

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: 000921 (A Shares)

00921 (H Shares)

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 principally engaged in research and development, manufacturing and marketing of refrigerators, central air-conditioners, residential air-conditioners, freezers, washing machines, commercial cold chain, kitchen appliances. During the Reporting Period, the Company completed the acquisition of Sanden Holdings to realize the expansion into automobile air-conditioning compressor and automobile air-conditioning industry.

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Company Secretary: Wong Tak Fong

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I. INDUSTRY OVERVIEW

Heating, ventilation and air-conditioner ("HVAC") Industry:

During the Reporting Period, the volume of domestic central air-conditioner market achieved a high growth. According to the statistics by www.aicon.com.cn, the overall capacity of the domestic central air-conditioner market increased by over 35% year-on-year in the first half of 2021, while the engineering projects led by new infrastructure projects continued to grow; the home furnished retail market also achieved a high growth benefited by the increasing penetration of property fitting-out furnished apartment with central air conditioners. As the most popular product type which captured the largest market share, multi-connected central air-conditioner achieved an increase of 46.3% year-on-year during the Reporting Period. The domestic residential air-conditioner market was affected by the saturation of the domestic primary and secondary markets and the impact of the gradual increase in the residential central air-conditioner on the domestic residential air-conditioner market, growth remained sluggish. According to the AVC inferential statistics, online plus offline retail volume in the domestic residential air-conditioner market decreased by 5.7% year-on-year in the first half of 2021, while retail sales increased by 3.3% year-on-year. Regarding products and technologies, high efficiency and power-saving, green and healthy and intelligence are the trends of the HVAC industry, with development in the direction of comfortable, power-saving, healthy and intelligent. Users are considered as the core, and products transform from temperature adjustment to comprehensive comfort control for intelligent air conditioning of the entire environment.

Refrigerator Industry:

According to the AVC inferential statistics, although the accumulated sales volume of domestic refrigerator industry increased by 5.9% year-on-year in the first half of 2021 and accumulated sales increased by 20.4% year-on-year, the scale of growth still remained weak. Coupled with the impact of rising raw material prices and export shipping, enterprises thus faced severe challenges. Regarding products and technologies, the high-end market was obviously on the rise. According to the offline monitoring statistics of AVC, the market share of sales of domestic refrigerator with a selling price of above RMB10,000 category increased by 6.5% year-on-year in the first half of 2021. In addition, built-in refrigerators with large capacity, energy saving and intelligent was still the trend of market development.

Automotive Air Conditioner Compressor and Integrated Thermal Management Industry:

The total cumulative production volume of the global automotive industry increased by 36% year-on-year in the first half of 2021, including the rapid development of new energy vehicles, and the global production of new energy vehicles in the first half of 2021 increased by more than 90% year-on-year. The rapid development of the vehicle market led to the continued growth of automotive air conditioning compressor and integrated thermal management market. In terms of products and technologies, the trend of electrification of automotive compressors and development of automotive air conditioners towards integrated thermal management systems remain unchanged.

II. ANALYSIS OF THE COMPANY'S OPERATION

During the Reporting Period, in the face of adverse factors such as the significant rise in raw material prices, the Company focused on its operations and capacity building to achieve stable production scale and profitability. The Company achieved operating revenue of RMB32.424 billion, representing a year-on-year increase of 53.76%. In terms of products, the HVAC business achieved principal operating revenue of RMB16.130 billion, representing a year-on-year increase of 43.92%; and the refrigerator and washing machine business achieved principal operating revenue of RMB11.128 billion, representing a year-on-year increase of 53.14%. In terms of domestic and overseas revenues, principal operating revenue of domestic sales business and export sales business amounted to RMB18.401 billion and RMB10.642 billion respectively, representing year-on-year increases of 47.30% and 59.26% respectively. Net profits attributable to shareholders of the Company amounted to RMB615 million, representing a year-on-year increase of 22.27%.

II. ANALYSIS OF THE COMPANY'S OPERATION — *Continued*

The major performance of each business is as follows:

HVAC Business

During the Reporting Period, the Company upheld the development strategy of grasping solidly the fundamental technology and technological innovation to ride on the new opportunities brought by the national "dual carbon strategies", and continuously enriched the high-efficiency and energy-saving, green, healthy and intelligent product lines. With its innovative design and outstanding performance in energy saving, comfort, intelligent and purification, the Hitachi SET-FREE series launched by the Company won the "Innovative Product Award" at the 2021 China Heat Pump Cogeneration Summit. At the same time, taking the opportunity of Hisense Group becoming the UEFA EURO 2020 global top-class official sponsor, the Company launched a series of sport marketing activities, which raised the brand recognition and reputation of Hisense Central Air-conditioner to a new high, becoming the representative of the "new national product". In addition, the Company focused on channels construction, the central air-conditioner steadily increased in secondary and tertiary market size fueling growth. Regarding residential air-conditioning, the Company insisted to adopt the "user-oriented" strategy and continued to innovate and upgrade in the technical direction towards "comfortable and healthy, green and dual carbon, intelligent and power-saving". Based on the research and development and application of air supply, health care, oxygenation, comfort and other technical achievements, the Company created the industry's first soft air and purification combined fresh air conditioner – Hisense Fresh Air Air-Conditioner Spring Wind Series. The user experience of Fresh Air Air-Conditioner was further enhanced as in the AWE2021, Hisense Fresh Air Air-Conditioner Spring Wind Series won the AWE Award – Best Product Award for its outstanding performance in soft air purification.

Refrigerator and Washing Machine Business

During the Reporting Period, the Company adhered to the differentiated multi-brand operation strategy to meet different consumers' needs with high quality products, and realised the synergistic development and joint improvement of Hisense and Rongshen dual brands. For example, Hisense refrigerator implemented vacuum ecological strategy, explored in-depth users' expectations and advancement in "vacuum" technology for refrigerators, launched Hisense full metal liner fridge, with high-quality freshness storage experience, to further enhance consumer appeal. In the China Refrigerator Industry Symposium 2021, Hisense vacuum refrigerator won the "Leading Products In Vacuum Freshness-Preservation of 2021 China Refrigerator Industry" award. Rongshen refrigerator "Keep in the fridge, continue to grow for seven days" continue to launch WILL full metal series products, WILL intelligent health management refrigerator and other high-end products, solidified the "Rongshen refrigerator, freshness experts" market status. At the 2021 China Refrigerator Industry Summit Forum, Rongshen WILL refrigerator won the award of "Leading Product with Freshness-Preservation of 2021 China Refrigerator Industry". The Company continued to focus on improving its sales structure, strengthening the promotion of its products and brands, and increasing the market share of mid- to high-end products. According to the statistics of AVC weekly report, the market share of online and offline high-end retail sales of refrigerator products increased by 2.4 percentage points year-on-year during the Reporting Period. In addition, the Company continued to pay effort in sports marketing, with the brand awareness and reputation of Hisense brand reaching a new high, helping the Company's export sales to break new grounds. As for washing machines, the Company was committed to providing consumers with a better laundry experience by improving our washing/drying set and enriching the healthy washing and caring process. Taking the technology of "steaming, ironing and washing" as the focus, the Company launched the S60 product series encompassing "wrinkle free, bacteria free, dust removal, odour removal and oxygen protection" multiple functions in the all in one "ion steaming, ironing and streaming" washing machine. At the same time, the Company conducted a comprehensive upgrade of the drying system, and launched Hisense G30 heat pump dryer, with "high wind dry fast, low temperature does not hurt the lint" core performance to meet the growing demand of consumers for healthy laundry work.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF THE COMPANY'S OPERATION — *Continued*

Automobile Air Conditioner Compressor and Integrated Thermal Management Business

During the Reporting Period, Sanden Holdings upheld its technology-leading development strategy, focused on the "electrification, intelligence, networking and sharing" of automobiles, and actively developed a series of high-voltage new energy products to meet the needs of the fast-developing new energy vehicle industry. It also continued to deepen its comprehensive thermal management core component deployment and to invest in the research and development of ultra-high voltage compressors and next-generation thermal management systems, laying the foundation for its subsequent development. Sanden Holdings has reorganised its global customer map by region and formulated customer development strategies accordingly. In addition, through resources integration, technology sharing and collaboration with the Company, Sanden Holdings focuses on new energy series products and integrates thermal management systems to enhance product competitiveness and provides new impetus to its development.

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

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)	32,423,814,710.47	21,086,699,809.27	53.76
Net profits attributable to shareholders of the Company (RMB)	615,375,091.80	503,307,515.41	22.27
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	454,784,440.78	331,261,366.70	37.29
Net cash flow from operating activities (RMB)	2,084,626,939.89	2,540,816,943.34	-17.95
Basic earnings per share (RMB/share)	0.45	0.37	21.62
Diluted earnings per share (RMB/share)	0.45	0.37	21.62
Weighted average rate of return on net assets (%)	6.15	5.67	0.48 percentage points

Item	At the end of the Reporting Period	At the end of 2020	Increase or decrease as compared to last year (%)
Total assets (RMB)	55,387,217,509.54	41,811,635,813.53	32.47
Net assets attributable to shareholders of the Company (RMB)	9,932,920,623.83	9,779,115,580.43	1.57

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — Continued
(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS — Continued

Note: On May 31, 2021, the Company completed the approval procedures and the equity payment for the acquisition of Sanden Holdings, and Sanden Holdings was included in the Company's consolidated financial statements. As of the end of the Reporting Period, the settlement audit of Sanden Holdings has not been completed. In accordance with Article 16 of ASBE 20 "Business Combination", the unaudited statement data of Sanden Holdings was used as the fair value as of the closing date for the Reporting Period for the time being and will be adjusted upon the issuance of the closing audit and evaluation report. The balance sheet at the end of the Reporting Period included the balance sheet data of Sanden Holdings, and the income statement and cash flow statement for the Reporting Period included the statement data of Sanden Holdings for the current month of June 2021. Excluding the effect of consolidation of Sanden Holdings, the Company achieved operating revenue of RMB31.628 billion for the Reporting Period, representing a year-on-year increase of 49.99%, and net profit attributable to shareholders of the listed company was RMB672 million, representing a year-on-year increase of 33.53%.

(II) ACCOUNTING DATA DIFFERENCES UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

1. There was no difference between the net profit and the net assets in the financial reports disclosed in accordance with international accounting standards and in accordance with Chinese accounting standards during the Reporting Period.
2. There was no difference between the net profit and the net assets in the financial reports disclosed in accordance with foreign accounting standards and in accordance with Chinese accounting standards during the Reporting Period.

(III) 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)	4,785,532.17	
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)	190,399,407.23	
Profit and losses from assets which entrust others to invest or manage	46,272,447.53	
Except for effective hedging operations related to the Company's normal business operations, gain or loss from changes in fair values of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities, and investment gain from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other investments in debt	5,605,882.21	
Other non-operating income and expenses other than the aforementioned items	23,245,219.68	
Other profit or loss items within the meaning of non-recurring profit or loss	-51,787,489.79	
Less: Effect of income tax	39,102,153.12	
Effect of minority interests (after tax)	18,828,194.89	
Total	160,590,651.02	

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) ANALYSIS OF PRINCIPAL BUSINESS

1. *Changes of major financial information*

Unit: RMB

Item	Closing balance at the end of the Reporting Period	Opening balance at the beginning of the Reporting Period	Increase or decrease at the end of the Reporting Period compared with the beginning of the period (%)	Reasons of change
Cash at bank and on hand	9,808,602,981.34	7,110,772,454.16	37.94	Mainly due to the Company's operating improvement money sedimentary
Transactional financial assets	3,470,435,337.11	2,620,898,474.73	32.41	Mainly due to the increase in outstanding financial products at the end of the Reporting Period
Accounts receivable	9,966,573,265.79	6,594,103,859.23	51.14	Mainly due to the growth in size of the Company and the consolidation of Sanden Holdings during the Reporting Period
Factoring of accounts receivables	5,550,302,213.39	4,241,240,626.01	30.87	Mainly due to the growth of the Company's scale during the Reporting Period
Other receivables	583,935,673.45	398,205,694.16	46.64	Mainly due to the consolidation of Sanden Holdings
Inventories	6,277,019,977.94	4,295,262,485.11	46.14	Mainly due to the consolidation of Sanden Holdings
Non-current assets due within one year	1,008,310,000.00		N/A	Mainly due to the increase in time deposits maturing within one year
Other current asset	2,906,846,543.20	4,198,014,186.53	-30.76	Mainly due to the decrease in time deposits at the end of the Reporting Period
Long-term equity investments	1,579,955,822.57	523,754,399.78	201.66	Mainly due to the consolidation of Sanden Holdings
Investment properties	273,382,761.03	36,648,535.29	645.96	Mainly due to the consolidation of Sanden Holdings
Fixed assets	5,117,228,375.21	3,879,403,505.69	31.91	Mainly due to the consolidation of Sanden Holdings
Construction in progress	607,394,754.34	228,887,385.20	165.37	Mainly due to the consolidation of Sanden Holdings and the increase in investment in technological reform
Right-of-use assets	182,498,670.16	68,097,563.78	168.00	Mainly due to the consolidation of Sanden Holdings
Goodwill	206,775,658.90	132,571,746.36	55.97	Mainly due to the consolidation of Sanden Holdings
Short-term borrowings	2,475,084,884.96	22,026,317.50	11,136.94	Mainly due to the consolidation of Sanden Holdings

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) ANALYSIS OF PRINCIPAL BUSINESS — *Continued*

1. *Changes of major financial information — Continued*

Item	Closing balance at the end of the Reporting Period	Opening balance at the beginning of the Reporting Period	Increase or decrease at the end of the Reporting Period compared with the beginning of the period (%)	Reasons of change
Accounts payable	10,395,702,117.93	7,291,829,266.10	42.57	Mainly due to the growth of the Company's scale during the Reporting Period, the increase in purchases in line with the growth in scale and the consolidation of Sanden Holdings
Other payables	4,062,240,807.62	2,011,559,493.31	101.94	Mainly due to the increase in dividends payable at the end of the Reporting Period and the consolidation of Sanden Holdings
Non-current liabilities due within one year	204,048,351.40	29,562,279.68	590.23	Mainly due to the consolidation of Sanden Holdings
Other current liabilities	6,835,650,597.52	4,339,380,802.73	57.53	Mainly due to the growth of the Company's scale and the consolidation of Sanden during the Reporting Period
Long-term borrowings	80,813,627.73		N/A	Mainly due to the consolidation of Sanden Holdings
Lease liabilities	437,952,417.73	28,356,873.04	1,444.43	Mainly due to the consolidation of Sanden Holdings
Long-term employee remunerations payable	144,464,997.80		N/A	Mainly due to the consolidation of Sanden Holdings
Provisions	905,870,384.25	483,878,615.22	87.21	Mainly due to the consolidation of Sanden Holdings
Deferred tax liabilities	194,033,731.46	74,465,181.93	160.57	Mainly due to the consolidation of Sanden Holdings
Other non-current liabilities	181,466,677.43		N/A	Mainly due to the consolidation of Sanden Holdings
Other comprehensive income	48,873,948.41	37,578,293.42	30.06	Mainly due to the consolidation of Sanden Holdings

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) ANALYSIS OF PRINCIPAL BUSINESS — *Continued*

1. *Changes of major financial information — Continued*

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reasons of change
Operating revenue	32,423,814,710.47	21,086,699,809.27	53.76	Mainly due to the growth in sales volume of each of the Company's products during the Reporting Period
Operating costs	25,634,737,092.01	16,242,231,290.38	57.83	Mainly due to the increase in costs in line with revenue growth
Taxes and surcharges	185,706,476.73	134,121,265.76	38.46	Mainly due to the increase in taxes paid in line with the growth in revenue
Sales expenses	4,146,338,659.12	2,929,008,342.00	41.56	Mainly due to the increase in input costs in line with revenue growth
Management expenses	460,341,123.45	314,893,289.04	46.19	Mainly due to the consolidation of Sanden Holdings
Research and development expenses	836,068,530.36	570,088,355.30	46.66	Mainly due to increased investment in research and development
Financial expenses	-44,074,764.78	-70,444,472.45	N/A	Mainly due to the consolidation of Sanden Holdings
Other income	262,342,661.61	95,262,312.10	175.39	Mainly due to the increase in government grants received during the Reporting Period
Investment gain	137,230,534.75	52,520,463.97	161.29	Mainly attributable to the increase in income from long-term equity investments accounted for under the equity method
Non-operating incomes	69,982,142.57	103,853,562.74	-32.61	Mainly due to the decrease in government grants received during the Reporting Period
Income tax expenses	346,915,709.76	261,703,838.42	32.56	Mainly due to the increase in total profit for the Reporting Period
Cash received from sales of goods and rendering of services	23,863,474,028.95	17,833,168,508.85	33.82	Mainly due to the growth of the Company's scale during the Reporting Period
Tax rebates received	1,172,643,631.19	578,309,749.71	102.77	Mainly due to the increase in tax refunds received in the Reporting Period
Other cash received concerning operating activities	510,878,273.02	343,591,513.58	48.69	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid for purchases of commodities and receipt of services	16,549,959,237.11	11,105,370,886.09	49.03	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid to and for employees	2,778,765,511.65	2,095,786,639.33	32.59	Mainly due to the growth of the Company's scale during the Reporting Period

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) ANALYSIS OF PRINCIPAL BUSINESS — *Continued*

1. *Changes of major financial information — Continued*

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reasons of change
Cash paid for taxes and surcharges	1,285,083,743.94	912,166,726.27	40.88	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid for other operating activities	2,848,560,500.57	2,100,928,577.11	35.59	Mainly due to the growth of the Company's scale during the Reporting Period
Net cash flows from operating activities	2,084,626,939.89	2,540,816,943.34	-17.95	No significant changes
Cash received from recovery of investments	9,321,663,655.69	5,339,490,186.08	74.58	Mainly due to the increase in maturity recovery of wealth management and time deposits and the consolidation of Sanden Holdings during the Reporting Period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	432,274,612.81	176,306,048.83	145.18	Mainly due to the increase in investment in technological improvement
Cash paid relating to other investing activities	8,394,862,538.33	6,352,500,000.00	32.15	Mainly due to the increase in wealth management purchases and new time deposits during the Reporting Period
Net cash flows from investing activities	541,119,116.10	-1,117,975,720.54	N/A	
Cash received from borrowings	2,311,192,725.02	270,000,000.00	756.00	Mainly due to the consolidation of Sanden Holdings
Cash received relating to other financing activities	646,338,288.47		N/A	Mainly due to the consolidation of Sanden Holdings
Cash paid for repayment of borrowings	1,972,094,694.40	370,000,000.00	433.00	Mainly due to the consolidation of Sanden Holdings
Cash paid for distribution of dividends, profit or payment	859,913,978.97	432,813,844.46	98.68	Mainly due to the increase in dividends from subsidiaries in the Reporting Period
Cash paid relating to other financing activities	536,561,240.18	882,048,678.44	-39.17	Mainly due to the change in the guarantee of the notes during the Reporting Period
Net cash flows from financing activities	-411,038,900.06	-1,414,862,522.90	N/A	

No material change for profits structure and sources during the Report Period of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) 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	32,423,814,710.47		21,086,699,809.27		53.76
By industry					
Home appliances manufacturing industry	29,042,795,353.83	89.57	19,173,965,773.80	90.93	51.47
By product					
HVAC	16,129,562,897.28	49.75	11,207,575,905.80	53.15	43.92
Refrigerators and washing machines	11,128,016,621.13	34.32	7,266,745,240.35	34.46	53.14
Others	1,785,215,835.42	5.50	699,644,627.65	3.32	155.16
By region					
Mainland	18,400,504,662.25	56.75	12,491,456,155.12	59.24	47.30
Overseas	10,642,290,691.58	32.82	6,682,509,618.68	31.69	59.26

Note: During the Reporting Period, the Company newly merged with Sanden Holdings. On a comparable basis, the Company's revenue for the first half of 2021 was 31.628 billion, an increase of 49.99% year-over-year.

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)
By industry						
Home appliances manufacturing industry	29,042,795,353.83	22,425,255,381.23	22.79	51.47	55.21	-1.86
By product						
HVAC	16,129,562,897.28	11,864,612,899.62	26.44	43.92	44.31	-0.20
Refrigerators and washing machines	11,128,016,621.13	9,013,324,336.98	19.00	53.14	59.06	-3.02
Others	1,785,215,835.42	1,547,318,144.63	13.33	155.16	176.66	-6.73
By region						
Mainland	18,400,504,662.25	12,513,276,690.83	31.99	47.30	49.24	-0.89
Overseas	10,642,290,691.58	9,911,978,690.40	6.86	59.26	63.47	-2.40

Reasons for the year-on-year changes of over 30%

Mainly due to the growth in sales volume of each of the Company's products and the consolidation of Sanden Holdings during the Reporting Period.

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	9,808,602,981.34	17.71	7,110,772,454.16	17.01	0.70	Mainly due to the company's operating improvement money sedimentary
Accounts receivable	9,966,573,265.79	17.99	6,594,103,859.23	15.77	2.22	Mainly due to the growth in size of the Company and the consolidation of Sanden Holdings during the Reporting Period
Inventories	6,277,019,977.94	11.33	4,295,262,485.11	10.27	1.06	Mainly due to the consolidation of Sanden Holdings
Long-term equity investment	1,579,955,822.57	2.85	523,754,399.78	1.25	1.60	Mainly due to the consolidation of Sanden Holdings
Investment properties	273,382,761.03	0.49	36,648,535.29	0.09	0.40	Mainly due to the consolidation of Sanden Holdings
Fixed assets	5,117,228,375.21	9.24	3,879,403,505.69	9.28	-0.04	Mainly due to the consolidation of Sanden Holdings
Construction in progress	607,394,754.34	1.10	228,887,385.20	0.55	0.55	Mainly due to the consolidation of Sanden Holdings and the increase in investment in technological reform
Right-of-use assets	182,498,670.16	0.33	68,097,563.78	0.16	0.17	Mainly due to the consolidation of Sanden Holdings
Short-term borrowings	2,475,084,884.96	4.47	22,026,317.50	0.05	4.42	Mainly due to the consolidation of Sanden Holdings
Contract liabilities	1,289,360,928.92	2.33	1,100,531,262.91	2.63	-0.30	No significant changes
Long-term borrowings	80,813,627.73	0.15				Mainly due to the consolidation of Sanden Holdings
Lease liabilities	437,952,417.73	0.79	28,356,873.04	0.07	0.72	Mainly due to the consolidation of Sanden Holdings

(II) MAJOR FOREIGN ASSETS

Applicable Not applicable

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ASSETS AND LIABILITIES POSITION — Continued

(III) 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
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	2,610,010,794.53	5,605,882.21			5,645,000,000.00	4,810,000,000.00		3,450,616,676.74
2. Derivative financial assets	10,887,680.20	-849,002.30			-849,002.30		9,779,982.47	19,818,660.37
3. Other investments in debt	4,241,240,626.01				1,309,061,587.38			5,550,302,213.39
4. Other investments in equity instruments							41,741,119.76	41,741,119.76
Sub-total of financial assets	6,862,139,100.74	4,756,879.91			6,953,212,585.08	4,810,000,000.00	51,521,102.23	9,062,478,670.26
Total	6,862,139,100.74	4,756,879.91			6,953,212,585.08	4,810,000,000.00	51,521,102.23	9,062,478,670.26
Financial liabilities	201,236.00	-17,236.00			-17,236.00		17,311.05	201,311.05

(IV) 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.60 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) Overall situation

Amount invested in the Reporting Period	Investment in the same period of the previous year	Change Range
21,408,512,000yen	0	N/A

(II) Significant equity investments acquired during the Reporting Period

Unit: RMB

Name of the investee company	Main business	Investment method	Investment amount	Shareholding ratio	Fund Source	Partners	Investment term	Product type	Progress as of the balance sheet date	Estimated Revenue	Investment gain/loss for the period	Whether litigation is involved
Sanden Holdings	Manufacture and sales of automobile equipment such as automobile compressors and automobile air conditioner systems	the subscription by the Company of common stock issued by Sanden Holdings	21,408,512,000 yen	74.88%	Own funds	None	N/A	N/A	Completed	N/A	-4,905,443.12	No material disputes, litigation or arbitration

The Company has successfully subscribed for 83,627,000 shares of common stock issued by Sanden Holdings. Details of the acquisition are set out in the Company's announcements dated 1 March 2021, 7 May 2021, 25 May 2021 and 31 May 2021, and the section headed "VI. Major Contracts and their Performance – (II) Major Guarantees".

V. INVESTMENT POSITION — *Continued*

(III) Ongoing material non-equity investments during the Reporting Period

Applicable Not applicable

(IV) Financial assets investment

1. The Company was not involved in any securities investment during the Reporting Period.

2. 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	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
				derivative investment	Effective date									
Bank	No	No	Forward foreign exchange contracts	43,481.43	1 January 2021	30 June 2021	43,481.43	177,231.07	181,090.33			39,622.17	3.99	3,182.45
Total				43,481.43			43,481.43	177,231.07	181,090.33			39,622.17	3.99	3,182.45
Source of derivatives investment funding													Export trade payment	
Litigation involved (if applicable)													Not applicable	
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)													31 March 2021	
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 relating 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 the Company engages 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 -RMB0.8311 million. Investment gain amounted to RMB32.6556 million, resulting in a total gain of RMB31.8245 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.										

V. INVESTMENT POSITION — *Continued*

(V) Significant asset and equity disposals

1. The Company did not dispose of any significant asset during the Reporting Period.
2. The Company did not dispose of any significant equity during the Reporting Period.

(VI) Major controlling companies in which the Company has equity interest

Main subsidiaries and investees which contributed more than 10% of net profit to the Company

Unit: RMB (in ten thousand)

Name of company	Company type	Major business	Registered capital	Total asset	Net asset	Operating income	Operating profit	Net profit
Hisense Hitachi	Subsidiary	Manufacture and sale of central air-conditioning	US\$150 million	1,711,063.99	625,617.95	878,738.84	158,725.19	123,685.72

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Acquisition of subsidiaries during the Reporting Period: During the Reporting Period, the Company completed the settlement of the subscription of shares of Sanden Holdings and included Sanden Holdings and its subsidiaries in the scope of the Company's consolidated financial statements. Please refer to Note VIII.1.(1) for details of the newly merged subsidiaries.

There was no disposal of subsidiaries during the Reporting Period.

Description of major holding and participating companies

Please refer to the "HVAC Business" section of Management Discussion and Analysis in this report for the detailed description for Hisense Hitachi.

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE
(I) TRUSTEESHIP, CONTRACTING AND LEASING MATTERS

1. The Company was not involved in any trusteeship during the Reporting Period.
2. The Company was not involved in any contracting during the Reporting Period.
3. The Company was not involved in any leasing during the Reporting Period.

(II) MAJOR GUARANTEES
Unit: RMB

External guarantees by the Company and its subsidiaries (excluding guarantees to subsidiaries)										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
SANPAK ENGINEERING INDUSTRIES(PVT) LTD.	2 March 2021	PKR 650,000,000 (equivalent to RMB25,740,000)	25 March 2019	PKR 345,401,200 (equivalent to RMB13,677,900)	Joint and several liability to guarantee			25 March 2019 - 31 March 2022	No	No
Total amount of external guarantees approved during the Reporting Period (A1)			0	Total actual amount of external guarantees incurred during the Reporting Period (A2)						0
Total amount of approved external guarantees at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)						13,677,900 ⁴⁴⁶²

Company's guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
Hisense Japan Automobile Air Conditioning System Contract Company	8 May 2021	35.3 billion yen (equivalent to RMB2.063 billion)	25 June 2021	19.57 billion yen (equivalent to RMB 1.143 billion)	Joint and several liability to guarantee			25 June 2021 - 28 April 2022	No	No
Total amount of guarantees to subsidiaries approved during the Reporting Period (B1)			35.3 billion yen (equivalent to RMB2.063 billion)	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (B2)						19.57 billion yen (equivalent to RMB1.143 billion)
Total amount of guarantees to subsidiaries approved at the end of the Reporting Period (B3)			35.3 billion yen (equivalent to RMB2.063 billion)	Total actual guarantee balances to subsidiaries at the end of the Reporting Period (B4)						19.57 billion yen (equivalent to RMB1.143 billion)

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

(II) MAJOR GUARANTEES — *Continued*

Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee amount	Subsidiaries' guarantees to subsidiaries		Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount						
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	N/A	INR 1,158,750,000 (equivalent to RMB101,292,100)	31 March 2020	INR 817,421,600 (equivalent to RMB71,454,900)	Joint and several liability guarantee		31 March 2020 - 31 July 2021	No	No	
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	N/A	US\$12,650,000 (equivalent to RMB81,720,300)	16 January 2020	US\$ 11,668,800 (equivalent to RMB75,381,300)	Joint and several liability guarantee		16 January 2020 - 26 March 2025	No	No	
Total amount of guarantees to subsidiaries approved during the Reporting Period (C1)			0	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (C2)					0	
Total amount of guarantees to subsidiaries approved at the end of the Reporting Period (C3)			0	Total actual guarantee balances to subsidiaries at the end of the Reporting Period (C4)					146,836,200 ^{note 2}	
Total company guarantees (the sum of the first three major items)										
Total amount of guarantee approved during the Reporting Period (A1+B1+C1)			2,062,508,400	Total actual amount of guarantees incurred during the Reporting Period (A2+B2+C2)					1,143,436,000	
Total amount of approved guarantees at the end of the Reporting Period (A3+B3+C3)			2,062,508,400	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)					1,303,950,100	
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets									13.13%	
Among them:										
Balance of guarantees provided to shareholders, beneficial owners and their related parties (D)									0	
Balance of debt guarantees provided directly or indirectly for the guaranteed objects with a gearing ratio exceeding 70% (E)									146,836,200	
Amount of the portion of total guarantees exceeding 50% of net assets (F)									0	
Total amount of the above three guarantees (D+E+F)									146,836,200	
For unexpired guarantee contracts, a description of the guarantee liability that has occurred or potential joint and several liability with evidence during the Reporting Period (if any)									No	
Description of external guarantees provided in violation of prescribed procedures (if any)									No	

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

(II) MAJOR GUARANTEES — *Continued*

Note 1: Note on the joint and several liability guarantee provided by the Company to Sanden Holdings: After Sanden Holdings has unanimously approved the forgiveness of its ADR debts of 63 billion yen by all ADR creditors, the amount of remaining ADR debts is approximately 35.3 billion yen. Pursuant to the share purchase agreement signed between the Company and Sanden Holdings and the final confirmation of both parties, as an alternative to the Company providing joint and several liability guarantee for the remaining ADR debts of Sanden Holdings, all remaining ADR debts of Sanden Holdings shall be paid as soon as possible after the closing, but not later than three months after the closing date. Upon completion of the transaction, the Company will not be required to provide joint and several liability guarantee for all the remaining ADR debts of Sanden Holdings, but will provide a new joint and several liability guarantee to Sanden Holdings, Hisense Japan Automobile Air Conditioning System Contract Company or the Company's wholly-owned subsidiary KELON Development Company Limited which directly holds 100% equity interest in Hisense Japan Automobile Air Conditioning System Contract Company, in respect of the new loan arising from the aforesaid payment, with the amount of the new joint and several liability guarantee not exceeding the amount of the remaining ADR debts. In summary, during the Reporting Period, the Company's new guarantees to subsidiaries amounted to 35.3 billion yen (equivalent to approximately RMB2.063 billion), the actual amount of guarantees incurred was 19.57 billion yen (equivalent to approximately RMB1.143 billion), and the balance of guarantees as of the end of the reporting period was 19.57 billion yen (equivalent to approximately RMB1.143 billion).

Note 2: Except for the above-mentioned guarantees, all guarantees of the Company during the Reporting Period were its original guarantees before the Company acquired Sanden Holdings, which became guarantees of the Company as a result of the inclusion of Sanden Holdings into the scope of the Company's consolidated statements of income during the Reporting Period.

(III) PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB (in ten thousand)

Product type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 30 June 2021	Amount of undue principal and return as at 30 June 2021	Overdue balance return as at 30 June 2021	Impairment amount of overdue wealth management as at 30 June 2021
Wealth management products of banks	Own funds	426,500.00	343,500.00	0	0
TOTAL		426,500.00	343,500.00	0	0

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. CORE COMPETITIVENESS ANALYSIS

(I) Technological advantages

The Company's operating philosophy can be expressed as "technologically oriented", and it builds its core competitiveness through continuous technological innovation and the launch of high-quality products. The Company operates several innovation facilities at national level, including a state-level enterprise technology centre, an enterprise post-doctoral scientific research station, a state-recognised laboratory, and the Guangdong Provincial Key Research and Development Centre of Engineering Science. To satisfy the demands of different markets worldwide as well as understand trends in household appliance technology and core technology resources, the Company has established R&D institutions domestically and abroad, committing to building a global R&D innovation system. In recent years, the Company has improved its pre-feasibility study system, gradually establishing an R&D system comprising "pre-feasibility study, project pipeline and development".

Technologies of heating, ventilation and air-conditioning: In response to the national dual carbon policy and the general trend of vigorously advocating energy-saving and emission-reduction as well as clean energy, the Company is committed to developing more energy-efficient products and comprehensively improving the APF value (annual energy consumption efficiency evaluation index) of its products; expanding the application of heat pump products and launching an integrated variable frequency floor heating unit; at the same time, under the promotion of the dual carbon policy, the PRC is vigorously developing energy-saving and green buildings, promoting ultra-low and near-zero energy consumption buildings. The Company has targeted research and reserve related projects to create indoor climate ecology for users and promote consumer upgrading.

Refrigerator and washing machine technology: The Company focuses on user needs, targeting the "home" economy demand for large storage space capacity, to create the thinnest refrigerator in China which is equipped with water mist-free humidification technology and disturbance air curtain technology and achieve the core of WILL freshness function; the Company has also been rapidly promoting vacuum preservation technology and expanding its core patents to maintain its leading position in the vacuum preservation field. In terms of washing machines, with the business philosophy of "warming families with technology", the Company has achieved a technological breakthrough in heat pump dryers to address the pain points of users, avoiding tangling of clothes to the greatest extent, improving drying effect and shortening drying time, further optimizing user experience and achieving industry-leading drying performance. It is also equipped with steam cabin steam treatment technology to remove wrinkles, odors, cleaning and bacteria, further enhancing the functionality of the product.

Automotive air conditioning compressor and integrated thermal management technology: With the rapid development of the new energy vehicle industry, the market has put forward higher and newer demands for automotive air conditioning and thermal management products in the industry sub-sectors. As a professional supplier of automotive air conditioning compressors and automotive air conditioning systems, Sanden Holdings focuses on electric compressors for automotive air-conditioning, new energy automotive air-conditioning products and integrated thermal management systems, continuing to promote the upgrading of key technologies for core components such as electric compressors and heat pumps as well as integrated thermal management systems.

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(II) Brand advantages

The Company's products cover brands such as "Hisense", "Ronshen", "Kelon", "HITACHI", "York (China region)" and "Sanden", with a rich brand line-up, all enjoy an excellent brand reputation and solid customer base. The range of products covered by different brands and their product characteristics are used to meet the needs of different users. Overseas awareness and influence of the Hisense brand are both rising in accordance with the Company's ongoing international expansion strategy. According to the "BrandZ™ Top 50 Global Brands in China" in 2021, the "Hisense" brand is ranked No. 1 in the home appliance industry; the long-established "Ronshen" brand has been revitalized with the new "remain fresh even after seven days of storage" brand proposition, and its reputation among young people continues to grow; relying on the operational strengths of the "Hitachi", "Hisense" and "York" brands, the Company continues to be an industry leader in multi-link central air-conditioning; "Kelon" has been specializing in air-conditioning for decades, positioning itself as a professional and practical brand and pinpointing the needs of its customers. As the world's leading first-tier manufacturer of automotive air conditioning compressors and automotive air conditioning systems, the "Sanden" brand has a strong global presence.

(III) Culture of integrity

"No person can find a place in society without integrity; and no business can flourish without credit". Integrity is the Company's core value, is a crucial element of its corporate culture, and as such is regarded as essential to the Company's continuing operation. To ensure that all staff act in accordance with the values of "honesty, integrity, practicability and progressiveness" and that interactions between the Company and its stakeholders are in the same spirit as well as in compliance with laws and regulations, the Company formulated a Code of Integrity which makes integrity a rule, a code and a normality pervading all its activities.

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) 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 labour and installation services may adversely affect the Company's profitability.
- (3) Market risks brought about by trade barriers which 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.
- (4) 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.

In the face of business risks, the Company will actively respond to the challenge by improving efficiency and reducing costs, optimising sales structure, strengthening cost control and other ways to ease the pressure of rising costs caused by rising raw material prices, etc.; by strengthening capital risk control, optimising account period management, reducing abnormal capital occupation and improving capital turnover efficiency; by firmly implementing the strategy of high-quality good products, focusing on long-term capacity building, building product power and market power, etc., to build up the Company's sustainable growth capacity and ensure the Company's sustainable, healthy and stable development.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS

(I) Connected transactions in relation to ordinary business occurred

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB in ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Purchase	Finished goods	Agreed price	151.23	0.01
Hisense Visual Technology	Purchase	Finished goods	Agreed price	16.39	-
Hisense International	Purchase	Finished goods	Agreed price	7,168.82	0.28
Johnson Hitachi	Purchase	Finished goods	Agreed price	61.13	-
Hisense Group	Purchase	Materials	Agreed price	21,897.73	0.85
Hisense Visual Technology	Purchase	Materials	Agreed price	2,009.48	0.08
Hisense International	Purchase	Materials	Agreed price	311.04	0.01
Johnson Hitachi	Purchase	Materials	Agreed price	34,886.70	1.36
Hisense Group	Receipt of services	Receipt of services	Agreed price	34,639.41	1.35
Hisense Visual Technology	Receipt of services	Receipt of services	Agreed price	1,377.11	0.05
Hisense International	Receipt of services	Receipt of services	Agreed price	293.60	0.01
Hisense Marketing Management	Receipt of services	Receipt of services	Agreed price	10,940.60	0.43
Johnson Hitachi	Receipt of services	Receipt of services	Agreed price	1,277.73	0.05
Hisense Hong Kong	Agency Financing	Agency Financing	Agreed price	36,919.59	1.44
Hisense Group	Sale	Finished goods	Agreed price	11,605.71	0.36
Hisense Visual Technology	Sale	Finished goods	Agreed price	60.49	-
Hisense International	Sale	Finished goods	Agreed price	894,090.26	27.58
Hisense Marketing Management	Sale	Finished goods	Agreed price	25,624.25	0.79
Johnson Hitachi	Sale	Finished goods	Agreed price	11,518.14	0.36
Hisense Group	Sale	Materials	Agreed price	11,264.56	0.35
Hisense Visual Technology	Sale	Materials	Agreed price	0.22	-
Hisense International	Sale	Materials	Agreed price	5,170.31	0.16
Johnson Hitachi	Sale	Materials	Agreed price	252.25	0.01
Hisense Group	Sale	Moulds	Market price	0.03	-
Hisense Visual Technology	Sale	Moulds	Market price	2,861.53	0.09
Hisense International	Sale	Moulds	Market price	886.16	0.03
Hisense Group	Provision of services	Provision of services	Agreed price	711.97	0.02
Hisense Visual Technology	Provision of services	Provision of services	Agreed price	247.71	0.01
Hisense International	Provision of services	Provision of services	Agreed price	146.55	-

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB14.861 billion, recognised interest income of approximately RMB80.9583 million, the actual balance of loan of RMB0.5 billion with loan interest recognised of RMB8.3515 million, the balance of electronic bank acceptance bill issued of approximately RMB9.08 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB4.7796 million with Hisense Finance. For the Reporting Period, the actual amount of discounted interest for the provision of draft discount services was approximately RMB0.4503 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately US\$33.3695 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 RMB0.589 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, the balance of financial leasing services was RMB nil, the actual loan balance was US\$100 million, and the interest recognized on the loan was RMB1.3717 million.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — *Continued*

(II) 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.

(III) Connected transactions in relation to joint external investment

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

(IV) Connected creditor's rights and liabilities

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

(V) Transactions with related financial companies and financial companies controlled by the Company

Deposit operations

Unit: RMB (in ten thousand)

Related parties	Maximum daily deposit limit	Deposit rate range	Opening balance	Incurrence	Closing balance
Hisense Finance	1,850,000	0.35%-2.80%	1,448,354.28	8,018,368.98	1,486,140.40

Lending and issuance of electronic banker's acceptances

Unit: RMB (in ten thousand)

Related parties	Maximum daily limit for loans and issuance of electronic banker's acceptances	Loan interest rate range	Opening balance	Incurrence	Closing balance
Hisense Finance	1,150,000	3.915%	860,564.69	1,013,758.38	957,980.75

Granting of credit or other financial business

Unit: RMB (in ten thousand)

Related parties	Business type	Total amount	Actual amount
Hisense Finance	Loans		50,000.00
Hisense Finance	Issuance of electronic banker's acceptances	1,902,000.00 <i>Note</i>	963,758.38
Hisense Finance	Draft discounting		6,460.00

Note: Total amount is the sum of the amount of three business types.

(VI) Other major connected transactions

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

OTHER INFORMATION

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB2,085 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB2,541 million).

As at 30 June 2021, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balances) amounting to approximately RMB9,809 million (as at 30 June 2020: RMB6,690 million), of which more than RMB8,179 million are denominated in Renminbi (as at 30 June 2020: RMB6,484 million), and loans amounting to RMB3,235 million (as at 30 June 2020: RMB nil).

Total capital expenditures of the Group for the six months ended 30 June 2021 amounted to approximately RMB432 million (for the six months ended 30 June 2020: RMB176 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 2021, 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 eleventh session of the audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2021.

GEARING RATIO

As at 30 June 2021, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 73.80% (as at 30 June 2020: 66.03%).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2021, the Group had approximately 34,899 employees, mainly comprising 5,675 technical staff, 13,260 sales representatives, 230 financial staff, 444 administrative staff and 15,290 production staff. The Group had 39 employees with a doctorate degree, 1,163 with a master's degree and 5,719 with a bachelor's degree. There were 812 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2021, the Group's staff payroll amounted to RMB2,779 million (for the six months ended 30 June 2020: RMB2,096 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 2021, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2020: nil) which were pledged as security for the Group's borrowings.

OTHER INFORMATION

SHARE CAPITAL STRUCTURE

As at 30 June 2021, the share capital structure of the Company was as follows:

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

TOP TEN SHAREHOLDERS

As at 30 June 2021, there were 29,284 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	Domestic non-state-owned legal person	516,758,670	37.92%	57.22%	0
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	457,684,069	33.59%	99.59%	-
The Hong Kong Securities Clearing Company Limited ("HKSCC") ^{Note 2}	Foreign legal person	70,403,879	5.17%	7.80%	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	65,000,000	4.77%	7.20%	0
Central Huijin Investment Ltd.	State-owned legal person	21,292,234	1.56%	2.36%	0
National Social Security Fund Portfolio No.102* (全國社保基金一零二組合)	Other	13,240,636	0.97%	1.47%	0
Bank of Ningbo Co., Ltd.-Fullgoal Balanced Strategy Hybrid Securities Investment Fund* (寧波銀行股份有限公司-富國均衡策略混合型證券投資基金)	Other	8,434,557	0.62%	0.93%	0
Industrial and Commercial Bank of China Ltd.-Xingquan Green Investment Hybrid Investment Fund (LOF)* (中國工商銀行股份有限公司-興全綠色投資混合型證券投資基金(LOF))	Other	7,819,468	0.57%	0.87%	0
Zhang Shao Wu	Domestic natural person	7,200,000	0.53%	0.80%	0
Bank of China Limited-Fullgoal Cyclical Advantage Hybrid Securities Investment Fund* (中國銀行股份有限公司-富國週期優勢混合型證券投資基金)	Other	6,797,530	0.50%	0.75%	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	516,758,670	RMB ordinary shares
HKSCC Nominees Limited ^{Note 1}	457,684,069	Overseas listed foreign shares
The Hong Kong Securities Clearing Company Limited ^{Note 2}	70,403,879	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)	65,000,000	RMB ordinary shares
Central Huijin Investment Ltd.	21,292,234	RMB ordinary shares
National Social Security Fund 102 Portfolio* (全國社保基金一零二組合)	13,240,636	RMB ordinary shares
Bank of Ningbo Co., Ltd.-Fullgoal Balanced Strategy Hybrid Securities Investment Fund* (寧波銀行股份有限公司－富國均衡策略混合型證券投資基金)	8,434,557	RMB ordinary shares
Industrial and Commercial Bank of China Ltd. - Xingquan Green Investment Hybrid Investment Fund (LOF)* (中國工商銀行股份有限公司－興全綠色投資混合型證券投資基金 (LOF))	7,819,468	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Bank of China Limited-Fullgoal Cyclical Advantage Hybrid Securities Investment Fund* (中國銀行股份有限公司－富國週期優勢混合型證券投資基金)	6,797,530	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 issued 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 fund managers of Bank of Ningbo Co., Ltd.-Fullgoal Balanced Strategy Hybrid Securities Investment Fund and Bank of China Limited-Fullgoal Cyclical Advantage Hybrid Securities Investment Fund are both Fullgoal Fund Management Co., Ltd.

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).

Change in controlling shareholder or de facto controller

There was no change in the controlling shareholder of the Company during the Reporting Period.

There was no change in the de facto controller of the Company during the Reporting Period.

OTHER INFORMATION

OTHER IMPORTANT MATTERS

- (I) During the Reporting Period, there was no undertaking made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the Reporting Period or prior periods but subsisting to the end of the Reporting Period.
- (II) There was no non-operational appropriation of funds from controlling shareholders and other related parties to the Company during the Reporting Period.
- (III) There were no breaches of the Company's external guarantees during the Reporting Period.
- (IV) The interim report of the Company has not been audited.
- (V) Explanation by the Board and the Supervisory Committee on the "Non-Standard Audit Report" of the CPA firm for the Reporting Period
Applicable Not applicable
- (VI) Explanation by the Board on the "Non-Standard Audit Report" of previous year
Applicable Not applicable
- (VII) There were no insolvency-related restructuring events during the Reporting Period.
- (VIII) There was no progress of material litigation or arbitration during the Reporting Period. Please refer to the Company's 2015 Annual Report for details.
- (IX) There were no penalties or corrective actions taken by the Company during the Reporting Period.
- (X) Integrity of the Company, its controlling shareholders and de facto controllers
Applicable Not applicable

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to the Directors, supervisors and chief executives of the Company, as at 30 June 2021, the following persons (other than the Directors, supervisors and 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) (the "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 ^{Note}	Beneficial owner	A shares	516,758,670(L)	37.92%	57.22%
Hisense Group Holdings Co., Ltd. ^{Note}	Interest of controlled corporation	A shares	516,758,670(L)	37.92%	57.22%
Hisense (Hong Kong) Company Limited ^{Note}	Beneficial owner	H shares	124,452,000(L)	9.13%	27.08%
Hisense Group Holdings Co., Ltd. ^{Note}	Interest of controlled corporation	H shares	124,452,000(L)	9.13%	27.08%

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 Hisense Group Holdings Co., Ltd., whereas Hisense (Hong Kong) Company Limited is a company directly wholly-owned by Hisense Group Holdings Co., Ltd. By virtue of the SFO, Hisense Group Holdings Co., Ltd. was deemed to be interested in the same parcel of A shares in which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares in which Hisense (Hong Kong) Company Limited was interested.

Save as disclosed above, as at 30 June 2021, 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 2021, save as disclosed below, none of the members of the Board, supervisors and chief executives of the Company 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 for Securities Transactions by Directors (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
Jia Shao Qian	Beneficial owner	404,360	0.045%	0.030%

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the 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 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Duty	Date	Reasons for change
Duan Yue Bin ^(Note1)	Chairman and president	25 June 2021	Elected as an executive director from 2020 annual general meeting, elected as the chairman and appointed the president from the first extraordinary meeting of the eleventh session of the Board
Jia Shao Qian	Executive director	25 June 2021	Elected as an executive director from 2020 annual general meeting
Lin Lan	Executive director	25 June 2021	Elected as an executive director from 2020 annual general meeting
Dai Hui Zhong	Executive director	25 June 2021	Elected as an executive director from 2020 annual general meeting
Fei Li Cheng ^(Note2)	Executive director	25 June 2021	Elected as an executive director from 2020 annual general meeting
Xia Zhang Zhua ^(Note3)	Executive director	25 June 2021	Elected as an executive director from 2020 annual general meeting
Ma Jin Quan	Independent non-executive director	25 June 2021	Elected as an independent non-executive director from 2020 annual general meeting
Zhong Geng Sheng	Independent non-executive director	25 June 2021	Elected as an independent non-executive director from 2020 annual general meeting
Cheung Sai Kit	Independent non-executive director	25 June 2021	Elected as an independent non-executive director from 2020 annual general meeting
Liu Zhen Shun	Chairman of the Supervisory Committee	25 June 2021	Elected as a shareholder representative supervisor from 2020 annual general meeting, and elected as the chairman of the supervisory committee from the first extraordinary meeting of the eleventh session of the supervisory committee
Sun Jia Hui	Supervisor	25 June 2021	Elected as a shareholder representative supervisor from 2020 annual general meeting
Yin Zhi Xin ^(Note4)	Supervisor	11 June 2021	Elected as the employee representative supervisor from employee representatives congress

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT — *Continued*

Name	Duty	Date	Reasons for change
Gao Yu Lin	Chief financial officer and chief accountant	25 June 2021	Served as the chief financial officer and chief accountant of the Company from the first extraordinary meeting of the eleventh session of the Board
Huang Qian Mei	Secretary of the Board	25 June 2021	Served as the secretary of the Board of the Company from the first extraordinary meeting of the eleventh session of the Board
Wong Tak Fong	Company secretary	25 June 2021	Served as the company secretary of the Company from the first extraordinary meeting of the eleventh session of the Board
Tang Ye Guo	Former chairman	25 June 2021	No longer serve as the Company's executive director and Chairman due to the work adjustment
Gao Yu Lin	Former supervisor	25 June 2021	No longer serve as the Company's shareholder representative supervisor due to the work adjustment
Fan Wei	Former supervisor	25 June 2021	No longer serve as the Company's employee representative supervisor due to the work adjustment
Liang Hong Tao	Former chief financial officer	25 June 2021	No longer serve as the Company's chief financial officer due to the work adjustment

Notes:

- The Company has entered into a service contract with Mr. Duan for his appointment as an executive Director for a term commencing from 25 June 2021, being the date of the 2020 annual general meeting (the "2020 AGM") and ending on the date of the eleventh session of the Board (that is, 24 June 2024). In accordance with his service contract, Mr. Duan will not receive any remuneration as a Director. Mr. Duan receives a basic annual remuneration of RMB2,400,000 (before taxation) in his capacity as the president of the Company, as determined by the Board with reference to the business scale of the Company and the market level of remuneration of similar position. In addition, according to the Company's remuneration policy, Mr. Duan is also entitled to the risk annual salary, the amount of which will be determined primarily based on the Company's annual results.
- The Company has entered into a service contract with Mr. Fei for his appointment as an executive Director for a term commencing from 25 June 2021, being the date of the 2020 AGM and ending on the date of the eleventh session of the Board (that is, 24 June 2024). In accordance with his service contract, Mr. Fei will not be entitled to any remuneration as a Director. Mr. Fei is also the general manager of Hisense Hitachi, a subsidiary of the Company, and he is entitled to receive a basic annual remuneration of RMB2,050,000 (before taxation) based on the responsibility of the operational work under his supervision, the main scope of the position held, the risk, the pressure and the contribution to the Company, as well as the remuneration level of the relevant positions in the peer group. In addition, according to the Company's remuneration policy, Mr. Fei is also entitled to the risk annual salary, the amount of which will be determined primarily based on the Company's annual results.
- The Company has entered into a service contract with Mr. Xia for his appointment as an executive Director for a term commencing from 25 June 2021, being the date of the 2020 AGM and ending on the date of the eleventh session of the Board (that is, 24 June 2024). In accordance with his service contract, Mr. Xia will not be entitled to any remuneration as a Director. Mr. Xia is also the general manager of appliance research and development centre (家電研發中心) of the Company, and he is entitled to receive a basic annual remuneration of RMB1,120,000 (before taxation) based on the responsibility of the operational work under his supervision, the main scope of the position held, the risk, the pressure and the contribution to the Company, as well as the remuneration level of the relevant positions in the peer group. In addition, according to the Company's remuneration policy, Mr. Xia is also entitled to the risk annual salary, the amount of which will be determined primarily based on the Company's annual results.
- The Company has entered into a service contract with Mr. Yin for his appointment as the employee representative supervisor for a term commencing from 25 June 2021 and ending on the date of the eleventh session of the supervisory of the Company (that is, 24 June 2024). In accordance with his service contract, Mr. Yin will not be entitled to any remuneration as a supervisor. Mr. Yin is also the head of the president's office of the Company, and he is entitled to receive a basic annual remuneration of RMB540,000 (before taxation) based on the responsibility of the operational work under his supervision, the main scope of the position held, the risk, the pressure and the contribution to the Company, as well as the remuneration level of the relevant positions in the peer group. In addition, according to the Company's remuneration policy, Mr. Yin is also entitled to the risk annual salary, the amount of which will be determined primarily based on the Company's annual results.

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 13.51(2) and Rule 13.51B(1) of the Hong Kong Listing Rules.

DEFINITIONS

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

"Company"	Hisense Home Appliances Group Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the main board of the Shenzhen Stock Exchange
"Director(s)"	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 Group Holdings Co., Ltd.* (海信集團控股股份有限公司), 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 Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"PRC"	the People's Republic of China
"Reporting Period"	1 January 2021 to 30 June 2021
"Sanden Holdings"	Sanden Holdings Corporation, a joint stock corporation organised under the laws of Japan, whose shares are listed on the First Section of the Tokyo Stock Exchange
"INR"	Indian Rupee, the lawful currency of India
"PKR"	Pakistani Rupee, the lawful currency of Pakistan

DEFINITIONS

"RMB"	Renminbi, the lawful currency of the PRC
"US\$"	the United States dollars, the lawful currency of the United States
"Yen"	Japanese Yen, the lawful currency of Japan

** For identification purposes only*

This report is published in both English and Chinese. If there is any inconsistency 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 STATEMENT

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

Unit: RMB

Item	Note	30 June 2021	31 December 2020
Current assets:			
Cash at bank and on hand	VI, 1	9,808,602,981.34	7,110,772,454.16
Balancing with clearing companies			
Lending capital			
Transactional financial assets	VI, 2	3,470,435,337.11	2,620,898,474.73
Derivative financial assets			
Notes receivable	VI, 3	619,853,652.84	548,498,540.36
Accounts receivable	VI, 4	9,966,573,265.79	6,594,103,859.23
Factoring of accounts receivables	VI, 5	5,550,302,213.39	4,241,240,626.01
Prepayments	VI, 6	283,744,669.56	224,425,215.31
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Others receivables	VI, 7	583,935,673.45	398,205,694.16
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VI, 8	6,277,019,977.94	4,295,262,485.11
Contract assets			
Assets held for sale			
Non-current assets due within one year	VI, 9	1,008,310,000.00	
Other current assets	VI, 10	2,906,846,543.20	4,198,014,186.53
Total current assets		40,475,624,314.62	30,231,421,535.60

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

1. CONSOLIDATED BALANCE SHEETS — Continued

Item	Note	Unit: RMB	
		30 June 2021	31 December 2020
Non-current assets:			
Disbursement of loans and advances			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments	VI, 11	1,579,955,822.57	523,754,399.78
Other equity instrument investments	VI, 12	41,741,119.76	
Other non-current financial assets			
Investment properties	VI, 13	273,382,761.03	36,648,535.29
Fixed assets	VI, 14	5,117,228,375.21	3,879,403,505.69
Construction in progress	VI, 15	607,394,754.34	228,887,385.20
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI, 16	182,498,670.16	68,097,563.78
Intangible assets	VI, 17	1,679,164,755.95	1,745,045,423.43
Development expenditure			
Goodwill	VI, 18	206,775,658.90	132,571,746.36
Long-term prepaid expenses	VI, 19	28,024,359.66	33,335,296.27
Deferred tax assets	VI, 20	710,437,871.80	704,014,028.34
Other non-current assets	VI, 21	4,484,989,045.54	4,228,456,393.79
Total non-current assets		14,911,593,194.92	11,580,214,277.93
Total assets		55,387,217,509.54	41,811,635,813.53

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Unit: RMB

Item	Note	30 June 2021	31 December 2020
Current liabilities:			
Short-term borrowings	VI, 22	2,475,084,884.96	22,026,317.50
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	VI, 23	201,311.05	201,236.00
Derivative financial liabilities			
Notes payable	VI, 24	12,328,193,902.15	10,775,376,397.87
Accounts payable	VI, 25	10,395,702,117.93	7,291,829,266.10
Advances from customers			
Contract liabilities	VI, 26	1,289,360,928.92	1,100,531,262.91
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	VI, 27	675,501,070.33	649,954,046.76
Taxes payable	VI, 28	561,345,952.98	498,918,207.73
Other payables	VI, 29	4,062,240,807.62	2,011,559,493.31
Including: Interests payable			
Dividends payable		778,865,703.39	
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI, 30	204,048,351.40	29,562,279.68
Other current liabilities	VI, 31	6,835,650,597.52	4,339,380,802.73
Total current liabilities		38,827,329,924.86	26,719,339,310.59

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

1. CONSOLIDATED BALANCE SHEETS — Continued

Item	Note	<i>Unit: RMB</i>	
		30 June 2021	31 December 2020
Non-current liabilities:			
Reserves for reinsurance contract			
Long-term borrowings	VI, 32	80,813,627.73	
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	VI, 33	437,952,417.73	28,356,873.04
Long-term payables			
Long-term employee remunerations payable	VI, 34	144,464,997.80	
Provisions	VI, 35	905,870,384.25	483,878,615.22
Deferred income	VI, 36	103,742,598.61	99,076,794.22
Deferred tax liabilities	VI, 20	194,033,731.46	74,465,181.93
Other non-current liabilities	VI, 37	181,466,677.43	
Total non-current liabilities		2,048,344,435.01	685,777,464.41
Total liabilities		40,875,674,359.87	27,405,116,775.00
Shareholders' equity:			
Share capital	VI, 38	1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	VI, 39	2,061,712,990.12	2,061,712,990.12
Less: Treasury shares			
Other comprehensive income	VI, 40	48,873,948.41	37,578,293.42
Special reserves			
Surplus reserves	VI, 41	692,802,893.38	692,802,893.38
General risk provisions			
Retained profits	VI, 42	5,766,805,421.92	5,624,296,033.51
Total equity attributable to shareholders of the Company		9,932,920,623.83	9,779,115,580.43
Minority interests		4,578,622,525.84	4,627,403,458.10
Total shareholders' equity		14,511,543,149.67	14,406,519,038.53
Total liabilities and shareholders' equity		55,387,217,509.54	41,811,635,813.53

Legal representative: Duan Yue Bin Person in charge of accounting work: Gao Yu Lin Head of accounting organization: Zhou Min

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

2. BALANCE SHEETS OF PARENT COMPANY

Item	Note	<i>Unit: RMB</i>	
		30 June 2021	31 December 2020
Current assets:			
Cash at bank and on hand		357,112,478.97	157,802,638.95
Transactional financial assets		1,481,631,526.06	622,057,041.10
Derivative financial assets			
Notes receivable			
Accounts receivable	XVI, 1	582,889,433.86	2,343,496.83
Factoring of accounts receivables			
Prepayments		18,809,468.16	21,098,279.96
Others receivables	XVI, 2	1,280,000,076.29	1,279,228,418.26
Including: Interest receivable			
Dividend receivable			
Inventories		309.22	309.22
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		420,315.95	3,731,742.43
Total current assets		3,720,863,608.51	2,086,261,926.75
Non-current assets:			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments	XVI, 3	5,604,369,247.79	5,558,706,576.01
Other equity instrument investments			
Other non-current financial assets			
Investment properties		3,439,197.00	4,126,682.00
Fixed assets		19,238,543.17	18,140,286.17
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		167,977,675.00	169,272,118.00
Development expenditure			
Goodwill			
Long-term prepaid expenses		26,479.24	66,157.24
Deferred tax assets			
Other non-current assets			
Total non-current assets		5,795,051,142.20	5,750,311,819.42
Total assets		9,515,914,750.71	7,836,573,746.17

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

2. BALANCE SHEETS OF PARENT COMPANY — *Continued*

Item	Note	<i>Unit: RMB</i>	
		30 June 2021	31 December 2020
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		751,120,182.19	271,513,085.62
Advances from customers			
Contract liabilities		12,924.56	12,924.56
Employee remunerations payable		1,364,495.16	2,708,581.34
Taxes payable		8,823,484.24	2,010,870.87
Other payables		1,095,144,716.37	619,018,425.95
Including: Interests payable			
Dividends payable		472,865,703.39	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		2,273,511.11	3,663,888.65
Total current liabilities		1,858,739,313.63	898,927,776.99
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		210,614,409.55	194,624,873.74
Deferred income		25,650,226.49	26,115,774.53
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		236,264,636.04	220,740,648.27
Total liabilities		2,095,003,949.67	1,119,668,425.26

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

2. BALANCE SHEETS OF PARENT COMPANY — *Continued*

Item	Note	<i>Unit: RMB</i>	
		30 June 2021	31 December 2020
Shareholders' equity:			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,268,615,818.52	2,268,615,818.52
Less: Treasury shares			
Other comprehensive income		19,368,803.80	21,530,312.87
Special reserves			
Surplus reserves		662,194,268.39	662,194,268.39
Retained profits		3,108,006,540.33	2,401,839,551.13
Total shareholders' equity		7,420,910,801.04	6,716,905,320.91
Total liabilities and shareholders' equity		9,515,914,750.71	7,836,573,746.17

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA
ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE
3. CONSOLIDATED INCOME STATEMENT

Item	Note	<i>Unit: RMB</i>	
		First half of 2021	First half of 2020
I. Total operating revenue		32,423,814,710.47	21,086,699,809.27
Including: Operating revenue	VI, 43	32,423,814,710.47	21,086,699,809.27
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		31,219,117,116.89	20,119,898,070.03
Including: Operating costs	VI, 43	25,634,737,092.01	16,242,231,290.38
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	VI, 44	185,706,476.73	134,121,265.76
Sales expenses	VI, 45	4,146,338,659.12	2,929,008,342.00
Management expenses	VI, 46	460,341,123.45	314,893,289.04
Research and development expenses	VI, 47	836,068,530.36	570,088,355.30
Financial expenses	VI, 48	-44,074,764.78	-70,444,472.45
Including: Interest expenses	VI, 48	16,366,968.89	8,420,709.44
Interest income	VI, 48	139,206,806.04	98,650,603.42
Add: Other income	VI, 49	262,342,661.61	95,262,312.10
Investment income (Loss denoted by "-")	VI, 50	137,230,534.75	52,520,463.97
Including: Share of profit of associates and joint ventures	VI, 50	58,004,642.77	9,967,112.37
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 "-")	VI, 51	4,774,776.32	-807,677.00
Impairment losses on credit (Loss denoted by "-")	VI, 52	5,416,776.16	-8,391,291.91
Impairment losses on assets (Loss denoted by "-")	VI, 53	-10,833,909.24	-910,060.85
Gains on disposal of assets (Loss denoted by "-")	VI, 54	3,498,168.18	966,689.46
III. Operating profits (Loss denoted by "-")		1,607,126,601.36	1,105,442,175.01
Add: Non-operating income	VI, 55	69,982,142.57	103,853,562.74
Less: Non-operating expenses	VI, 56	-1,068,597.40	6,358,114.25
IV. Total profits (Total loss denoted by "-")		1,678,177,341.33	1,202,937,623.50
Less: Income tax expenses	VI, 57	346,915,709.76	261,703,838.42
V. Net profits (Net loss denoted by "-")		1,331,261,631.57	941,233,785.08
(I) Classified on a going concern basis			
1. Net profit from continuing operations			
(Net loss denoted by "-")		1,331,261,631.57	941,233,785.08
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		615,375,091.80	503,307,515.41
2. Profit and loss of minority interests		715,886,539.77	437,926,269.67

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

3. CONSOLIDATED INCOME STATEMENT — Continued

Item	Note	<i>Unit: RMB</i>	
		First half of 2021	First half of 2020
VI. Other comprehensive income after tax, net		11,538,639.00	454,327.61
Other comprehensive income after tax attributable to shareholders of the Company, net	VI, 58	11,295,654.99	397,491.65
(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		11,295,654.99	397,491.65
1. Other comprehensive income to be reclassified into profit or loss under the equity method		-2,161,509.07	-300,622.23
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		13,457,164.06	-1,198,710.18
7. Others			
Other comprehensive income after tax attributable to minority interests, net		242,984.01	56,835.96
VII. Total comprehensive income		1,342,800,270.57	941,688,112.69
Total comprehensive income attributable to shareholders of the Company		626,670,746.79	503,705,007.06
Total comprehensive income attributable to minority interests		716,129,523.78	437,983,105.63
VIII. Earnings per share:			
(I) Basic earnings per share		0.45	0.37
(II) Diluted earnings per share		0.45	0.37

Legal representative: Duan Yue Bin Person in charge of accounting work: Gao Yu Lin Head of accounting organization: Zhou Min

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

4. INCOME STATEMENT OF PARENT COMPANY

Item	Note	<i>Unit: RMB</i>	
		First half of 2021	First half of 2020
I. Operating revenue	XVI, 4	570,600,815.48	32,192,286.31
Less: Operating costs	XVI, 4	462,070,489.75	25,662,453.92
Taxes and surcharges		6,219,336.09	3,035,571.00
Sales expenses		19,921,379.27	-405,298.81
Management expenses		16,814,958.69	9,328,156.43
Research and development expenses			
Financial expenses		-909,946.34	-8,388,621.14
Including: Interest expenses			
Interest income		931,270.20	944,008.05
Add: Other income		3,273,388.23	513,575.10
Investment income (Loss denoted by "-")	XVI,5	1,097,561,378.86	416,110,924.77
Including: Share of profit of associates and joint ventures		47,824,180.85	9,967,112.37
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 "-")		6,631,526.05	
Impairment losses on credit (Loss denoted by "-")		165,826.26	712,800.00
Impairment losses on assets (Loss denoted by "-")			-309.22
Gains on disposal of assets (Loss denoted by "-")		972,114.85	
II. Operating profits (Loss denoted by "-")		1,175,088,832.27	420,297,015.56
Add: Non-operating income		66,857.28	24,586,260.58
Less: Non-operating expenses		-3,877,003.04	-4,624,999.05
III. Total profit (Total loss denoted by "-")		1,179,032,692.59	449,508,275.19
Less: Income tax expenses			
IV. Net profits (Net loss denoted by "-")		1,179,032,692.59	449,508,275.19
(I) Net profit from continuing operations (Net loss denoted by "-")		1,179,032,692.59	449,508,275.19
(II) Net profit from discontinued operations (Net loss denoted by "-")			
V. Other comprehensive income after tax, net		-2,161,509.07	-300,622.23
(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		-2,161,509.07	-300,622.23
1. Other comprehensive income to be reclassified into profit or loss under the equity method		-2,161,509.07	-300,622.23
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			
VI. Total comprehensive income		1,176,871,183.52	449,207,652.96
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

5. CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item	Note	First half of 2021	First half of 2020
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		23,863,474,028.95	17,833,168,508.85
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		1,172,643,631.19	578,309,749.71
Other cash received concerning operating activities	VI, 59(1)	510,878,273.02	343,591,513.58
Subtotal of cash inflows from operating activities		25,546,995,933.16	18,755,069,772.14
Cash paid for purchases of commodities and receipt of services		16,549,959,237.11	11,105,370,886.09
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		2,778,765,511.65	2,095,786,639.33
Cash paid for taxes and surcharges		1,285,083,743.94	912,166,726.27
Cash paid for other operating activities	VI, 59(1)	2,848,560,500.57	2,100,928,577.11
Subtotal of cash outflows from operating activities		23,462,368,993.27	16,214,252,828.80
Net cash flows from operating activities	VI, 59(2)	2,084,626,939.89	2,540,816,943.34
II. Cash flows from investing activities:			
Cash received from recovery of investments			27,930,000.00
Cash received from investment income		46,272,447.53	43,263,435.60
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		320,164.02	146,706.61
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities	VI, 59(1)	9,321,663,655.69	5,339,490,186.08
Subtotal of cash inflows from investing activities		9,368,256,267.24	5,410,830,328.29
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		432,274,612.81	176,306,048.83
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	VI, 59(1)	8,394,862,538.33	6,352,500,000.00
Subtotal of cash outflows from investing activities		8,827,137,151.14	6,528,806,048.83
Net cash flows from investing activities		541,119,116.10	-1,117,975,720.54

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

5. CONSOLIDATED CASH FLOW STATEMENT — Continued

Item	Note	Unit: RMB	
		First half of 2021	First half of 2020
III. Cash flows from financing activities:			
Cash received from capital contribution			
Including: Cash contribution to subsidiaries from minority shareholders' investment			
Cash received from borrowings		2,311,192,725.02	270,000,000.00
Cash received relating to other financing activities	VI, 59(1)	646,338,288.47	
Subtotal of cash inflows from financing activities		2,957,531,013.49	270,000,000.00
Cash paid for repayment of borrowings		1,972,094,694.40	370,000,000.00
Cash paid for distribution of dividends, profit or payment of interest expenses		859,913,978.97	432,813,844.46
Including: Dividend and profit paid to minority shareholders by subsidiaries		852,629,161.30	424,309,710.36
Cash paid relating to other financing activities	VI, 59(1)	536,561,240.18	882,048,678.44
Subtotal of cash outflows from financing activities		3,368,569,913.55	1,684,862,522.90
Net cash flows from financing activities		-411,038,900.06	-1,414,862,522.90
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
		-29,141,274.80	-510,837.98
V. Net increase in cash and cash equivalents			
Add: Balance of cash and cash equivalents at the beginning of the period		1,617,202,572.26	2,065,106,596.27
VI. Balance of cash and cash equivalents at the end of the period	VI, 59(4)	3,802,768,453.39	2,072,574,458.19

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA

ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE

6. CASH FLOW STATEMENT OF PARENT COMPANY

Item	Note	First half of 2021	Unit: RMB First half of 2020
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services			712,800.00
Tax rebates received			
Cash received concerning other operating activities		471,654,790.41	55,783,210.35
Subtotal of cash inflows from operation activities		471,654,790.41	56,496,010.35
Cash paid for purchases of commodities and receipt of labor services			
Cash paid to and for employees		37,362,839.06	36,449,250.21
Cash paid for taxes and surcharges		6,939,680.22	742,379.93
Cash paid for other operating activities		424,828,872.23	95,082,952.78
Subtotal of cash outflow from operating activities		469,131,391.51	132,274,582.92
Net cash flows from operating activities		2,523,398.90	-75,778,572.57
II. Cash flow from investing activities:			
Cash received from recovery of investments		10,456,586.86	27,930,000.00
Cash received from investment income		1,041,337,652.24	406,143,812.40
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		1,130,000,000.00	1,480,000,000.00
Subtotal of cash inflows from investing activities		2,181,794,239.10	1,914,073,812.40
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		7,797.98	1,848,917.48
Cash paid for investments			
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		1,985,000,000.00	1,570,000,000.00
Subtotal of cash outflows from investing activities		1,985,007,797.98	1,571,848,917.48
Net cash flows from investing activities		196,786,441.12	342,224,894.92
III. Cash flows from financing activities:			
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 for distribution of dividends, profit or payment of interest expenses			
Subtotal of cash outflows from financing activities			
Net cash flows from financing activities			
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		199,309,840.02	266,446,322.35
Add: Balance of cash and cash equivalents at the beginning of the period		157,802,638.95	161,499,554.78
VI. Balance of cash and cash equivalents at the end of the period		357,112,478.97	427,945,877.13

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
	Attributable to shareholders of the parent company													Minority interests	
	Other equity instruments				Capital reserve	Less:		Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotals		
Share capital	Preference share	Perpetual debts	Others	Treasury shares		Other comprehensive income									
I. Closing balance of previous year	1,362,725,370.00			2,061,712,990.12		37,578,293.42		692,802,893.38			5,624,296,033.51		9,779,115,580.43	4,627,403,458.10	14,406,519,038.53
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			2,061,712,990.12		37,578,293.42		692,802,893.38			5,624,296,033.51		9,779,115,580.43	4,627,403,458.10	14,406,519,038.53
III. Movements in the current period															
(Decreases denoted in "-")															
(1) Total comprehensive income						11,295,654.99					142,509,388.41		153,805,043.40	-48,780,932.26	105,024,111.14
(2) Owners' contributions and capital reductions														397,612,229.49	397,612,229.49
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														397,612,229.49	397,612,229.49
(3) Profit Distribution											-472,865,703.39		-472,865,703.39	-1,162,522,665.53	-1,635,388,388.92
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)											-472,865,703.39		-472,865,703.39	-1,162,522,665.53	-1,635,388,388.92
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			2,061,712,990.12		48,873,948.41		692,802,893.38			5,766,805,421.92		9,932,920,623.83	4,578,622,525.84	14,511,543,149.67

**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	
	Attributable to shareholders of the parent company													Minority interests		
	Other equity instruments				Capital reserve	Less:		Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others			Subtotals
Share capital	Preference share	Perpetual debts	Others	Treasury shares		Others										
I. Closing balance for 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 "-")					5,655,844.75			11,259,792.07		60,567,023.80			980,039,187.19	1,057,521,847.81	868,134,169.92	1,925,656,017.73
(1) Total comprehensive income								11,259,792.07					1,578,882,732.14	1,590,142,524.21	1,267,213,135.07	2,857,355,659.28
(2) Owners' contributions and capital reductions					3,040,463.34									3,040,463.34	27,706,576.66	30,747,040.00
1. Ordinary shares contributed by shareholders															30,650,000.00	30,650,000.00
2. Capital contributions by holders of other equity instruments																
3. Amount of sharebased payment included in owners' equity																
4. Others					3,040,463.34									3,040,463.34	-2,943,423.34	97,040.00
(3) Profit Distribution									60,567,023.80				-598,843,544.95	-538,276,521.15	-426,785,541.81	-965,062,062.96
1. Appropriations to surplus reserve									60,567,023.80				-60,567,023.80			
2. Appropriations to general risk provisions																
3. Distribution to owners (shareholders)													-538,276,521.15	-538,276,521.15	-426,785,541.81	-965,062,062.96
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					2,615,381.41									2,615,381.41		2,615,381.41
IV. Closing balance for the period	1,362,725,370.00				2,061,712,990.12			37,578,293.42		692,802,893.38			5,624,296,033.51	9,779,115,580.43	4,627,403,458.10	14,406,519,038.53

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	Current period										Total shareholders' equity	
	Share capita	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		Others
		Preference shares	Perpetual debts	Others								
I. Closing balance of previous year	1,362,725,370.00				2,268,615,818.52		21,530,312.87		662,194,268.39	2,401,839,551.13		6,716,905,320.91
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,268,615,818.52		21,530,312.87		662,194,268.39	2,401,839,551.13		6,716,905,320.91
III. Movements in the current period												
(Decreases denoted in "-")							-2,161,509.07			706,166,989.20		704,005,480.13
(1) Total comprehensive income							-2,161,509.07			1,179,032,692.59		1,176,871,183.52
(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										-472,865,703.39		-472,865,703.39
1. Appropriations to surplus reserve										-472,865,703.39		-472,865,703.39
2. Distribution to owners (shareholders)										-472,865,703.39		-472,865,703.39
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												
IV. Closing balance for the period	1,362,725,370.00				2,268,615,818.52		19,368,803.80		662,194,268.39	3,108,006,540.33		7,420,910,801.04

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 of previous year	1,362,725,370.00				2,266,000,437.11		14,596,993.48		601,627,244.59	2,395,012,858.11		6,639,942,903.29
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,266,000,437.11		14,596,993.48		601,627,244.59	2,395,012,858.11		6,639,942,903.29
III. Movements in the current period												
(Decreases denoted in "-")					2,615,381.41		6,933,319.39		60,567,023.80	6,826,693.02		76,942,417.62
(1) Total comprehensive income							6,933,319.39			605,670,237.97		612,603,557.36
(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									60,567,023.80	-598,843,544.95		-538,276,521.15
1. Appropriations to surplus reserve									60,567,023.80	-60,567,023.80		
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					2,615,381.41							2,615,381.41
IV. Closing balance for the period	1,362,725,370.00				2,268,615,818.52		21,530,312.87		662,194,268.39	2,401,839,551.13		6,716,905,320.91

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

(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 2021 to 30 June 2021

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 2021, 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

Please refer to Note VIII. (1) for the main subsidiaries included in the scope of consolidated financial statement by the Group. As compared with last year, Sanden Holdings and its subsidiaries were newly added during the period. Please refer to Note VIII. (1) for details.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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, Euro or Japanese Yen 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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 capitalisation 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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 "asset 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 "asset 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 2021 to 30 June 2021

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 2021 to 30 June 2021

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. If the equity held before the purchase date were designated as financial assets at fair value through other comprehensive income, the cumulative gain or loss of the equity originally included in other comprehensive income should be transferred out of other comprehensive income and included in retained earnings; if they were financial assets at fair value through profit and loss, the gain or loss of the equity that was originally included in the profit and loss of the change in fair value does not need to be transferred to investment gain. If the equity held before the purchase date is an investment in other equity instruments, the changes in the fair value of the equity instrument investment accumulated in other comprehensive income before the purchase date shall be transferred to retained earnings.

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 the 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 relevant other comprehensive income accounted for by the original equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated. The owner's equity recognised by changes in other owner's equity other than profit and loss, other comprehensive income and profit distribution shall be all transferred to the current investment income when the equity method is terminated.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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

16. Long-term equity investments — *Continued*

When the Group loses 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 regulations related to recognition and measurement standards of financial instrument, 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. according to its proportion. The owner's equity recognised by changes in other owner's equity other than profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income according to its proportion.

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 regulations related to recognition and measurement standards of financial instruments, 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

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.

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	3 – 10	0 – 10	9 – 33.33
4	Motor vehicles	5 – 10	5 – 10	9 – 19

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 specific purpose 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 2021 to 30 June 2021

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.

(4) *Impairment of right-of-use assets*

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 2021 to 30 June 2021

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

22. Intangible asset — Continued

The useful lives of the Group's intangible assets with limited useful lives are as follows:

Items	Useful lives (years)
Land use rights	20-70
Trademark rights	5
Proprietary technology	10
Sales channels	10
Others	3-10

Explanation: The useful life of land use right is recognized according to the term of the grant; the useful life of other intangible assets is recognized according to the shortest of the expected useful life, the beneficial period as specified in the contract or the useful life specified in the law.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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

23. Expenditure on research and development — *Continued*

- (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.

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. Preoperating 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 2021 to 30 June 2021

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 and defined benefit 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; whereas defined benefit plans served a system of severance pay for its staff.

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 2021 to 30 June 2021

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 "mortgage condition", namely, the nature and quality of the underlying assets; ⑤ 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 (In this case, discounted using the original discount rate); ② a change in the amounts expected to be paid under residual value guarantees (In this case, discounted using the original discount rate); ③ a change in future lease payments arising from change in an index or rate (In this case, discounted using the revised discount rate); ④ a change in assessment of the purchase option (In this case, discounted using the revised discount rate); ⑤ changes in the evaluation result or actual exercise of the option to renew or terminate the lease (In this case, discounted using the revised discount rate).

29. Provisions

Obligations pertinent to the contingencies which satisfy all the following conditions are recognised as accrued liabilities: (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, accrued liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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

29. Provisions — *Continued*

If all or part of the expenses required for settlement of accrued liabilities 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 accrued liabilities.

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 nonleased parts and conduct accounting treatment.

(2) *The Group as lessee*

1) *Initial measurement*

On the beginning date of the lease term, the Company recognizes the right-of-use assets and lease liabilities of the lease. For the recognition and measurement of right-of-use assets and lease liabilities, see "21. Right-of-use assets" and "28. Lease liabilities".

2) *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 or extended the lease term 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 or extension of lease term 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 2021 to 30 June 2021

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

35. Lease — Continued

(2) The Group as lessee — Continued

3) 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 2021 to 30 June 2021

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.

2) Accounting treatment for operating lease

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 2021 to 30 June 2021

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

35. Lease — *Continued*

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

2) *Accounting treatment for operating lease* — *Continued*

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 2021 to 30 June 2021

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 2021 to 30 June 2021

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 pretax 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 2021 to 30 June 2021

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 main types and rates of taxes

Type of taxes	Tax basis	Tax rate
Value-added tax	Sales tax is computed at 13%, 9%, 6%, 5% and 3%, respectively, of 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%
Enterprise 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 2021 to 30 June 2021

V. TAXATION — Continued

1. The main types and rates of taxes — Continued

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense (Shandong) Air-Conditioning Co., Ltd.	15%
Hisense (Shandong) Refrigerator Co., Ltd.	15%
Qingdao Hisense Mould Co., Ltd.	15%
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	15%
Guangdong Kelon Mould Co., Ltd.	15%
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15%
Foshan Shunde Rongsheng Plastic Co., Ltd.	15%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15%
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	15%
Hisense (Guangdong) Mould Plastic Co., Ltd.	20%
Foshan Hisense Kelon Property Service Co., Ltd.	20%
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 (Hong Kong) America Manufacturing Co., Ltd.	16.5%
Hisense Mould(Deutschland) GmbH	15%
Hisense Monterrey Manufacturing, S.de R.L. de C.V	30%
Hisense Monterrey Property Management, S.de R.L. de C.V.	30%
Sanden Holdings Corporation	30.5%
Sanden International (Europe) GmbH	30%
SANDEN MANUFACTURING EUROPE S.A.S.	28%
SANDEN MANUFACTURING POLAND SP.ZO.O.	19%
SANDEN INTERNATIONAL (U.S.A.), INC.	21%
SANDEN MANUFACTURING MEXICO S.A.DE C.V.	30%
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	35%
SANDEN THAILAND CO., LTD.	20%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

V. TAXATION — Continued

2. Tax preferences

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 2020 second batch of proposed high-tech enterprises of Guangdong Province on 9 December 2020. Hisense Rongsheng (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on Hightech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022.

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 2020 first batch of proposed high-tech enterprises of Guangdong Province on 1 December 2020. Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022.

Hisense (Shandong) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202037100323) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022.

Hisense (Shandong) Air-Conditioning Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202037100677) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022.

Qingdao Hisense Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202037100274) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022.

Hisense (Guangdong) Kitchen and Bath System Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR201944000086) dated 2 December 2019 which was jointly issued by the Guangdong Science and Technology Department, Guangdong Finance Department, State Taxation Administration and Guangdong Local Taxation Bureau, with an effective period of three years (2019, 2020 and 2021). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2019, 2020 and 2021.

Foshan Shunde Rongsheng Plastic Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR201944000433) dated 2 December 2019 which was jointly issued by the Guangdong Science and Technology Department, Guangdong Finance Department, State Taxation Administration and Guangdong Local Taxation Bureau, with an effective period of three years (2019, 2020 and 2021). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2019, 2020 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

V. TAXATION — *Continued*

2. Tax preferences — *Continued*

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 High-tech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2019, 2020 and 2021.

Hisense Ronshen (Guangdong) Freezer Co., Ltd., a subsidiary of the Company, received the Hightech Enterprise 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. The re-assessment of High/New Technology Enterprise status for Hisense Ronshen (Guangdong) Freezer Co., Ltd. in 2021 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

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 2021, 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%.

Foshan Hisense 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 Announcement No. 12 [2021] of the Ministry of Finance and the State Taxation Administration, in the first half of 2021, the portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25% and further 50% deduction in enterprise income tax, 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%.

Hisense (Chengdu) Refrigerator Co., Ltd, a subsidiary of the Company, met the criteria of encouraged industries stated in the Announcement No.23 [2020] of the Ministry of Finance, Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China. According to the tax treaty in relation to western development policy, the applicable enterprises income tax for this subsidiary is 15% from 2021 to 2030.

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 re-assessment of High/New Technology Enterprise status for Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. in 2021 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

V. TAXATION — Continued

2. Tax preferences — Continued

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 2020 were 16.5%).

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

For the following disclosed financial statement data, unless otherwise noted, "Beginning Balance" refers to the balance as at 31 December 2020; and "Ending Balance" refers to the balance as at 30 June 2021. "Current Period" refers to the period from 1 January to 30 June 2021; "Last Period" refers to the period from 1 January to 30 June 2020. For details of items with significant changes, please refer to Note XVII., 3. 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	8,578.24	2,345.07
Bank deposits	3,796,541,954.47	1,612,278,959.21
Other cash at bank and on hand	6,012,052,448.63	5,498,491,149.88
Total	9,808,602,981.34	7,110,772,454.16
Including: Total amount deposited overseas	1,491,424,055.00	65,469,538.20

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: RMB5,997,697,969.96, at the beginning of the period: RMB5,482,747,782.51).

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

Item	Closing balance	Opening balance
Security deposit	6,005,834,527.95	5,493,569,881.90
Total	6,005,834,527.95	5,493,569,881.90

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN 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	3,470,435,337.11	2,620,898,474.73
Including: Derivative financial assets	19,818,660.37	10,887,680.20
Wealth management products	3,450,616,676.74	2,610,010,794.53
Total	3,470,435,337.11	2,620,898,474.73

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	50,562,108.52	391,571,690.85
Commercial acceptance notes	569,291,544.32	156,926,849.51
Total	619,853,652.84	548,498,540.36

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	50,562,108.52
Total	50,562,108.52

Note: For details on pledge, please refer to Note VI.60. Assets with limited ownership or use rights.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

3. Notes and accounts receivable — Continued

(3) Notes receivable that were reclassified into accounts receivable due to failure of the issuers to settle the notes at the end of the period

Item	Amount reclassified into accounts receivable as at the end of the period
Commercial acceptance notes	90,000,000.00
Total	90,000,000.00

The Company received the above said repayment of notes in July 2021.

(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	622,760,753.02	100.00	2,907,100.18	0.47	619,853,652.84
Including:					
Bank acceptance notes	50,562,108.52	8.12			50,562,108.52
Commercial acceptance notes	572,198,644.50	91.88	2,907,100.18	0.51	569,291,544.32
Total	622,760,753.02	100.00	2,907,100.18	0.47	619,853,652.84

(Continued)

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	551,833,415.14	100.00	3,334,874.78	0.60	548,498,540.36
Including:					
Bank acceptance notes	391,571,690.85	70.96			391,571,690.85
Commercial acceptance notes	160,261,724.29	29.04	3,334,874.78	2.08	156,926,849.51
Total	551,833,415.14	100.00	3,334,874.78	0.60	548,498,540.36

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

3. Notes and accounts receivable — Continued

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

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

Item	Closing balance		%
	Book value	Provision for bad debt	
Acceptor being the bank with less credit risk	50,562,108.52		
Total	50,562,108.52		-

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	572,198,644.50	2,907,100.18	0.51
Total	572,198,644.50	2,907,100.18	0.51

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	3,334,874.78	1,137,237.36	1,565,011.96		2,907,100.18
Total	3,334,874.78	1,137,237.36	1,565,011.96		2,907,100.18

4) Notes receivable written-off during the period

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

4. Accounts receivable

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

Category	Book value		Closing balance		Carrying amount
	Amount	%	Amount	%	
			Provision for bad debts		
Separate provision for bad debts for accounts receivable					
Provision for bad debts for accounts receivable on a group basis	10,173,197,954.89	100.00	206,624,689.10	2.03	9,966,573,265.79
Including:					
Aging analysis method	2,744,916,894.74	26.98	150,830,768.90	5.49	2,594,086,125.84
Receivables from related parties	4,692,910,047.37	46.13			4,692,910,047.37
Other amount	2,735,371,012.78	26.89	55,793,920.20	2.04	2,679,577,092.58
Total	10,173,197,954.89	100.00	206,624,689.10	2.03	9,966,573,265.79

(Continued)

Category	Book value		Opening balance		Carrying amount
	Amount	%	Amount	%	
			Provision for bad debts		
Separate provision for bad debts for accounts receivable					
Provision for bad debts for accounts receivable on a group basis	6,804,783,003.27	100.00	210,679,144.04	3.10	6,594,103,859.23
Including:					
Aging analysis method	2,043,309,877.16	30.03	129,986,589.09	6.36	1,913,323,288.07
Receivables from related parties	3,648,456,622.81	53.62			3,648,456,622.81
Other amount	1,113,016,503.30	16.35	80,692,554.95	7.25	1,032,323,948.35
Total	6,804,783,003.27	100.00	210,679,144.04	3.10	6,594,103,859.23

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

4. 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	2,383,469,871.56	4,860,065.04	0.20
Over three months but within six months	229,987,984.20	22,998,798.42	10.00
Over six months but within one year	16,974,267.08	8,487,133.54	50.00
Over one year	114,484,771.90	114,484,771.90	100.00
Total	2,744,916,894.74	150,830,768.90	5.49

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	4,692,910,047.37		
Total	4,692,910,047.37		

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	2,735,371,012.78	55,793,920.20	2.04
Total	2,735,371,012.78	55,793,920.20	2.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

4. Accounts receivable — Continued

(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	9,002,322,825.12	5,914,907,293.47
Over three months but within six months	411,237,955.68	379,329,357.17
Over six months but within one year	466,114,598.40	152,580,320.08
Over one year	293,522,575.69	357,966,032.55
Total	10,173,197,954.89	6,804,783,003.27

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

Category	Opening balance	Change during the period			Closing balance
		Provision	Received or reversal	Write-off	
Aging analysis method	129,986,589.09	21,830,191.73		986,011.92	150,830,768.90
Other amount	80,692,554.95		24,898,634.75		55,793,920.20
Total	210,679,144.04	21,830,191.73	24,898,634.75	986,011.92	206,624,689.10

(4) Accounts receivable written-off during the year

Item	Written-off amount
Account receivable written-off	986,011.92

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

The total top five accounts receivable of the Group by closing balance of debtors amounted to RMB5,438,708,551.86, accounting for 53.46% of the closing balance of account receivable. A provision for bad debts of RMB28,904,476.01 in total was made as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

5. Factoring of accounts receivable

(1) By Category

Item	Closing balance	Opening balance
Bank acceptance notes	5,402,462,822.32	4,154,368,274.34
Commercial acceptance notes	147,839,391.07	86,872,351.67
Total	5,550,302,213.39	4,241,240,626.01

Note: For details on the fair value, please refer to Note X.1. Fair value of assets and liabilities measured at fair value as at the end of the period.

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

Item	Amount derecognised as at the end of the period	Amount not derecognised as at the end of the period
Bank acceptance notes	4,418,976,579.00	
Commercial acceptance notes	60,664,677.38	
Total	4,479,641,256.38	

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

The Group transferred accounts receivable of RMB102,500,000.00 without recourse rights and relevant costs were RMB2,255,000.00.

6. Prepayments

(1) Prepayments presented by ageing as follows

Aging	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	283,621,166.75	99.96	223,554,658.02	99.61
Over one year	123,502.81	0.04	870,557.29	0.39
Total	283,744,669.56	100.00	224,425,215.31	100.00

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 RMB165,489,046.38, accounting for 58.32% of total closing balance of prepayments.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables

Item	Closing balance	Opening balance
Other receivables	583,935,673.45	398,205,694.16
Total	583,935,673.45	398,205,694.16

(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	59,893,618.42	67,681,996.88
Refund receivable	55,206,367.99	159,103,278.81
Balance with Greencool Companies and specific third parties	224,630,200.00	224,630,200.00
Other current account	355,730,628.57	60,250,918.54
Total	695,460,814.98	511,666,394.23

Including: Current account with Greencool Companies and specific third parties

Name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debt
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
Total	224,630,200.00	60,030,000.00	224,630,200.00	60,030,000.00

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 XI.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 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN 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
Provision for bad debts				
Opening balance	13,059,992.51	23,496,390.88	76,904,316.68	113,460,700.07
During the period, the balance of other receivables:				
– transferred to second stage	-2,689,728.90	2,689,728.90		
– transferred to third stage				
– reversed to second stage				
– reversed to first stage				
Provision for the period	7,284,300.68	1,126,377.32		8,410,678.00
Reversal for the period	10,266,248.22	64,988.32		10,331,236.54
Written-off for the period				
Charge off for the period		15,000.00		15,000.00
Other changes				
Closing balance	10,078,044.97	24,542,779.88	76,904,316.68	111,525,141.53

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	355,874,329.68
Over three months but within six months	31,231,505.51
Over six months but within one year	10,712,509.77
Over one year	297,642,470.02
Total	695,460,814.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN 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	42,597,445.06	8,410,678.00	8,005,565.48	15,000.00	42,987,557.58
Receivables from related parties	668,308.56		11,855.36		656,453.20
Other amount	10,164,946.45		2,313,815.70		7,851,130.75
Total	113,460,700.07	8,410,678.00	10,331,236.54	15,000.00	111,525,141.53

(5) Other receivables written-off during the period

Item	Amount
Other receivables written-off	15,000.00

(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	Balance with Greencool Companies and specific third parties	81,600,000.00	Over three years	11.73	
Top 2	Balance with Greencool Companies and specific third parties	58,030,000.00	Over three years	8.34	58,030,000.00
Top 3	Refund receivable	50,089,118.81	Within three months	7.20	
Top 4	Balance with Greencool Companies and specific third parties	28,600,000.00	Over three years	4.11	
Top 5	Balance with Greencool Companies and specific third parties	21,400,000.00	Over three years	3.08	
Total	-	239,719,118.81	-	34.46	58,030,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN 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	1,266,859,532.18	4,332,856.84	1,262,526,675.34
Works in progress	580,395,033.33	948,153.59	579,446,879.74
Finished goods	4,470,527,468.77	35,481,045.91	4,435,046,422.86
Total	6,317,782,034.28	40,762,056.34	6,277,019,977.94

(continued)

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	747,607,523.76	3,946,286.09	743,661,237.67
Works in progress	332,045,889.42	930,833.52	331,115,055.90
Finished goods	3,255,049,351.22	34,563,159.68	3,220,486,191.54
Total	4,334,702,764.40	39,440,279.29	4,295,262,485.11

(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	3,946,286.09	2,326,262.65		1,939,691.90		4,332,856.84
Works in progress	930,833.52	601,990.21		584,670.14		948,153.59
Finished goods	34,563,159.68	43,488,307.57		42,570,421.34		35,481,045.91
Total	39,440,279.29	46,416,560.43		45,094,783.38		40,762,056.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN 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	The lower of the cost and net realizable value	Removal due to sales and consumption for production
Works in progress		
Finished goods		

9. Non-current assets due within one year

Item	Closing balance	Opening balance
Time deposits and interest due within one year	1,008,310,000.00	
Total	1,008,310,000.00	

10. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	2,013,958,689.81	3,714,208,987.32
Prepaid tax and tax deductible	803,405,644.86	437,151,132.72
Prepaid expenses	89,482,208.53	46,654,066.49
Total	2,906,846,543.20	4,198,014,186.53

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

11. Long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Change for the period					Others	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			
I. Joint ventures											
Hisense Marketing Management Co., Ltd.	47,624,602.35			4,582,135.38						52,206,737.73	
II. Associates											
Qingdao Hisense Financial Holdings Co., Ltd.	382,962,920.76			-3,393,195.66	770,360.91					380,340,086.01	
Qingdao Hisense International Co., Ltd.	93,166,876.67			46,635,241.13	-2,931,869.98					136,870,247.82	
Sanden Holdings Corporation				10,180,461.92				1,000,358,289.09		1,010,538,751.01	
III. Others											
Jiangxi Kelon Combine Electrical Appliances Co., Ltd.	11,000,000.00									11,000,000.00	11,000,000.00
Total	534,754,399.78			58,004,642.77	-2,161,509.07			1,000,358,289.09		1,590,955,822.57	11,000,000.00

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) 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	1,579,955,822.57	523,754,399.78
Joint ventures	52,206,737.73	47,624,602.35
Associates	1,527,749,084.84	476,129,797.43
Total	1,579,955,822.57	523,754,399.78

12. Other equity instrument investments

Item	Closing balance	Opening balance
Other equity instrument investments of Sanden Holdings	41,741,119.76	
Total	41,741,119.76	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

13. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	89,363,056.75	89,363,056.75
2. Increase for the period	240,070,664.86	240,070,664.86
(1) Transferred from construction in progress	1,252,466.66	1,252,466.66
(2) Increase in consolidation of businesses	238,818,198.20	238,818,198.20
3. Decrease for the period		
4. Closing balance	329,433,721.61	329,433,721.61
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	52,714,521.46	52,714,521.46
2. Increase for the period	3,336,439.12	3,336,439.12
(1) Provision or amortisation	3,336,439.12	3,336,439.12
3. Decrease for the period		
4. Closing balance	56,050,960.58	56,050,960.58
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	273,382,761.03	273,382,761.03
2. Carrying amount as at the beginning of the period	36,648,535.29	36,648,535.29

(2) Investment properties without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Mee King Building	1,371,942.38	Due to historical reasons; in the process of application
Rental properties	19,751,720.35	The property has been transferred to investment property after it reached its intended use and is in the process of obtaining a certificate of ownership.

(3) Depreciation expenses for the half year of 2021 amounted to RMB3,336,439.12, and depreciation expenses for the half year of 2020 amounted to RMB1,330,622.67.

(4) As at 30 June 2021, no investment properties were pledged by the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	5,115,985,968.85	3,879,389,607.69
Disposal of fixed assets	1,242,406.36	13,898.00
Total	5,117,228,375.21	3,879,403,505.69

14.1 Fixed assets

(1) Particulars of fixed assets

Item	Buildings and structures	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
I. Original carrying amount					
1. Opening balance	2,780,921,714.81	3,697,200,158.94	3,036,281,948.79	37,485,367.26	9,551,889,189.80
2. Increase for the period	1,031,200,770.69	484,511,675.33	181,833,348.55	11,628,244.77	1,709,174,039.34
(1) Additions	13,908,068.23	11,404,010.73	68,945,611.52	2,894,736.83	97,152,427.31
(2) Transfer from construction in progress	1,207,339.09	126,511,934.83	19,739,254.79	715,663.71	148,174,192.42
(3) Increase in business consolidation	1,016,085,363.37	346,595,729.77	93,148,482.24	8,017,844.23	1,463,847,419.61
3. Decrease for the period	352,858.86	96,984,547.03	115,660,852.99	1,558,929.21	214,557,188.09
(1) Disposal or retirement	352,858.86	96,984,547.03	115,660,852.99	1,558,929.21	214,557,188.09
4. Closing balance	3,811,769,626.64	4,084,727,287.24	3,102,454,444.35	47,554,682.82	11,046,506,041.05
II. Accumulated depreciation					
1. Opening balance	1,182,319,321.23	2,171,962,851.64	2,191,082,708.29	30,355,733.24	5,575,720,614.40
2. Increase for the period	64,658,575.89	176,913,814.33	209,441,442.00	1,300,266.18	452,314,098.40
(1) Provision	64,658,575.89	176,913,814.33	209,441,442.00	1,300,266.18	452,314,098.40
3. Decrease for the period	176,190.56	81,948,397.71	109,822,073.34	1,444,207.95	193,390,869.56
(1) Disposal or retirement	176,190.56	81,948,397.71	109,822,073.34	1,444,207.95	193,390,869.56
4. Closing balance	1,246,801,706.56	2,266,928,268.26	2,290,702,076.95	30,211,791.47	5,834,643,843.24
III. Provision for impairment					
1. Opening balance	7,877,581.92	86,841,708.60	2,056,754.56	2,922.63	96,778,967.71
2. Increase for the period					
(1) Provision					
3. Decrease for the period		463,355.69	439,383.06		902,738.75
(1) Disposal or retirement		463,355.69	439,383.06		902,738.75
4. Closing balance	7,877,581.92	86,378,352.91	1,617,371.50	2,922.63	95,876,228.96
IV. Carrying amount					
1. Carrying amount as at the end of the period	2,557,090,338.16	1,731,420,666.07	810,134,995.90	17,339,968.72	5,115,985,968.85
2. Carrying amount as at the beginning of the period	1,590,724,811.66	1,438,395,598.70	843,142,485.94	7,126,711.39	3,879,389,607.69

For the half year of 2021, the fixed assets transferred from construction in progress amounted to RMB148,174,192.42; for the half year of 2020, the fixed assets transferred from construction in progress amounted to RMB200,280,236.31.

The increase in businesses consolidation was due to the increase in the matters mentioned in "1. Business combination involving entities not under common control" under Note VII.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Fixed assets — Continued

14.1 Fixed assets — Continued

(2) Depreciation expenses for the half year of 2021 amounted to RMB452,314,098.40, and depreciation expenses for the half year of 2020 amounted to RMB379,312,883.95.

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

(4) The rent out fixed asset under operating lease

Item	Closing carrying amount
Buildings and structures	67,062,958.10
Machinery and equipments, etc.	12,739,142.31
Total	79,802,100.41

(5) Fixed asset which has not obtained the ownership certificate

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	605,877,299.72	Achieved scheduled availability and were reclassified as fixed assets, the issuance of ownership certificate is in progress

14.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	1,242,406.36	13,898.00
Total	1,242,406.36	13,898.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

15. Constructions in progress

Item	Closing balance	Opening balance
Construction in progress	607,394,754.34	228,887,385.20
Total	607,394,754.34	228,887,385.20

(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	365,137.61		365,137.61	2,082,306.12		2,082,306.12
Transformation of warehouse				1,663,596.26		1,663,596.26
Air conditioning infrastructure project	9,353,982.84		9,353,982.84	18,194,731.54		18,194,731.54
Refrigerator infrastructure project	200,922,868.43		200,922,868.43	55,765,997.63		55,765,997.63
Refrigerator production line project	2,776,871.30		2,776,871.30	11,939,671.75		11,939,671.75
Others	393,975,894.16		393,975,894.16	139,304,281.90	63,200.00	139,241,081.90
Total	607,394,754.34		607,394,754.34	228,950,585.20	63,200.00	228,887,385.20

(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	2,082,306.12		1,717,168.51		365,137.61	37,681,552.98	88.61	Not completed	Self funding	
Transformation of warehouse	1,663,596.26		1,663,596.26			32,103,987.26	100.00	Completed	Self funding	
Air conditioning infrastructure project	18,194,731.54	13,663,437.69	22,504,186.39		9,353,982.84	433,753,816.31	86.12	Not completed	Self funding	
Refrigerator infrastructure project	55,765,997.63	145,156,870.80			200,922,868.43	544,082,849.90	36.93	Not completed	Self funding	
Refrigerator production line project	11,939,671.75	7,234,810.12	16,397,610.57		2,776,871.30	28,076,080.00	72.48	Not completed	Self funding	
Others	139,304,281.90	388,443,203.89	105,891,630.69	27,879,960.94	393,975,894.16			Not completed	Self funding	
Total	228,950,585.20	554,498,322.50	148,174,192.42	27,879,960.94	607,394,754.34	1,075,698,286.45	-	-	-	

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 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

16. Right of use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	152,461,789.76	152,461,789.76
2. Increase for the period	141,570,498.82	141,570,498.82
(1) Rental	21,795,294.08	21,795,294.08
(2) Increase in business combination	119,775,204.74	119,775,204.74
3. Decrease for the period		
4. Closing balance	294,032,288.58	294,032,288.58
II. Accumulated depreciation		
1. Opening balance	84,364,225.98	84,364,225.98
2. Increase for the period	27,169,392.44	27,169,392.44
(1) Provision	27,169,392.44	27,169,392.44
3. Decrease for the period		
4. Closing balance	111,533,618.42	111,533,618.42
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	182,498,670.16	182,498,670.16
2. Carrying amount as at the beginning of the period	68,097,563.78	68,097,563.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

17. 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	1,050,600,610.18	650,195,362.47	42,835,184.58	780,759,590.69	357,866,182.00	2,882,256,929.92
2. Increase for the period	17,742,917.82				33,907,453.20	51,650,371.02
(1) Additions					7,394,807.93	7,394,807.93
(2) Increase in business combination	17,742,917.82				26,512,645.27	44,255,563.09
3. Decrease for the period						
(1) Disposal						
4. Closing balance	1,068,343,528.00	650,195,362.47	42,835,184.58	780,759,590.69	391,773,635.20	2,933,907,300.94
II. Accumulated amortisation						
1. Opening balance	274,117,879.95	181,300,066.87	41,137,299.40	118,300,707.45	185,762,146.02	800,618,099.69
2. Increase for the period	10,685,011.04	18,867,924.53		47,320,282.92	40,657,820.01	117,531,038.50
(1) Provision	10,685,011.04	18,867,924.53		47,320,282.92	40,657,820.01	117,531,038.50
3. Decrease for the period						
(1) Disposal						
4. Closing balance	284,802,890.99	200,167,991.40	41,137,299.40	165,620,990.37	226,419,966.03	918,149,138.19
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	733,527,793.82	163,966,254.67	1,697,885.18	615,138,600.32	164,834,221.96	1,679,164,755.95
2. Carrying amount as at the beginning of the period	726,469,887.04	182,834,179.20	1,697,885.18	662,458,883.24	171,584,588.77	1,745,045,423.43

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

Item	Carrying amount	Reason for not completing certificate of ownership
Land use rights	39,596,167.72	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 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

17. Intangible assets — Continued

(3) Notes to intangible assets

- 1) Amortization of intangible assets amounted to RMB117,531,038.50 for the half year of 2021, compared to that of RMB114,538,275.45 for the half year of 2020.
- 2) As at the end of the period, no land use rights were pledged.
- 3) As of 30 June 2021, the useful life of the trademark rights with a carrying value of RMB104,217,827.00 is uncertain. The Group can apply for extension of the trademark rights at a lower fee upon the expiration of the protection period of the trademark rights, and the trademark rights will bring economic benefits to the Group during the operation period based on the comprehensive judgment of the product life cycle and market conditions.

The Company calculated the cash flows generated from the trademark rights using the relief from royalty method, and therefore the recoverable amount was estimated based on the trademark rights assets, which is determined based on the present value of expected future cash flows. The Company predicted revenue growth rate and prepared net profit and cash flow forecasts for the next 5 years based on historical actual operating data, long-term planning, signed contracts and other data, combined with market capacity growth rate, market share and external competition and other factors, and the pre-tax discount rate used in the cash flow forecast was 19.40% assuming that the cash flow remains unchanged after 5 years.

According to the results of the impairment test, there was no further impairment of these trademark rights at the end of the period and no provision for impairment was made.

18. 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
Hisense Hitachi	132,571,746.36			132,571,746.36
Sanden Holdings		74,203,912.54		74,203,912.54
Total	132,571,746.36	74,203,912.54		206,775,658.90

(2) Impairment provision for goodwill

After testing, the Company's management estimated that no impairment provision for goodwill was required during the Reporting Period.

(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 air conditioning business asset group of Hisense Hitachi at the acquisition date. Since it can generate cash flow independently, the Company regards development, design, manufacturing and sales of air-conditioning products of Hisense Hitachi as an individual asset group and allocated the goodwill of RMB132,571,746.36 to the asset group.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

18. Goodwill — Continued

(4) Specify test procedure, parameters of impairment of goodwill as well as recognition method for impairment loss

The recoverable amount of Hisense Hitachi's air conditioning business asset group is determined based on the present value of expected future cash flows. The Company predicted revenue growth rate and gross profit margin and prepared net profit and cash flow forecasts for the next 5 years based on historical actual operating data, long-term planning, signed contracts and other data, combined with market capacity growth rate, market share and external competition and other factors, and the pre-tax discount rate used in the cash flow forecast was 15% assuming that the cash flow remains unchanged after 5 years.

According to the results of the impairment test, there was no further impairment of the goodwill at the end of the period and no provision for impairment was made.

19. Long-term prepaid expenses

Item	Opening balance	Increase for the period	Amortization for the period	Other deductions	Closing balance
Long-term prepaid expenses	33,335,296.27	17,043,922.72	22,354,859.33		28,024,359.66
Total	33,335,296.27	17,043,922.72	22,354,859.33		28,024,359.66

20. Deferred tax assets and deferred tax liabilities

(1) Undeducted deferred tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	200,095,827.51	34,685,871.55	146,706,301.74	27,205,798.69
Accrued expenses	3,176,087,382.34	606,112,814.52	3,179,565,408.68	606,905,754.23
Others	318,552,759.73	69,639,185.73	329,979,786.69	69,902,475.42
Total	3,694,735,969.58	710,437,871.80	3,656,251,497.11	704,014,028.34

(2) Undeducted deferred tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	308,712,035.48	53,008,608.17	280,324,115.34	47,859,223.04
Transactional financial assets	19,023,828.58	2,864,822.49	13,754,598.65	3,621,590.39
Asset appraisal appreciation due to business combination involving entities not under common control	143,607,128.24	21,541,069.24	153,229,123.33	22,984,368.50
Others	388,730,771.87	116,619,231.56		
Total	860,073,764.17	194,033,731.46	447,307,837.32	74,465,181.93

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

21. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	4,165,316,999.97	4,033,348,000.00
Others	319,672,045.57	195,108,393.79
Total	4,484,989,045.54	4,228,456,393.79

22. Short-term borrowings

(1) Categories of short-term borrowings

Categories of borrowings	Closing balance	Opening balance
Secured borrowings	21,198,581.70	
Guaranteed borrowings	1,181,807,338.08	
Credit borrowings	1,272,078,965.18	22,026,317.50
Total	2,475,084,884.96	22,026,317.50

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

23. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	201,311.05	201,236.00
Including: Derivative financial liabilities	201,311.05	201,236.00
Total	201,311.05	201,236.00

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 transactional financial assets or liabilities based on the difference between the quoted price of the outstanding forward contracts and the forward rates as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

24. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	8,906,162,930.86	8,275,444,382.48
Commercial acceptance notes	3,422,030,971.29	2,499,932,015.39
Total	12,328,193,902.15	10,775,376,397.87

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

25. Accounts payable

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

Ageing	Closing balance	Opening balance
Within one year	10,334,967,545.59	7,214,872,681.32
Over one year	60,734,572.34	76,956,584.78
Total	10,395,702,117.93	7,291,829,266.10

Note: As at 30 June 2021, accounts payable with ageing of over one year amounted to RMB60,734,572.34 (31 December 2020: RMB76,956,584.78), which represented mainly raw material payable and was not settled yet.

26. Contract liability

Ageing	Closing balance	Opening balance
Advance payments	1,289,360,928.92	1,100,531,262.91
Total	1,289,360,928.92	1,100,531,262.91

Note: The balance of contract liability at the beginning of the period recognised as revenue during the period amounted to RMB960,976,244.79.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

27. 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	649,229,332.66	2,644,747,207.09	2,619,421,869.62	674,554,670.13
Post-employment benefits - defined contribution plans	724,714.10	156,545,827.55	156,324,141.45	946,400.20
Termination benefits		3,019,500.58	3,019,500.58	
Total	649,954,046.76	2,804,312,535.22	2,778,765,511.65	675,501,070.33

(2) Short-term compensations

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages and salaries, bonuses, allowances and subsidies	638,516,987.81	2,373,891,793.03	2,350,948,330.99	661,460,449.85
Staff welfare	6,919,301.36	97,540,196.42	95,735,211.39	8,724,286.39
Social insurance	578,975.46	82,652,613.64	82,067,942.05	1,163,647.05
Including: Medical insurance	546,141.33	73,151,713.45	73,120,462.60	577,392.18
Work-related injury insurance	22,440.95	3,727,988.89	3,190,359.36	560,070.48
Maternity insurance	10,393.18	5,772,911.30	5,757,120.09	26,184.39
Housing provident funds	1,298,362.17	82,609,696.70	83,043,931.61	864,127.26
Labour union funds and employee education funds	1,915,705.86	8,052,907.30	7,626,453.58	2,342,159.58
Total	649,229,332.66	2,644,747,207.09	2,619,421,869.62	674,554,670.13

(3) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	684,370.34	150,985,601.61	151,130,390.73	539,581.22
Unemployment insurance	40,343.76	5,560,225.94	5,193,750.72	406,818.98
Total	724,714.10	156,545,827.55	156,324,141.45	946,400.20

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

28. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	199,664,389.40	95,558,309.26
Enterprise income tax	242,412,767.08	304,708,176.82
Others	119,268,796.50	98,651,721.65
Total	561,345,952.98	498,918,207.73

29. Other payables

Item	Closing balance	Opening balance
Other payables	4,062,240,807.62	2,011,559,493.31
Total	4,062,240,807.62	2,011,559,493.31

(1) Other payables by nature

Item	Closing balance	Opening balance
Current account	2,361,720,410.26	1,107,696,846.02
Deposit and margin	559,366,645.09	577,407,875.94
Payment for project and equipment	331,521,623.85	295,688,346.32
Amount payable to Greencool Companies and specific third party	30,766,425.03	30,766,425.03
Dividends payable	778,865,703.39	
Total	4,062,240,807.62	2,011,559,493.31

(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 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

30. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	33,198,294.13	
Lease liabilities due within one year	170,850,057.27	29,562,279.68
Total	204,048,351.40	29,562,279.68

31. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	889,494,978.74	618,038,843.55	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	3,637,736,341.67	2,977,945,886.44	Incurred but not yet settled
Others	2,308,419,277.11	743,396,072.74	Incurred but not yet settled
Total	6,835,650,597.52	4,339,380,802.73	

32. Long-term borrowings

Item	Closing balance	Opening balance
Guaranteed borrowings	80,813,627.73	
Total	80,813,627.73	

33. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	437,952,417.73	28,356,873.04
Total	437,952,417.73	28,356,873.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

34. Long-term employee remunerations payable

Item	Closing balance	Opening balance
Other long-term benefits	144,464,997.80	
Total	144,464,997.80	

35. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	9,869,115.79	13,767,373.25	Estimated litigation compensation
Provision for warranties	872,211,268.46	446,321,241.97	Estimated quality guarantee of products
Others	23,790,000.00	23,790,000.00	Estimated other expenditures
Total	905,870,384.25	483,878,615.22	-

36. 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	99,076,794.22	14,613,737.39	9,947,933.00	103,742,598.61	Amortization of government grants
Total	99,076,794.22	14,613,737.39	9,947,933.00	103,742,598.61	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

36. Deferred income — Continued

(2) Government grants

Item	Opening balance	New grants received during the period	Amount included in other income during the period	Other movements	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
Technological transformation project for design and manufacture of highprecision smart moulds	466,666.67		140,000.00		326,666.67	Related to assets
Technological transformation project for system integration of green supply chain of freezers	10,369,004.30		690,597.42		9,678,406.88	Related to assets
The invested guidance fund within the budget of central government for development of national service industry for 2018	3,975,000.00		265,000.00		3,710,000.00	Related to assets
Technological transformation projects	9,520,013.03		903,926.06		8,616,086.97	Related to assets
Other related to assets	53,181,195.04	7,337,650.00	7,768,709.90		52,750,135.14	Related to assets
Other related to revenue	114,915.18	7,276,087.39	114,915.18	64,784.44	7,211,302.95	Related to revenue
Total	99,076,794.22	14,613,737.39	9,883,148.56	64,784.44	103,742,598.61	

37. Other non-current liabilities

Item	Closing balance	Opening balance
Others	181,466,677.43	
Total	181,466,677.43	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

38. Share capital

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

39. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	1,952,074,766.03			1,952,074,766.03
Other capital reserve	109,638,224.09			109,638,224.09
Total	2,061,712,990.12			2,061,712,990.12

40. Other comprehensive income

Item	Opening balance	Amount incurred in the period					Attributable to minority interest after tax	Closing balance
		Amount before income tax for the period	Less: Amount included in other comprehensive income in previous period and transferred to profit or loss in current period	Less: Included in other comprehensive income in the previous period and transferred to earnings in retained	Less: income tax expense	Attributable to parent after tax		
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	37,678,293.42	11,538,639.00				11,295,654.99	242,984.01	48,973,948.41
Including: other comprehensive income that would be reclassified into profit or loss under equity method	21,630,312.87	-2,161,509.07				-2,161,509.07		19,468,803.80
Credit impairment provisions for other debt investment								
Difference arising from translation of financial statements presented in foreign currency	16,047,980.55	13,700,148.07				13,457,164.06	242,984.01	29,505,144.61
Total other comprehensive income	37,578,293.42	11,538,639.00				11,295,654.99	242,984.01	48,873,948.41

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

41. Surplus reserve

Item	Opening balances	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	692,802,893.38			692,802,893.38
Total	692,802,893.38			692,802,893.38

42. Undistributed profits

Item	Amount for the period	Amount for the previous period
Balances at the end of the previous period	5,624,296,033.51	4,644,256,846.32
Add: Adjustment of undistributed profits at the beginning of the period		
Balances at the beginning of the period	5,624,296,033.51	4,644,256,846.32
Add: Net profits attributable to owners of the parent for the period	615,375,091.80	1,578,882,732.14
Less: Appropriation of statutory surplus reserve		60,567,023.80
Dividends payable on ordinary shares	472,865,703.39	538,276,521.15
Balances at the end of the period	5,766,805,421.92	5,624,296,033.51

43. Operating revenue and costs

(1) Particulars of operating revenue and operating costs

Item	Amount for the period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal operations	29,042,795,353.83	22,425,255,381.23	19,173,965,773.80	14,447,911,708.69
Other operations	3,381,019,356.64	3,209,481,710.78	1,912,734,035.47	1,794,319,581.69
Total	32,423,814,710.47	25,634,737,092.01	21,086,699,809.27	16,242,231,290.38

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

43. Operating revenue and costs — Continued

(2) Principal operating revenue generated from contracts

Category of contract	Amount for the period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Category of product:				
Air-conditioners	16,129,562,897.28	11,864,612,899.62	11,207,575,905.80	8,221,893,451.48
Refrigerators and washing machines	11,128,016,621.13	9,013,324,336.98	7,266,745,240.35	5,666,730,740.56
Others	1,785,215,835.42	1,547,318,144.63	699,644,627.65	559,287,516.65
By operating regions:				
Domestic	18,400,504,662.25	12,513,276,690.83	12,491,456,155.12	8,384,460,922.22
Overseas	10,642,290,691.58	9,911,978,690.40	6,682,509,618.68	6,063,450,786.47
Total	29,042,795,353.83	22,425,255,381.23	19,173,965,773.80	14,447,911,708.69

44. Tax and surcharges

Item	Amount for the period	Amount for the previous period
City maintenance and construction tax	49,835,680.61	35,134,149.09
Education surcharges	26,510,679.70	18,619,639.10
Others	109,360,116.42	80,367,477.57
Total	185,706,476.73	134,121,265.76

45. Sales expenses

Item	Amount for the period	Amount for the previous period
Sales expenses	4,146,338,659.12	2,929,008,342.00
Total	4,146,338,659.12	2,929,008,342.00

Note: In the first half of 2021, sales expenses mainly included the installation and maintenance expenses, publicity and promotion expenses, warehousing and logistics expenses and employee compensation, with the percentage to the total sales expenses over 70% (first half of 2020: over 70%).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

46. Management expenses

Item	Amount for the period	Amount for the previous period
Management expenses	460,341,123.45	314,893,289.04
Total	460,341,123.45	314,893,289.04

Note: In the first half of 2021, management expenses mainly included employee compensation, depreciation and amortisation expenses and executive office fee, with the percentage to the total management expenses over 80% (first half of 2020: over 80%).

47. Research and development expenses

Item	Amount for the period	Amount for the previous period
Research and development expenses	836,068,530.36	570,088,355.30
Total	836,068,530.36	570,088,355.30

Note: In the first half of 2021, research and development expenses mainly included employee compensation, depreciation and amortisation expenses and direct investment expenses, with the percentage to the total research and development expenses over 80% (first half of 2020: over 80%).

48. Financial expenses

Item	Amount for the period	Amount for the previous period
Interest expenses	16,366,968.89	8,420,709.44
Less: Interest income	139,206,806.04	98,650,603.42
Add: Exchange gains or losses	65,273,086.61	-4,792,692.15
Other expenses	13,491,985.76	24,578,113.68
Total	-44,074,764.78	-70,444,472.45

Note: In the first half of 2021, interest expenses included interest expenses on lease liabilities of RMB1,803,390.87 (first half of 2020: RMB1,851,050.78). Other interest expenses for the first half of 2021 and the first half of 2020 were all the interests on bank borrowings, of which the repayment date for the final installment shall be within five years.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

49. Other income

Sources of other income	Amount for the period	Amount for the previous period
Immediate refund of value-added tax	118,461,410.68	36,843,455.48
Others	143,881,250.93	58,418,856.62
Total	262,342,661.61	95,262,312.10

50. Investment gains

Item	Amount for the period	Amount for the previous period
Gains on long-term equity investment accounted for under equity method	58,004,642.77	9,967,112.37
Investment gains on disposal of transactional financial assets	78,910,716.04	42,553,351.60
Others	315,175.94	
Total	137,230,534.75	52,520,463.97

Gains on long-term equity investment accounted for under equity method

Investee	Amount for the period	Amount for the previous period
Hisense Financial Holdings	-3,393,195.66	8,600,468.40
Hisense Marketing Management	4,582,135.38	1,409,853.49
Hisense International	46,635,241.13	-43,209.52
Sanden Holdings associated company	10,180,461.92	
Total	58,004,642.77	9,967,112.37

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

51. Gains or losses from changes in fair value

Sources of gains from changes in fair value	Amount for the period	Amount for the previous period
Transactional financial assets	4,757,540.32	425,542.00
Including: Gains from changes in fair value of derivative financial instruments	-848,341.89	425,542.00
Transactional financial liabilities	17,236.00	-1,233,219.00
Including: Gains from changes in fair value of derivative financial instruments	17,236.00	-1,233,219.00
Total	4,774,776.32	-807,677.00

52. Impairment losses on credit (Loss denoted by "-")

Item	Amount for the period	Amount for the previous period
Losses on bad debts of notes receivable	427,774.60	1,215,076.85
Losses on bad debts of accounts receivable	3,068,443.02	-10,783,885.04
Losses on bad debts of other receivables	1,920,558.54	3,074,340.34
Credit impairment losses on debt investment		-1,896,824.06
Total	5,416,776.16	-8,391,291.91

53. Impairment losses on assets (Loss denoted by "-")

Item	Amount for the period	Amount for the previous period
Losses on decline in value of inventories	-10,833,909.24	42,268.61
Impairment losses on fixed assets		-952,329.46
Total	-10,833,909.24	-910,060.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

54. Gains on disposal of assets (Loss denoted by "-")

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on disposal of non-current assets	3,498,168.18	966,689.46	3,498,168.18
Including: Gains on disposal of non-current assets not classified as held for sale			
Including: Gains on disposal of fixed assets	3,498,168.18	966,689.46	3,498,168.18
Gains on disposal of intangible assets			
Total	3,498,168.18	966,689.46	3,498,168.18

55. Non-operating revenue

(1) Particulars of non-operating revenue

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on retirement of non-current assets	2,486,237.66	1,707,544.15	2,486,237.66
Government grants	46,582,940.74	56,409,755.43	46,582,940.74
Others	20,912,964.17	45,736,263.16	20,912,964.17
Total	69,982,142.57	103,853,562.74	69,982,142.57

(2) Government grants included in profit or loss for the period

Item under the grant	Amount for the period		Amount for the previous period		Related to assets/income
	Included in non-operating revenue	Included in other income	Included in non-operating income	Included in other income	
Immediate refund of value-added tax		118,461,410.68		36,843,455.48	Related to income
Technological transformation project for design and manufacture of high-precision smart moulds		140,000.00		140,000.00	Related to assets
Technological transformation project for system integration of green supply chain of freezers		690,597.42		460,398.28	Related to assets
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
Technological transformation projects		903,926.06		4,249,797.05	Related to assets
Other government grants related to assets		7,768,709.90		8,254,514.70	Related to assets
Other government grants related to daily operation		134,113,017.55		45,049,146.59	Related to income
Government grants not related to daily operation	46,582,940.74		56,409,755.43		Related to income
Total	46,582,940.74	262,342,661.61	56,409,755.43	95,262,312.10	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

56. Non-operating expenses

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Losses on retirement of non-current assets	1,198,873.67	2,924,995.16	1,198,873.67
Others	-2,267,471.07	3,433,119.09	-2,267,471.07
Total	-1,068,597.40	6,358,114.25	-1,068,597.40

57. Income tax expense

(1) Income tax expense

Item	Amount for the period	Amount for the previous period
Current income tax expense	365,942,619.57	255,290,893.98
Including: PRC enterprise income tax	362,992,335.92	255,290,893.98
Hong Kong profit tax		
Deferred income tax expense	-19,026,909.81	6,412,944.44
Total	346,915,709.76	261,703,838.42

(2) Reconciliation of accounting profit and income tax expense

Item	Amount for the period
Total profits	1,678,177,341.33
Income tax expense calculated at the statutory (or applicable) tax rate	836,661,655.27
Effect of different tax rates applicable to certain subsidiaries	-184,896,461.75
Adjustments of income tax for the previous period	
Effect of non-taxable income	-272,517,505.77
Effect of non-deductible costs, expenses and losses	13,317,908.07
Effect of the utilisation of deductible losses and deductible differences not recognised as deferred income tax assets for the previous period	-22,365,637.99
Effect of deductible temporary differences or deductible losses not recognised as deferred income tax assets for the period	6,904,021.66
Change in balances of deferred income tax assets/liabilities at the beginning of the period arisen from tax rate adjustments	
Effect of additional deduction relating to costs of research and development	-30,188,269.73
Others	
Income tax expense	346,915,709.76

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

58. Other comprehensive income

For details, please refer to relevant information as set out in note "VI.40. Other comprehensive income".

59. Items in the cash flows statement

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

1) Other cash received related to operating activities

Item	Amount for the period	Amount for the previous period
Interest income	37,747,542.57	28,379,296.64
Government grants	190,839,241.04	103,011,298.99
Others	282,291,489.41	212,200,917.95
Total	510,878,273.02	343,591,513.58

2) Other cash paid related to operating activities

Item	Amount for the period	Amount for the previous period
Cash payments	2,597,198,286.59	1,820,784,938.32
Others	251,362,213.98	280,143,638.79
Total	2,848,560,500.57	2,100,928,577.11

3) Other cash received related to investing activities

Item	Amount for the period	Amount for the previous period
Recovery of wealth management products of banks and time deposits upon maturity	8,303,075,489.68	5,339,490,186.08
Net cash paid for acquisitions of subsidiaries and other operating units	1,018,588,166.01	
Total	9,321,663,655.69	5,339,490,186.08

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

59. Items in the cash flows statement — Continued

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

4) Other cash paid related to investing activities

Item	Amount for the period	Amount for the previous period
Purchases of wealth management products of banks and time deposits	8,394,862,538.33	6,352,500,000.00
Total	8,394,862,538.33	6,352,500,000.00

5) Other cash received related to financing activities

Item	Amount for the period	Amount for the previous period
Borrowings	646,338,288.47	
Total	646,338,288.47	

6) Other cash paid related to financing activities

Item	Amount for the period	Amount for the previous period
Security deposit	514,950,187.45	852,237,996.52
Payment for the principal and interest on lease liabilities	21,611,052.73	29,810,681.92
Total	536,561,240.18	882,048,678.44

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

59. Items in the cash flows statement — Continued

(2) Supplementary information to consolidated statement of cash flows

Item	Amount for the period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:	-	-
Net profit	1,331,261,631.57	941,233,785.08
Add: Provision for asset impairment	10,833,909.24	910,060.85
Impairment losses on credit	-5,416,776.16	8,391,291.91
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	455,650,537.52	380,643,506.62
Depreciation of right-of-use assets	27,169,392.44	26,099,750.12
Amortisation of intangible assets	117,531,038.50	114,538,275.45
Amortisation of long-term deferred expenses	22,354,859.33	18,377,898.63
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain denoted in "-")	-3,498,168.18	-966,689.46
Losses on retirement of fixed assets (Gain denoted in "-")	-1,287,363.99	1,217,451.01
Losses from changes in fair value (Gain denoted in "-")	-4,774,776.32	807,677.00
Financial expenses (Gain denoted in "-")	16,366,968.89	8,420,709.44
Investment losses (Gain denoted in "-")	-137,230,534.75	-52,520,463.97
Decrease in deferred income tax assets (Increase denoted in "-")	18,405,878.49	8,425,726.82
Increase in deferred income tax liabilities (Decrease denoted in "-")	-3,808,430.86	-2,012,782.38
Decrease in inventories (Increase denoted in "-")	-484,262,177.37	-75,828,074.78
Decrease in operating receivables (Increase denoted in "-")	-3,016,432,427.60	-920,716,515.36
Increase in operating payables (Decrease denoted in "-")	3,741,763,379.14	2,083,795,336.36
Others		
Net cash flows from operating activities	2,084,626,939.89	2,540,816,943.34
2. Significant investing and financing activities not involving cash receipts and payments:		
Liabilities transferred to capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
3. Net movement in cash and cash equivalents:		
Cash balances at the end of the period	3,802,768,453.39	2,072,574,458.19
Less: Cash balances at the beginning of the period	1,617,202,572.26	2,065,106,596.27
Add: Cash equivalent balances at the end of the period		
Less: Cash equivalent balances at the beginning of the period		
Net increase in cash and cash equivalents	2,185,565,881.13	7,467,861.92

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

59. Items in the cash flows statement — Continued

(3) Net cash paid for acquisitions of subsidiaries during the period

Item	Amount for the period
Cash or cash equivalents paid during the period for business combinations occurred during the period	1,240,387,776.77
Including: Sanden Holdings	1,240,387,776.77
Less: Cash and cash equivalents held by subsidiaries on the date of acquisition	2,258,975,942.78
Including: Sanden Holdings	2,258,975,942.78
Add: Cash or cash equivalents paid during the period for business combinations occurred during the previous period	
Net cash paid for acquisitions of subsidiaries	-1,018,588,166.01

(4) Cash and cash equivalents

Item	Closing balances	Opening balances
Cash	3,802,768,453.39	1,617,202,572.26
Including: Cash on hand	8,578.24	2,345.07
Bank deposits readily available for payment	3,796,541,954.47	1,612,278,959.21
Other cash at bank and on hand readily available for payment	6,217,920.68	4,921,267.98
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalent balances at the end of the period	3,802,768,453.39	1,617,202,572.26
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

60. Assets with limited ownership or use rights

Item	Closing carrying amount	Reason for limitation
Cash at bank and on hand	6,005,834,527.95	As collaterals for bank acceptance bill and other security deposit
Notes receivable	50,562,108.52	As collaterals for bank acceptance bill
Non-current assets due within one year	400,000,000.00	As collaterals for bank acceptance bill
Other non-current assets	1,200,000,000.00	As collaterals for bank acceptance bill
Others	416,246,876.18	As collaterals for borrowings of Sanden Holdings
Total	8,072,643,512.65	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

61. Monetary items in foreign currencies

(1) Major monetary items in foreign currencies

Item	Closing balances in foreign currencies	Translation rate	Closing balances translated into RMB
Cash at bank and on hand	-	-	-
Including: USD	32,302,343.75	6.4601	208,676,370.86
EUR	3,202,991.02	7.6862	24,618,829.58
HKD	3,703,052.90	0.8321	3,081,310.32
Others	1,221,656,124.50		55,913,336.96
Accounts receivable	-	-	-
Including: USD	31,791,024.39	6.4601	205,373,196.66
EUR	5,793,693.11	7.6862	44,531,483.98
Others	9,684,646.40		2,283,701.55
Other receivables	-	-	-
Including: EUR	41,373.33	7.6862	318,003.69
Others	134,014.81		43,686.24
Short-term borrowings	-	-	-
Including: JPY	31,010,171,871.67	0.058428	1,811,862,322.12
Accounts payable	-	-	-
Including: USD	4,140,630.86	6.4601	26,748,889.42
EUR	2,257,800.98	7.6862	17,353,909.89
JPY	135,228,015.00	0.058428	7,901,102.46
Other payables	-	-	-
Including: USD	100,041,246.65	6.4601	646,276,457.48

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

61. Monetary items in foreign currencies — Continued

(2) Major overseas operating entities

Name of company	Principal place of business	Functional currency	Whether there is change in 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
Hisense (Hong Kong) America Manufacturing Co., Limited	Hong Kong	HKD	No
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Mexico	MXN	No
Hisense Monterrey Property Management, S.de R.L. de C.V.	Mexico	MXN	No
Hisense Japan Automotive Air-Conditioning Systems Corporation (海信日本汽車空調系統合同會社)	Japan	JPY	No
Sanden Holdings Corporation	Japan	JPY	No
Sanden Automotive Climate Systems Corp	Japan	JPY	No
Sanden Automotive Components Corporation	Japan	JPY	No
SANDEN INTERNATIONAL (EUROPE) GmbH	Germany	EUR	No
SANDEN MANUFACTURING EUROPE S.A.S.	France	EUR	No
SANDEN MANUFACTURING POLAND SP.ZO.O.	Poland	EUR	No
SANDEN INTERNATIONAL (U.S.A.), INC.	USA	USD	No
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	India	INR	No
SANDEN THAILAND CO., LTD.	Thailand	THB	No
Sanden Manufacturing Mexico S.A. de CV	Mexico	USD	No

62. Government grants

(1) Basic information of government grants

Category	Amount	Item presented	Amount included in profit or loss for the period
Related to assets	7,337,650.00	Deferred income	9,768,233.38
Related to income	7,276,087.39	Deferred income	114,915.18
Related to income	252,459,513.05	Other income	252,459,513.05
Related to income	46,582,940.74	Non-operating revenue	46,582,940.74

(2) Refund of government grants

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

63. Segment reporting

The Group manages its business by segments which are organised 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 the period	HVAC	Refrigerators and washing machines	Others	Inter-segment elimination	Total
1. Revenue from external sales	16,129,562,897.28	11,128,016,621.13	1,785,215,835.42		29,042,795,353.83
2. Revenue from inter-segment transactions			1,206,586,233.07	-1,206,586,233.07	
3. Gains on investment in associates and joint ventures	2,291,067.69	2,291,067.69	53,422,507.39		58,004,642.77
4. Depreciation and amortisation	277,249,861.13	202,366,113.94	143,089,852.72		622,705,827.79
5. Gains from changes in fair value	0.00	1,044,547.94	3,730,228.38		4,774,776.32
6. Impairment losses on credit and assets	-8,858,574.62	994,474.52	2,446,967.02		-5,417,133.08
7. Total profits (Total losses)	1,390,993,868.30	242,149,435.38	45,034,037.65		1,678,177,341.33
8. Total assets	32,090,078,989.73	25,568,380,536.35	14,087,630,645.01	-16,358,872,661.55	55,387,217,509.54
9. Total liabilities	19,860,233,558.78	17,824,981,599.49	11,963,824,318.03	-8,773,365,116.43	40,875,674,359.87
10. Additions to other non-current assets other than long-term equity investments	-66,388,310.91	71,006,707.09	2,228,817,978.26		2,233,436,374.44

Continued from above table

Amount for the previous period	HVAC	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. Gains on investment in associates and joint ventures	704,926.75	704,926.75	8,557,258.87		9,967,112.37
4. Depreciation and amortisation	261,932,795.34	196,973,117.78	62,375,619.07		521,281,532.19
5. Gains from changes in fair value			-807,677.00		-807,677.00
6. Impairment losses on credit and assets	-8,375,233.92	780,085.52	-1,706,204.36		-9,301,352.76
7. Total profits (Total 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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VI. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

63. Segment reporting — Continued

(2) Geographical information

Region	Amount for the period/closing balances	Amount for the previous period/opening balances
Revenue from domestic transactions	18,400,504,662.25	12,491,456,155.12
Revenue from overseas transactions	10,642,290,691.58	6,682,509,618.68
Total	29,042,795,353.83	19,173,965,773.80
Non-current assets – Domestic	11,548,295,506.70	11,464,768,117.14
Non-current assets – Overseas	3,363,297,688.22	115,446,160.79
Total	14,911,593,194.92	11,580,214,277.93

The business of the Group is mainly operated in Mainland China, and the majority of the non-current assets of the Group are held in the PRC and Japan. As such, no presentation of more detailed geographical information is required.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VII. CHANGE IN SCOPE OF CONSOLIDATION

1. Business combination involving entities not under common control

(1) Business combination involving entities not under common control occurred during the period

Name of acquiree	Date of acquisition of equity interest	Costs of acquisition of equity interest	Percentage of equity interest acquired (%)	Method for acquisition of equity interest	Date of acquisition	Basis for determination of date of acquisition	Revenue of acquiree for the period from the date of acquisition to the end of the period	Net profit of acquiree for the period from the date of acquisition to the end of the period
Sanden Holdings	31 May 2021	1,240,387,776.77	74.88	Mergers and acquisitions on cash basis	2021/5/31	Completion of equity transfer procedures	795,730,667.86	-6,551,072.54

(2) Costs of combination and goodwill

Item	Amount
Cash	1,240,387,776.77
Adjustments of fair value in respect of acquisition of equity interest	
Fair value on the date of acquisition of equity interest held prior to the date of acquisition	
Total costs of combination	1,240,387,776.77
Less: Share of fair value of identifiable net assets acquired	1,166,183,864.23
Amount of share of fair value of identifiable net assets acquired in excess of goodwill/ costs of combination	74,203,912.54

As at the end of the Reporting Period, the settlement audit of Sanden Holdings has not been completed. In accordance with Article 16 of ASBE 20 "Business Combination", the unaudited statement data of Sanden Holdings was used as the fair value at the closing date for the Reporting Period for the time being and will be adjusted upon the issuance of the closing audit and evaluation report.

(3) Identifiable assets and liabilities of acquiree on the date of acquisition

	Fair value on the date of acquisition	Carrying amount on the date of acquisition
Assets:	9,365,505,119.66	9,365,505,119.66
Cash at bank and on hand	2,258,975,942.78	2,258,975,942.78
Receivables	2,014,406,069.09	2,014,406,069.09
Inventories	1,498,817,092.51	1,498,817,092.51
Fixed assets	1,451,596,077.98	1,451,596,077.98
Other assets	2,141,709,937.30	2,141,709,937.30
Liabilities:	7,801,709,025.95	7,801,709,025.95
Borrowings	1,936,221,826.31	1,936,221,826.31
Payables	4,343,953,076.66	4,343,953,076.66
Other liabilities	1,521,534,122.98	1,521,534,122.98
Net assets	1,563,796,093.71	1,563,796,093.71
Less: Minority interest	6,392,428.88	6,392,428.88
Net assets acquired	1,557,403,664.83	1,557,403,664.83

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Major composition of enterprise group

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	Guangdong Refrigerator	USD26.80 million	Foshan	Foshan	Manufacturing	100		Establishment or investment
Guangdong Kelon Air-conditioner Co., Ltd. ⁽¹⁾	Guangdong Air-conditioner	USD36.15 million	Foshan	Foshan	Manufacturing	60		Establishment or investment
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	Guangdong Freezer	RMB237.00 million	Foshan	Foshan	Manufacturing	100		Establishment or investment
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	Hisense K&B	RMB57,4051 million	Foshan	Foshan	Manufacturing	81.17		Establishment or investment
Foshan Shunde Rongsheng Plastic Co., Ltd.	Rongsheng Plastic	USD15.8274 million	Foshan	Foshan	Manufacturing	44.92	25.13	Establishment or investment
Guangdong Kelon Mould Co., Ltd.	Kelon Mould	USD15.0561 million	Foshan	Foshan	Manufacturing		70.11	Establishment or investment
Guangdong Foshan Shunde Kelon Property Service Co., Ltd.	Kelon Property	RMB5.00 million	Foshan	Foshan	Provision of services	80	20	Establishment or investment
Guangdong Kelon Jiake Electronics Co., Ltd.	Kelon Jiake	RMB60.00 million	Foshan	Foshan	Manufacturing	70	30	Establishment or investment
Hisense Ronshen (Yingkou) Refrigerator Co., Ltd.	Yingkou Refrigerator	RMB200.00 million	Yingkou	Yingkou	Manufacturing	42	36.79	Establishment or investment
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	Yangzhou Refrigerator	USD44.4479 million	Yangzhou	Yangzhou	Manufacturing		100	Establishment or investment
Pearl River Electric Refrigerator Co., Ltd.	Pearl River Refrigerator	HKD0.4 million	Hong Kong	Hong Kong	Trading		100	Establishment or investment
Kelon Development Co., Ltd.	Kelon Development	HKD5.00 million	Hong Kong	Hong Kong	Investment	100		Establishment or investment
Kelon International Incorporation	KII	USD0.05 million	Hong Kong	British Virgin Islands	Trading		100	Establishment or investment
Hisense (Chengdu) Refrigerator Co., Ltd.	Chengdu Refrigerator	RMB50.00 million	Chengdu	Chengdu	Manufacturing		100	Establishment or investment
Hisense (Shandong) Refrigerator Ltd.	Shandong Refrigerator	RMB275.00 million	Qingdao	Qingdao	Manufacturing	100		Establishment or investment
Guangdong Hisense Refrigerator Marketing Co., Ltd.	Refrigerator Marketing Company	RMB200.8190 million	Foshan	Foshan	Trading		78.82	Establishment or investment
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Air-conditioner Marketing Company	RMB100.91 million	Qingdao	Qingdao	Trading		75.57	Establishment or investment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	RMB200.00 million	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment
Hisense (Guangdong) Mould Plastic Company Limited	Hisense Guangdong Mould Plastic	RMB10.00 million	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment
Jiangmen Hisense Electrical Appliances Co., Ltd.	Jiangmen Hisense Electrical Appliances	RMB10.00 million	Jiangmen	Jiangmen	Manufacturing		100	Establishment or investment
Hisense (Beijing) Electric Co., Ltd.	Beijing Refrigerator	RMB85.71 million	Beijing	Beijing	Manufacturing	55		Business combination involving entities under common control
Hisense (Shandong) AirConditioning Co. Ltd.	Shandong Airconditioning	RMB500.00 million	Qingdao	Qingdao	Manufacturing	100		Business combination involving entities under common control
Hisense (Zhejiang) Airconditioning Co., Ltd.	Zhejiang Airconditioning	RMB110.00 million	Huzhou	Huzhou	Manufacturing	100		Business combination involving entities under common control
Qingdao Hisense Mould Co., Ltd.	Hisense Mould	RMB27,6420 million	Qingdao	Qingdao	Manufacturing	78.7		Business combination involving entities under common control

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VIII. INTERESTS IN OTHER ENTITIES — Continued

1. Interests in subsidiaries — Continued

(1) Major composition of enterprise group — Continued

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	RMB450.00 million	Huzhou	Huzhou	Manufacturing	100		Business combination involving entities not under common control
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50.00 million	Qingdao	Qingdao	Manufacturing	70		Establishment or investment
Hisense Changsha Electronic Commerce Co., Ltd.	Changsha Electronic	RMB10.00 million	Changsha	Changsha	Trading	100		Establishment or investment
Hisense Mould(Deutschland) GmbH	German Hisense Mould	EUR2.00 million	Germany	Germany	Manufacturing	100		Establishment or investment
Qingdao Hisense Hitachi AirConditioning Systems Co., Ltd.	Hisense Hitachi	USD150.00 million	Qingdao	Qingdao	Manufacturing	49.2		Business combination involving entities not under common control
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Hitachi Marketing	RMB228.57 million	Qingdao	Qingdao	Trading	70		Business combination involving entities not under common control
Qingdao Johnson Controls AirConditioning Co., Ltd.	Johnson Controls	RMB400.00 million	Qingdao	Qingdao	Trading	100		Business combination involving entities not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	RMB600.00 million	Qingdao	Qingdao	Manufacturing	100		Business combination involving entities not under common control
Hisense (Hong Kong) America Manufacturing Co., Limited.	Hong Kong Home Appliance Manufactory	HKD188.1265 million	Hong Kong	Hong Kong	Manufacturing	100		Business combination involving entities under common control
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Hisense Monterrey Manufacturing	MXN3,000	Mexico	Mexico	Manufacturing	100		Business combination involving entities not under common control
Hisense Monterrey Property Management, S.de R.L. de C.V.	Monterrey Property	MXN197.7472 million	Mexico	Mexico	Provision of services	100		Business combination involving entities under common control
Qingdao Gorenje Electrical Co., Ltd.	Qingdao Gorenje	RMB21.00 million	Qingdao	Qingdao	Trading	70		Establishment or investment
Hisense (Shandong) Kitchen and Bath Co., Ltd.	K & B	RMB15.00 million	Qingdao	Qingdao	Manufacturing	100		Establishment or investment
Hisense Japan Automotive Air-Conditioning Systems Corporation (海信日本汽車空調系統合同會社)	SPV	JPY1	Japan	Japan	Manufacturing	100		Establishment or investment
Sanden Holdings Corporation	SDHD	JPY11,037.6133 million	Japan	Japan	Manufacturing	74.88		Business combination involving entities not under common control
Sanden Automotive Climate Systems Corp	SDAS	JPY1,985.00 million	Japan	Japan	Manufacturing	100		Business combination involving entities not under common control
Sanden Automotive Components Corporation	SDAC	JPY2,282.73 million	Japan	Japan	Manufacturing	100		Business combination involving entities not under common control
SANDEN INTERNATIONAL (EUROPE) GmbH	SIE	EURO.025 million	Germany	Germany	Manufacturing	100		Business combination involving entities not under common control

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

1. Interests in subsidiaries — *Continued*

(1) Major composition of enterprise group — *Continued*

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
SANDEN MANUFACTURING EUROPE S.A.S.	SME	EUR21.00 million	France	France	Manufacturing	100		Business combination involving entities not under common control
SANDEN MANUFACTURING POLAND SP.ZO.O.	SMP	EUR36.3602 million	Poland	Poland	Manufacturing	100		Business combination involving entities not under common control
SANDEN INTERNATIONAL (U.S.A.), INC.	SIA	USD18.00 million	USA	USA	Manufacturing	100		Business combination involving entities not under common control
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	SVL	INR296.25 million	India	India	Manufacturing	50		Business combination involving entities not under common control
SANDEN THAILAND CO., LTD.	STC	THB100.00 million	Thailand	Thailand	Manufacturing	95		Business combination involving entities not under common control
Tianjin Sanden Auto Air-Conditioning CO., LTD.	TSA	RMB143.6290 million	PRC	PRC	Manufacturing	51		Business combination involving entities not under common control
Sanden (Suzhou) Precision Parts Co., Ltd.	SSP	RMB74.9420 million	PRC	PRC	Manufacturing	100		Business combination involving entities not under common control
Sanden Chongqing Automotive Air Conditioning Co., Ltd.	CSA	RMB65.1238 million	PRC	PRC	Manufacturing	100		Business combination involving entities not under common control
Sanden Manufacturing Mexico S.A. de CV	SMM	USD66.7854 million	Mexico	Mexico	Manufacturing	100		Business combination involving entities not under common control

Notes:

- ① The Company holds 60% equity interest in Guangdong Air-conditioner. However, as the Company has undertaken to provide it with financial assistance, bear 100% of its losses and enjoy 100% of its voting rights, it has been accounted for as long-term equity investment at a 100% shareholding percentage;
- ② All subsidiaries incorporated in the PRC are companies with limited liability, except for Hisense K&B, Refrigerator Marketing Company, Air-conditioner Marketing Company, Commercial Cold Chain, Hitachi Marketing and Qingdao Gorenje, which are joint-stock companies with limited liability.
- ③ The Company holds 49.20% equity interests in Hisense Hitachi, and according to the articles of association of Hisense Hitachi, the Company holds five-ninth voting rights of the board of directors, the highest authority of Hisense Hitachi.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VIII. INTERESTS IN OTHER ENTITIES — Continued

1. Interests in subsidiaries — Continued

(2) Principal non-wholly-owned subsidiary

Name of subsidiary	Percentage of minority interest	Profit or loss attributable to minority interest for the period	Dividends declared to minority interest for the period	Closing balances attributable to minority interest
Hisense Hitachi	50.80%	628,323,444.35	984,207,328.00	3,178,139,202.58

(3) Major financial information of principal non-wholly-owned subsidiary (Unit: Ten thousand)

Name of subsidiary	Closing balances					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	1,064,010.16	647,053.83	1,711,063.99	1,010,950.39	31,007.90	1,041,958.29

(continued)

Name of subsidiary	Opening balances					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	929,208.23	659,295.27	1,588,503.50	806,301.03	25,292.52	831,593.55

Continued table:

Name of subsidiary	Amount for the period				Amount for the 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
Hisense Hitachi	878,738.84	123,685.72	123,685.72	198,649.37	559,073.78	74,957.78	74,957.78	100,237.59

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

2. Interests in joint ventures or associates

(1) Major 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 venture or associate
				Direct	Indirect	
Hisense Financial Holdings	Qingdao	Qingdao	Financial services	21.44		Equity method
Hisense Marketing Management	Qingdao	Qingdao	Trading	50.00		Equity method
Hisense International	Overseas	Qingdao	Trading	12.67		Equity method
Sanden Huayu Automotive Air-Conditioning Co., Ltd.	PRC	PRC	Manufacturing		43.00	Equity method
Shenyang Sanden Automotive Air-Conditioning Co. Ltd.	PRC	PRC	Manufacturing		47.50	Equity method
SANPAK ENGINEERING INDUSTRIES PVT.LTD.	Pakistan	Pakistan	Manufacturing		36.84	Equity method

Note: The board of directors of Hisense International comprises a total of 9 directors, 2 of whom are appointed and designated by the Company, therefore the Company has significant influence on it.

(2) Aggregated financial information of insignificant joint ventures and associates (Unit: Ten thousand)

Item	Closing balances/ Amount for the period	Opening balances/ Amount for the previous period
Joint ventures	-	-
Total carrying amounts of investments	5,220.67	4,762.46
Aggregated amounts of the following items in proportion to the shareholdings	-	-
- Net profit	458.21	140.99
- Other comprehensive income		
- Total comprehensive income	458.21	140.99
Associates	-	-
Total carrying amounts of investments	152,774.91	47,612.98
Aggregated amounts of the following items in proportion to the shareholdings	-	-
- Net profit	5,342.25	855.73
- Other comprehensive income	-216.15	-30.06
- Total comprehensive income	5,126.10	825.67

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include: bank deposits and cash, transactional financial assets, notes receivable, receivables, other receivables, notes payable, payables, other payables and bank borrowings. Details of these financial instruments are disclosed in the relevant notes.

Risks relating to the above-mentioned financial instruments include: credit risk, liquidity risk, interest rate risk and foreign currency risk.

1. Credit risk

Credit risk refers to the risk to which the Group is exposed in relation to financial losses due to the failure of clients or financial instrument counterparties to fulfill their contractual obligations. Such risk mainly arises from bank balances, trade and other receivables and derivative financial instruments.

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

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

The credit risk in relation to derivative financial instruments is insignificant as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

2. Liquidity risk

In respect of liquidity risk management, the Group monitors and maintains its cash and cash equivalents at a level which is adequate, in the opinion of the management, 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 and flexibility of funding 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 on the liquidity of the Group, including maturity profile of its accounts and other payables, and the 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 2021 to 30 June 2021

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 are as follows:

30 June 2021

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	9,808,602,981.34				9,808,602,981.34
Transactional financial assets	3,470,435,337.11				3,470,435,337.11
Notes receivable	622,760,753.02				622,760,753.02
Accounts receivable	10,173,197,954.89				10,173,197,954.89
Accounts receivable financing	5,550,302,213.39				5,550,302,213.39
Other receivables	695,460,814.98				695,460,814.98
Non-current assets due within one year	1,008,310,000.00				1,008,310,000.00
Other current assets	2,013,958,689.81				2,013,958,689.81
Other non-current assets			4,165,316,999.97		4,165,316,999.97
Total	33,343,028,744.54		4,165,316,999.97		37,508,345,744.51
Financial liabilities					
Short-term borrowings	2,475,084,884.96				2,475,084,884.96
Transactional financial liabilities	201,311.05				201,311.05
Notes payable	12,328,193,902.15				12,328,193,902.15
Accounts payable	10,395,702,117.93				10,395,702,117.93
Other payables	4,062,240,807.62				4,062,240,807.62
Other non-current liabilities due within one year	33,198,294.13				33,198,294.13
Other current liabilities	6,835,650,597.52				6,835,650,597.52
Long-term borrowings		35,496,171.30	45,317,456.43		80,813,627.73
Lease liabilities	172,655,892.19	423,041,170.24	15,823,282.83	781,092.74	612,301,438.00
Other non-current liabilities		181,466,677.43			181,466,677.43
Total	36,302,927,807.55	640,004,018.97	61,140,739.26	781,092.74	37,004,853,658.52

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

2. Liquidity risk — Continued

31 December 2020

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	7,110,772,454.16				7,110,772,454.16
Transactional financial assets	2,620,898,474.73				2,620,898,474.73
Notes receivable	551,833,415.14				551,833,415.14
Accounts receivable	6,804,783,003.27				6,804,783,003.27
Accounts receivable financing	4,241,240,626.01				4,241,240,626.01
Other receivables	511,666,394.23				511,666,394.23
Other current assets	3,714,208,987.32				3,714,208,987.32
Other non-current assets			4,033,348,000.00		4,033,348,000.00
Total	25,555,403,354.86		4,033,348,000.00		29,588,751,354.86
Financial liabilities					
Short-term borrowings	22,026,317.50				22,026,317.50
Transactional financial liabilities	201,236.00				201,236.00
Notes payable	10,775,376,397.87				10,775,376,397.87
Accounts payable	7,291,829,266.10				7,291,829,266.10
Other payables	2,011,559,493.31				2,011,559,493.31
Other current liabilities	4,339,380,802.73				4,339,380,802.73
Lease liabilities	31,621,786.60	15,479,701.84	13,376,599.23	365,037.26	60,843,124.93
Total	24,471,995,300.11	15,479,701.84	13,376,599.23	365,037.26	24,501,216,638.44

The maturity of bank and other borrowings are analysed as follows:

Among the bank borrowings of the Group as at 30 June 2021, the balances of borrowings due within one year amounted to RMB2,475,084,884.96, balances of borrowings due within one to two years amounted to RMB35,496,171.30, and balances of borrowings due within two to five years amounted to RMB45,317,456.43 (the bank borrowings as at 31 December 2020 are all due within one year after the balance sheet date).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

3. Interest rate risk

The Group is exposed to interest rate risk arisen from the changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly bank deposits, 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 2021, the Group's bank borrowings are at fixed rates. As such, any change in interest rates is not considered to have significant impact on the Group's performance.

4. Currency risk

Currency risk refers to the risk of losses arisen from the 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.

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

Currency	Closing balances		Opening balances	
	Assets	Liabilities	Assets	Liabilities
USD	414,049,567.56	673,025,346.90	534,995,850.29	34,543,163.55
EUR	69,468,317.30	17,353,909.86	63,425,980.97	4,263,713.72

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

Sensitivity analysis of changes in exchange rates:

Item	Current period Increase/Decrease in profit after taxation	Previous period Increase/Decrease in profit after taxation
USD to RMB		
Appreciates by 5%	-9,711,591.73	15,046,092.21
Depreciates by 5%	9,711,591.73	-15,046,092.21
EUR to RMB		
Appreciates by 5%	1,954,290.28	3,757,056.18
Depreciates by 5%	-1,954,290.28	-3,757,056.18

Sensitivity analysis of changes in forward exchange rates:

Item	Current period Increase/Decrease in profit after taxation	Previous period Increase/Decrease in profit before taxation
USD to RMB		
Appreciates by 5%	-2,010,000.00	-487,500.00
Depreciates by 5%	2,010,000.00	487,500.00
EUR to RMB		
Appreciates by 5%	-243,750.00	-225,000.00
Depreciates by 5%	243,750.00	225,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

X. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value at the end of the period

Item	Fair value 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		19,818,660.37	3,450,616,676.74	3,470,435,337.11
1. Financial assets at fair value through profit or loss		19,818,660.37	3,450,616,676.74	3,470,435,337.11
(1) Wealth management products			3,450,616,676.74	3,450,616,676.74
(2) Derivative financial assets		19,818,660.37		19,818,660.37
(ii) Other debt investments			5,550,302,213.39	5,550,302,213.39
1. Notes receivable			5,550,302,213.39	5,550,302,213.39
Total assets measured at fair value on a recurring basis		19,818,660.37	9,000,918,890.13	9,020,737,550.50
(III) Transactional financial liabilities		201,311.05		201,311.05
1. Financial liabilities at fair value through profit or loss		201,311.05		201,311.05
(1) Derivative financial liabilities		201,311.05		201,311.05
Total liabilities measured at fair value on a recurring basis		201,311.05		201,311.05

2. Valuation techniques and qualitative and quantitative information of significant parameters used for items at Level 2 fair value measurement on a recurring and a non-recurring basis

The Group's items at Level 2 fair value measurement are forward foreign exchange settlement and sales contracts. As at the balance sheet date, the Group had obtained forward exchange rate quotations from contracted banks, which were determined based on the remaining term to maturity. The fair value of such forward foreign exchange settlement and sales contracts were determined by multiplying the difference between the quotations and agreed exchange rates for such forward foreign exchange settlement and sales contracts by the amount for forward foreign exchange settlement and sales.

3. Valuation techniques and qualitative and quantitative information of significant parameters used for items at Level 3 fair value measurement on a recurring and a non-recurring basis

The Group's items at Level 3 fair value measurement are wealth management products of banks and receivables financing. The forecast future cash flows of wealth management products of banks are based on expected rate of return and the unobservable input is the expected rate of return. The receivables financing are notes receivable held by the Group, which have relatively short remaining maturity and the carrying amount of which approximate to their fair value, and adopt carrying amount as their fair value.

A gain or loss from change in fair value of RMB15,616,676.74 was recognised in respect of the wealth management products of banks during the period. Changes in the unobservable input (expected rate of return) do not result in significant changes in fair value. At the end of the period, the Group determined the fair value to be the forecast future cash flows based on the expected rate of return, and the changes in valuation techniques had a relatively insignificant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS

1. Controlling shareholder and the ultimate holding company

(1) Controlling shareholder and the ultimate holding company (Amount unit: Ten thousand)

Name of controlling shareholder and the ultimate holding company	Place of registration	Business nature	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting rights in the Company (%)
Qingdao Hisense Air-conditioning	Qingdao	Manufacture of air-conditioners and moulds and provision of aftersale services	67,479	37.92	37.92

Note: The ultimate holding company of the Company is Hisense Group Holdings Co., Ltd. (海信集團控股股份有限公司).

(2) Controlling shareholder's registered capital and its changes (Amount unit: Ten thousand)

Controlling shareholder	Opening balances	Increase during the period	Decrease during the period	Closing balances
Qingdao Hisense Air-conditioning	67,479			67,479

(3) Shares and interest held by the controlling shareholder and their changes

Controlling shareholder	Number of shares held		Percentage of shareholding (%)	
	Closing balances	Opening balances	Percentage at the end of the period	Percentage at the beginning of the period
Qingdao Hisense Air-conditioning	516,758,670	516,758,670	37.92	37.92

2. Subsidiaries

For details of subsidiaries, please refer to relevant information as set out in note "VIII.1. (1) Major composition of enterprise group".

3. Joint ventures and associates

For details of the Company's joint ventures or associates, please refer to relevant information as set out in note "VIII.2. (1) Major joint ventures or associates".

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

4. Related companies of Greencool

Name of related party of Greencool	Relationship with the Company
Guangdong Greencool	Former controlling shareholder of the Company
Jiangxi Greencool Electrical Appliance Co., Ltd. (hereinafter referred to as "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 the indirect holding company
Hisense Visual Technology Co., Ltd. ("Hisense Visual Technology")	Subsidiary of the indirect holding company
Hisense (Hong Kong) Company Limited ("Hisense Hong Kong")	Subsidiary of the indirect 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 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED 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 Visual Technology and its subsidiaries	Finished goods	Agreed price	163,852.74		6,106.19	
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	73,200,486.17	0.29	21,543,034.51	0.13
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	611,326.58		14,623,026.44	0.09
Subtotal of purchase of finished goods			73,975,665.49	0.29	36,172,167.14	0.22
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	20,094,804.37	0.08	14,505,713.83	0.09
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	222,087,685.72	0.86	157,602,518.89	0.97
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	348,866,968.34	1.36	179,809,050.16	1.11
Subtotal of purchase of raw materials			591,049,458.43	2.30	351,917,282.88	2.17
Hisense Visual Technology and its subsidiaries	Receipt of services	Agreed price	13,771,067.55	0.05	11,218,796.52	0.07
Hisense Group Company and its subsidiaries	Receipt of services	Agreed price	458,736,078.23	1.79	305,074,364.51	1.88
Johnson Hitachi and its subsidiaries	Receipt of services	Agreed price	12,777,299.16	0.05	11,016,585.67	0.07
Subtotal of receipt of services			485,284,444.94	1.89	327,309,746.70	2.02
Hisense Hong Kong	Financing purchase	Agreed price	369,195,893.22	1.44	161,509,182.77	0.99
Subtotal of financing purchase			369,195,893.22	1.44	161,509,182.77	0.99

Note: The lease payment amounted to RMB17,271,900 recognized by the Company as a lessee was included in the "receipt of services" under related party transactions in the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

7. Related party transactions — *Continued*

(1) *Purchase of goods/receipt of services — Continued*

- ① The Company, Hisense Company Limited, Qingdao Hisense Electric Holdings Company Limited (renamed Hisense Group Holdings Co., Ltd., hereinafter referred to as "Hisense Group Company"), Hisense International, Hisense Marketing Management and Hisense Visual Technology entered into a Business Cooperation Framework Agreement on 30 October 2020. During the effective period of the agreement, the transactions of Hisense Group Company, Hisense Company Limited, Hisense Visual Technology, Hisense Marketing Management and Hisense International with the Company as the purchaser and recipient of services were subject to aggregated transaction caps (exclusive of value-added tax) of RMB1,561,900,000, RMB56,600,000, RMB109,480,000, RMB288,190,000 and RMB392,710,000, respectively.
- ② The Company and Johnson Hitachi entered into a Business Framework Agreement on 22 January 2021. During the effective period of the agreement, the transaction with the Company as the purchaser and recipient of services was subject to an aggregate cap (exclusive of value-added tax) of RMB925,850,000.
- ③ The Company and Hisense Hong Kong entered into a Financing Purchase Framework Agreement on 5 November 2019. During the effective period of the agreement, the transaction in which the Company engaged Hisense Hong Kong to perform financing purchase as its agent was subject to an aggregate cap of US\$100,000,000.

The above agreement was considered and approved at the board of directors and/or annual general meeting of the Company.

- ④ The above transactions with Hisense Group Company and its subsidiaries, Hisense Visual Technology and its subsidiaries, Hisense Hong Kong, Johnson Hitachi and its subsidiaries constituted 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 (except for the financial assistance arrangements under the Purchase Financing Agency Framework Agreement entered into between the Company and Hisense Hong Kong, since it 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 were 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 were 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 2021 as disclosed in note XI of the financial statements in the 2021 interim report do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED 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 Visual Technology and its subsidiaries	Finished goods	Agreed price	604,888.58		858,225.03	
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	9,313,202,243.05	28.73	6,147,000,042.06	29.15
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	115,181,397.06	0.36	124,182,596.36	0.59
Subtotal of sale of finished goods			9,428,988,528.69	29.09	6,272,040,863.45	29.74
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	2,207.76		693,079.27	
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	164,348,745.12	0.51	81,926,781.58	0.39
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	2,522,466.78	0.01	5,780,033.47	0.03
Subtotal of sale of raw materials			166,873,419.66	0.52	88,399,894.32	0.42
Hisense Visual Technology and its subsidiaries	Moulds	Market price	28,615,292.02	0.09	29,793,592.89	0.14
Hisense Group Company and its subsidiaries	Moulds	Market price	8,861,897.15	0.03	17,922,179.36	0.08
Subtotal of sale of moulds			37,477,189.17	0.12	47,715,772.25	0.22
Hisense Visual Technology and its subsidiaries	Provision of services	Agreed price	2,477,124.59	0.01	3,675,437.34	0.02
Hisense Group Company and its subsidiaries	Provision of services	Agreed price	8,585,292.72	0.02	13,219,713.80	0.07
Johnson Hitachi and its subsidiaries	Provision of services	Agreed price			60,085.54	
Subtotal of rendering of services			11,062,417.31	0.03	16,955,236.68	0.09

Note: The lease revenue amounted to RMB5,514,100 recognized by the Company as a lessor was included in the "provision of services" under related party transactions in the Reporting Period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

7. Related party transactions — *Continued*

(2) *Sale of goods/rendering of service*

- ① The Company, Hisense Company Limited, Qingdao Hisense Electric Holdings Company Limited (renamed Hisense Group Holdings Co., Ltd., hereinafter referred to as “Hisense Group Company”), Hisense International, Hisense Marketing Management and Hisense Visual Technology entered into a Business Cooperation Framework Agreement on 30 October 2020. During the effective period of the agreement, the transactions of Hisense Group Company, Hisense Visual Technology, Hisense Marketing Management and Hisense International with the Company as the supplier and services provider were subject to aggregated transaction caps (exclusive of value-added tax) of RMB697,210,000, RMB98,270,000, RMB657,910,000 and RMB18,735,220,000, respectively.
- ② The Company and Johnson Hitachi entered into a Business Framework Agreement on 22 January 2021. During the effective period of the agreement, the transaction with the Company as the supplier and services provider was subject to an aggregate cap (exclusive of value-added tax) of RMB436,750,000.

The above agreement was considered and approved at the board of directors and/or annual general meeting of the Company.

- ③ The above transactions with Hisense Group and its subsidiaries, Hisense Visual Technology and its subsidiaries, Johnson Hitachi and its subsidiaries constituted 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 (except for the “Business Cooperation Agreement” entered into by the Company and Johnson Hitachi since it was approved by the board of directors, and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions were on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi were 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 2021 as disclosed in note XI of the financial statements in the 2021 interim report do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

7. Related party transactions — *Continued*

(3) *Loans and borrowings of the related parties*

Name of other related parties	Lending amount	Inception date	Expiry date	Notes
Borrowings				
Hisense Financial Holdings	284,244,400.00	2021-04-30	2022-04-29	Outstanding, an interest expense of RMB742,768.13 was recognized during the year
Hisense Financial Holdings	361,765,600.00	2021-05-20	2022-05-20	Outstanding, an interest expense of RMB628,965.55 was recognized during the year

(4) *Other connected transactions*

As at 30 June 2021, the Group had the balance of deposit of RMB14,861,404,000 (listed in bank deposits, other current assets and other non-current assets according to holding intention and liquidity), and balance of notes receivables of RMB9,079,807,500 with Hisense Finance. The balance of loan was RMB500,000,000. The amount of loan interest for Hisense Finance of RMB8,351,500 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 RMB450,300, RMB4,779,600 and RMB589,000. Interest income from bank deposits of RMB80,958,300 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 RMB215,570,200 and the amount for provision of discounted notes was RMB64,600,000.

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 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED 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 Visual Technology and its subsidiaries	68,327,301.59		159,473,920.01	
Notes receivable	Hisense Group Company and its subsidiaries	107,531,420.24		209,619,243.39	
Subtotal		175,858,721.83		369,093,163.40	
Interest receivable	Hisense Finance	200,217,654.16		147,961,817.69	
Subtotal		200,217,654.16		147,961,817.69	
Accounts receivable	Hisense Visual Technology and its subsidiaries	1,226,098.05		38,919,165.05	
Accounts receivable	Hisense Group Company and its subsidiaries	4,642,188,621.35		3,578,584,281.44	
Accounts receivable	Johnson Hitachi and its subsidiaries	49,495,327.97		30,953,176.32	
Subtotal		4,692,910,047.37		3,648,456,622.81	
Other receivables	Hisense Visual Technology and its subsidiaries	16,092,059.47		18,000.00	18,000.00
Other receivables	Hisense Group Company and its subsidiaries	3,466,187.44	656,453.20	3,012,739.33	650,308.56
Subtotal		19,558,246.91	656,453.20	3,030,739.33	668,308.56
Prepayments	Hisense Group Company and its subsidiaries	12,483,186.45		12,573,238.47	
Prepayments	Hisense Visual Technology and its subsidiaries	460,931.96			
Subtotal		12,944,118.41		12,573,238.47	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

8. Receivables from and payables to related parties — *Continued*

(2) *Payables to related parties*

Item	Related party	Closing balance	Opening balance
Notes payable	Hisense Group Company and its subsidiaries	37,634,155.55	11,799,016.98
Notes payable	Johnson Hitachi and its subsidiaries	324,997,424.00	289,628,720.53
Subtotal		362,631,579.55	301,427,737.51
Accounts payable	Hisense Visual Technology and its subsidiaries		613,087.29
Accounts payable	Hisense Group Company and its subsidiaries	255,553,832.61	258,947,755.98
Accounts payable	Johnson Hitachi and its subsidiaries	99,362,569.75	96,062,483.78
Subtotal		354,916,402.36	355,623,327.05
Other payables	Hisense Visual Technology and its subsidiaries	110,945.53	9,482.98
Other payables	Hisense Group Company and its subsidiaries	862,984,114.31	147,576,572.26
Other payables	Johnson Hitachi and its subsidiaries		200,000.00
Subtotal		863,095,059.84	147,786,055.24
Contract liabilities	Hisense Group Company and its subsidiaries	9,945,327.86	418,047.70
Contract liabilities	Johnson Hitachi and its subsidiaries		84,056.49
Subtotal		9,945,327.86	502,104.19

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XI. RELATED PARTY AND RELATED 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 year Book value	At the beginning of the year 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
Subtotal of other receivables		224,630,200.00	224,630,200.00
Other payables	Zhuhai Longjia	17,766,425.03	17,766,425.03
Subtotal of other payables		17,766,425.03	17,766,425.03

Note: A series of related party transactions and unusual cash flows occurred between Guangdong Greencool Enterprise Development Limited, the former largest shareholder of the Company, and its related parties (hereinafter referred to as the "Greencool Companies") and the Company during the period from October 2001 to July 2005. In addition, during the period, the Greencool Companies, through certain specified party companies such as Tianjin Lixin Commercial Trading Development Company Limited, involved in a series of unusual cash flows with the Company.

(4) *Transactions with Greencool Companies*

Item	Related party	At the end of the year Book value	At the beginning of the year Book value
Other payables	Jiangxi Greencool	13,000,000.00	13,000,000.00
Subtotal of other payables		13,000,000.00	13,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XII. CONTINGENCIES

1. Contingent liabilities arising from pending litigations and arbitration and their financial impacts

As at 30 June 2021, the Group was involved, as defendant, in litigations with amount of RMB18,072,625.68, and provision of RMB9,869,115.79 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		
- Contracted but not paid	29,776.84	55,034.42
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

NIL.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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 significant changes were made in the objectives, policies or processes for managing capital as at 30 June 2021 and during the year ended 31 December 2020.

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
Total debt	40,875,674,359.87	27,405,116,775.00
Including: Short-term borrowings	2,475,084,884.96	22,026,317.50
Accounts payable	10,395,702,117.93	7,291,829,266.10
Notes payable	12,328,193,902.15	10,775,376,397.87
Other payables	4,062,240,807.62	2,011,559,493.31
Long-term borrowings	80,813,627.73	
Less: Cash and cash equivalents	3,802,768,453.39	1,617,202,572.26
Net debt	37,072,905,906.48	25,787,914,202.74
Equity attributable to shareholders of parent	9,932,920,623.83	9,779,115,580.43
Capital and net debt	47,005,826,530.31	35,567,029,783.17
Gearing ratio	78.87%	72.51%

2. Pension scheme

According to relevant laws and regulations of the PRC, 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 2021 to 30 June 2021

XV. OTHER SIGNIFICANT EVENTS

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	10,315.34	9,231.30
Machinery and equipment, etc	1,273.91	1,447.79
Total	11,589.25	10,679.09

(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 2021 amounted to RMB15,778,000 (half year of 2020: RMB12,960,000). 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	1,416.71	1,387.68
Over one year but within five years	144.69	123.17
Over five years		4.80
Total	1,561.40	1,515.65

The amount of undiscounted lease receipts to be received each year for five consecutive accounting years after the balance sheet date: RMB14,167,100 within 1 year, RMB1,246,400 in 1-2 years and RMB200,500 in 2-3 years.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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 2021 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the period	Amount for previous period
Building or structure	4,292.58	4,615.16
Others	125.55	8.40
Total	4,418.13	4,623.56

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	4,099.79	4,683.01
Over one year but within five years	3,497.40	3,037.25
Over five years	78.11	43.43
Total	7,675.30	7,763.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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	Book value		Closing balance		Book value
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	689,996,983.65	100.00	107,107,549.79	15.52	582,889,433.86
Including:					
Aging analysis method	687,978,414.89	99.71	107,107,549.79	15.57	580,870,865.10
Receivables from related parties	2,018,568.76	0.29			2,018,568.76
Total	689,996,983.65	100.00	107,107,549.79	15.52	582,889,433.86

(Continued)

Category	Book value		Opening balance		Book value
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	109,451,046.62	100.00	107,107,549.79	97.86	2,343,496.83
Including:					
Aging analysis method	107,107,549.79	97.86	107,107,549.79	100.00	
Receivables from related parties	2,343,496.83	2.14			2,343,496.83
Total	109,451,046.62	100.00	107,107,549.79	97.86	2,343,496.83

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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	580,870,865.10		
Over three months but within six months			
Over six months but within one year			
Over one year	107,107,549.79	107,107,549.79	100.00
Total	687,978,414.89	107,107,549.79	15.57

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	(%)
Over one year	2,018,568.76		
Total	2,018,568.76		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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	582,889,433.86	2,343,496.83
Over three months but within six months		
Over six months but within one year		
Over one year	107,107,549.79	107,107,549.79
Total	689,996,983.65	109,451,046.62

(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	107,107,549.79				107,107,549.79
Other amount					
Total	107,107,549.79				107,107,549.79

(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 RMB611,617,094.07, accounting for 88.64% of the closing balance of account receivable. A provision for bad debts of RMB30,824,935.88 in total was made as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT — *Continued*

2. Other receivables

Item	Closing balance	Opening balance
Other receivables	1,280,000,076.29	1,279,228,418.26
Total	1,280,000,076.29	1,279,228,418.26

(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	100,000.00	
Other current account	1,300,228,128.70	1,299,722,296.93
Total	1,300,328,128.70	1,299,722,296.93

(2) *Provision for bad debts of 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
Provision for bad debts				
Opening balance	192,402.82	3,427,159.17	16,874,316.68	20,493,878.67
During the period, the opening 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	165,826.26			165,826.26
Written-off for the period				
Charge off for the period				
Other changes				
Closing balance	26,576.56	3,427,159.17	16,874,316.68	20,328,052.41

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 2021 to 30 June 2021

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	1,280,000,076.29
Over three months but within six months	
Over six months but within one year	
Over one year	20,328,052.41
Total	1,300,328,128.70

(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	20,493,878.67		165,826.26		20,328,052.41
Total	20,493,878.67		165,826.26		20,328,052.41

(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	372,699,354.39	Within three months	28.66	
Top 2	Inter-group current account payments	197,858,752.75	Within three months	15.22	
Top 3	Inter-group current account payments	145,363,275.53	Within three months	11.18	
Top 4	Inter-group current account payments	138,777,495.52	Within three months	10.67	
Top 5	Inter-group current account payments	118,836,177.50	Within three months	9.14	
Total	-	973,535,055.69	-	74.87	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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	5,094,333,817.23	59,381,641.00	5,034,952,176.23	5,094,333,817.23	59,381,641.00	5,034,952,176.23
Investments in associates and joint ventures	569,417,071.56		569,417,071.56	523,754,399.78		523,754,399.78
Total	5,663,750,888.79	59,381,641.00	5,604,369,247.79	5,618,088,217.01	59,381,641.00	5,558,706,576.01

(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 Air-conditioner	281,000,000.00			281,000,000.00		59,381,641.00
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		
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		
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	748,578,303.85			748,578,303.85		
Kelon Property	4,441,400.00			4,441,400.00		
Hisense Hitachi	2,566,242,580.68			2,566,242,580.68		
Qingdao Gorenje	14,700,000.00			14,700,000.00		
Total	5,094,333,817.23			5,094,333,817.23		59,381,641.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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 recognized 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 Marketing Management	47,624,602.35			4,582,135.38							52,206,737.73
II. Associates											
Hisense Financial Holdings	382,962,920.76			-3,393,195.66	770,360.91						380,340,086.01
Hisense International	93,166,876.67			46,635,241.13	-2,931,869.98						136,870,247.82
Total	523,754,399.78			47,824,180.85	-2,161,509.07						569,417,071.56

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	513,975,361.23	426,378,543.99		
Other operations	56,625,454.25	35,691,945.76	32,192,286.31	25,662,453.92
Total	570,600,815.48	462,070,489.75	32,192,286.31	25,662,453.92

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

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	1,041,337,652.24	390,347,417.88
Gain from long-term equity investment under the equity method	47,824,180.85	9,967,112.37
Gain from disposal of transactional financial assets	8,399,545.77	15,796,394.52
Total	1,097,561,378.86	416,110,924.77

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVII. 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	4,785,532.17	
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)	190,399,407.23	
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	46,272,447.53	
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 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	5,605,882.21	
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	23,245,219.68	
Other profit or loss items within the meaning of non-recurring profit or loss	-51,787,489.79	
Subtotal	218,523,149.03	
Less: Effect of income tax	39,102,153.12	
Effect of minority interests (after tax)	18,828,194.89	
Total	160,590,651.02	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVII. 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	6.15	0.45	0.45
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	4.54	0.33	0.33

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	Closing balance of or amount for the previous period	Change ratio (%)	Reason for change
Cash at bank and on hand	9,808,602,981.34	7,110,772,454.16	37.94	Mainly due to the Company's operating improvement of money sedimentary
Transactional financial assets	3,470,435,337.11	2,620,898,474.73	32.41	Mainly due to the increase in outstanding financial products at the end of the Reporting Period
Accounts receivable	9,966,573,265.79	6,594,103,859.23	51.14	Mainly due to the growth in size of the Company and the consolidation of Sanden Holdings during the Reporting Period
Factoring of accounts receivables	5,550,302,213.39	4,241,240,626.01	30.87	Mainly due to the growth of the Company's scale during the Reporting Period
Other receivables	583,935,673.45	398,205,694.16	46.64	Mainly due to the consolidation of Sanden Holdings
Inventories	6,277,019,977.94	4,295,262,485.11	46.14	Mainly due to the consolidation of Sanden Holdings
Non-current assets due within one year	1,008,310,000.00		N/A	Mainly due to the increase in time deposits maturing within one year
Other current asset	2,906,846,543.20	4,198,014,186.53	-30.76	Mainly due to the decrease in time deposits at the end of the Reporting Period
Long-term equity investments	1,579,955,822.57	523,754,399.78	201.66	Mainly due to the consolidation of Sanden Holdings
Investment properties	273,382,761.03	36,648,535.29	645.96	Mainly due to the consolidation of Sanden Holdings
Fixed assets	5,117,228,375.21	3,879,403,505.69	31.91	Mainly due to the consolidation of Sanden Holdings
Construction in progress	607,394,754.34	228,887,385.20	165.37	Mainly due to the consolidation of Sanden Holdings and the increase in investment in technological reform
Right-of-use assets	182,498,670.16	68,097,563.78	168.00	Mainly due to the consolidation of Sanden Holdings

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — *Continued*

3. Significant changes in key items in the Company's accounting statement and explanation of such changes — *Continued*

Goodwill	206,775,658.90	132,571,746.36	55.97	Mainly due to the consolidation of Sanden Holdings
Short-term borrowings	2,475,084,884.96	22,026,317.50	11,136.94	Mainly due to the consolidation of Sanden Holdings
Accounts payable	10,395,702,117.93	7,291,829,266.10	42.57	Mainly due to the growth of the Company's scale during the Reporting Period, the increase in purchases in line with the growth in scale and the consolidation of Sanden Holdings
Other payables	4,062,240,807.62	2,011,559,493.31	101.94	Mainly due to the increase in dividends payable at the end of the Reporting Period and the consolidation of Sanden Holdings
Non-current liabilities due within one year	204,048,351.40	29,562,279.68	590.23	Mainly due to the consolidation of Sanden Holdings
Other current liabilities	6,835,650,597.52	4,339,380,802.73	57.53	Mainly due to the growth of the Company's scale and the consolidation of Sanden during the Reporting Period
Long-term borrowings	80,813,627.73		N/A	Mainly due to the consolidation of Sanden Holdings
Lease liabilities	437,952,417.73	28,356,873.04	1,444.43	Mainly due to the consolidation of Sanden Holdings
Long-term employee remunerations payable	144,464,997.80		N/A	Mainly due to the consolidation of Sanden Holdings
Provisions	905,870,384.25	483,878,615.22	87.21	Mainly due to the consolidation of Sanden Holdings
Deferred tax liabilities	194,033,731.46	74,465,181.93	160.57	Mainly due to the consolidation of Sanden Holdings
Other non-current liabilities	181,466,677.43		N/A	Mainly due to the consolidation of Sanden Holdings
Other comprehensive income	48,873,948.41	37,578,293.42	30.06	Mainly due to the consolidation of Sanden Holdings
Operating revenue	32,423,814,710.47	21,086,699,809.27	53.76	Mainly due to the growth in sales volume of each of the Company's products during the Reporting Period
Operating costs	25,634,737,092.01	16,242,231,290.38	57.83	Mainly due to the increase in costs in line with revenue growth
Taxes and surcharges	185,706,476.73	134,121,265.76	38.46	Mainly due to the increase in taxes paid in line with the growth in revenue
Sales expenses	4,146,338,659.12	2,929,008,342.00	41.56	Mainly due to the increase in input costs in line with revenue growth
Management expenses	460,341,123.45	314,893,289.04	46.19	Mainly due to the consolidation of Sanden Holdings
Research and development expenses	836,068,530.36	570,088,355.30	46.66	Mainly due to increased investment in research and development
Financial expenses	-44,074,764.78	-70,444,472.45	N/A	Mainly due to the consolidation of Sanden Holdings

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — *Continued*

3. Significant changes in key items in the Company's accounting statement and explanation of such changes — *Continued*

Other income	262,342,661.61	95,262,312.10	175.39	Mainly due to the increase in government grants received during the Reporting Period
Investment gain	137,230,534.75	52,520,463.97	161.29	Mainly attributable to the increase in income from long-term equity investments accounted for under the equity method
Non-operating incomes	69,982,142.57	103,853,562.74	-32.61	Mainly due to the decrease in government grants received during the Reporting Period
Income tax expenses	346,915,709.76	261,703,838.42	32.56	Mainly due to the increase in total profit for the Reporting Period
Cash received from sales of goods and rendering of services	23,863,474,028.95	17,833,168,508.85	33.82	Mainly due to the growth of the Company's scale during the Reporting Period
Tax rebates received	1,172,643,631.19	578,309,749.71	102.77	Mainly due to the increase in tax refunds received in the Reporting Period
Other cash received concerning operating activities	510,878,273.02	343,591,513.58	48.69	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid for purchases of commodities and receipt of services	16,549,959,237.11	11,105,370,886.09	49.03	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid to and for employees	2,778,765,511.65	2,095,786,639.33	32.59	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid for taxes and surcharges	1,285,083,743.94	912,166,726.27	40.88	Mainly due to the growth of the Company's scale during the Reporting Period
Cash paid for other operating activities	2,848,560,500.57	2,100,928,577.11	35.59	Mainly due to the growth of the Company's scale during the Reporting Period
Net cash flows from operating activities	2,084,626,939.89	2,540,816,943.34	-17.95	No significant changes
Cash received from recovery of investments	9,321,663,655.69	5,339,490,186.08	74.58	Mainly due to the increase in maturity recovery of wealth management and time deposits and the consolidation of Sanden Holdings during the Reporting Period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	432,274,612.81	176,306,048.83	145.18	Mainly due to the increase in investment in technological improvement
Cash paid relating to other investing activities	8,394,862,538.33	6,352,500,000.00	32.15	Mainly due to the increase in wealth management purchases and new time deposits during the Reporting Period
Net cash flows from investing activities	541,119,116.10	-1,117,975,720.54	N/A	
Cash received from borrowings	2,311,192,725.02	270,000,000.00	756.00	Mainly due to the consolidation of Sanden Holdings

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2021 to 30 June 2021

XVII. 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 received relating to other financing activities	646,338,288.47		N/A	Mainly due to the consolidation of Sanden Holdings
Cash paid for repayment of borrowings	1,972,094,694.40	370,000,000.00	433.00	Mainly due to the consolidation of Sanden Holdings
Cash paid for distribution of dividends, profit or payment	859,913,978.97	432,813,844.46	98.68	Mainly due to the increase in dividends from subsidiaries in the Reporting Period
Cash paid relating to other financing activities	536,561,240.18	882,048,678.44	-39.17	Mainly due to the change in the guarantee of the notes during the Reporting Period
Net cash flows from financing activities	-411,038,900.06	-1,414,862,522.90	N/A	