Group based on maturity date were as follows:

#### 30 June 2020

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash at bank and on hand	6,689,879,614.82				6,689,879,614.82
Transactional financial assets	2,440,425,542.00				2,440,425,542.00
Notes receivable	837,464,747.72				837,464,747.72
Accounts receivable	5,265,670,171.84				5,265,670,171.84
Financing receivable	4,234,777,947.92				4,234,777,947.92
Other receivables	377,479,449.42				377,479,449.42
Other current assets	2,827,965,872.92				2,827,965,872.92
Other non-current assets			2,787,628,666.66		2,787,628,666.66
<b>Total</b>	<b>22,673,663,346.64</b>		<b>2,787,628,666.66</b>		<b>25,461,292,013.30</b>
<b>Financial liabilities</b>					
Transactional financial liabilities	1,233,219.00				1,233,219.00
Notes payable	7,797,687,103.84				7,797,687,103.84
Accounts payable	6,916,897,072.87				6,916,897,072.87
Other payables	2,330,622,752.84				2,330,622,752.84
Other current liabilities	4,289,616,135.71				4,289,616,135.71
Lease liabilities	37,400,959.90	16,798,878.03	10,177,979.22	434,330.72	64,812,147.87
<b>Total</b>	<b>21,373,457,244.16</b>	<b>16,798,878.03</b>	<b>10,177,979.22</b>	<b>434,330.72</b>	<b>21,400,868,432.13</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

#### 2. Liquidity risk — *Continued*

31 December 2019

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash at bank and on hand	6,120,563,237.47				6,120,563,237.47
Transactional financial assets	2,120,000,000.00				2,120,000,000.00
Notes receivable	1,102,527,326.72				1,102,527,326.72
Accounts receivable	4,161,940,502.44				4,161,940,502.44
Financing receivable	4,099,608,704.80				4,099,608,704.80
Other receivables	402,948,037.32				402,948,037.32
Other current assets	2,515,406,233.00				2,515,406,233.00
Other non-current assets			2,093,188,666.66		2,093,188,666.66
<b>Total</b>	<b>20,522,994,041.75</b>		<b>2,093,188,666.66</b>		<b>22,616,182,708.41</b>
<b>Financial liabilities</b>					
Transactional financial assets	100,083,424.66				100,083,424.66
Notes payable	7,560,312,550.23				7,560,312,550.23
Accounts payable	5,317,357,636.81				5,317,357,636.81
Other payables	1,920,036,363.71				1,920,036,363.71
Other current liabilities	3,755,169,074.60				3,755,169,074.60
Lease liabilities	42,972,889.20	20,868,346.99	5,258,110.75		69,099,346.93
<b>Total</b>	<b>18,695,931,939.21</b>	<b>20,868,346.99</b>	<b>5,258,110.75</b>		<b>18,722,058,396.94</b>

The maturity of bank and other borrowings were analyzed as follows:

There were no bank and other borrowings as at 30 June 2020. The bank borrowings as at 31 December 2019 was expired and repaid on 24 June 2020.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

#### 3. Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interestbearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks, of which the variable interest rates are mostly short-term in nature whereas interest-bearing financial liabilities are primarily short-term bank borrowings. As at 30 June 2020, the Group's bank borrowings are fixed rate. As such, any change in the interest rate is not considered to have significant impact on the Group's performance.

#### 4. Foreign currency risk

Foreign currency risk is the risk of loss due to adverse change in exchange rates with respect to investments and transactions denominated in foreign currencies. The Group's monetary assets and transactions are mainly denominated in RMB, HKD, USD, JPY and EUR. The exchange rates between RMB, HKD, USD, JPY and EUR are not pegged, and there is fluctuation in exchange rates between RMB, USD, JPY and EUR.

The carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies at the end of Reporting Period are as follows:

Currency	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
USD	418,141,022.72	16,911,897.11	553,635,498.93	38,724,346.10
EUR	101,490,958.41	1,302,793.53	178,060,275.08	937,780.20

The following table indicates the approximate effect of reasonably possible foreign exchange rate changes on the net profit, to which the Group has significant exposure at the end of Reporting Period:

Sensitivity analysis of change in exchange rate:

Item	Current period Increase/Decrease in profit after tax	Previous period Increase/Decrease in profit after tax
<b>USD to RMB</b>		
Appreciates by 5%	15,046,092.21	4,986,775.54
Depreciates by 5%	-15,046,092.21	-4,986,775.54
<b>EUR to RMB</b>		
Appreciates by 5%	3,757,056.18	2,164,057.07
Depreciates by 5%	-3,757,056.18	-2,164,057.07

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### X. DISCLOSURE OF FAIR VALUE

#### 1. Fair value of assets and liabilities measured at fair value as at the end of the year

Item	Fair value as at the end of the period			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
I. Fair value measurement on a recurring basis				
(i) Transactional financial assets			2,440,425,542.00	2,440,425,542.00
1. Financial assets at fair value through profit or loss			2,440,425,542.00	2,440,425,542.00
(1) Derivative financial assets			425,542.00	425,542.00
(2) Wealth management products			2,440,000,000.00	2,440,000,000.00
(ii) Other debt investments			4,234,777,947.92	4,234,777,947.92
1. Notes receivable			3,773,334,602.63	3,773,334,602.63
2. Account receivable			461,443,345.29	461,443,345.29
<b>Total assets measured at fair value on a recurring basis</b>			<b>6,675,203,489.92</b>	<b>6,675,203,489.92</b>
(iii) Transactional financial liabilities			1,233,219.00	1,233,219.00
Including: derivative financial liabilities			1,233,219.00	1,233,219.00
<b>Total liabilities measured at fair value on a recurring basis</b>			<b>1,233,219.00</b>	<b>1,233,219.00</b>

#### 2. Valuation techniques and qualitative and quantitative information for level 3 items measured on and not on a recurring basis

Transactional financial assets are bank financial products with relatively short maturity and their carrying amount appropriate to fair value, and adopt carrying amount as their fair value.

Receivables financing have relatively short remaining maturity with their carrying amount appropriate to fair value, and adopt carrying amount as their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

#### 1. Particulars of the controlling shareholders and the ultimate holding company

##### (1) Particulars of the controlling shareholders and the ultimate holding company

(Amount Unit: RMB'0000)

Name of the company	Relationship	Category of enterprise	Registration address	Legal representative	Business nature
Qingdao Hisense Air-conditioning	Controlling shareholder	Foreign-sino joint venture	Qingdao	Tang Ye Guo	Manufacture of air conditioners, moulds and provision of after-sale services
Hisense Group	Ultimate Controlling shareholder	State wholly-owned	Qingdao	Zhou Hou Jian	Entrusted operation of state-owned assets; manufacture and sales of household appliances, communication products and provision of related services

Continued from above table

Name of the company	Registered capital	Shareholding of the parent in the Company (%)	Voting rights of the parent in the Company (%)	Ultimate holding company of the Company	Creditability code
Qingdao Hisense Air-conditioning	67,479	37.92	37.92	State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government	913702126143065147
Hisense Group	80,617			State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government	913702001635787718

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 1. Particulars of the controlling shareholders and the ultimate holding company — *Continued*

##### (2) *Controlling shareholder's registered capital and its changes*

(Amount Unit: RMB'0000)

Controlling shareholder	Beginning balance	Increase for the period	Decrease for the period	Ending balance
Qingdao Hisense Air-Conditioning	67,479			67,479

##### (3) *Shareholding of controlling shareholder and its changes*

Controlling shareholder	Shareholding amount		Percentage of shareholding (%)	
	Ending balance	Beginning balance	Percentage at the end of the period	Percentage at the beginning of the period
Qingdao Hisense Air-Conditioning	516,758,670.00	516,758,670.00	37.92	37.92

#### 2. Subsidiaries

For details of subsidiaries, please see note XIII. (1) "(1) Composition of enterprise group".

#### 3. Joint ventures and associates

For details of the joint ventures or associates of the Company, please see note XIII. (3)(1) "Joint ventures or associates".



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 4. Greencool Companies

##### Name of related parties of Greencool Companies

##### Relationship with the Company

Guangdong Greencool	Former controlling shareholder of the Company
Jiangxi Greencool Electrical Appliance Co., Ltd. ("Jiangxi Greencool")	Related party of Guangdong Greencool

#### 5. Other related parties of the Company

##### Name of other related parties

##### Relationship with the Company

Hisense Finance Co., Ltd. ("Hisense Finance")	Subsidiary of ultimate holding company
Hisense Visual Technology Co., Ltd. ("Hisense Visual Technology")	Subsidiary of ultimate holding company
Beijing Xuehua Group Company Limited ("Xuehua Group")	Minority shareholder of Beijing Refrigerator
Hisense (Hong Kong) Company Limited ("Hisense Hong Kong")	Subsidiary of ultimate holding company
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd. (hereinafter referred to as "Johnson Hitachi")	Controlling shareholder of the minority shareholder of Hisense Hitachi

#### 6. The Greencool Companies had a series of transactions or unusual cash inflows and outflows through the following "Specific Third Party Companies"

##### Name of related party

##### Relationship with the Company

Jinan San Ai Fu	Specific Third Party Company
Jiangxi Keda	Specific Third Party Company
Zhuhai Longjia	Specific Third Party Company
Zhuhai Defa	Specific Third Party Company
Wuhan Changrong	Specific Third Party Company
Deheng Solicitors	Specific Third Party Company
Shangqiu Bingxiong	Specific Third Party Company

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued

#### 7. Related party transactions

##### (1) Purchase of goods/receipt of services

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group and its subsidiaries	Finished goods	Agreed price	21,543,034.51	0.13	108,219.81	
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	6,106.19			
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	14,623,026.44	0.09		
<b>Subtotal of purchase of finished goods</b>			<b>36,172,167.14</b>	<b>0.22</b>	<b>108,219.81</b>	
Hisense Group and its subsidiaries	Raw materials	Agreed price	157,602,518.89	0.97	89,781,279.02	0.59
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	14,505,713.83	0.09	4,302,894.40	0.03
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	179,809,050.16	1.11		
Hisense Hitachi	Raw materials	Agreed price			12,302,368.99	0.08
<b>Subtotal of purchase of raw materials</b>			<b>351,917,282.88</b>	<b>2.17</b>	<b>106,386,542.41</b>	<b>0.70</b>
Hisense Group and its subsidiaries	Receipt of services	Agreed price	305,074,364.51	1.88	282,867,133.52	1.88
Hisense Visual Technology and its subsidiaries	Receipt of services	Agreed price	11,218,796.52	0.07	4,360,302.98	0.03
Johnson Hitachi and its subsidiaries	Receipt of services	Agreed price	11,016,585.67	0.07		
Xuehua Group	Receipt of services	Agreed price	334,812.92		344,596.20	
<b>Subtotal of receipt of services</b>			<b>327,644,559.62</b>	<b>2.02</b>	<b>287,572,032.70</b>	<b>1.91</b>
Hisense Hong Kong	Financing purchase	Agreed price	161,509,182.77	0.99	150,866,921.74	1.00
<b>Subtotal of financing purchase</b>			<b>161,509,182.77</b>	<b>0.99</b>	<b>150,866,921.74</b>	<b>1.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 7. Related party transactions — *Continued*

##### (1) *Purchase of goods/receipt of services* — *Continued*

- (1) The Company and Hisense Group and Hisense Visual Technology and Hisense Marketing Management entered into a Business Cooperation Framework Agreement on 5 November 2019. During the effective period of the agreement, the transaction with the Group as the purchaser and recipient of services was subject to an aggregate cap (exclusive of value-added tax) of RMB1,710,900,000.
- (2) The Company and Johnson Hitachi entered into a Business Framework Agreement on 11 September 2019. During the effective period of the agreement, the transaction with the Group as the purchaser was subject to an aggregate cap (exclusive of value-added tax) of RMB1,096,910,000.
- (3) The Company and Hisense Hong Kong entered into a Financing Purchase Framework Agreement on 11 September 2019. During the effective period of the agreement, the transaction in which the Group engaged Hisense Hong Kong to perform financing purchase as its agent was subject to an aggregate cap of US\$100,000,000.

The above agreements were considered and approved at the eighth interim meeting of the Company's tenth session of the board of directors in 2019 convened on 11 September 2019, the ninth interim meeting of the Company's tenth session of the board of directors in 2019 convened on 5 November 2019 and the first extraordinary general meeting in 2020 convened on 17 January 2020 respectively.

- (4) The above transactions with Hisense Group and its subsidiaries, Hisense Visual Technology and its subsidiaries, Hisense Hong Kong, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (provided since the financial assistance arrangements under the Purchase Financing Agency Framework Agreement entered into between the Company and Hisense Hong Kong was for the benefit of the Company on normal commercial terms where no security over the assets of the Group was granted in respect of the financial assistance, such connected transaction with Hisense Hong Kong were exempt from the reporting, announcement and shareholders' approval requirements pursuant to Rule 14A.65(4) and Rule 14A.76(1)(b) of the Hong Kong Listing Rules; The Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and Shareholders' approval requirements according to of Rule 14A.101 of the Hong Kong Listing Rules).

Other than the above transactions, the transactions with related parties conducted in 2020 as disclosed in note 11 of the financial statements in the 2020 interim report do not constitute connected transactions under Chapter 14A of the Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 7. Related party transactions — *Continued*

##### (2) *Sale of goods/rendering of service*

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group and its subsidiaries	Finished goods	Agreed price	6,147,000,042.06	29.15	6,022,008,150.15	31.78
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	858,225.03		123,169.71	
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	124,182,596.36	0.59		
Hisense Hitachi	Finished goods	Agreed price			264,929,171.73	1.40
<b>Subtotal of sale of finished goods</b>			<b>6,272,040,863.45</b>	<b>29.74</b>	<b>6,287,060,491.59</b>	<b>33.18</b>
Hisense Group and its subsidiaries	Raw materials	Agreed price	81,926,781.58	0.39	29,769,375.03	0.15
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	693,079.27		6,723,685.25	0.04
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	5,780,033.47	0.03		
Hisense Hitachi	Raw materials	Agreed price			2,657,258.03	0.01
<b>Subtotal of sale of raw materials</b>			<b>88,399,894.32</b>	<b>0.42</b>	<b>39,150,318.31</b>	<b>0.20</b>
Hisense Group and its subsidiaries	Moulds	Market price	17,922,179.36	0.08	14,337,791.87	0.08
Hisense Visual Technology and its subsidiaries	Moulds	Market price	29,793,592.89	0.14	39,091,236.56	0.21
Hisense Hitachi	Moulds	Market price			2,444,512.77	0.01
<b>Subtotal of sale of moulds</b>			<b>47,715,772.25</b>	<b>0.22</b>	<b>55,873,541.20</b>	<b>0.30</b>
Hisense Group and its subsidiaries	Provision of services	Agreed price	13,219,713.80	0.07	9,001,720.42	0.05
Hisense Visual Technology and its subsidiaries	Provision of services	Agreed price	3,675,437.34	0.02	916,163.08	
Johnson Hitachi and its subsidiaries	Provision of services	Agreed price	60,085.54			
Xue hua Group	Provision of services	Agreed price	717,117.48		458,450.45	
<b>Subtotal of rendering of services</b>			<b>17,672,354.16</b>	<b>0.09</b>	<b>10,376,333.95</b>	<b>0.05</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 7. Related party transactions — *Continued*

##### (2) *Sale of goods/rendering of service* — *Continued*

- (1) The Company and Hisense Group and Hisense Visual Technology and Hisense Marketing Management entered into a Business Cooperation Framework Agreement on 5 November 2019. During the effective period of the agreement, the transaction with the Group as the supplier and service provider was subject to an aggregate cap (exclusive of value-added tax) of RMB17,176,960,000.
- (2) The Company and Johnson Hitachi entered into the Business Cooperation Agreement on 11 September 2019. During the effective period of the agreement, the transaction with the Group as the supplier and service provider was subject to an aggregate cap (exclusive of value-added tax) RMB305,530,000.

The above agreement was considered and approved at the 2019 eighth interim meeting of the tenth session of the board of directors of the Company convened on 11 September 2019, the ninth interim meeting of the Company's tenth session of the board of directors in 2019 convened on 5 November 2019 and the first extraordinary general meeting in 2020 convened on 17 January 2020 respectively.

- (3) The above transactions with Hisense Group and its subsidiaries, Hisense Visual Technology and its subsidiaries, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (provided that the Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and shareholders' approval requirements under 14A.101 of the Listing Rules).

Other than the above transactions, the transactions with related parties conducted in 2020 as disclosed in note 11 of the financial statements in the 2020 interim report do not constitute connected transactions under Chapter 14A of the Listing Rules.

##### (3) *Other connected transactions*

As at 30 June 2020, the Group had the balance of deposit of RMB12,070,555,000 (listed in bank deposits, other current assets and other non-current assets according to holding intention and liquidity), and balance of electronic bank acceptance note of RMB6,496,936,700 with Hisense Finance. The balance of loan was Nil. The amount of loan interest for Hisense Finance of RMB6,653,100 was recognized. The amount of discounted interest, handling fee for opening accounts for electronic bank acceptance note, settlement service for receipt and payment of funds paid by the Company to Hisense Finance amounted to RMB965,300, RMB2,763,400 and RMB372,100. Interest income from bank deposits of RMB117,000,000 was recognized. The actual amount involved for the provision of settlement and sale of foreign exchange services provided by Hisense Finance to the Group was RMB275,000,000 and the amount for provision of discounted notes was RMB175,000,000.

Pursuant to the Trademark Licensing Agreement entered into between the Company and Hisense Group, the Group is entitled to use the trademark of "海信" and "Hisense" within the scope of permission and during the licensing period in the agreement at nil consideration.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued

#### 8. Receivables from and payables to related parties

##### (1) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Notes receivable	Hisense Group and its subsidiaries	286,914,659.04		155,386,729.87	
Notes receivable	Hisense Visual Technology and its subsidiaries	85,038,800.94		73,662,349.59	
<b>Subtotal</b>		<b>371,953,459.98</b>		<b>229,049,079.46</b>	
Interest receivable	Hisense Finance	93,094,539.58		113,594,899.67	
<b>Subtotal</b>		<b>93,094,539.58</b>		<b>113,594,899.67</b>	
Accounts receivable	Hisense Group and its subsidiaries	2,259,468,593.68		1,819,052,137.68	
Accounts receivable	Hisense Visual Technology and its subsidiaries	42,613,606.78		32,245,206.20	603,299.99
Accounts receivable	Johnson Hitachi and its subsidiaries	44,313,120.28		29,976,086.25	
<b>Subtotal</b>		<b>2,346,395,320.74</b>		<b>1,881,273,430.13</b>	<b>603,299.99</b>
Other receivables	Hisense Group and its subsidiaries	6,661,884.40	347,732.00	1,925,012.97	47,732.00
Other receivables	Hisense Visual Technology and its subsidiaries	98,804.78		910,500.00	900,000.00
Other receivables	Xuehua Group	428,651.30			
<b>Subtotal</b>		<b>7,189,340.48</b>	<b>347,732.00</b>	<b>2,835,512.97</b>	<b>947,732.00</b>
Prepayments	Hisense Group and its subsidiaries	9,544,060.82		9,415,301.89	
Prepayments	Hisense Visual Technology and its subsidiaries				
<b>Subtotal</b>		<b>9,544,060.82</b>		<b>9,415,301.89</b>	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 8. Receivables from and payables to related parties — *Continued*

##### (2) *Payables to related parties*

Item	Related party	Closing balance	Opening balance
Note payable	Hisense Group and its subsidiaries	5,306,560.47	15,551,614.76
Note payable	Johnson Hitachi and its subsidiaries	127,971,505.71	168,071,845.85
<b>Subtotal</b>		<b>133,278,066.18</b>	<b>183,623,460.61</b>
Accounts payable	Hisense Visual Technology and its subsidiaries	382,805,189.84	258,472,693.54
Accounts payable	Hisense Group and its subsidiaries	897,376.53	16,294.75
Accounts payable	Johnson Hitachi and its subsidiaries	59,729,364.20	54,108,096.37
<b>Subtotal</b>		<b>443,431,930.57</b>	<b>312,597,084.66</b>
Other payables	Hisense Visual Technology and its subsidiaries	42,882,908.58	80,822,684.91
Other payables	Hisense Group and its subsidiaries	179,154.12	21,662.98
Other payables	Xuehua Group		100,859.00
<b>Subtotal</b>		<b>43,062,062.70</b>	<b>80,945,206.89</b>
Advances	Hisense Group and its subsidiaries	11,027,503.26	9,523,930.44
Advances	Hisense Visual Technology and its subsidiaries	1,600,731.54	
<b>Subtotal</b>		<b>12,628,234.80</b>	<b>9,523,930.44</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — *Continued*

#### 8. Receivables from and payables to related parties — *Continued*

##### (3) *Transactions with "specific third party companies"*

Item	Related party	At the end of the period Book value	At the beginning of the period Book value
Other receivables	Jinan San Ai Fu	81,600,000.00	81,600,000.00
	Jiangxi Keda	13,000,200.00	13,000,200.00
	Zhuhai Longjia	28,600,000.00	28,600,000.00
	Zhuhai Defa	21,400,000.00	21,400,000.00
	Wuhan Changrong	20,000,000.00	20,000,000.00
	Deheng Solicitors	2,000,000.00	2,000,000.00
	Shangqiu Bingxiong	58,030,000.00	58,030,000.00
<b>Subtotal of other receivables</b>		<b>224,630,200.00</b>	<b>224,630,200.00</b>
Other payables	Zhuhai Longjia	17,766,425.03	17,766,425.03
<b>Other payablesSubtotal</b>		<b>17,766,425.03</b>	<b>17,766,425.03</b>

##### (4) *Transactions with Greencool Companies*

Item	Related party	At the end of the period Book value	At the beginning of the period Book value
Other payables	Jiangxi Greencool	13,000,000.00	13,000,000.00
<b>Subtotal of other payables</b>		<b>13,000,000.00</b>	<b>13,000,000.00</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XII. CONTINGENCIES

#### 1. Contingent liabilities arising from pending litigations and arbitration and their financial impacts

As at 30 June 2020, the Group was involved, as defendant, in litigations with amount of RMB23,606,815.56, and provision of RMB11,603,005.78 had been made.

### XIII. COMMITMENTS

#### 1. Capital commitments

*Unit: RMB'0000*

Item	Closing balance	Opening balance
Commitments in respect of investment in subsidiaries and jointly controlled entity (commitment to purchase long-term assets):		
- Authorized but not contracted	94.72	409.84
- Contracted but not paid	18,303.16	15,478.63
Commitments in respect of acquisition of the property, plant and equipment of subsidiaries (commitment for external investment):		
- Contracted but not paid		

#### 2. Operating lease commitment

Please see note XV(3) lease for details.

### XIV. SUBSEQUENT EVENTS

In July 2020, the Group added three subsidiaries in the scope of consolidation, namely Hisense (Hong Kong) America Manufacturing Co., Limited., Hisense Monterrey Property Management, S.de R.L. de C.V. (海信蒙特雷物業管理有限公司) and Qingdao Gorenje Electrical Co., Ltd.\* (青島古洛尼電器股份有限公司).

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XV. OTHER SIGNIFICANT EVENTS

#### 1. Capital management

The primary objectives of the Company'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 maximise shareholders' value.

The Company 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 31 December 2019.

The Company monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes bank and other borrowings, accounts payable, notes payable, other payables and debentures payables, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

Item	End of the period	Beginning of the period
<b>Total debt</b>	24,219,756,535.05	21,509,800,523.05
Including: Short-term borrowings		100,083,424.66
Accounts payable	6,916,897,072.87	5,317,357,636.81
Notes payable	7,797,687,103.84	7,560,312,550.23
Other payables	2,330,622,752.84	1,920,036,363.71
Less: Cash and cash equivalents	2,072,574,458.19	2,065,106,596.27
<b>Net debt</b>	22,147,182,076.86	19,444,693,926.78
<b>Equity attributable to shareholders of parent</b>	8,687,022,218.53	8,721,593,732.62
<b>Capital and net debt</b>	30,834,204,295.39	28,166,287,659.40
<b>Gearing ratio</b>	71.83%	69.04%

#### 2. Pension scheme

The Group contributes mainly to a defined contribution pension scheme, which is administered by the provincial government, in respect of employees of the Group. According to such scheme, the Group shall make contributions to the pension fund at certain percentage of the total salaries and wages of its employees.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XV. OTHER SIGNIFICANT EVENTS — Continued

#### 3. Leases

(1) Different categories of leased assets of the Group are as follows:

Unit: RMB'0000

Categories of leased assets under operating leases	Closing carrying amount	Opening carrying amount
Buildings and structures	6,790.54	6,599.72
Machinery and equipment, etc	1,660.80	1,971.97
<b>Total</b>	<b>8,451.34</b>	<b>8,571.69</b>

(2) The Group as lessor under operating lease

The Group's investment properties are also leased to a number of tenants for different terms. The rental income for the half year of 2020 amounted to RMB12,960,000 (half year of 2019: RMB17,784,100). The minimum lease payments receivable under non-cancellable operating leases at the end of reporting period are as follows:

Unit: RMB'0000

Item	Amount for the period	Amount for previous period
Within one year	1,387.68	1,106.64
Over one year but within five years	123.17	559.46
Over five years	4.80	
<b>Total</b>	<b>1,515.65</b>	<b>1,666.10</b>

The amount of undiscounted lease receipts to be received each year for five consecutive accounting years after the balance sheet date: RMB13.8768 million within 1 year, RMB1.0491 million in 1-2 years, RMB86,600 in 2-3 years, RMB48,000 in 3-4 years, RMB48,000 in 4-5 years and RMB48,000 over 5 years.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XV. OTHER SIGNIFICANT EVENTS — Continued

#### 3. Leases — Continued

##### (3) The Group as lessee under operating lease

The Group leases certain leasehold building or structure and others under operating leases with lease terms ranging from one to five years. The operating lease payments for the year ended 30 June 2020 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the period	Amount for previous period
Building or structure	4,615.16	1,938.50
Others	8.40	
<b>Total</b>	<b>4,623.56</b>	<b>1,938.50</b>

The Group adopts simplified treatment for short-term leases and leases of low-value assets with a lease period of not more than 12 months. Due to the small amount of related lease payments, the adoption of simplified treatment has relatively small impact on the financial statements.

##### (4) The total future minimum lease payments under non-cancellable operating leases at the end of Reporting Period due as follows:

Unit: RMB'0000

Item	Amount for the period	Amount for previous period
Within one year	4,683.01	2,081.17
Over one year but within five years	3,037.25	2,100.59
Over five years	43.43	
<b>Total</b>	<b>7,763.69</b>	<b>4,181.76</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT

#### 1. Accounts receivable

##### (1) Accounts receivable as shown by provision for bad debts

Category	Closing balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	110,620,774.15	100.00	107,291,968.16	96.99	3,328,805.99
Including:					
Aging analysis method	107,291,968.16	96.99	107,291,968.16	100.00	
Receivables from related parties	3,328,805.99	3.01			3,328,805.99
Other amount					
<b>Total</b>	<b>110,620,774.15</b>	<b>100.00</b>	<b>107,291,968.16</b>	<b>96.99</b>	<b>3,328,805.99</b>

Category	Opening balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	110,023,336.92	100.00	108,004,768.16	98.17	2,018,568.76
Including:					
Aging analysis method	107,291,968.16	97.52	107,291,968.16	100.00	
Receivables from related parties	2,018,568.76	1.83			2,018,568.76
Other amount	712,800.00	0.65	712,800.00	100.00	
<b>Total</b>	<b>110,023,336.92</b>	<b>100.00</b>	<b>108,004,768.16</b>	<b>98.17</b>	<b>2,018,568.76</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — Continued

#### 1. Accounts receivable — Continued

##### (1) Accounts receivable as shown by provision for bad debts — Continued

1) Among the group, provision for bad debts for Accounts receivable by aging analysis method:

Ageing	Closing balance		(%)
	Book value	Provision for bad debts	
Within three months			
Over three months but within six months			
Over six months but within one year			
Over one year	107,291,968.16	107,291,968.16	100.00
<b>Total</b>	<b>107,291,968.16</b>	<b>107,291,968.16</b>	<b>100.00</b>

Note: This group is based on the aging of Accounts receivable as credit risk characteristic and made provision for bad debts based on the expected credit loss of each aging section.

2) Among the group, provision for bad debts for Accounts receivable by receivables from related parties:

Ageing	Closing balance		(%)
	Book value	Provision for bad debts	
Within one year	3,328,805.99		
<b>Total</b>	<b>3,328,805.99</b>		

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — Continued

#### 1. Accounts receivable — Continued

##### (2) Accounts receivable shown by ageing analysis

Ageing analysis of accounts receivable based on invoice day is as follows:

Ageing	Closing balance	Opening balance
Within three months	1,891,704.63	2,018,568.76
Over three months but within six months		
Over six months but within one year	1,437,101.36	
Over one year	107,291,968.16	108,004,768.16
<b>Total</b>	<b>110,620,774.15</b>	<b>110,023,336.92</b>

##### (3) Provision for bad debts for Accounts receivable for the period

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Aging analysis method	107,291,968.16			107,291,968.16	
Other amount	712,800.00		712,800.00		
<b>Total</b>	<b>108,004,768.16</b>		<b>712,800.00</b>	<b>107,291,968.16</b>	

##### (4) Top five accounts receivable by debtor as at the end of the period

The total top five accounts receivable by debtor as at the end of the period amounted to RMB33,368,733.10, accounting for 30.16% of the closing balance of account receivable. A provision for bad debts of RMB33,368,733.10 in total was made as at the end of the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — Continued

#### 2. Other receivables

Item	Closing balance	Opening balance
Other receivables	1,259,913,959.92	1,245,063,266.08
<b>Total</b>	<b>1,259,913,959.92</b>	<b>1,245,063,266.08</b>

#### (1) Classification of other receivables by nature of the amount

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	199,275.00	199,275.00
Other current account	1,280,016,160.77	1,265,165,466.93
<b>Total</b>	<b>1,280,215,435.77</b>	<b>1,265,364,741.93</b>

#### (2) Provision for bad debts of other receivables

Provision for bad debts	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss in the lifetime (without credit impairment)	Third stage Expected credit loss in the lifetime (with credit impairment)	Total
Opening balance		3,427,159.17	16,874,316.68	20,301,475.85
During the period, the balance of other receivables	-	-	-	-
- transferred to second stage				
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period				
Reversal for the period				
Written-off for the period				
Charge off for the period				
Other changes				
<b>Balance as at 31 December 2019</b>		<b>3,427,159.17</b>	<b>16,874,316.68</b>	<b>20,301,475.85</b>

Note: Except for separate assessment, the Company assessed whether the credit risk of financial instruments since its initial recognition was significantly increased based on the aging, and estimated the expected credit loss of other receivables with ageing of over one year in the lifetime.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — *Continued*

#### 2. Other receivables — *Continued*

##### (3) Other receivables presented by ageing as follows

Ageing	Closing balance
Within three months	1,255,280,666.01
Over three months but within six months	3,219,138.13
Over six months but within one year	
Over one year	21,715,631.63
<b>Total</b>	<b>1,280,215,435.77</b>

##### (4) Provision for bad debts of other receivables

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Aging analysis method	20,301,475.85				20,301,475.85
Other amount					
<b>Total</b>	<b>20,301,475.85</b>				<b>20,301,475.85</b>

##### (5) Top five other receivables by debtor as at the end of the period

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)	Provision for bad debts Closing balance
Top 1	Inter-group current account payments	195,883,924.59	Within three months	15.3	
Top 2	Inter-group current account payments	191,541,533.21	Within three months	14.96	
Top 3	Inter-group current account payments	182,281,173.16	Within three months	14.24	
Top 4	Inter-group current account payments	145,136,554.18	Within three months	11.34	
Top 5	Inter-group current account payments	141,829,844.31	Within three months	11.08	
<b>Total</b>		<b>856,673,029.45</b>		<b>66.92</b>	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — Continued

#### 3. Long-term equity investments

##### (1) Breakdown of long-term equity investments

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Investments in subsidiaries	5,079,633,817.23	59,381,641.00	5,020,252,176.23	5,079,633,817.23	59,381,641.00	5,020,252,176.23
Investments in associates and joint ventures	449,817,212.77		449,817,212.77	468,080,722.63		468,080,722.63
<b>Total</b>	<b>5,529,451,030.00</b>	<b>59,381,641.00</b>	<b>5,470,069,389.00</b>	<b>5,547,714,539.86</b>	<b>59,381,641.00</b>	<b>5,488,332,898.86</b>

##### (2) Investments in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made during the period	Closing balance of provision for impairment
Guangdong Refrigerator	155,552,425.85			155,552,425.85		
Guangdong Air-conditioner	281,000,000.00			281,000,000.00		59,381,641.00
Guangdong Freezer	15,668,880.00			15,668,880.00		
Hisense K&B	51,531,053.70			51,531,053.70		
Rongsheng Plastic	53,270,064.00			53,270,064.00		
Wangao I&E	600,000.00			600,000.00		
Kelon Jiake	42,000,000.00			42,000,000.00		
Yingkou Refrigerator	84,000,000.00			84,000,000.00		
Jiangxi Kelon	147,763,896.00			147,763,896.00		
Hangzhou Kelon	24,000,000.00			24,000,000.00		
Yangzhou Refrigerator	252,356,998.00		252,356,998.00			
Zhuhai Kelon	189,101,850.00			189,101,850.00		
Shenzhen Kelon	95,000,000.00			95,000,000.00		
Kelon Development	11,200,000.00			11,200,000.00		
Chengdu Refrigerator	50,000,000.00		50,000,000.00			
Beijing Refrigerator	92,101,178.17			92,101,178.17		
Shandong Air-conditioning	567,175,477.74			567,175,477.74		
Hisense Mould	121,628,013.09			121,628,013.09		
Shandong Refrigerator	275,000,000.00	302,356,998.00		577,356,998.00		
Kelon Property	4,441,400.00			4,441,400.00		
Hisense Hitachi	2,566,242,580.68			2,566,242,580.68		
<b>Total</b>	<b>5,079,633,817.23</b>	<b>302,356,998.00</b>	<b>302,356,998.00</b>	<b>5,079,633,817.23</b>		<b>59,381,641.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — Continued

#### 3. Long-term equity investments — Continued

##### (3) Investments in associates and joint ventures

Investee	Opening balance	Increase in investment	Decrease in investment	Change for the period						Closing balance	Closing balance of provision for impairment
				Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Others		
I. Joint ventures											
Hisense Hitachi											
Hisense Marketing Management	45,615,225.13			1,409,853.49							47,025,078.62
II. Associates											
Hisense Financial Holdings	285,497,760.50			8,600,468.40	88,681.81						294,186,910.71
Hisense International	136,967,737.00			-43,209.52	-389,304.04		27,930,000.00				108,605,223.44
<b>Total</b>	<b>468,080,722.63</b>			<b>9,967,112.37</b>	<b>-300,622.23</b>		<b>27,930,000.00</b>				<b>449,817,212.77</b>

#### 4. Operating revenue and operating costs

##### Breakdown of operating revenue and operating costs

Item	Amount for the period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Principal operations			179,176.84	-18,182.70
Other operations	32,192,286.31	25,662,453.92	39,158,837.73	34,592,112.68
<b>Total</b>	<b>32,192,286.31</b>	<b>25,662,453.92</b>	<b>39,338,014.57</b>	<b>34,573,929.98</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — *Continued*

#### 5. Investment gain

Item	Amount for the period	Amount for previous period
Gain from long-term equity investment under the cost method	390,347,417.88	44,462,400.20
Gain from long-term equity investment under the equity method	9,967,112.37	487,374,859.09
Gain from disposal of transactional financial assets	15,796,394.52	3,384,452.05
<b>Total</b>	<b>416,110,924.77</b>	<b>535,221,711.34</b>

### XVII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 20 August 2020.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT

#### 1. Breakdown of non-recurring profit or loss for the period

Item	Amount for the period	Notes
Profit or loss from disposal of non-current assets	-250,761.55	
Return, reduction and exemption of taxes surpassing approval or without official approval document		
Government grants included in the gain or loss (excluding those government grants that are closely related to the enterprise's business and are received with fixed amounts or with fixed percentage in compliance with national unified policies)	124,509,272.22	
Capital occupation fees received from non-financial enterprises that are included in current profits or losses		
Gain arising under the circumstance where the investment cost for acquisition of subsidiaries, associates and joint ventures is lower than the fair value of the net assets attributable to the enterprise		
Gain or loss arising from non-monetary assets exchange		
Gain or loss arising from entrusted investment or entrusted asset management	43,263,435.60	
Asset impairment provided due to forced majeure (e.g. natural disasters)		
Gain or loss arising from debt restructuring		
Corporate restructuring expenses (e.g. staff placement costs and integration expenses)		
Gain or loss arising from the difference between the fair value and transaction price in obviously unfair transactions		
Net current profit or loss of subsidiaries arising from business combination under common control from beginning of period to the combination date		
Gain or loss arising from contingencies irrelevant to the Company's normal business		
Gain or loss from changes in fair values of transactional financial assets, derivative financial assets, transactional financial liabilities and gain or loss from changes in fair values of derivative financial liabilities and investment gain from disposal of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities and other investment in debt		
Reversal of impairment provision for accounts receivable and impairment provision for contract liabilities individually tested for impairment		
Gain or loss arising from entrusted loan		
Gain or loss arising from changes in fair value of investment properties measured subsequently by using fair value model		
Effect on current profit or loss of one-off adjustment to current profit or loss as required by taxation, accounting and other laws and regulations		
Custody fee income from entrusted operations		
Other non-operating income and expense other than the aforementioned items	42,303,144.08	
Other profit or loss items within the meaning of non-recurring profit or loss		
<b>Subtotal</b>	<b>200,144,430.18</b>	
Less: Effect of income tax	23,431,285.74	
Effect of minority interests (after tax)	14,347,655.90	
<b>Total</b>	<b>172,046,148.71</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — Continued

#### 2. Return on net asset and earnings per share

Profit for the reporting period	Weighted Average of return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Parent	5.67	0.37	0.37
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	3.73	0.24	0.24

#### 3. Significant changes in key items in the Company's accounting statement and explanation of such changes

Statement item	Closing balance or amount for the period	Opening balance or amount for the previous period	Change ratio (%)	Reason for change
Other non-current assets	2,879,988,617.82	2,148,329,801.65	34.06	Mainly due to the increase in time deposits at the end of the Reporting Period
Accounts payable	6,916,897,072.87	5,317,357,636.81	30.08	Mainly due to the peak sales season at the end of the Reporting Period, and the corresponding increase in purchases with the increase in sales
Management expense	314,893,289.04	241,004,121.20	30.66	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Research and development expense	570,088,355.30	377,178,975.93	51.15	Mainly due to the increase in R&D investment and the inclusion of Hisense Hitachi data during the Reporting Period
Finance expense	-70,444,472.45	14,787,894.44	N/A	Mainly due to the increase in interest income
Investment gain	52,520,463.97	498,007,782.36	-89.45	Mainly due to the profit of Hisense Hitachi listed in the investment income was calculated with the equity method in the same period
Non-operating incomes	103,853,562.74	66,745,068.73	55.60	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Income tax expenses	261,703,838.42	122,414,482.21	113.79	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Cash received from sales of goods and rendering of services	17,833,168,508.85	13,398,803,503.74	33.10	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2020 to 30 June 2020

### XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — *Continued*

#### 3. Significant changes in key items in the Company's accounting statement and explanation of such changes — *Continued*

Cash paid for purchases of commodities and receipt of services	11,105,370,886.09	8,123,396,535.83	36.71	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Cash paid for taxes and surcharges	912,166,726.27	640,693,975.21	42.37	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Cash received from recovery of investments	27,930,000.00	753,441,600.00	-96.29	Mainly due to Hisense Hitachi's accounting calculated by the equity method during the same period, including Hisense Hitachi's dividends during the same period
Cash received from investment income	43,263,435.60	12,582,123.27	243.85	Mainly due to the increase in financial investment income received in the current period
Cash received related to other investing activities	5,339,490,186.08	790,000,000.00	575.88	Mainly due to the increase in wealth management and time deposits due to recover during the Reporting Period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	176,306,048.83	129,728,799.89	35.90	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period
Cash paid relating to other investing activities	6,352,500,000.00	1,980,000,000.00	220.83	Mainly due to the increase in purchases of wealth management and new time deposits during the reporting period
Cash paid for interests, fees and commissions	432,813,844.46	23,380,327.66	1751.19	Mainly due to the inclusion of Hisense Hitachi data during the Reporting Period