

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)



2022世界杯™官方贊助商

2022 INTERIM
REPORT

TRÉSOR



CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Other Information	23
Definitions	31
Financial Statements Prepared in accordance with China Accounting Standards for Business Enterprise	32
Notes to the Financial Statements	50





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 electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc and automotive air conditioner compressor and integrated thermal management system.

REGISTERED OFFICE IN CHINA

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

PLACE OF BUSINESS IN HONG KONG

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

SECRETARY FOR THE BOARD OF DIRECTORS & COMPANY SECRETARY

Secretary of the Board: Zhang Yu Xin
Company Secretary: Wong Tak Fong

AUTHORIZED REPRESENTATIVES

Dai Hui Zhong
Xia Zhang Zhua

INVESTOR COMMUNICATION CENTRE

Computershare Hong Kong Investor Services Limited
17Mth Floor, Hopewell Center
183 Queen’s Road East, Wanchai, Hong Kong

TELEPHONE

(852) 2593 5622
(86-757) 2836 2570

FAX

(852) 2802 8085
(86-757) 2836 1055

EMAIL ADDRESS

hxjdzqb@hisense.com

INTERNET WEBSITE

<http://hxjd.hisense.cn>

AUDITORS

ShineWing Certified Public Accountants
9/F, Block A, Fu Hua Mansion, No.8, Chaoyangmen
Beidajie, Dongcheng District, Beijing,
the People’s Republic of China

I. INDUSTRY MARKET OVERVIEW

(I) Overview of the Domestic Heating, Ventilation and Air-conditioner ("HVAC") Market

- (1) **Central air-conditioner market:** During the Reporting Period, the growth rate of the domestic central air-conditioner market dropped sharply due to factors such as changes in the prices of bulk raw materials, resurgence of the pandemic and the regulatory policies in the real estate market. According to the statistics by www.aicon.com.cn, the domestic central air-conditioner market grew only 1.7% in volume, as uncertainty increased caused by the sudden downturn of the real estate industry, being the biggest drag on market growth. In the home furnishings retail market, the trend of replacing domestic air-conditioner products by domestic central air-conditioners contributed to a slight growth of central air-conditioner products in the first half of 2022, while the market volume of multi-connected central air-conditioner as the main product grew by around 3.0% year-on-year. In terms of engineering projects market, apart from the real estate industry, some popular sectors such as industrial, new energy and medical still maintained a relatively rapid growth trend, which enabled the engineering project market to remain relatively stable in the first half of 2022. With the country vigorously promoting "carbon neutral" and "carbon peak" strategies, energy saving and environmental protection are still the core development trends of the central air-conditioner market, while at the same time, the increasing demand and preference of users for healthy, comfortable and intelligent products will also bring new development opportunities to the central air-conditioner market.
- (2) **Household air-conditioner market:** According to the AVC (奧維雲網) inferential statistics, during the Reporting Period, the retail sales of household air-conditioner across all channels dropped by 15.3% year-on-year, while the retail volume dropped by 20.9%, and the household air-conditioner industry as a whole saw a decline in both the sales volume and amount. With the change in users demand, the high-end household air-conditioner with its own advantages has bucked in the overall downward trend of the industry and showed strong resilience to decline. At the same time, due to the increasing demand from users for fresh air intake and sterilization etc., the average industry price of household air-conditioner industry showed an upward trend. As indicated in the AVC monitoring data, the average industry price of household air-conditioner industry rose by 6.5% from January to June 2022. The four major directions, namely health, intelligence, energy saving and comfort backed by technologies of pollutant purification, image and voice interacting smart control, fresh air control and air duct design, air flow control and silent mode are still the hot points of concern in the household air-conditioner industry.

(II) Overview of the Domestic Refrigerator and Washing Machine Market

- (1) **Refrigerator Market:** According to the AVC all channel inferential statistics, in the first half of 2022, the accumulative retail volume of the domestic refrigerator industry decreased by 5.5% year-on-year and the accumulative retail sales dropped by 3.4% year-on-year. Both the sales volume and amount of refrigerator market have decreased due to a decline in consumption demand and lower consumer desire caused by resurgence of the pandemic. However, the high-end market still achieved strong growth. According to AVC offline monitoring data, the retail sales of domestic refrigerator over RMB10,000 increased by 4.7 percentage points in the first half of 2022 compared to 2021, and high-end, intelligent and healthy refrigerator products become the main driving force behind the growth of the domestic refrigerator market. With the continuous promotion of the national strategy of "carbon peak" and "carbon neutral" and higher energy efficiency standards adopted in major countries and regions around the world, the technology of refrigerator products will develop in the direction of high energy efficiency, low carbon and environmental protection, caring for health and anti-bacterial, etc. Large capacity, energy saving, intelligent and high-end products are still the trend of refrigerator market development.
- (2) **Washing Machine Market:** According to the AVC all channel inferential statistics, in the first half of 2022, the accumulative retail volume of the washing machine market decreased by 9.2% year-on-year, while the accumulative retail sales decreased by 10.1% year-on-year. Under the general trend of consumer upgrading, users' washing needs are characterised by high-end, health-conscious and intelligent features. Breaking through the low quality and homogeneity of products, demand scenario innovation and product intelligence innovation are the primary directions for the development of the washing machine industry. In addition, in order to meet the diversified and differentiated needs of users, product innovations in the laundry category are also characterised by rapid iterations and upgrades, with more new products such as double-cylinder duplex washing machine, dryer machine and MINI washing machine being launched.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY MARKET OVERVIEW — *Continued*

(III) Overview of Smart Home Market

With the increasing users' demand for residential comfort and convenience, there is huge potential space for whole-house intelligence in the consumer market. The National 14th Five-Year Plan also proposes to vigorously develop smart home related industries. In January 2022, The State Council's "14th Five-Year Plan for Digital Economy Development" suggested creating a smart and sharing new digital life, accelerating the digital transformation of existing residential and community facilities, encouraging the simultaneous planning and construction of intelligent systems in new districts, constructing smart buildings, smart parking, smart charging piles, smart garbage bins and other public facilities, guiding the interconnection and interoperability of intelligent home products, promoting intelligent interaction between home products and living environment, and enriching digital home life applications with "one-touch control" and "one-sound response". With the strong support of national policies and the roll-out of more intelligent terminal products, the smart home market is expanding, and leading domestic enterprises in the internet and home appliance businesses are setting up smart home race tracks and accelerating the deployment of offline shops to capture the smart home market.

(IV) Overview of the Automotive Air Conditioner Compressor and Integrated Thermal Management System Market

In the first year of 2022, despite the negative year-on-year growth in cumulative total automotive air conditioner compressor production on the global scale, new energy vehicles continued to perform well, with global production increasing by more than 42% year-on-year. From the system perspective, thermal management systems are gradually transferring to a model of high coupling among in-vehicle cooling and heating and electric motors, batteries and electronic controls, and heat pump systems and heat pump systems with waste heat recovery gradually become the mainstream in the new energy sector. From the component perspective, the high voltage of new energy vehicles can effectively reduce the internal resistance loss of the electric drive system and improve range. Meanwhile, high fast charging rates will also greatly improve the experience of using new energy vehicles. As the high voltage technology of new energy vehicles becomes a trend, there is an increasing demand for core components in the field of thermal management, such as ultra-high voltage electric compressors, in the global market. The overall exploration and development of green and low-carbon integrated thermal management technologies will become an important part of the future energy-saving, environmentally friendly and comfortable new energy vehicles. The electrification of automotive air conditioner compressors and the trend towards integrated thermal management systems for vehicle air-conditioning will remain unchanged.

(V) Overview of Overseas Markets for Home Appliances Exports

During the Reporting Period, according to online industry data, the export volume of the refrigerator industry decreased by 10.8% year-on-year, while the export volume of the washing machine industry decreased by 12.9% year-on-year and the export volume of the domestic air-conditioning industry decreased by 2.18% year-on-year. The decline in the export volume of home appliances was mainly due to a number of factors such as the Russia-Ukraine conflict, exchange rate fluctuations and the inflation and high inventories in some overseas regions, which led to a weakened demand from overseas consumer markets and continuous decline in the home appliance export market. Although the export market for home appliances faced greater pressure, there was still consumer demand a certain extent. The surge in energy prices in Europe was driving rapid growth in demand for heat pump products, which would drive domestic home appliance companies to invest and expand production in overseas markets. The economic recovery in countries of Southeast Asia will drive demand growth in home appliances. The decline in freight rates on major shipping routes in Europe and the United States will also help to increase domestic exports of household appliances to varying degrees.

II. ANALYSIS OF THE COMPANY'S OPERATION

During the Reporting Period, in the face of adverse factors such as the resurgence of the pandemic, changes in the supply chain and a downturn in global economic growth, the Company adhered to its advanced manufacturing strategy, focusing on capacity building, cost reduction and efficiency improvement to achieve stable scale and profitability in the first half of the year. The Company achieved operating revenue of RMB38.307 billion, representing a year-on-year increase of 18.15%. In terms of products, the HVAC business achieved principal operating revenue of RMB18.947 billion, representing a year-on-year increase of 17.47%, and the refrigerator and washing machine business achieved principal operating revenue of RMB10.427 billion, representing a year-on-year decrease of 6.30%. In terms of domestic and overseas revenues, principal operating revenue of domestic sales business and export sales business amounted to RMB20.654 billion and RMB14.322 billion respectively, representing year-on-year increases of 12.25% and 34.57% respectively. Net profits attributable to shareholders of the Company amounted to RMB0.62 billion, representing a year-on-year increase of 0.79%. The principal businesses of the Company are as following:

1. HVAC Business Work

(1) *Central air-conditioner business*

During the Reporting Period, the Company accurately explored market and user needs, strengthened product technology, incorporated energy-efficient technology into product innovation, and continued with our marketing strategies, thereby continuously strengthening its position as the foundation of the industry. In the home furnishings retail market, the Hitachi brand launched dual purification home central air-conditioner in response to the growing demand of users for anti-bacteria and intelligent operation and actively created new living scenes, which greatly enhanced the high-end living experience of users. According to www.aicon.com.cn, the Hitachi brand had a market share of more than 15% in the home furnishings retail market in the first half of 2022. At the same time, the Hisense brand actively catered for users' differentiation needs, through the integration of 5G Internet of Things technology and PLC power wave carrier communication technology, so that the central air-conditioner served as a smart home central control to achieve an "intelligent" and "healthy" users' experience. On the other hand, the York brand used innovative and differentiated technologies to meet users' needs for clean air, intelligent control and silent experience, and launched the intelligent one air solutions and new products such as YES-comfort III and Air-cube air box successively. During the Reporting Period, Hisense Hitachi's "Key Technology Research and Application of Intelligent Energy-saving and Low-carbon Internet of Things Multi-connected Air-conditioner Unit" won the Second Prize of the Science and Technology Progress Award of China National Light Industry Council. In terms of engineering projects market, the Hitachi brand launched the mirror series of indoor and outdoor units, providing perfect solution for mirroring homes in real estate projects, and is the first single fan outdoor unit in the industry to achieve a rated cooling capacity of 20.0KW, which made it an industry leader in core technical indicators such as large cooling-to-weight ratio and U-shaped heat exchanger, and enhanced the efficiency and stability of product operation effectively. In order to solve the problem of central air-conditioner energy consumption and help energy conservation and emission reduction, the Hisense brand has launched a new photovoltaic central air-conditioner photosynthesis series, fully utilizing photovoltaic energy technology by letting the central air-conditioner operate with "light" and generating electricity to ensure energy saving and low carbon, turning the central air-conditioner from "heavy energy user" into "green energy star".

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. HVAC Business Work — *Continued*

(2) *Household air-conditioner business*

During the Reporting Period, the Company kept up with the industrial technology trends, insisted on fresh air and health-oriented concept, continued to innovate and make breakthroughs in the products under its various brands. The Company's household air-conditioner business has focused on mid- to high-end strategy and developed in a differentiated path. Under the pandemic's resurgence, the Hisense brand insisted on the concept of "Oxygenated fresh air, free and deep breath" and launched a series of high quality products such as Cuican C200 and X810 in response to users' growing demand for fresh air and health for household air-conditioners. According to AVC monitoring data, Cuican C200 floor-standing type product has ranked as the industry's top 1 in 20,000+ floor-standing type products for 8 consecutive weeks after its launch. In order to meet the needs of the young user group for good-looking and economic products, the Kelon brand reshaped its brand strategy and established its positioning as a "professional air-conditioner brand targeting young user group". With technical features of wind control, humidity control and temperature control, the Kelon brand launched the key product "Sleeping Air-Conditioner Small Ears", which was well received by users with its appearance and marketing campaign that is more appealing to young people. In response to the characteristics and needs of overseas markets, the Company has made new breakthroughs in technologies such as ultra-low temperature heating, intelligent interconnection and communication control, and has launched a new generation of environmentally friendly and energy-efficient products in key markets such as Europe, North America, the Middle East and Asia Pacific. In addition, the Company presided over the formulation of two trade standards, namely the "Comfortability Assessment Specification for Artificial Thermal Environments Section 4: Room Air Conditioners with Zone Control" and "Technical Specification for Aluminium Fin Type Heat Exchangers for Room Air Conditioners", to actively respond to the national policy of low carbon and environmental protection.

2. Refrigerator and Washing Machine Business Work

(1) *Refrigerator Business*

During the Reporting Period, the Company insisted on being user-centric and continued to invest in technological innovation and brand promotion, constantly creating green, healthy and intelligent products that meet users' needs and empower high-quality life. In order to meet the high-end needs of users for fresh and healthy food, the Hisense brand further implemented its vacuum ecological strategy and launched the vacuum dormant series refrigerators. The vacuum preservation technology can create a low-oxygen environment so that the taste and nutrition of food is extended, and users can then enjoy the original taste and full nutrition of food. Our 505W vacuum ultra-thin refrigerator won the "2022 China Refrigerator Industry Vacuum Preservation Leading Products". In order to satisfy the users' demand for large space, large storage and freshness in the refrigerator, the Rongshen brand launched its Ultra Space series of refrigerators, allowing larger capacity with the same floor space, and leading the industry with a comprehensive upgrade of all-compartment freshness preservation technology. In such series, the WILL core function of the full metal liner refrigerator succeeds in upgrading the refrigerator from low-temperature preservation to constant-temperature freshness, becoming the pioneer in the industry of maintaining the smallest temperature difference while doubling the fresh keeping time of food compared to ordinary refrigerators, redefining the industry's standard for freshness preservation. At the China Refrigerator Industry Symposium jointly organised by the Information Resources Development Department of the State Information Centre and CHEAA, Rongshen refrigerators were awarded the "2022 China Refrigerator Industry Healthy Refrigerator Leading Brand" for their excellent performance in the field of health and freshness, and the Rongshen WILL559 refrigerator was also awarded the "2022 China Refrigerator Industry Healthy Freshness Product of Choice" and ranked Top 1 of the industry's best-selling 20,000+ refrigerators released by AVC. In addition, as the "exploring freshness officer", Rongshen refrigerator successfully achieved the appearance in the domestic popular variety show "Yearning For Life", further narrowing the gap with young people who pursue high-quality life. At the same time, the Company vigorously enlarged the exposure to emerging channels such as TikTok, and achieved large volume increase in the first half of 2022. The Company's refrigerator products in the 618 promotion opening red day achieved TikTok 3C home appliance industry sales champion, and was selected as the 618 TikTok platform excellent marketing case.

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

2. Refrigerator and Washing Machine Business Work — *Continued*

(2) *Washing Machine Business*

As the industry leader in formulating steam and ironing standards, the Company is committed to providing users with better products and continuously enhancing innovation in laundry technology and product experience. In the first half of the year, the Company launched two high-end washing and drying sets of products, namely Cuican C2 and Cuican CC, which are designed to achieve exclusive care for high-end luxury clothing by precisely controlling the steam volume and air speed through a nanometer-level steam generation system and a contact temperature and humidity sensor. Through the integration of intelligent big data application and washing solutions, the "AI Smart Sensor" system developed by the Company can independently identify water quality, weather in the users' local area and users habits for selection for the best washing solution, truly achieving intelligent customisation. During the Reporting Period, Hisense's intelligent care washing machine won the iF Design Award 2022 of Germany for its unique functioning and innovative design, marking the fifth consecutive time the Company has won this prestigious international award.

3. Automotive Air Conditioner Compressor and Integrated Thermal Management System Business Work

During the Reporting Period, the Company faced positively the impact of the complex and volatile global political and economic environment brought about by factors such as the Russia-Ukraine war. By improving the flexibility of supply chain, closely following customers' demand and making timely adjustments to its supply chain and production plans, Sanden Company was able to maintain stable operation in the first half of the year, which did not only improve its revenue and profitability in the Americas and Asia, but has also effectively controlled costs in Europe. In the face of the development trend of high voltage electric vehicles, the Company continued to strengthen technology pre-research, using the industry's leading SiC technology to develop a new generation of 1000V electric compressor with the advantages of compactness, high efficiency and strong pressure resistance, reaping the combined benefits of high fast charging and long range and featuring low cost, different refrigerants used and different capacity (60cc/45cc/33cc) module design that meet the requirements of different customers and vehicle models. In the face of the increasing demand for localised production and supply from global customers, the Company has continued to implement its global customer development strategy planned earlier, and through multi-faceted communication with key global customers on thermal management systems, HVAC and other products, the Company has received positive recognitions and feedbacks from well-known domestic and international automotive companies for strategic cooperation with Sanden company.

4. Smart Home Business Work

Leveraging on its own strengths, the Company has built solutions covering nine major areas and 56 scenes at the home, including the foyer, living room, balcony, kitchen and bathroom, etc. based on display and interactive technologies and around the core theme of "Hisense AiLife", and the layout of smart home's whole scene around "intelligent, set, scene, ecological" has become increasingly in shape. During the Reporting Period, the Company officially launched the new C2 products in the Cuican high-end smart home appliance series, continuing to improve the product matrix of Cuican high-end series and refreshing the new intelligent experience of high-quality home life. The Cuican sets of home appliances can fully meet the needs of families, bringing users a new experience of integrated and intelligent home design. The Cuican sets of home appliances C2 series' refrigerators, cooktops and dishwashers can be interconnected intelligently to provide users with a full range of solutions from grocery shopping to cooking and dishwashing. The Cuican sets of home appliances C2 series' air-conditioner products can bring good air to users in five dimensions: temperature, humidity, wind, cleanliness and freshness. The Cuican sets washing machines can be programmed according to the number of clothes, weather conditions and personal preferences, offering users a more comfortable washing experience. In addition, the Company has also entered into strategic cooperation with well-known enterprises in China to promote the smart new life strategy and continued to upgrade the smart terminals of home appliances to create a simple and useful interactive experience for users.

MANAGEMENT DISCUSSION AND ANALYSIS

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

5. Overseas Markets for Home Appliances Business Work

During the Reporting Period, the Company carried forward its synchronized efforts in achieving a unified global platform, unified research and development, unified standards and unified market launch, and has established research and development centres in the United States, Japan and Europe to gather global wisdom and provide high-quality products to consumers worldwide with the most stringent product standards. The Company has started the work for global supply chain integration, global supplier selection, global supply and global pricing to obtain competitive prices and enhance the ability to upgrade products and business models. During the Reporting Period, the Hisense brand's central air-conditioner opened up a new business of overseas heating products and water heaters, seizing the market opportunity of fossil fuel substitution and rising natural gas prices in Europe, and simultaneously launched the full range of Hi-Therma household air source heat pumps in Italy, Poland, Spain, Germany and France by winning the 2022 German Red Dot Design Award on product appearance, its effectively helped to capture the mid-to-high-end heating market in Europe.

6. Implementing the Advanced Manufacturing Strategy Work

The Company is actively implementing its advanced manufacturing strategy, building lean factory by constructing lean system, launching lean improvement weeks and carrying out special projects to improve efficiency, while strengthening the manufacturing foundation around automation and process optimization. During the Reporting Period, the Company improved manufacturing efficiency by promoting intelligent production lines and optimizing production processes, benchmarking with advanced manufacturing projects in the industry, and launched a number of digitalization projects such as DHR process optimization and AI applications based on intelligent parks for collection of factory efficiency data online. The Company also completed energy-saving renovation of the factory's compressed air system through the introduction of the Mushroom Cloud intelligent control system and the procurement of high-efficiency air compressors to upgrade the manufacturing technology. Project efficiency has been improved by advancing supply chain delivery capabilities and optimizing the end-to-end supply chain process "from order to delivery" to shorten the lead time from procurement, manufacturing, in-stock to logistics to quickly respond to and meet market demand. In addition, by focusing on the source of product quality, we have strengthened the supervision and management of product development and quality, systematically improved the quality of products and continuously offered high quality products and services.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) Major Accounting Data and Financial Indicators

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

Yes No

Unit: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	38,307,238,698.85	32,423,814,710.47	18.15
Net profits attributable to shareholders of the Company (RMB)	620,234,267.46	615,375,091.80	0.79
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	428,072,417.04	454,784,440.78	-5.87
Net cash flow from operating activities (RMB)	720,028,578.27	2,084,626,939.89	-65.46
Basic earnings per share (RMB/share)	0.46	0.45	2.22
Diluted earnings per share (RMB/share)	0.46	0.45	2.22
Weighted average rate of return on net assets (%)	5.84	6.15	-0.31

MANAGEMENT DISCUSSION AND ANALYSIS

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

(I) Major Accounting Data and Financial Indicators — *Continued*

Item	At the end of the Reporting Period	At the end of 2021	Increase or decrease as compared to last year (%)
Total assets (RMB)	55,639,093,947.50	55,948,549,486.98	-0.55
Net assets attributable to shareholders of the Company (RMB)	10,714,177,111.72	10,342,355,185.33	3.60

(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)	-4,021,844.86	
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)	127,004,448.76	
Profit and losses from assets which entrust others to invest or manage	57,652,634.25	
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	41,541,048.82	
Other non-operating income and expenses other than the aforementioned items	39,472,607.64	
Less: Effect of income tax	41,734,031.51	
Effect of minority interests (after tax)	27,753,012.68	
Total	192,161,850.42	-

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 as compared to corresponding period in previous year*

Unit: RMB

Item	Closing balance at the end of the Reporting Period	Opening balance at the beginning of the Reporting Period	Increase or decrease at the end of the Reporting Period compared with the beginning of the period (%)	Reasons of change
Notes receivable	156,881,858.82	228,252,631.50	-31.27	Mainly due to the decrease in commercial acceptances receivable at the end of the Reporting Period
Factoring of accounts receivables	5,656,865,625.23	3,669,679,060.94	54.15	Mainly due to the growth of the Company's scale during the Reporting Period
Short-term borrowings	1,609,308,315.26	2,858,984,229.49	-43.71	Mainly due to the decrease in bank borrowings of subsidiaries at the end of the Reporting Period
Contract liabilities	1,649,808,399.53	1,147,112,513.32	43.82	Mainly due to the increase in merchant returns during the Reporting Period
Other comprehensive income	138,328,963.56	93,569,998.57	47.83	Mainly due to the increase in the translation balance of foreign currency statement formed by the change of exchange rate

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	38,307,238,698.85	32,423,814,710.47	18.15	No significant changes
Operating costs	30,993,036,397.40	25,634,737,092.01	20.67	No significant changes
Sales expenses	4,060,709,601.69	4,146,338,659.12	-2.07	No significant changes
Management expenses	856,747,306.06	460,341,123.45	86.11	Mainly due to the consolidation of Sanden company
Research and development expenses	1,067,706,086.41	836,068,530.36	27.71	No significant changes
Financial expenses	-66,804,674.09	-44,074,764.78	N/A	Mainly due to the increase in foreign exchange gain
Income tax expenses	371,377,761.78	346,915,709.76	7.05	No significant changes
Investment income	276,085,241.22	137,230,534.75	101.18	Mainly due to the increase in interest income from time deposits and the consolidation of Sanden company
Impairment losses on assets	-71,809,411.88	-10,833,909.24	N/A	Mainly due to the consolidation of Sanden company

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 as compared to corresponding period in previous year — 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
Non-operating income	122,068,853.85	69,982,142.57	74.43	Mainly due to the consolidation of Sanden company
Tax rebates received	1,629,884,248.01	1,172,643,631.19	38.99	Mainly due to the increase in tax refunds received during the Reporting Period and the consolidation of Sanden company
Cash paid for purchases of commodities and receipt of services	22,367,119,748.25	16,549,959,237.11	35.15	Mainly due to the growth of the Company's scale during the Reporting Period and the consolidation of Sanden company
Cash paid to and for employees	4,024,934,668.27	2,778,765,511.65	44.85	Mainly due to the growth of the Company's scale during the Reporting Period and the consolidation of Sanden company
Cash paid for taxes and surcharges	1,695,073,685.10	1,285,083,743.94	31.90	Mainly due to the growth of the Company's scale during the Reporting Period and the consolidation of Sanden company
Cash paid for other operating activities	3,927,394,950.29	2,848,560,500.57	37.87	Mainly due to the growth of the Company's scale during the Reporting Period and the consolidation of Sanden company
Net cash flows from operating activities	720,028,578.27	2,084,626,939.89	-65.46	Mainly due to the increase in payments corresponding to bulk material reserves in the Reporting Period
Cash received from investment income	61,471,044.22	46,272,447.53	32.85	Mainly due to the increase in financial management income received in the period
Net cash flows from investing activities	1,516,440,091.45	541,119,116.10	180.24	Mainly due to the maturity recovery of financial products and time deposits
Cash received for borrowings	624,527,436.50	2,311,192,725.02	-72.98	Mainly due to the decrease in bank borrowings of subsidiaries at the end of 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 as compared to corresponding period in previous year — 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 received relating to other financing activities	962,695,552.04	646,338,288.47	48.95	Mainly due to the margin changes in bills during the Reporting Period
Cash paid for distribution of dividends, profit or payment of interest expenses	600,820,852.88	859,913,978.97	-30.13	Mainly due to the decrease in dividends from subsidiaries during the Reporting Period
Net cash flows from financing activities	-1,235,341,806.65	-411,038,900.06	N/A	Mainly due to the decrease in bank borrowings of subsidiaries at the end of the Reporting Period
Net increase in cash and cash equivalents	935,174,815.52	2,185,565,881.13	-57.21	Mainly due to the increase in payments corresponding to bulk material reserves in the Reporting Period

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

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	38,307,238,698.85		32,423,814,710.47		18.15
By industry					
Home appliances manufacturing industry	34,975,874,128.91	91.30	29,042,795,353.83	89.57	20.43
By product					
HVAC	18,946,839,080.54	49.46	16,129,562,897.28	49.75	17.47
Refrigerators and washing machines	10,426,711,894.49	27.22	11,128,016,621.13	34.32	-6.30
Others	5,602,323,153.88	14.62	1,785,215,835.42	5.50	213.82
By region					
Mainland	20,654,298,103.61	53.92	18,400,504,662.25	56.75	12.25
Overseas	14,321,576,025.30	37.38	10,642,290,691.58	32.82	34.57

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) Analysis of Principal Business — *Continued*

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	34,975,874,128.91	27,819,958,638.29	20.46	20.43	24.06	-2.33
By product						
Air-conditioners	18,946,839,080.54	14,234,562,708.07	24.87	17.47	19.97	-1.57
Refrigerators and washing machines	10,426,711,894.49	8,728,393,838.82	16.29	-6.30	-3.16	-2.71
Others	5,602,323,153.88	4,857,002,091.40	13.30	213.82	213.90	-0.03
By region						
Mainland	20,654,298,103.61	14,721,242,144.61	28.73	12.25	17.64	-3.26
Overseas	14,321,576,025.30	13,098,716,493.68	8.54	34.57	32.15	1.68

Reasons for changes of more than 30% in relevant data year on year

Applicable Not applicable

The increase in revenue and cost from principal operations of other major products were mainly due to the sales growth of the Company's other major products during the Reporting Period and the consolidation of Sanden company.

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	7,798,340,633.53	14.02	7,022,572,498.74	12.55	1.47	No significant changes
Accounts receivable	9,268,259,488.67	16.66	8,757,077,378.05	15.65	1.01	No significant changes
Inventories	6,943,387,398.55	12.48	8,436,699,059.69	15.08	-2.60	No significant changes
Long-term equity investment	1,523,597,066.54	2.74	1,436,216,842.15	2.57	0.17	No significant changes
Investment properties	195,823,878.78	0.35	235,340,080.78	0.42	-0.07	No significant changes
Fixed assets	5,144,109,869.32	9.25	5,188,754,013.36	9.27	-0.02	No significant changes
Construction in progress	716,679,200.89	1.29	665,964,066.15	1.19	0.10	No significant changes
Right-of-use assets	177,382,130.31	0.32	209,678,045.05	0.37	-0.05	No significant changes
Short-term borrowings	1,609,308,315.26	2.89	2,858,984,229.49	5.11	-2.22	Mainly due to the decrease in bank borrowings of subsidiaries at the end of the Reporting Period
Contract liabilities	1,649,808,399.53	2.97	1,147,112,513.32	2.05	0.92	Mainly due to the increase in merchant returns during the Reporting Period
Long-term borrowings	25,494,392.71	0.05	32,382,835.84	0.06	-0.01	No significant changes
Lease liabilities	306,747,814.89	0.55	395,949,053.40	0.71	-0.16	No significant changes

(II) Major Foreign Assets

Applicable Not applicable

(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)	5,619,079,742.46	41,541,048.82			4,199,380,619.38	4,730,000,000.00	-5,425,769.97	5,124,575,640.69
2. Derivative financial assets	6,761,891.49	-5,174,807.00	70,245.81				-179,830.43	1,477,499.87
3. Other investments in debt	3,669,679,060.94				1,987,186,564.29			5,656,865,625.23
4. Other investments in equity instruments	38,707,912.25		171,142.65		424,902.23		-4,385,941.75	34,918,015.38
Sub-total of financial assets	9,334,228,607.14	36,366,241.82	241,388.46		6,186,992,085.90	4,730,000,000.00	-9,991,542.15	10,817,836,781.17
Total	9,334,228,607.14	36,366,241.82	241,388.46		6,186,992,085.90	4,730,000,000.00	-9,991,542.15	10,817,836,781.17
Financial liabilities	244.38	-8,027,673.00					-0.17	8,027,917.21

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ASSETS AND LIABILITIES POSITION — Continued

(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.61 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

Applicable Not applicable

(II) Significant equity investments acquired during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

(IV) Financial assets investment

1. Securities investment

Securities species	Securities code	Abbreviation of securities	Initial investment cost	Accounting measurement model	Opening book value	Gains or losses on changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount for the period	Amount sold during the period	Profit and loss for the Reporting Period	Other changes	Closing book value	Accounting accounts	Fund source
Offshore Equity	7267	Honda Motor Co., Ltd. (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	10,421,589.83		169,648.92	424,902.23			-1,180,856.58	9,835,284.40	Other equity instruments	Own funds
Offshore Equity	8795	T&D Holdings (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	16,314.18		1,493.73				-1,848.54	15,959.37	Other equity instruments	Own funds
Offshore Equity	PRU	Prudential (Listed on the New York Stock Exchange)	-	Fair value measurement	1,587,084.49		70,245.81				-179,830.43	1,477,499.87	Other equity instruments	Own funds
Other securities investments held at the end of the period			-	-									-	-
Total			-	-	12,024,988.50		241,388.46	424,902.23			-1,362,535.55	11,328,743.64	-	-
Date of the announcement disclosing the approval of securities investment by the Board														N/A
Date of the announcement disclosing the approval of securities investment during shareholders' meetings (if any)														N/A

Note: All of the Company's investments in securities during the Reporting Period were in Sanden company, which became the Company's investment in securities as a result of the inclusion of Sanden company in the Company's consolidated financial statements in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

V. INVESTMENT POSITION — *Continued*

(IV) Financial assets investment — *Continued*

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			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
							at the beginning of the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period			
Bank	No	No	Forward foreign exchange contracts	188,293.97	1 January 2022	30 June 2022	188,293.97	279,302.12	225,749.40	241,846.69	22.57	-936.89
Total				188,293.97	-	-	188,293.97	279,302.12	225,749.40	241,846.69	22.57	-936.89
Source of derivatives investment funding											Export trade payment	
Litigation involved (if applicable)											N/A	
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)											31 March 2022	
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)											25 June 2022	

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.)

The derivatives business of the Company mainly represents the forward foreign exchange contracts used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose. The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and the "Internal Control System for Forward Foreign Exchange Capital Transactions". The measures specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business.

Changes in market price or product fair value of invested derivatives during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognised as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognised a loss on change in fair value of the derivatives of RMB13.2025 million. Investment gain amounted to RMB3.8336 million, resulting in a total loss of RMB9.3689 million.

Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the Reporting Period and the corresponding period last year

During the Reporting Period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to the corresponding period last year.

Specific opinions of independent Directors on the derivatives investment and risk control of the Company

Opinion of independent non-executive directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the "Internal Control System for Forward Foreign Exchange Capital Transactions" to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.

MANAGEMENT DISCUSSION AND ANALYSIS

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	1,895,574.03	776,857.92	1,004,661.13	166,365.56	128,851.81

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

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.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

(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. <i>Note 7</i>	2 March 2021	PKR 650,000,000 (equivalent to RMB20,642,200)	25 March 2019	PKR 561,840,000 (equivalent to RMB17,842,500)	Joint and several liability guarantee	-	-	25 March 2019 - 31 March 2022	Yes	No
Total quota of external guarantees approved during the reporting period (A1)			0	Total actual amount of external guarantees incurred during the reporting period (A2)						0
Total quota of approved external guarantees at the end of the reporting period (A3)			0	Total actual external guarantee balance of the end of the reporting period (A4)						0

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			June 25 2021	19.57 billion yen (equivalent to RMB0.962 billion)	Joint and several liability guarantee	-	-	June 25 2021 - April 28 2022	No	No
Kelon Development Limited	8 May 2021	35.3 billion yen (equivalent to RMB1.735 billion)	20 August 2021	4 billion yen (equivalent to RMB0.197 billion)	Joint and several liability guarantee	-	-	20 August 2021 - 2 September 2022	No	No
Kelon Development Limited			16 September 2021	3 billion yen (equivalent to RMB0.147 billion)	Joint and several liability guarantee	-	-	16 September 2021 - 30 September 2022	No	No
Kelon Development Limited			15 February 2022	5 billion yen (equivalent to RMB0.246 billion)	Joint and several liability guarantee	-	-	15 February 2022 - 1 March 2023	No	No
KELON INTERNATIONAL INC.	15 April 2021	RMB0.7 billion	16 August 2021	RMB0.280 billion	Joint and several liability guarantee	-	-	16 August 2021 - 16 August 2022	No	No
Total quota of guarantees to subsidiaries approved during the reporting period (B1)			0	Total actual amount incurred for guarantees to subsidiaries during the reporting period (B2)						RM0.246 billion

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — Continued

(II) Major Guarantees — Continued

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
Total quota of guarantees to subsidiaries approved at the end of the reporting period (B3)			RMB2.435 billion	Total actual guarantee balances to subsidiaries at the end of the reporting period (B4)						RMB0.870 billion
Subsidiaries' 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
SANDEN VIKAS (INDIA) PRIVATE LIMITED. ^{Note 2}	N/A	US\$12,650,000 (equivalent to RMB84,899,200)	January 16 2020	INR959,811,000 (equivalent to RMB814,83,200)	Joint and several liability guarantee	-	-	January 16 2020 - March 26 2025	No	No
Total quota 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 quota 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)						0
Total company guarantees (the sum of the first three major items)										
Total quota of guarantee approved during the reporting period (A1+B1+C1)			0	Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)						RMB0.246 billion
Total amount of approved guarantees at the end of the reporting period (A3+B3+C3)			RMB2.435 billion	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						RMB0.870 billion
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets										8.12%
Among them:										
Balance of guarantees provided to shareholders, beneficial owners and their related parties (D)										0
The balance of debt guarantees provided directly or indirectly for the guaranteed objects with a gearing ratio exceeding 70% (E)										0
Amount of the portion of total guarantees exceeding 50% of net assets (F)										0
Total amount of the above three guarantees (D+E+F)										0
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

MANAGEMENT DISCUSSION AND ANALYSIS

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 company: After Sanden company has unanimously approved the forgiveness of its ADR debt of 63 billion yen by all ADR creditors, the amount of remaining ADR debt is approximately 35.3 billion yen. Pursuant to the Share Purchase Agreement signed between the Company and Sanden company 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 company, all remaining ADR debts of Sanden company 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 Debt of Sanden company, but will provide a new joint and several liability guarantee to Sanden company, Hisense Japan Automobile Air Conditioning System Contract Company or the Company's wholly-owned subsidiary KELON Development 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 will not exceed the amount of the remaining ADR debt.

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 company, which became guarantees of the Company as a result of the inclusion of Sanden company into the scope of the Company's consolidated statements of income during the Reporting Period.

(III) Particulars of Entrusted Wealth Management

Unit: RMB ten thousand

Product type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 30 June 2022	Amount of undue principal and return as at 30 June 2022	Overdue balance return as at 30 June 2022	Impairment amount of overdue wealth management as at 30 June 2022
Wealth management products of banks	Own funds	578,000.00	504,938.06	0	0
Total		578,000.00	504,938.06	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) Technical and Product Advantages

The Company adheres to its core philosophy of "relying on technology to build up the Company", and is firmly committed to the strategy of "making well products with high quality" and smart new life strategy, making continuous innovation in products and technology as the core competitiveness of the Company's long-term development. The Company has established national-level enterprise technology centre, post-doctoral research station, national-level industrial design centre and other technological innovation platforms. During the Reporting Period, the Company adjusted its research and development organisational structure, strengthened its mid- and long-term capacity building, enhanced the evaluation of pre-research and the commercialization work, improved its global research and development system, realised the synergy of domestic and overseas research and development resources and simultaneous development of platforms, and met the global demand for differentiated products.

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(I) Technical and Product Advantages — *Continued*

HVAC Business: The Company closely follows the national “dual carbon” strategy and the policy of energy saving and emission reduction, insists on the technical direction of “energy saving, comfort, health and intelligence”, and continues to research on various solutions for industrial, commercial and home use. As for commercial multi-split central air-conditioners, the Company has maintained its industry-leading position in terms of energy efficiency, low-temperature heating effect and operating temperature range throughout the year, and has achieved remote centralised control, data monitoring, energy consumption visibility and active fault notification through the Internet of Things technology. For residential users, the Company launched high-end household multi-split central air-conditioners such as ZunRui Villa and ZunRui Total Effect to satisfy users with excellent and comfortable health experience, realising energy saving and air customization. In addition, the Company has kept increasing investment in clean energy products such as commercial water heaters and tobacco dryers, and achieved significant reductions in energy consumption through heat pump technology, precise temperature control and remote real-time monitoring technology. Its AE series of magnetic suspension variable speed centrifugal chiller has achieved a new breakthrough in energy efficiency, stability and precision through five core technologies. In terms of household air conditioners, the Company was awarded the “Fresh Air and Oxygenated Health Air Conditioner” product mark to enjoy an exclusive certification right in the market for 18 months. Being the first in the industry to actively mix fresh air with air conditioning air, it has made breakthroughs in technologies such as extremely fast cooling, silent quality and imitation of natural air, significantly improving the distance and circulation speed of fresh air and enhancing the comfort effect of home air conditioners.

Refrigerator and Washing Machine Business: The Company focuses on the “low-carbon, health management, intelligent” technology in the refrigerator field, renewable material application technology to reduce carbon emissions and realizing the recycling of waste plastics; the application of low thermal conductivity insulation materials and on-demand defrosting technology have reduced power consumption; its sub-freezing technology has improved the freshness of meat; and breakthroughs in the interconnection of refrigerators with body fat scales and ovens have helped users keep a healthy diet. In the field of washing machines, the Company focuses on the core technologies of “Care+, Smart+ and Health+” and breakthroughs are made in steam cabin care and AI intelligent eco-technology, including the first nano steam cabin steam and ironing technology, which provides accurate and efficient laundry care and leads the industry in various indicators.

Automotive Air Conditioner Compressor and Integrated Thermal Management System Business: As a first-tier supplier of professional automotive components, Sanden Company has focused on the national “dual carbon” policy and the trend of high pressure in the industry to continuously promote green upgrades and key technological breakthroughs in electric compressors, integrated thermal management systems and their core components. During the Reporting Period, Sanden Company’s integrated thermal management system for the secondary circuit of centralised refrigerant units received government subsidies from the Japanese Industrial Development Project, totalling several hundred million yen over a five-year period, which has greatly ensured Sanden Company’s speed in climbing up to the world’s top thermal management system technology; In addition, with the technological advantage of the 1000V electric compressor, Sanden Company is at the forefront of the world in the practical application of ultra-high voltage compressors.

Smart Home Business: The Company established Hisense Ai Life Certification Center for building a smart home living certification system in five directions: compliance, compatibility, security, scene and experience, to create a fully intelligent smart home ecological platform for all scenarios and the entire industry, to comprehensively improve user experience. During the Reporting Period, the Company built a big data centre and AIoT public services, developed the Hisense Aijia platform and ConnectLife platform for domestic and overseas users respectively, as well as aggregated food ecologies such as industry food associations and launched ecological cooperation with well-known domestic enterprises to improve the overall usage of smart home appliances.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(II) Brand advantages

The Company's products are released under eight brands, namely "Hisense", "Ronshen", "KELON", "HITACHI", "YORK", "gorenje", "ASKO" and "SANDEN". Such rich brand line-up has allowed the Company to enjoy an excellent brand reputation and solid customer base. With the range of products covered by different brands and their product characteristics, the Company is able 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. Meanwhile, Hisense keeps strengthening its marketing effort in sports by sponsoring EURO2016, World Cup 2018, EURO2020 and World Cup 2022, with the aim to significantly boost its brand popularity in international market through these top sporting events in the world. The "Ronshen" brand boasts a long history and has revitalized itself with the new brand proposition of "remain fresh even after seven days of storage", and has become increasingly popular among the young people by sponsoring domestic popular variety show "Yearning For Life". The "KELON" brand has focused on air-conditioning for decades and has positioned itself as a professional and practical brand that caters to the precise needs of users. Leveraging on the strengths of the "HITACHI", "Hisense" and "YORK" brands, the Company has been able to retain its leadership in the multi-split central air-conditioner sector. 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. As European classic high-end brands, The "gorenje" and "ASKO" brands, have helped the company in the high-end kitchen appliances and European market expansion.

(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 and is a crucial element of its corporate culture, and as such it 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

Risks faced by the Group include:

1. Macroeconomic cyclical fluctuation risk: If the macroeconomic growth continues to slow down, it may lead to a lack of consumer momentum, which will in turn affect the consumer demand for home appliances.
2. Risk of cost increase: If the prices of raw materials continues to fluctuate, the Company's product costs will be adversely affected. The rising labor and service costs and installation and maintenance costs may also adversely affect the Company's profitability.
3. Market risks brought about by trade protectionism and trade barriers: In order to protect their own economic interests, some countries and regions have imposed higher tariffs and compulsory certification, resulting in increased operating costs which may indirectly affect the competitiveness and profitability of the Company's overseas business.
4. Exchange rate fluctuation risk: If the RMB exchange rate fluctuates sharply, it will directly affect the cost competitiveness of the Company's overseas products, thereby affecting the profitability of its overseas business.

In the face of business risks, the Company will actively respond to the challenges. The Company will alleviate the pressure of rising costs by improving efficiency and reducing costs, optimizing the sales structure, strengthening cost control and other ways. The Company will improve capital turnover efficiency by strengthening capital risk management and control, optimizing account period management and reducing abnormal capital occupation. By further implementing the advanced manufacturing strategy, focusing on long-term capacity building and building product power and market power, the Company will maintain the enterprise's ability to sustain growth and ensure its 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 ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Purchase	Finished goods	Agreed price	175.43	0.01
Hisense Visual Technology	Purchase	Finished goods	Agreed price	30.77	-
Hisense International	Purchase	Finished goods	Agreed price	11,815.24	0.38
Johnson Hitachi	Purchase	Finished goods	Agreed price	3,497.15	0.11
Hisense Group	Purchase	Materials	Agreed price	20,023.80	0.65
Hisense Visual Technology	Purchase	Materials	Agreed price	2,944.12	0.10
Hisense International	Purchase	Materials	Agreed price	49.24	-
Johnson Hitachi	Purchase	Materials	Agreed price	37,296.26	1.20
Hisense Hong Kong	Purchase	Materials	Agreed price	27,798.38	0.90
Hisense Group	Receipt of services	Receipt of services	Agreed price	40,235.52	1.30
Hisense Visual Technology	Receipt of services	Receipt of services	Agreed price	1,875.70	0.06
Hisense International	Receipt of services	Receipt of services	Agreed price	687.11	0.02
Hisense Marketing Management	Receipt of services	Receipt of services	Agreed price	10,668.01	0.34
Johnson Hitachi	Receipt of services	Receipt of services	Agreed price	1,207.66	0.04
Hisense Group	Sale	Finished goods	Agreed price	8,654.15	0.23
Hisense Visual Technology	Sale	Finished goods	Agreed price	601.16	0.02
Hisense International	Sale	Finished goods	Agreed price	982,777.04	25.66
Hisense Marketing Management	Sale	Finished goods	Agreed price	39,935.04	1.04
Johnson Hitachi	Sale	Finished goods	Agreed price	11,851.06	0.31
Hisense Group	Sale	Materials	Agreed price	10,416.67	0.27
Hisense Visual Technology	Sale	Materials	Agreed price	-	-
Hisense International	Sale	Materials	Agreed price	6,950.40	0.18
Johnson Hitachi	Sale	Materials	Agreed price	396.49	0.01
Hisense Visual Technology	Sale	Moulds	Market price	2,474.55	0.06
Hisense International	Sale	Moulds	Market price	1,563.58	0.04
Johnson Hitachi	Sale	Moulds	Market price	-	-
Hisense Group	Provision of services	Provision of services	Agreed price	749.43	0.02
Hisense Visual Technology	Provision of services	Provision of services	Agreed price	8,779.88	0.23
Hisense International	Provision of services	Provision of services	Agreed price	183.60	-
Hisense Marketing Management	Provision of services	Provision of services	Agreed price	48.14	-
Johnson Hitachi	Provision of services	Provision of services	Agreed price	-	-

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB15.031 billion, recognised interest income of approximately RMB0.154 billion, the actual balance of loan of RMB0.12 billion with loan interest recognised of RMB9.6964 million, the balance of electronic bank acceptance bill of approximately RMB7.602 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB3.762 million. The actual amount of discounted interest for the provision of draft discount services was nil, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately US\$16,665,000 and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was approximately RMB588,600.

(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.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — *Continued*

(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	Relationships	Maximum daily deposit limit	Deposit rate range	Opening balance	Amount incurred during the period		Closing balance
					Total amount deposited during the period	Total amount taken out during the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	2,700,000	0.35%-2.80%	1,478,358.36	8,896,849.90	8,872,128.90	1,503,079.36

Loan operations

Unit: RMB (in ten thousand)

Related parties	Relationships	Maximum daily loan limit	Loan rate range	Opening balance	Amount incurred during the period		Total repayment amount for the period
					Closing balance	Total loan amount for the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	1,800,000	3.70%	45,000.00	35,000.00	68,000.00	12,000.00

Granting of credit or other financial business

Unit: RMB (in ten thousand)

Related parties	Relationships	Business type	Total amount	Actual amount
Hisense Finance	Subsidiary of an indirect controlling shareholder	Granting Credit	2,530,000	845,922.82

(VI) Transactions between the Company's controlling financial company and related parties

There are no deposits, loans, credits or other financial operations between the Company's controlling finance company and related parties.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — *Continued*

(VII) Other major connected transactions

On April 18, 2022, the Company, Hisense Visual Technology and Qingdao Yuanli Information Consulting Co., Ltd. (“**Qingdao Yuanli**”) entered into a capital increase agreement, pursuant to which Hisense Visual Technology agreed to unilaterally increase the capital of a Company’s subsidiary, Hisense (Guangdong) Kitchen & Bathroom System (“**Hisense Kitchen & Bathroom**”), with its own injection molding and sheet metal related equipment. The capital increase price was determined based on the audited net book assets of Hisense Kitchen & Bathroom as of December 31, 2021, and the capital contribution of Hisense Visual Technology was determined based on the appraised value of the equipment as of December 31, 2021. The Company did not participate in the capital increase and share expansion of Hisense Kitchen & Bathroom. Upon completion of the capital increase and share expansion, the shareholding structure of Hisense Kitchen & Bathroom was as follows: 60.06% owned by the Company, 26.00% owned by Hisense Visual Technology and 13.94% owned by Qingdao Yuanli Information Consulting Co., Ltd. The capital increase and share expansion did not result in a change in the scope of the Company’s consolidated financial statements. Further details of the “Connected Transaction – Deemed Disposal of Equity Interests in a Subsidiary” are set out in the Company’s announcement dated April 18, 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB720 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB2,085 million).

As at 30 June 2022, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balances) amounting to approximately RMB7,798 million (as at 30 June 2021: RMB9,809 million), of which more than RMB6,822 million are denominated in Renminbi (as at 30 June 2021: RMB8,179 million), and loans amounting to RMB3,076 million (as at 30 June 2021: RMB3,235 million).

Total capital expenditures of the Group for the six months ended 30 June 2022 amounted to approximately RMB478 million (for the six months ended 30 June 2021: RMB432 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 2022, 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 2022.

GEARING RATIO

As at 30 June 2022, the Group’s gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 70.98% (as at 30 June 2021: 73.80%).

OTHER INFORMATION

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2022, the Group had approximately 48,219 employees, mainly comprising 7,787 technical staff, 13,390 sales representatives, 474 financial staff, 847 administrative staff and 25,720 production staff. The Group had 69 employees with a doctorate degree, 2,118 with a master's degree and 46,032 with a bachelor's degree or below. For the six months ended 30 June 2022, the Group's staff payroll amounted to RMB4,025 million (for the six months ended 30 June 2021: RMB2,779 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 2022, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2021: nil) which were pledged as security for the Group's borrowings.

SHARE CAPITAL STRUCTURE

As at 30 June 2022, 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 2022, there were 30,295 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	457,763,567	33.59%	99.60%	0
The Hong Kong Securities Clearing Company Limited ("HKSCC") ^{Note 2}	Foreign legal person	92,790,957	6.81%	10.27%	0
Shanghai Gaoyi Asset Management Partnership- Other Gaoyi Linshan No.1 Long-range Fund* (上海高毅資產管理合夥企業(有限合伙)-高毅鄰山1號遠望基金)	Other	30,000,000	2.20%	3.32%	0
Industrial Bank Co., Ltd.- Fullgoal Xing Yuan Preferred 12-Month Hold Time Hybrid Securities Investment Fund* (興業銀行股份有限公司-富國興遠優選12個月持有期混合型證券投資基金)	Other	11,069,932	0.81%	1.23%	0
National Social Security Fund 103 Portfolio (全國社保基金一零三組合)	Other	10,999,925	0.81%	1.22%	0
Zhang Shao Wu	Domestic natural person	7,200,000	0.53%	0.80%	0

OTHER INFORMATION

TOP TEN SHAREHOLDERS — Continued

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
Agricultural Bank of China Limited – Bao Ying Hong Li Income Flexible Hybrid Securities Investment Fund* (中國農業銀行股份有限公司–寶盈鴻利收益靈活配置混合型證券投資基金)	Other	4,543,915	0.33%	0.50%	0
China Construction Bank Co., LTD. – Harvest New Consumer Equity Investment Fund* (中國建設銀行股份有限公司–嘉實新消費股票型證券投資基金)	Other	4,316,023	0.32%	0.48%	0
Lead Investment Australia Limited – Lead Emerging Markets Equity Index Fund (Exchange)* (領航投資澳洲有限公司–領航新興市場股指基金(交易所))	Other	3,530,027	0.26%	0.39%	0

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}	457,763,567	Overseas listed foreign shares
The Hong Kong Securities Clearing Company Limited ("HKSCC") ^{Note 2}	92,790,957	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)	30,000,000	RMB ordinary shares
Industrial Bank Co., Ltd.- Fullgoal Xing Yuan Preferred 12-Month Hold Time Hybrid Securities Investment Fund* (興業銀行股份有限公司–富國興遠優選12個月持有期混合型證券投資基金)	11,069,932	RMB ordinary shares
National Social Security Fund 103 Portfolio(全國社保基金一零三組合)	10,999,925	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Agricultural Bank of China Limited – Bao Ying Hong Li Income Flexible Hybrid Securities Investment Fund* (中國農業銀行股份有限公司–寶盈鴻利收益靈活配置混合型證券投資基金)	4,543,915	RMB ordinary shares
China Construction Bank Co., LTD. – Harvest New Consumer Equity Investment Fund* (中國建設銀行股份有限公司–嘉實新消費股票型證券投資基金)	4,316,023	RMB ordinary shares
Lead Investment Australia Limited – Lead Emerging Markets Equity Index Fund (Exchange)* (領航投資澳洲有限公司–領航新興市場股指基金(交易所))	3,530,027	RMB ordinary shares

Notes:

1. HKSCC Nominees Limited is the nominee holder of the shares held by non-registered H shareholders of the Company. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, including Hisense Hong Kong, a party acting in concert with the controlling shareholder of the Company, which held a total number of 124,452,000 H Shares as of the end of the Reporting Period representing 9.13% of the total number of the shares of the Company.
2. HKSCC is the nominee holder of the shares held by non-registered A shareholders of the Company through Shenzhen-Hong Kong Stock Connect. The shares held by HKSCC are held on behalf of a number of its account participants.

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

OTHER INFORMATION

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES — *Continued*

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 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.
- (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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to the Directors, supervisors and the chief executives of the Company, as at 30 June 2022, the following persons (other than the Directors, supervisors and the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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:

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES — *Continued*

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)	57.22%	37.92%
Hisense Group Holdings Co., Ltd. ^{Note}	Interest of controlled corporation	A shares	516,758,670 (L)	57.22%	37.92%
Hisense (Hong Kong) Company Limited ^{Note}	Beneficial owner	H shares	124,452,000 (L)	27.08%	9.13%
Hisense Group Holdings Co., Ltd. ^{Note}	Interest of controlled corporation	H shares	124,452,000 (L)	27.08%	9.13%

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

Note: Qingdao Hisense Air-conditioning Company Limited is a company 93.33% directly owned by 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 of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested.

Save as disclosed above, as at 30 June 2022, 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 2022, save as disclosed below, none of the members of the Board, supervisors and the 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 of Listed Issuers ("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 2022. No interim dividend was paid for the corresponding period last year.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Duty	Date	Reasons for change
Gao Yuling	Director	19 January 2022	Elected as an executive director at the 2022 first extraordinary general Meeting
Huang Qianmei	Secretary of the Board	20 May 2022	Ceased to be the Secretary of the Board due to work adjustment

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 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
"INR"	Indian Rupee, the lawful currency of India
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"PKR"	Pakistani Rupee, the lawful currency of Pakistan
"RMB"	Renminbi, the lawful currency of the PRC
"Sanden Company"	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
"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

Item	Note	<i>Unit: RMB</i>	
		30 June 2022	1 January 2022
Current assets:			
Cash at bank and on hand	VI, 1	7,798,340,633.53	7,022,572,498.74
Balancing with clearing companies			
Lending capital			
Transactional financial assets	VI, 2	5,126,053,140.56	5,625,841,633.95
Derivative financial assets			
Notes receivable	VI, 3	156,881,858.82	228,252,631.50
Accounts receivable	VI, 4	9,268,259,488.67	8,757,077,378.05
Factoring of accounts receivables	VI, 5	5,656,865,625.23	3,669,679,060.94
Prepayments	VI, 6	305,841,865.15	346,069,599.65
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Others receivables	VI, 7	421,420,094.01	484,042,296.38
Including: Interest receivable			
Dividend receivable		67,444,930.04	153,473,105.41
Financial assets purchased under agreements to resell			
Inventories	VI, 8	6,943,387,398.55	8,436,699,059.69
Contract assets	VI, 9	4,434,057.26	10,202,598.50
Assets held for sale			
Non-current assets due within one year	VI, 10	1,907,415,555.55	2,210,937,867.57
Other current assets	VI, 11	2,423,607,696.98	2,908,448,659.96
Total current assets		40,012,507,414.31	39,699,823,284.93

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 2022	1 January 2022
Non-current assets:			
Disbursement of loans and advances			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments	VI, 12	1,523,597,066.54	1,436,216,842.15
Other equity instrument investments	VI, 13	34,918,015.38	38,707,912.25
Other non-current financial assets			
Investment properties	VI, 14	195,823,878.78	235,340,080.78
Fixed assets	VI, 15	5,144,109,869.32	5,188,754,013.36
Construction in progress	VI, 16	716,679,200.89	665,964,066.15
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI, 17	177,382,130.31	209,678,045.05
Intangible assets	VI, 18	1,547,723,182.62	1,644,453,450.06
Development expenditure			
Goodwill	VI, 19	226,408,877.76	226,408,877.76
Long-term prepaid expenses	VI, 20	33,908,537.86	26,229,463.77
Deferred tax assets	VI, 21	881,611,057.01	897,868,944.38
Other non-current assets	VI, 22	5,144,424,716.72	5,679,104,506.34
Total non-current assets		15,626,586,533.19	16,248,726,202.05
Total assets		55,639,093,947.50	55,948,549,486.98

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

1. CONSOLIDATED BALANCE SHEETS — Continued

Item	Note	30 June 2022	1 January 2022
			<i>Unit: RMB</i>
Current liabilities:			
Short-term borrowings	VI, 23	1,609,308,315.26	2,858,984,229.49
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	VI, 24	8,027,917.21	244.38
Derivative financial liabilities			
Notes payable	VI, 25	10,750,258,328.10	11,513,955,689.58
Accounts payable	VI, 26	10,923,579,331.78	11,779,280,708.56
Advances from customers			
Contract liabilities	VI, 27	1,649,808,399.53	1,147,112,513.32
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, 28	826,068,626.43	928,635,430.98
Taxes payable	VI, 29	655,533,646.13	725,413,062.43
Other payables	VI, 30	3,944,388,273.31	3,425,374,535.37
Including: Interests payable			
Dividends payable		291,623,229.18	
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI, 31	143,069,433.76	171,349,860.51
Other current liabilities	VI, 32	6,841,995,827.72	5,462,375,607.34
Total current liabilities		37,352,038,099.23	38,012,481,881.96

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

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Item	Note	Unit: RMB	
		30 June 2022	1 January 2022
Non-current liabilities:			
Reserves for reinsurance contract			
Long-term borrowings	VI, 33	25,494,392.71	32,382,835.84
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	VI, 34	306,747,814.89	395,949,053.40
Long-term payables			
Long-term employee remunerations payable	VI, 35	142,599,832.10	143,732,252.27
Provisions	VI, 36	1,319,696,665.75	1,417,289,726.72
Deferred income	VI, 37	150,031,400.60	152,987,034.48
Deferred tax liabilities	VI, 21	173,260,529.62	174,217,456.30
Other non-current liabilities	VI, 38	20,120,349.97	28,258,009.23
Total non-current liabilities		2,137,950,985.64	2,344,816,368.24
Total liabilities		39,489,989,084.87	40,357,298,250.20
Shareholders' equity:			
Share capital	VI, 39	1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	VI, 40	2,067,697,024.99	2,069,245,101.87
Less: Treasury shares			
Other comprehensive income	VI, 41	138,328,963.56	93,569,998.57
Special reserves			
Surplus reserves	VI, 42	711,971,309.99	711,971,309.99
General risk provisions			
Undistributed profits	VI, 43	6,433,454,443.18	6,104,843,404.90
Total equity attributable to shareholders of the Company		10,714,177,111.72	10,342,355,185.33
Minority interests		5,434,927,750.91	5,248,896,051.45
Total shareholders' equity		16,149,104,862.63	15,591,251,236.78
Total liabilities and shareholders' equity		55,639,093,947.50	55,948,549,486.98

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

2. BALANCE SHEETS OF PARENT COMPANY

Unit: RMB

Item	Note	30 June 2022	1 January 2022
Current assets:			
Cash at bank and on hand		259,006,465.21	65,854,079.72
Transactional financial assets		1,342,644,394.53	1,427,181,155.16
Derivative financial assets			
Notes receivable			
Accounts receivable	XVI, 1	188,356,007.42	278,843,591.76
Factoring of accounts receivables			
Prepayments		20,986,955.72	18,778,548.16
Others receivables	XVI, 2	1,562,118,766.17	1,143,227,303.10
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		16,940,246.01	24,231,899.63
Total current assets		3,390,053,144.28	2,958,116,886.75
Non-current assets:			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments	XVI, 3	5,601,979,817.88	5,543,047,859.99
Other equity instrument investments			
Other non-current financial assets			
Investment properties		2,091,121.00	2,758,436.00
Fixed assets		13,894,579.01	15,659,335.59
Construction in progress		223,891.73	46,769.62
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		165,388,790.00	166,683,233.00
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets			
Other non-current assets		195,000.00	
Total non-current assets		5,783,773,199.62	5,728,195,634.20
Total assets		9,173,826,343.90	8,686,312,520.95

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

2. BALANCE SHEETS OF PARENT COMPANY — Continued

Item	Note	30 June 2022	1 January 2022
			<i>Unit: RMB</i>
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		271,888,541.19	366,291,830.13
Advances from customers			
Contract liabilities		12,924.56	12,924.56
Employee remunerations payable		466,621.30	1,316,545.19
Taxes payable		4,918,084.93	9,894,934.44
Other payables		829,656,896.48	503,139,810.40
Including: Interests payable			
Dividends payable		291,623,229.18	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		1,680.19	5,279,908.11
Total current liabilities		1,106,944,748.65	885,935,952.83
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		208,841,937.52	209,996,937.78
Deferred income		24,719,130.41	25,184,678.45
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		233,561,067.93	235,181,616.23
Total liabilities		1,340,505,816.58	1,121,117,569.06

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

2. BALANCE SHEETS OF PARENT COMPANY — Continued

Item	Note	Unit: RMB	
		30 June 2022	1 January 2022
Shareholders' equity:			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,270,295,165.04	2,271,399,045.35
Less: Treasury shares			
Other comprehensive income		19,106,427.52	8,168,968.22
Special reserves			
Surplus reserves		681,362,685.00	681,362,685.00
Undistributed profits		3,499,830,879.76	3,241,538,883.32
Total shareholders' equity		7,833,320,527.32	7,565,194,951.89
Total liabilities and shareholders' equity		9,173,826,343.90	8,686,312,520.95

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

3. CONSOLIDATED INCOME STATEMENT

Item	Note	Unit: RMB	
		First half of 2022	First half of 2021
I. Total operating revenue		38,307,238,698.85	32,423,814,710.47
Including: Operating revenue	VI, 44	38,307,238,698.85	32,423,814,710.47
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		37,092,626,365.51	31,219,117,116.89
Including: Operating costs	VI, 44	30,933,036,397.40	25,634,737,092.01
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, 45	241,231,648.04	185,706,476.73
Sales expenses	VI, 46	4,060,709,601.69	4,146,338,659.12
Management expenses	VI, 47	856,747,306.06	460,341,123.45
Research and development expenses	VI, 48	1,067,706,086.41	836,068,530.36
Financial expenses	VI, 49	-66,804,674.09	-44,074,764.78
Including: Interest expenses	VI, 49	40,469,080.28	16,366,968.89
Interest income	VI, 49	26,064,751.83	139,206,806.04
Add: Other income	VI, 50	187,995,603.35	262,342,661.61
Investment gain (Loss denoted by "-")	VI, 51	276,085,241.22	137,230,534.75
Including: Share of profit of associates and joint ventures	VI, 51	83,163,879.24	58,004,642.77
Income from derecognition of financial assets at 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, 52	28,338,568.82	4,774,776.32
Impairment losses on credit (Loss denoted by "-")	VI, 53	12,323,601.24	5,416,776.16
Impairment losses on assets (Loss denoted by "-")	VI, 54	-71,809,411.88	-10,833,909.24
Gains on disposal of assets (Loss denoted by "-")	VI, 55	-417,676.97	3,498,168.18
III. Operating profits (Loss denoted by "-")		1,647,128,259.12	1,607,126,601.36
Add: Non-operating income	VI, 56	122,068,853.85	69,982,142.57
Less: Non-operating expenses	VI, 57	34,732,054.84	-1,068,597.40
IV. Total profits (Total loss denoted by "-")		1,734,465,058.13	1,678,177,341.33
Less: Income tax expenses	VI, 58	371,377,761.78	346,915,709.76
V. Net profits (Net loss denoted by "-")		1,363,087,296.35	1,331,261,631.57
(I) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss denoted by "-")		1,363,087,296.35	1,331,261,631.57
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		620,234,267.46	615,375,091.80
2. Profit and loss of minority interests		742,853,028.89	715,886,539.77
VI. Other comprehensive income after tax, net		33,260,562.33	11,538,639.00
Other comprehensive income after tax attributable to shareholders of the Company, net	VI, 59	44,758,964.99	11,295,654.99

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

3. CONSOLIDATED INCOME STATEMENT — Continued

Item	Note	First half of 2022	First half of 2021
			<i>Unit: RMB</i>
(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		44,758,964.99	11,295,654.99
1. Other comprehensive income to be reclassified into profit or loss under the equity method		10,937,459.30	-2,161,509.07
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		31,523,236.01	13,457,164.06
7. Others		2,298,269.68	
Other comprehensive income after tax attributable to minority interests, net		-11,498,402.66	242,984.01
VII. Total comprehensive income		1,396,347,858.68	1,342,800,270.57
Total comprehensive income attributable to shareholders of the Company		664,993,232.45	626,670,746.79
Total comprehensive income attributable to minority interests		731,354,626.23	716,129,523.78
VIII. Earnings per share:			
(I) Basic earnings per share		0.46	0.45
(II) Diluted earnings per share		0.46	0.45

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 2022	First half of 2021
I. Operating revenue	XVI, 4	1,870,919,741.00	570,600,815.48
Less: Operating costs	XVI, 4	1,844,369,076.80	462,070,489.75
Taxes and surcharges		5,810,377.28	6,219,336.09
Sales expenses		3,468,792.53	19,921,379.27
Management expenses		42,857,701.05	16,814,958.69
Research and development expenses			
Financial expenses		-5,378,691.37	-909,946.34
Including: Interest expenses			
Interest income		7,415,994.03	931,270.20
Add: Other income		1,340,184.42	3,273,388.23
Investment gain (Loss denoted by "-")	XVI,5	557,466,777.83	1,097,561,378.86
Including: Share of profit of associates and joint ventures		15,045,303.90	47,824,180.85
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 "-")		9,672,160.02	6,631,526.05
Impairment losses on credit (Loss denoted by "-")		25.73	165,826.26
Impairment losses on assets (Loss denoted by "-")			
Gains on disposal of assets (Loss denoted by "-")		-649,996.94	972,114.85
II. Operating profits (Loss denoted by "-")		547,621,635.77	1,175,088,832.27
Add: Non-operating income		429,573.41	66,857.28
Less: Non-operating expenses		-1,805,215.06	-3,877,003.04
III. Total profit (Total loss denoted by "-")		549,856,424.24	1,179,032,692.59
Less: Income tax expenses		-58,801.38	
IV. Net profits (Net loss denoted by "-")		549,915,225.62	1,179,032,692.59
(I) Net profit from continuing operations (Net loss denoted by "-")		549,915,225.62	1,179,032,692.59
(II) Net profit from discontinued operations (Net loss denoted by "-")			
V. Other comprehensive income after tax, net		10,937,459.30	-2,161,509.07
(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		10,937,459.30	-2,161,509.07
1. Other comprehensive income to be reclassified into profit or loss under the equity method		10,937,459.30	-2,161,509.07
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		560,852,684.92	1,176,871,183.52
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

Item	Note	<i>Unit: RMB</i>	
		First half of 2022	First half of 2021
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		30,453,313,405.19	23,863,474,028.95
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		1,629,884,248.01	1,172,643,631.19
Other cash received related to operating activities	VI, 60(1)	651,353,976.98	510,878,273.02
Subtotal of cash inflows from operating activities		32,734,551,630.18	25,546,995,933.16
Cash paid for purchases of commodities and receipt of services		22,367,119,748.25	16,549,959,237.11
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		4,024,934,668.27	2,778,765,511.65
Cash paid for taxes and surcharges		1,695,073,685.10	1,285,083,743.94
Other cash paid related to operating activities	VI, 60(1)	3,927,394,950.29	2,848,560,500.57
Subtotal of cash outflows from operating activities		32,014,523,051.91	23,462,368,993.27
Net cash flows from operating activities	VI, 60(2)	720,028,578.27	2,084,626,939.89
II. Cash flows from investing activities:			
Cash received from recovery of investments		78,170,858.11	
Cash received from investment income		61,471,044.22	46,272,447.53
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		93,012,900.04	320,164.02
Net cash received from disposals of subsidiaries and other operation units			
Other cash received relating to investing activities	VI, 60(1)	7,851,048,662.54	9,321,663,655.69
Subtotal of cash inflows from investing activities		8,083,703,464.91	9,368,256,267.24
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		477,665,763.55	432,274,612.81
Cash paid for investments		34,053,075.00	
Net increase in pledge loans			
Cash paid for acquiring subsidiaries and other operation units			
Other cash paid relating to investing activities	VI, 60(1)	6,055,544,534.91	8,394,862,538.33
Subtotal of cash outflows from investing activities		6,567,263,373.46	8,827,137,151.14
Net cash flows from investing activities		1,516,440,091.45	541,119,116.10

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 2022	First half of 2021
III. Cash flows from financing activities:			
Cash received from capital contribution			
Including: Cash contribution to subsidiaries from minority shareholders' investment			
Cash received from borrowings		624,527,436.50	2,311,192,725.02
Other cash received relating to financing activities	VI, 60(1)	962,695,552.04	646,338,288.47
Subtotal of cash inflows from financing activities		1,587,222,988.54	2,957,531,013.49
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses		1,787,837,800.17	1,972,094,694.40
Including: Dividend and profit paid to minority shareholders by subsidiaries		600,820,852.88	859,913,978.97
Other cash paid relating to financing activities	VI, 60(1)	576,657,203.30	852,629,161.30
Subtotal of cash outflows from financing activities		2,822,564,795.19	3,368,569,913.55
Net cash flows from financing activities		-1,235,341,806.65	-411,038,900.06
IV. Effects of foreign exchange rate changes on cash and cash equivalents		-65,952,047.55	-29,141,274.80
V. Net increase in cash and cash equivalents		935,174,815.52	2,185,565,881.13
Add: Balance of cash and cash equivalents at the beginning of the period		2,879,176,794.68	1,617,202,572.26
VI. Balance of cash and cash equivalents at the end of the period	VI, 60(4)	3,814,351,610.20	3,802,768,453.39

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

6. CASH FLOW STATEMENT OF PARENT COMPANY

Unit: RMB

Item	Note	First half of 2022	First half of 2021
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		408,651.46	
Tax rebates received			
Other cash received related to operating activities		84,216,962.06	471,654,790.41
Subtotal of cash inflows from operation activities		84,625,613.52	471,654,790.41
Cash paid for purchases of commodities and receipt of labor services			
Cash paid to and for employees		53,037,994.84	37,362,839.06
Cash paid for taxes and surcharges		10,215,817.15	6,939,680.22
Other cash paid related to operating activities		44,024,180.16	424,828,872.23
Subtotal of cash outflow from operating activities		107,277,992.15	469,131,391.51
Net cash flows from operating activities		-22,652,378.63	2,523,398.90
II. Cash flow from investing activities:			
Cash received from recovery of investments			10,456,586.86
Cash received from investment income		546,630,394.58	1,041,337,652.24
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		3,850.00	
Net cash received from disposals of subsidiaries and other operation units			
Other cash received relating to investing activities		1,024,775,557.23	1,130,000,000.00
Subtotal of cash inflows from investing activities		1,571,409,801.81	2,181,794,239.10
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,551,962.69	7,797.98
Cash paid for investments		34,053,075.00	
Net cash paid for acquisition of subsidiaries and other operation units			
Other cash paid relating to investing activities		1,319,000,000.00	1,985,000,000.00
Subtotal of cash outflows from investing activities		1,355,605,037.69	1,985,007,797.98
Net cash flows from investing activities		215,804,764.12	196,786,441.12
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings			
Other cash received relating to 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		193,152,385.49	199,309,840.02
Add: Balance of cash and cash equivalents at the beginning of the period		65,854,079.72	157,802,638.95
VI. Balance of cash and cash equivalents at the end of the period		259,006,465.21	357,112,478.97

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: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotals		
Share capital	Preference share	Perpetual debts	Others												
I. Closing balance of previous year	1,362,725,370.00			2,069,245,101.87		93,569,998.57		711,971,309.99			6,104,843,404.90		10,342,355,185.33	5,248,896,051.45	15,591,251,236.78
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			2,069,245,101.87		93,569,998.57		711,971,309.99			6,104,843,404.90		10,342,355,185.33	5,248,896,051.45	15,591,251,236.78
III. Movements in the current period (Decreases denoted in "-")				-1,548,076.88		44,758,964.99					328,611,038.28		371,821,926.39	186,031,699.46	557,853,625.85
(1) Total comprehensive income						44,758,964.99					620,234,267.46		664,993,232.45	731,354,626.23	1,396,347,858.68
(2) Owners' contributions and capital reductions														29,482,425.00	29,482,425.00
1. Ordinary shares contributed by owners														63,535,500.00	63,535,500.00
2. Capital contributions by holders of other equity instruments															
3. Amount of sharebased payment included in owners' equity															
4. Others														-34,053,075.00	-34,053,075.00
(3) Profit Distribution											-291,623,229.18		-291,623,229.18	-577,008,873.60	-868,632,102.78
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)											-291,623,229.18		-291,623,229.18	-577,008,873.60	-868,632,102.78
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				-1,548,076.88									-1,548,076.88	2,203,521.83	655,444.95
IV. Closing balance for the period	1,362,725,370.00			2,067,697,024.99		138,328,963.56		711,971,309.99			6,433,454,443.18		10,714,177,111.72	5,434,927,750.91	16,149,104,862.63

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											Minority interests	Total shareholders' equity			
	Attributable to shareholders of the parent company															
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares		Other comprehensive income	Special reserves	Surplus reserves	General risk provisions			Undistributed profits	Others	Subtotals
I. Closing balance for 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 "-")					7,532,111.75			55,991,705.15		19,168,416.61		480,547,371.39		563,239,604.90	621,492,593.35	1,184,732,198.25
(1) Total comprehensive income								55,991,705.15				972,581,491.39		1,028,573,196.54	1,388,694,697.24	2,417,267,893.78
(2) Owners' contributions and capital reductions															393,728,035.02	393,728,035.02
1. Ordinary shares contributed by shareholders															28,912,000.00	28,912,000.00
2. Capital contributions by holders of other equity instruments																
3. Amount of sharebased payment included in owners' equity																
4. Others															364,816,035.02	364,816,035.02
(3) Profit Distribution									19,168,416.61			492,034,120.00		472,865,703.39	-1,162,522,685.53	-1,635,388,388.92
1. Appropriations to surplus reserve									19,168,416.61			-19,168,416.61				
2. Appropriations to general risk provisions																
3. Distribution to owners (shareholders)												472,865,703.39		472,865,703.39	-1,162,522,685.53	-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					7,532,111.75									7,532,111.75	1,592,546.62	9,124,658.37
IV. Closing balance for the period	1,362,725,370.00				2,069,245,101.87			93,569,998.57		711,971,309.99		6,104,843,404.90		10,342,355,185.33	5,248,896,051.45	15,591,251,236.78

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				2,271,399,045.35		8,168,968.22		681,362,685.00	3,241,538,883.32		7,565,194,951.89
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,271,399,045.35		8,168,968.22		681,362,685.00	3,241,538,883.32		7,565,194,951.89
III. Movements in the current period (Decreases denoted in "-")					-1,103,880.31		10,937,459.30			258,291,996.44		268,125,575.43
(1) Total comprehensive income							10,937,459.30			549,915,225.62		560,852,684.92
(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										-291,623,229.18		-291,623,229.18
1. Appropriations to surplus reserve										-291,623,229.18		-291,623,229.18
2. Distribution to owners (shareholders)												
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					-1,103,880.31							-1,103,880.31
IV. Closing balance for the period	1,362,725,370.00				2,270,295,165.04		19,106,427.52		681,362,685.00	3,499,830,879.76		7,833,320,527.32

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											Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	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 "-")					2,783,226.83			-13,361,344.65		19,168,416.61	839,699,332.19		848,289,630.98
(1) Total comprehensive income								-13,361,344.65			1,331,733,452.19		1,318,372,107.54
(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										19,168,416.61	-492,034,120.00		-472,865,703.39
1. Appropriations to surplus reserve										19,168,416.61	-19,168,416.61		
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					2,783,226.83								2,783,226.83
IV. Closing balance for the period	1,362,725,370.00				2,271,399,045.35			8,168,968.22		681,362,685.00	3,241,538,883.323		7,565,194,951.89

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

(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 air-conditioners of Qingdao Hisense Marketing Co., Ltd. (**"Hisense Marketing"**).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 2022, 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 statements by the Group. The consolidation scope has not changed in current period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 these notes.

(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 has 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 the 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, Japanese Yen or Mexican Peso 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 2022 to 30 June 2022

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

5. Accounting treatment for business combinations involving entities under 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 be adjusted in 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 the 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 minority 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 2022 to 30 June 2022

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 losses 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 2022 to 30 June 2022

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. All gains or losses arising from the amortization, impairment, exchange loss and derecognition of such financial assets which are not part of any hedging relationships with the effective interest method are recorded into current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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. All gains or losses arising from the financial assets which are not part of any hedging relationships, 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.

The Group designates the investments in equity instruments not held for trading as financial assets at fair value through other comprehensive income. Such designation cannot be revoked once made. The investments in equity instruments not held for trading designated as at fair value through other comprehensive income by the Group are initially measured at fair value with related transaction costs to be included in the initial recognition amount. Except for any received dividends (excluding those belonging to the recovery of the investment costs) which are included in the profit or loss for the period, other related gains or losses (including exchange gains and losses) are included in other comprehensive income and may not be transferred to the profit or loss for the period subsequently. Upon derecognition, the cumulative gains or losses previously included in other comprehensive income shall be transferred out and be included in retained earnings.

Other than the above financial assets classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 whole transfer of the financial asset meets the conditions for derecognition, the difference between the carrying amount of the transferred financial asset at the date of derecognition and the sum of the consideration received for the transfer and the accumulative amount of fair value changes originally recorded into other comprehensive income which is relevant to the portion of derecognition (the transferred financial asset shall meet all of the following conditions: the Group's business model for managing the financial asset is to collect contractual cash flows; and the contractual terms of the financial asset require that the cash flow generated on a specific date is only for the payment of interest based on the principal).

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 (the transferred financial asset shall meet all of the following conditions: the Group's business model for managing the financial asset is to collect contractual cash flows; and the contractual terms of the financial asset require that the cash flow generated on a specific date is only for the payment of interest based on the principal), 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

The Group classifies financial liabilities except the following items as being measured at amortized cost. Such financial liabilities are recognized with the effective interest method and subsequently measured at amortized cost.

- ① Financial liabilities (includes derivative instruments that are financial liabilities) at fair value through profit or loss include held-for-trading financial liabilities and financial liabilities designated as measured at fair value through profit or loss at initial recognition. Such financial liabilities 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.
- 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. The Group measures such financial liabilities according to the relevant rules on financial assets transfer.
- 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. When the Group is the issuer of such financial liabilities, their value is measured at whichever is higher of the loss reserve amount determined in accordance with the financial instrument impairment rules and the balance after subtracting the accumulated amortization amount determined in accordance with the income rules from the initially recognized amount, after initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

10. Financial assets and financial liabilities — Continued

(2) Financial liabilities — Continued

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

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.

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. 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)

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

12. Accounts receivable

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

13. Financing receivables

If both the bills receivable and accounts receivable meet the following conditions, the Group classifies it as financial assets at fair value through other comprehensive income, and presented as a receivables financing on the statement.

- (1) contractual cash flows is for the payment of interest based on the principal and the principal outstanding;
- (2) the objective of the Company's business model for managing the bills receivable and accounts receivable is both to collect contractual cash flows and to dispose the bills receivable and accounts receivable.

14. 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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

15. Inventories

The Group's inventories mainly include 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. Provision for decline in value of inventories is calculated or adjusted at the lower of cost and net realisable value. 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.

16. 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.

(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. Notes receivable" and "12. Accounts receivable" 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

17. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

18. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

18. Long-term equity investments — Continued

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.

Where the common control or significant influence over the investee is lost due to the partial disposal of equity investment, and the residual equity after disposal is accounted as per the *Accounting Standards for Enterprises No. 24: Recognition and Measurement of Financial Instruments (Accounting [2017] No. 7)*, the balance between the fair value and book value of such residual equity on the date when the common control or significant influence is lost shall be included in profit or loss for the period. Other comprehensive income recognized as a result of calculating original equity investment by equity method shall be accounted for on the same basis as that used by the investee to directly dispose of the relevant assets or liabilities when ceasing to use the equity method, and carried forward proportionately. Owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution, shall be transferred to current investment yield on a proportionate basis.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

18. Long-term equity investments — Continued

When the control over the investee is lost due to the partial disposal of long-term equity investment, for residual equity which still has common control or significant influence over the investee after disposal, it shall be accounted for under the equity method. Difference between the book value of equity disposed and the disposal consideration shall be included in investment income. Such residual equity shall be adjusted assuming that it is treated as being accounted for under the equity method since acquisition. For residual equity which cannot exercise common control or impose significant influence over the investee after disposal, it shall be accounted for as per the *Accounting Standards for Enterprises No. 22: Recognition and Measurement of Financial Instruments (Accounting [2017] No. 7)*, and the difference between book value of equity disposed and the disposal consideration shall be included in investment income, and the difference between fair value and the book value of residual equity on the date of loss of control shall be included in profit or loss for the period.

For each transaction where equity is disposed by the Group in stages until loss of control and which does not belong to a package transaction, the accounting for each transaction shall be conducted separately. For the "one-package transaction", the accounting treatment shall be conducted on each transaction as the transaction that disposes of subsidiary with loss of control. However, before loss of control, the difference between disposal price for each transaction and the book value of corresponding long-term investment of the equity disposed of, shall be recognized as other comprehensive income, and, upon loss of control, shall be transfer to the profit or loss for the period when the control is lost.

19. Investment properties

The Group's investment properties comprise rented out housing buildings and land. They are measured using the cost model.

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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

20. Fixed assets

Fixed assets of the Group are tangible assets 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 and equipment, electronic equipment, appliances and furniture, transportation equipment, offshore land, 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 and structures	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	Transportation equipment	5 – 10	5 – 10	9 – 19
5	Offshore land	Unlimited	Not applicable	Not applicable

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.

21. Construction in progress

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.

22. 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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

23. Right-of-use assets

The right-of-use assets refer to 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

After the commencement date, the Group shall measure the right-of-use assets 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 assets

At the commencement date, the Group depreciates the right-of-use assets. 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.

24. Intangible assets

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. Intangible assets acquired in a merger not under common control that are owned by the acquiree but not recognised in its financial statements are recognised as intangible assets at fair value on initial recognition of the acquiree's assets.

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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

24. Intangible assets — 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.

25. 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 2022 to 30 June 2022

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

25. 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.

26. 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.

27. Long-term prepaid expenses

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

28. 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 2022 to 30 June 2022

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

29. Employee compensation

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

30. 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 2022 to 30 June 2022

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

30. 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 Group 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).

31. 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 2022 to 30 June 2022

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

31. 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.

32. 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.

33. 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 2022 to 30 June 2022

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

33. 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 2022 to 30 June 2022

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

34. 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 2022 to 30 June 2022

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

35. 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.

36. 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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

37. 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

At the inception 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 "23. Right-of-use assets" and "30. Lease liabilities" of Note IV.

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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

37. 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 lessor

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

The lessor classifies the lease 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 finance 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 at a rental rate far below the market level for the next period.

1) Accounting treatment for finance lease

Initial measurement

At the beginning of the lease term, the Company confirms the finance lease receivable on the finance lease and terminates the recognition of the finance lease assets. When the initial measurement of the finance 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 2022 to 30 June 2022

IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

37. Lease — Continued

(3) The Group as lessor — Continued

1) Accounting treatment for finance 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 finance lease modification that is not accounted for as a separate lease, if the lease is classified as a finance 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 finance 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

37. Lease — *Continued*

(3) *The Group as lessor — Continued*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

38. 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 2022 to 30 June 2022

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 Air-Conditioning Co., Ltd.	15.00%
Hisense Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Mould Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Commercial Cold Chain Co., Ltd.	15.00%
Guangdong Kelon Mould Co., Ltd.	15.00%
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15.00%
Foshan Shunde Rongsheng Plastic Co., Ltd.	15.00%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	15.00%
Foshan Hisense Kelon Property Service Co., Ltd.	20.00%
Hisense (Chengdu) Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	15.00%
Kelon International Incorporation(KII)	8.25%/16.5%
Pearl River Electric Refrigerator Co., Ltd.	16.50%
Kelon Development Co., Ltd.	16.50%
Hisense (Hong Kong) America Manufacturing Co., Ltd.	16.50%
Hisense Mould(Deutschland) GmbH	15.00%
Hisense Monterrey Manufacturing, S.de R.L. de C.V	30.00%
Hisense Monterrey Property Management, S.de R.L. de C.V.	30.00%
Sanden Holdings Corporation	30.50%
Sanden International (Europe) GmbH	30.00%
SANDEN MANUFACTURING EUROPE S.A.S.	28.00%
SANDEN MANUFACTURING POLAND SP.ZO.O.	19.00%
SANDEN INTERNATIONAL (U.S.A.), INC.	21.00%
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	35.00%
SANDEN THAILAND CO., LTD.	20.00%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15.00%
Other overseas subsidiaries	5%-34%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

V. TAXATION — Continued

2. Tax preferences

Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202044005977) dated 19 December 2020 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 (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.

Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202044002017) dated 1 December 2020 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 (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 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.

Qingdao Hisense Commercial Cold Chain Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202137100462) dated 4 November 2021 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 (2021, 2022 and 2023). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax for this subsidiary is 15% in 2021, 2022 and 2023.

Hisense 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. The re-assessment of High/New Technology Enterprise status for Hisense (Guangdong) Kitchen and Bath System Co., Ltd., in 2022 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 2022 to 30 June 2022

V. TAXATION — *Continued*

2. Tax preferences — *Continued*

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. The re-assessment of High/New Technology Enterprise status for Foshan Shunde Rongsheng Plastic Co., Ltd., in 2022 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 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. The re-assessment of High/New Technology Enterprise status for Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd., in 2022 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.

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 20 December 2021. Hisense Rongsheng (Guangdong) Freezer Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2021, 2022 and 2023). According to the relevant tax preference regulation on Hightech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2021, 2022 and 2023.

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 12.50%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income between RMB1 million and RMB3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

Guangdong Foshan Shunde Kelon Property Service Co., Ltd., a subsidiary of the Company, meets the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2019] No. 13: engaging in industries not restricted or prohibited by the state and meeting the annual taxable income of no more than RMB3 million, the number of employees of no more than 300, and total assets of not exceeding RMB50 million; according to the relevant tax preferences for small and micro-sized enterprises, in 2021, the portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 12.50%, 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, received the Certificate of Hightech Enterprise (Number: GR202051003748) dated 3 December 2020 which was jointly issued by the Sichuan Science and Technology Department, Sichuan Finance Department and the State Administration of Taxation Sichuan Municipal Taxation Bureau, Sichuan State Taxation Bureau and Sichuan 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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

V. TAXATION — Continued

2. Tax preferences — Continued

Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202137101914) which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department and the State Administration of Taxation Qingdao Municipal Taxation Bureau, Qingdao State Taxation Bureau and Qingdao Local Taxation Bureau on 14 December 2021, with an effective period of three years (2021, 2022 and 2023). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2021, 2022 and 2023.

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 does not exceed HK\$2,000,000, while a rate of 16.5% is applied to the part which exceeds HK\$2,000,000; (2) for other Hong Kong subsidiaries: a rate of 16.5% is applied to all of them (the rate of profit tax for each company in 2020 was 16.5%).

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

For the following disclosed financial statement information, unless otherwise noted, "Opening Balance" refers to the balance as at 1 January 2022; and "Closing Balance" refers to the balance as at 30 June 2022. "Current Period" refers to the period from 1 January to 30 June 2022; "Previous Period" refers to the period from 1 January to 30 June 2021. The Currency is denominated in RMB.

1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	191,256.14	181,739.29
Bank deposits	3,810,506,491.69	2,872,579,821.13
Other cash at bank and on hand	3,987,642,885.70	4,149,810,938.32
Total	7,798,340,633.53	7,022,572,498.74
Including: Total amount deposited overseas	704,146,577.13	1,285,195,575.45

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: RMB3,941,878,100.90, at the beginning of the period: RMB4,133,804,056.37).

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

Item	Closing balance	Opening balance
Security deposit	3,983,989,023.33	4,143,395,704.06
Total	3,983,989,023.33	4,143,395,704.06

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	5,126,053,140.56	5,625,841,633.95
Including: Derivative financial assets	1,477,499.87	6,761,891.49
Wealth management products	5,124,575,640.69	5,619,079,742.46
Total	5,126,053,140.56	5,625,841,633.95

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 X, 1. Assets and liabilities measured at fair value.

3. Notes receivable

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

Category	Closing balance	Opening balance
Commercial acceptance notes	156,881,858.82	228,252,631.50
Total	156,881,858.82	228,252,631.50

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

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

As at the end of the period, the Group did not have pledged notes receivables used.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

3. Notes 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	233,554,865.32
Total	233,554,865.32

(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	160,154,212.78	100.00	3,272,353.96	2.04	156,881,858.82
Including:					
Commercial acceptance notes	160,154,212.78	100.00	3,272,353.96	2.04	156,881,858.82
Total	160,154,212.78	100.00	3,272,353.96	2.04	156,881,858.82

(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	232,639,718.15	100.00	4,387,086.65	1.89	228,252,631.50
Including:					
Commercial acceptance notes	232,639,718.15	100.00	4,387,086.65	1.89	228,252,631.50
Total	232,639,718.15	100.00	4,387,086.65	1.89	228,252,631.50

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

3. Notes receivable — Continued

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

1) 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	160,154,212.78	3,272,353.96	2.04
Total	160,154,212.78	3,272,353.96	2.04

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

Item	Changes during the period				Closing balance
	Opening balance	Provision	Recoveries or reversal	Write-off	
Commercial acceptance notes	4,387,086.65	2,356,145.65	3,470,878.34		3,272,353.96
Total	4,387,086.65	2,356,145.65	3,470,878.34		3,272,353.96

3) 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 2022 to 30 June 2022

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	9,442,984,253.06	100.00	174,724,764.39	1.85	9,268,259,488.67
Including:					
Ageing analysis method	2,101,874,517.35	22.26	122,788,060.02	5.84	1,979,086,457.33
Receivables from related parties	4,730,354,489.02	50.09	217,470.79		4,730,137,018.23
Other amount	2,610,755,246.69	27.65	51,719,233.58	1.98	2,559,036,013.11
Total	9,442,984,253.06	100.00	174,724,764.39	1.85	9,268,259,488.67

(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	8,940,918,328.96	100.00	183,840,950.91	2.06	8,757,077,378.05
Including:					
Ageing analysis method	2,446,392,728.13	27.36	129,301,296.36	5.29	2,317,091,431.77
Receivables from related parties	4,110,174,401.47	45.97	1,606.82		4,110,172,794.65
Other amount	2,384,351,199.36	26.67	54,538,047.73	2.29	2,329,813,151.63
Total	8,940,918,328.96	100.00	183,840,950.91	2.06	8,757,077,378.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 ageing analysis method:

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within three months	1,965,586,458.95	3,989,848.69	0.20
Over three months but within six months	12,321,484.70	1,232,148.47	10.00
Over six months but within one year	12,801,021.68	6,400,510.84	50.00
Over one year	111,165,552.02	111,165,552.02	100.00
Total	2,101,874,517.35	122,788,060.02	5.84

Note: This group is based on the ageing of Accounts receivable as credit risk characteristic and the provision for bad debts is made based on the expected credit loss of each ageing 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	4,730,137,018.23		
Over one year	217,470.79	217,470.79	100.00
Total	4,730,354,489.02	217,470.79	

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	2,610,755,246.69	51,719,233.58	1.98
Total	2,610,755,246.69	51,719,233.58	1.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	8,127,714,317.29	7,549,514,577.52
Over three months but within six months	536,485,489.78	449,245,994.77
Over six months but within one year	487,757,508.19	693,372,760.15
Over one year	291,026,937.80	248,784,996.52
Total	9,442,984,253.06	8,940,918,328.96

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

Category	Opening balance	Change during the period			Closing balance
		Provision	Received or reversal	Exchange rate movement	
Ageing analysis method	129,301,296.36	6,393,634.85	9,111,480.49	3,795,390.70	122,788,060.02
Receivables from related Parties	1,606.82	215,863.97			217,470.79
Other amount	54,538,047.73	10,891,892.33	16,187,374.40	152,480.06	51,719,233.58
Total	183,840,950.91	17,501,391.15	25,298,854.89	3,947,870.76	174,724,764.39

(4) Accounts receivable written-off during the year

Item	Written-off amount
Account receivable written-off	3,947,870.76

(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 RMB4,994,700,248.32, accounting for 52.89% of the closing balance of account receivable. A provision for bad debts of RMB4,549,282.54 in total was made as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	5,467,218,799.60	3,504,224,755.08
Commercial acceptance notes	189,646,825.63	165,454,305.86
Total	5,656,865,625.23	3,669,679,060.94

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	4,910,257,402.06	
Commercial acceptance notes	102,721,869.69	
Total	5,012,979,271.75	

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

The Group transferred accounts receivable of RMB43,040,000 without recourse rights and relevant costs were RMB517,248.18.

6. Prepayments

(1) Prepayments presented by ageing as follows

Ageing	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	293,296,912.21	95.90	345,266,527.56	99.77
Over one year	12,544,952.94	4.10	803,072.09	0.23
Total	305,841,865.15	100.00	346,069,599.65	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 RMB204,035,712.38, accounting for 66.71% of total closing balance of prepayments.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	67,444,930.04	153,473,105.41
Other receivables	353,975,163.97	330,569,190.97
Total	421,420,094.01	484,042,296.38

7.1 Dividend receivable

(1) Classification of dividends receivable

Item	Closing balance	Opening balance
Huayu Sanden Auto Air-Conditioning CO., LTD.	67,444,930.04	153,473,105.41
Total	67,444,930.04	153,473,105.41

(2) At the end of the period, the Group did not have any significant amount of dividends receivable aged over 1 year.

7.2 Other receivables

(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	92,549,125.27	66,327,016.91
Refund receivable	28,115,004.71	97,063,390.40
Other current account	358,606,874.65	294,946,899.08
Total	479,271,004.63	458,337,306.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

7. Other receivables — Continued

7.2 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	26,482,130.73	26,381,668.01	74,904,316.68	127,768,115.42
During the period, the balance of other receivables:	-	-	-	-
- transferred to second stage	-2,636,648.51	2,636,648.51		
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period	7,958,796.83	3,887,196.20		11,845,993.03
Reversal for the period	8,982,768.40	6,274,629.44		15,257,397.84
Written-off for the period				
Charge off for the period		145,292.24		145,292.24
Other changes	1,084,422.29			1,084,422.29
Closing balance	23,905,932.94	26,485,591.04	74,904,316.68	125,295,840.66

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 ageing, 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	291,528,578.57
Over three months but within six months	43,396,294.01
Over six months but within one year	25,171,385.25
Over one year	119,174,746.80
Total	479,271,004.63

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

7. Other receivables — Continued

7.2 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	58,030,000.00				58,030,000.00
Ageing analysis method	45,355,091.53	11,845,993.03	11,228,235.12	145,292.24	45,827,557.20
Receivables from related parties	924,664.83		568,308.83		356,356.00
Other amount	23,458,359.06		3,460,853.89	1,084,422.29	21,081,927.46
Total	127,768,115.42	11,845,993.03	15,257,397.84	145,292.24	125,295,840.66

(5) Other receivables written-off during the period

Item	Amount
Other receivables written-off	145,292.24

(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	Other current account	58,030,000.00	Over three years	12.11	58,030,000.00
Top 2	Security deposit	50,000,000.00	Within three months	10.43	
Top 3	Other current accounts	24,587,728.77	Within three months	5.13	
Top 4	tax refund receivable	23,466,423.82	Within three months	4.9	
Top 5	Other current accounts	22,070,309.73	Within three months	4.6	
Total	-	178,154,462.32	-	37.17	58,030,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	1,459,229,864.79	9,081,725.64	1,450,148,139.15
Works in progress	704,176,233.46	6,248,539.05	697,927,694.41
Finished goods	4,838,124,993.34	42,813,428.35	4,795,311,564.99
Total	7,001,531,091.59	58,143,693.04	6,943,387,398.55

(continued)

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,953,874,319.06	8,438,616.56	1,945,435,702.50
Works in progress	787,450,278.42	5,886,809.79	781,563,468.63
Finished goods	5,762,299,638.71	52,599,750.15	5,709,699,888.56
Total	8,503,624,236.19	66,925,176.50	8,436,699,059.69

(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	8,438,616.56	2,366,838.91		1,723,729.83		9,081,725.64
Works in progress	5,886,809.79	1,210,506.54		848,777.28		6,248,539.05
Finished goods	52,599,750.15	32,642,405.65		42,428,727.45		42,813,428.35
Total	66,925,176.50	36,219,751.10		45,001,234.56		58,143,693.04

(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		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

9. Contract assets

(1) Contractual assets

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Guarantee	8,895,488.22	4,461,430.96	4,434,057.26	15,424,545.33	5,221,946.83	10,202,598.50
Total	8,895,488.22	4,461,430.96	4,434,057.26	15,424,545.33	5,221,946.83	10,202,598.50

(2) Provision for impairment of contractual assets during the period

Item	Provision for the period	Reversal for the period	Written-off/charge of for the period	Reason
Guarantee		760,515.87		
Total		760,515.87		-

10. Non-current assets due within one year

Item	Closing balance	Opening balance
Time deposits due within one year	1,907,415,555.55	2,210,937,867.57
Total	1,907,415,555.55	2,210,937,867.57

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

11. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	1,644,208,699.86	2,012,245,610.33
Prepaid tax and tax deductible	639,111,876.58	797,724,954.48
Prepaid expenses	140,287,120.54	98,478,095.15
Total	2,423,607,696.98	2,908,448,659.96

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

12. Long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Change for the period						Closing balance	Closing balance of provision for impairment
				Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Others		
I. Joint ventures											
Hisense Marketing Management Co., Ltd.	50,296,828.45			4,107,217.61							54,404,046.06
Subtotal	50,296,828.45			4,107,217.61							54,404,046.06
II. Associates											
Qingdao Hisense Financial Holdings Co., Ltd.	378,544,813.91			6,184,125.13							384,728,939.04
Qingdao Hisense International Co., Ltd.	79,254,041.40			4,753,961.16	10,937,459.30	-1,103,880.31					93,841,581.55
Associates of Sanden Holdings	928,121,158.39			68,118,575.34			-838,981.82	-4,778,252.02		990,622,499.89	
Subtotal	1,385,920,013.70			79,056,661.63	10,937,459.30	-1,103,880.31	-838,981.82	-4,778,252.02		1,469,193,020.48	
III. Others											
Jiangxi Kelon Combine Electrical Appliances Co., Ltd.	11,000,000.00										11,000,000.00
Subtotal	11,000,000.00										11,000,000.00
Total	1,447,216,842.15			83,163,879.24	10,937,459.30	-1,103,880.31	-838,981.82	-4,778,252.02		1,534,597,066.54	11,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

12. Long-term equity investments — Continued

Note:

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

Including:

Item	Closing balance	Opening balance
Unlisted investments:		
Equity method	1,523,597,066.54	1,436,216,842.15
Joint ventures	54,404,046.06	50,296,828.45
Associates	1,469,193,020.48	1,385,920,013.70
Total	1,523,597,066.54	1,436,216,842.15

13. Other equity instrument investments

Other equity instrument investments

Item	Closing balance	Opening balance
Non-trading equity investments	34,918,015.38	38,707,912.25
Total	34,918,015.38	38,707,912.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

14. Investment properties

(1) Investment properties measured at cost

Item	Buildings and structures	Lands	Total
I. Original carrying amount			
1. Opening balance	262,450,391.52	40,609,100.24	303,059,491.76
2. Increase for the period			
3. Decrease for the period	14,101,706.36	15,128,608.97	29,230,315.33
(1) Disposal	3,565,590.20		3,565,590.20
(2) Exchange rate movements	10,536,116.16	15,128,608.97	25,664,725.13
4. Closing balance	248,348,685.16	25,480,491.27	273,829,176.43
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	67,719,410.98		67,719,410.98
2. Increase for the period	11,054,937.39		11,054,937.39
(1) Provision or amortisation	11,054,937.39		11,054,937.39
3. Decrease for the period	769,050.72		769,050.72
(1) Exchange rate movements	769,050.72		769,050.72
4. Closing balance	78,005,297.65		78,005,297.65
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	170,343,387.51	25,480,491.27	195,823,878.78
2. Carrying amount as at the beginning of the period	194,730,980.54	40,609,100.24	235,340,080.78

(2) Investment properties without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Mee King Building	689,725.19	Due to historical reasons; in the process of application

(3) Depreciation expenses amounted to RMB11,054,937.39 for the first half of 2022, compared to that of RMB3,336,439.12 for the first half of 2021.

(4) As at 30 June 2022, no investment properties were pledged by the Company.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

15. Fixed assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	5,141,061,216.88	5,188,560,700.49
Disposal of fixed assets	3,048,652.44	193,312.87
Total	5,144,109,869.32	5,188,754,013.36

15.1 Fixed assets

(1) Particulars of fixed assets

Item	Lands	Buildings and structures	Machinery and equipment	Electronics, furniture and fixtures	Motor vehicles	Total
I. Original carrying amount						
1. Opening balance	312,013,470.96	3,511,302,570.13	4,400,492,726.03	3,153,107,269.39	47,157,898.78	11,424,073,935.29
2. Increase for the period		78,026,220.66	481,184,401.35	75,579,386.58	5,100,875.21	639,890,883.80
(1) Additions		16,032,510.90	137,385,745.78	26,238,337.60	2,236,944.12	181,893,538.40
(2) Transfer from construction in progress		61,993,709.76	343,798,655.57	49,341,048.98	2,863,931.09	457,997,345.40
3. Decrease for the period	13,691,031.61	79,030,311.45	83,765,641.60	54,031,770.53	4,792,972.72	235,311,727.91
(1) Disposal or retirement			45,381,473.50	42,120,406.19	4,033,401.72	91,535,281.41
(2) Exchange rate movement	13,691,031.61	79,030,311.45	38,384,168.10	11,911,364.34	759,571.00	143,776,446.50
4. Closing balance	298,322,439.35	3,510,298,479.34	4,797,911,485.78	3,174,654,885.44	47,465,801.27	11,828,653,091.18
II. Accumulated depreciation						
1. Opening balance		1,312,741,612.78	2,365,201,918.62	2,431,501,316.34	29,164,932.08	6,138,609,779.82
2. Increase for the period		85,069,309.37	267,293,122.61	154,465,438.20	3,162,302.65	509,990,172.83
(1) Provision		85,069,309.37	267,293,122.61	154,465,438.20	3,162,302.65	509,990,172.83
3. Decrease for the period		1,252,180.72	40,897,401.57	40,050,800.04	3,836,324.12	86,036,706.45
(1) Disposal or retirement			38,238,030.08	40,050,800.04	3,829,096.49	82,117,926.61
(2) Exchange rate movement		1,252,180.72	2,659,371.49		7,227.63	3,918,779.84
4. Closing balance		1,396,558,741.43	2,591,597,639.66	2,545,915,954.50	28,490,910.61	6,562,563,246.20
III. Provision for impairment						
1. Opening balance		7,877,581.92	86,961,068.91	2,061,881.52	2,922.63	96,903,454.98
2. Increase for the period			18,832,059.90	10,473,731.49	39,357.94	29,345,149.33
(1) Provision			18,832,059.90	10,473,731.49	39,357.94	29,345,149.33
3. Decrease for the period			1,100,583.28	119,392.93		1,219,976.21
(1) Disposal or retirement			1,100,583.28	119,392.93		1,219,976.21
4. Closing balance		7,877,581.92	104,692,545.53	12,416,220.08	42,280.57	125,028,628.10
IV. Carrying amount						
1. Carrying amount as at the end of the period	298,322,439.35	2,105,862,155.99	2,101,621,300.59	616,322,710.86	18,932,610.09	5,141,061,216.88
2. Carrying amount as at the beginning of the period	312,013,470.96	2,190,683,375.43	1,948,329,738.50	719,544,071.53	17,990,044.07	5,188,560,700.49

The fixed assets transferred from construction in progress amounted to RMB457,997,345.40 for the first half of 2022, compared to that of RMB148,174,192.42 for the first half of 2021.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

15. Fixed assets — Continued

15.1 Fixed assets — Continued

(2) Depreciation expenses amounted to RMB509,990,172.83 for the first half of 2022, compared to that of RMB452,314,098.40 for the first half of 2021.

(3) The rent out fixed asset under operating lease

Item	Closing carrying amount
Buildings and structures	247,258,049.09
Machinery and equipments, etc.	11,113,741.50
Total	258,371,790.59

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

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	409,118,470.09	Achieved scheduled availability and were reclassified as fixed assets, the issuance of ownership certificate is in progress

15.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	3,048,652.44	193,312.87
Total	3,048,652.44	193,312.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

16. Constructions in progress

Item	Closing balance	Opening balance
Construction in progress	716,679,200.89	665,964,066.15
Total	716,679,200.89	665,964,066.15

(1) Breakdown of constructions in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Air conditioning infrastructure project	2,861,411.80		2,861,411.80	2,861,411.80		2,861,411.80
Refrigerator infrastructure project	459,770,635.19		459,770,635.19	328,917,989.55		328,917,989.55
Others	266,804,480.99	12,757,327.09	254,047,153.90	334,184,664.80		334,184,664.80
Total	729,436,527.98	12,757,327.09	716,679,200.89	665,964,066.15		665,964,066.15

(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					
Air conditioning infrastructure project	2,861,411.80				2,861,411.80	433,753,816.31	86.75	Not completed	Self funding
Refrigerator infrastructure project	328,917,989.55	136,057,978.34		5,205,332.70	459,770,635.19	544,082,849.90	85.46	Not completed	Self funding
Others	334,184,664.80	425,904,649.06	457,997,345.40	35,287,487.47	266,804,480.99			Not completed	Self funding
Total	665,964,066.15	561,962,627.40	457,997,345.40	40,492,820.17	729,436,527.98	977,836,666.21	-	-	-

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

(3) Provision for impairment of construction in progress during the Period

Items	Provision amount during the Period	Reason for provision
Other items	12,757,327.09	
Total	12,757,327.09	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

17. Right of use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Opening balance	233,304,130.13	233,304,130.13
2. Increase for the period	44,112,863.50	44,112,863.50
(1) Rental	44,112,863.50	44,112,863.50
3. Decrease for the period	21,950,885.05	21,950,885.05
(1) Disposal	4,734,123.74	4,734,123.74
(2) Exchange rate movement	17,216,761.31	17,216,761.31
4. Closing balance	255,466,108.58	255,466,108.58
II. Accumulated depreciation		
1. Opening balance	23,626,085.08	23,626,085.08
2. Increase for the period	57,731,035.10	57,731,035.10
(1) Provision	57,731,035.10	57,731,035.10
3. Decrease for the period	3,273,141.91	3,273,141.91
(1) Disposal	3,273,141.91	3,273,141.91
4. Closing balance	78,083,978.27	78,083,978.27
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	177,382,130.31	177,382,130.31
2. Carrying amount as at the beginning of the period	209,678,045.05	209,678,045.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

18. 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	1,066,511,514.51	663,195,362.44	82,835,184.40	794,759,590.57	409,430,319.24	3,016,731,971.16
2. Increase for the period					30,526,696.74	30,526,696.74
(1) Additions					30,526,696.74	30,526,696.74
3. Decrease for the period	162,053.25				9,119,603.78	9,281,657.03
(1) Exchange rate movement	162,053.25				9,119,603.78	9,281,657.03
4. Closing balance	1,066,349,461.26	663,195,362.44	82,835,184.40	794,759,590.57	430,837,412.20	3,037,977,010.87
II. Accumulated amortisation						
1. Opening balance	295,161,328.86	219,794,249.26	45,680,208.42	214,396,177.32	260,653,150.44	1,035,685,114.30
2. Increase for the period	11,180,278.75	19,517,924.53	2,000,000.00	48,020,282.92	37,256,820.95	117,975,307.15
(1) Provision	11,180,278.75	19,517,924.53	2,000,000.00	48,020,282.92	37,256,820.95	117,975,307.15
3. Decrease for the period						
4. Closing balance	306,341,607.61	239,312,173.79	47,680,208.42	262,416,460.24	297,909,971.39	1,153,660,421.45
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						
4. Closing balance	50,012,843.19	286,061,116.40			519,447.21	336,593,406.80
IV. Carrying amount						
1. Carrying amount as at the end of the period	709,995,010.46	137,822,072.25	35,154,975.98	532,343,130.33	132,407,993.60	1,547,723,182.62
2. Carrying amount as at the beginning of the period	721,337,342.46	157,339,996.78	37,154,975.98	580,363,413.25	148,257,721.59	1,644,453,450.06

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

Item	Carrying amount	Reason for not completing certificate of ownership
Land use rights	39,929,993.85	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 2022 to 30 June 2022

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

18. Intangible assets — Continued

(3) Notes to intangible assets

- 1) Amortization of intangible assets amounted to RMB117,975,307.15 for the first half of 2022, compared to that of RMB117,531,038.50 for the first half of 2021.
- 2) As at the end of the period, no land use rights were pledged.
- 3) As of 30 June 2022, 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 20.80% 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 year and no provision for impairment was made.

19. Goodwill

(1) The original value of goodwill

Name of investee	Opening balance	Increase for the period	Decrease for the period	Closing balance
Qingdao Hisense Hitachi Air- Conditioning System Co., Ltd.	132,571,746.36			132,571,746.36
Sanden Company	93,837,131.40			93,837,131.40
Total	226,408,877.76			226,408,877.76

(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 or asset portfolio to which goodwill belongs

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.

The goodwill formed by the Company's acquisition of Sanden Company is reflected in the related business asset group of Sanden Company at the acquisition date. Since it can generate cash flow independently, the Company regards development, design, manufacturing, and sales of related products of Sanden Company as an asset group and allocated the goodwill of RMB93,837,131.40 to the asset group.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

19. Goodwill — Continued

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

The recoverable amount of asset group containing goodwill 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, assuming that the cash flow remains unchanged after 5 years. A pre-tax rate that reflects the specific risk of the relevant asset groups is adopted as the discount rate.

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.

20. Long-term prepaid expenses

Item	Opening balance	Increase for the period	Amortization for the period	Other deductions for the period	Closing balance
Long-term prepaid expenses	26,229,463.77	15,324,837.28	7,645,763.19		33,908,537.86
Total	26,229,463.77	15,324,837.28	7,645,763.19		33,908,537.86

21. 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	157,826,471.43	32,575,731.54	189,030,821.62	38,936,857.33
Accrued expenses	4,256,397,162.72	747,083,344.78	4,228,752,519.81	743,857,840.75
Others	885,329,880.23	157,712,158.95	904,191,138.56	160,431,999.99
Total	5,299,553,514.38	937,371,235.27	5,321,974,479.99	943,226,698.07

(2) *Undeducted deferred tax liabilities*

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	413,357,361.34	69,045,727.46	316,711,936.48	54,796,099.85
Transactional financial assets	63,096,728.88	15,769,773.26	36,817,366.92	8,686,861.03
Asset appraisal appreciation due to business combination involving entities not under common control	257,469,955.72	58,707,512.46	276,129,764.30	62,260,782.07
Others	280,320,310.50	85,497,694.70	307,644,154.23	93,831,467.04
Total	1,014,244,356.44	229,020,707.88	937,303,221.93	219,575,209.99

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

21. Deferred tax assets and deferred tax liabilities — Continued

(3) Deferred income tax assets or liabilities stated at net of offset

Item	Deferred income tax assets and liabilities offset amounts at the end of the period	Closing balance of deferred income tax assets and liabilities balance after offsetting	Deferred income tax assets and liabilities offset amounts at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred tax assets	55,760,178.26	881,611,057.01	45,357,753.69	897,868,944.38
Deferred tax liabilities	55,760,178.26	173,260,529.62	45,357,753.69	174,217,456.30

22. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	4,865,422,000.01	5,293,818,555.55
Others	279,002,716.71	385,285,950.79
Total	5,144,424,716.72	5,679,104,506.34

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

23. Short-term borrowings

(1) Categories of short-term borrowings

Categories of borrowings	Closing balance	Opening balance
Credit borrowings	212,326,780.12	506,386,195.58
Guarantee borrowings	1,376,777,776.95	2,331,558,482.32
Mortgage borrowings	20,203,758.19	21,039,551.59
Total	1,609,308,315.26	2,858,984,229.49

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

24. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	8,027,917.21	244.38
Including: Derivative financial liabilities	8,027,917.21	244.38
Total	8,027,917.21	244.38

25. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	7,263,575,635.03	8,297,769,116.19
Commercial acceptance notes	3,486,682,693.07	3,216,186,573.39
Total	10,750,258,328.10	11,513,955,689.58

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

26. Accounts payable

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

Ageing	Closing balance	Opening balance
Within one year	10,815,716,023.93	11,686,087,910.82
Over one year	107,863,307.85	93,192,797.74
Total	10,923,579,331.78	11,779,280,708.56

Note: As at 30 June 2022, accounts payable with ageing of over one year amounted to RMB107,863,307.85 (31 December 2021: RMB93,192,797.74), which represented mainly raw material payable and was not settled yet.

27. Contract liability

Item	Closing balance	Opening balance
Advance payments	1,649,808,399.53	1,147,112,513.32
Total	1,649,808,399.53	1,147,112,513.32

Note: The balance of contract liability at the beginning of the period recognised as revenue during the period amounted to RMB1,050,974,829.25.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

28. Employee remunerations payable

(1) *Categories of employee remunerations payable*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term compensations	927,881,109.67	3,727,713,589.51	3,830,983,081.95	824,611,617.23
Post-employment benefits - defined contribution plans	705,321.31	189,498,913.66	188,747,225.77	1,457,009.20
Termination benefits	49,000.00	5,155,360.54	5,204,360.54	
Total	928,635,430.98	3,922,367,863.71	4,024,934,668.26	826,068,626.43

(2) *Short-term remunerations*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages and salaries, bonuses, allowances and subsidies	911,615,564.36	3,419,886,029.25	3,521,998,449.87	809,503,143.74
Staff welfare	7,650,965.81	111,471,644.08	111,607,780.74	7,514,829.15
Social insurance	4,520,184.75	82,428,313.95	83,237,619.67	3,710,879.03
Including: Medical insurance	4,203,199.16	70,922,903.14	71,695,096.91	3,431,005.39
Work-related injury insurance	256,528.10	7,597,807.59	7,640,490.57	213,845.12
Maternity insurance	60,457.49	3,907,603.22	3,902,032.19	66,028.52
Housing provident funds	1,623,129.86	95,405,409.88	95,775,375.25	1,253,164.49
Labour union funds and employee education funds	2,471,264.89	18,522,192.35	18,363,856.42	2,629,600.82
Total	927,881,109.67	3,727,713,589.51	3,830,983,081.95	824,611,617.23

(3) *Defined contribution plans*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	658,573.94	184,527,311.13	183,766,013.04	1,419,872.03
Unemployment insurance	46,747.37	4,971,602.53	4,981,212.73	37,137.17
Total	705,321.31	189,498,913.66	188,747,225.77	1,457,009.20

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

29. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	274,396,372.45	148,312,802.04
Enterprise income tax	253,109,375.72	442,961,346.82
Others	128,027,897.96	134,138,913.57
Total	655,533,646.13	725,413,062.43

30. Other payables

Item	Closing balance	Opening balance
Other payables	3,944,388,273.31	3,425,374,535.37
Total	3,944,388,273.31	3,425,374,535.37

(1) Other payables by nature

Item	Closing balance	Opening balance
Current account	2,988,237,808.94	2,671,222,147.29
Deposit and margin	537,676,840.58	651,481,871.87
Payment for project and equipment	126,850,394.61	102,670,516.21
Dividends payable	291,623,229.18	
Total	3,944,388,273.31	3,425,374,535.37

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

31. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	15,277,544.96	15,197,567.63
Lease liabilities due within one year	127,791,888.80	156,152,292.88
Total	143,069,433.76	171,349,860.51

32. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	1,098,547,880.93	715,171,993.70	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	3,830,644,478.67	3,349,753,893.92	Incurred but not yet settled
Others	1,912,803,468.12	1,397,449,719.72	Incurred but not yet settled
Total	6,841,995,827.72	5,462,375,607.34	

33. Long-term borrowings

Categories of borrowings	Closing balance	Opening balance
Mortgage borrowings	142,464.84	244,339.70
Guarantee borrowings	24,600,427.87	32,148,420.42
Credit borrowings	16,029,044.96	15,187,643.35
Less: Long-term borrowings due within one year	15,277,544.96	15,197,567.63
Total	25,494,392.71	32,382,835.84

34. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	306,747,814.89	395,949,053.40
Total	306,747,814.89	395,949,053.40

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

35. Long-term employee remunerations payable

Item	Closing balance	Opening balance
Other long-term benefits	142,599,832.10	143,732,252.27
Total	142,599,832.10	143,732,252.27

36. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	123,181,825.99	145,852,661.79	Estimated litigation compensation
Provision for warranties	798,912,370.81	786,315,935.89	Estimated quality guarantee of products
Others	397,602,468.95	485,121,129.04	Estimated other expenditures
Total	1,319,696,665.75	1,417,289,726.72	-

37. Deferred income

(1) Categories of deferred Income

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for occurrence
Government grants	152,987,034.48	16,110,538.47	19,066,172.35	150,031,400.60	Amortization of government grants
Total	152,987,034.48	16,110,538.47	19,066,172.35	150,031,400.60	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

37. Deferred income — Continued

(2) Government grants

Government grants	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 high precision smart moulds	186,666.67		140,000.00		46,666.67	Related to assets
Technological transformation project for system integration of green supply chain of freezers	8,987,809.46		690,597.42		8,297,212.04	Related to assets
The invested guidance fund within the budget of central government for development of national service industry for 2018	3,445,000.00		265,000.00		3,180,000.00	Related to assets
Technological transformation projects	10,628,560.80		1,099,394.46		9,529,166.34	Related to assets
Other related to assets	107,888,997.55	16,110,538.47	10,585,525.42	-6,285,655.05	107,128,355.55	Related to assets
Other related to revenue	400,000.00				400,000.00	Related to revenue
Total	152,987,034.48	16,110,538.47	12,780,517.30	-6,285,655.05	150,031,400.60	

38. Other non-current liabilities

Item	Closing balance	Opening balance
Others	20,120,349.97	28,258,009.23
Total	20,120,349.97	28,258,009.23

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

39. Share capital

Item	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

40. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	1,956,823,650.95	1,317,382.75	1,761,579.32	1,956,379,454.38
Other capital reserve	112,421,450.92		1,103,880.31	111,317,570.61
Total	2,069,245,101.87	1,317,382.75	2,865,459.63	2,067,697,024.99

The change in share capital premium is mainly due to the effect of changes in the share of ownership interest in subsidiaries.

Main reason for the change in other capital surplus: the effect of changes in other equity in companies accounted for under the equity method.

41. Other comprehensive income

Item	Opening balance	Amount incurred in the period						Closing balance
		income tax for the period	Amount before profit or loss in current period	Less: Amount included in other comprehensive income in previous period and transferred to retained earnings in current period	Less: income tax expense	Attributable to parent after tax	Attributable to minority interest 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	93,669,998.57	33,260,562.33				44,758,964.99	-11,498,402.66	138,428,963.56
Including: other comprehensive income that would be reclassified into profit or loss under equity method	8,268,968.22	10,937,459.30				10,937,459.30		19,206,427.52
Difference arising from translation of financial statements presented in foreign currency	66,604,509.35	19,253,832.62				31,523,236.01	-12,269,403.39	98,127,745.36
Other	18,796,521.00	3,069,270.41				2,298,269.68	771,000.73	21,094,790.68
Total other comprehensive income	93,569,998.57	33,260,562.33				44,758,964.99	-11,498,402.66	138,328,963.56

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

42. Surplus reserve

Item	Opening balances	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	711,971,309.99			711,971,309.99
Total	711,971,309.99			711,971,309.99

Note: The Company shall set aside 10% of its net profit as legal reserve. If the accumulated legal reserve reaches more than 50% of the Company's registered capital, no further withdrawal shall be made.

43. Undistributed profits

Item	Amount for the period	Amount for the previous period
Balances at the end of the previous period	6,104,843,404.90	5,624,296,033.51
Add: Adjustment of undistributed profits at the beginning of the period		
Balances at the beginning of the period	6,104,843,404.90	5,624,296,033.51
Add: Net profits attributable to owners of the parent company for the period	620,234,267.46	972,581,491.39
Less: Appropriation of statutory surplus reserve		19,168,416.61
Dividends payable on ordinary shares	291,623,229.18	472,865,703.39
Balances at the end of the period	6,433,454,443.18	6,104,843,404.90

44. 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	34,975,874,128.91	27,819,958,638.29	29,042,795,353.83	22,425,255,381.23
Other operations	3,331,364,569.94	3,113,077,759.11	3,381,019,356.64	3,209,481,710.78
Total	38,307,238,698.85	30,933,036,397.40	32,423,814,710.47	25,634,737,092.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

44. 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	18,946,839,080.54	14,234,562,708.07	16,129,562,897.28	11,864,612,899.62
Refrigerators and washing machines	10,426,711,894.49	8,728,393,838.82	11,128,016,621.13	9,013,324,336.98
Others	5,602,323,153.88	4,857,002,091.40	1,785,215,835.42	1,547,318,144.63
By operating regions:				
Domestic	20,654,298,103.61	14,721,242,144.61	18,400,504,662.25	12,513,276,690.83
Overseas	14,321,576,025.30	13,098,716,493.68	10,642,290,691.58	9,911,978,690.40
Total	34,975,874,128.91	27,819,958,638.29	29,042,795,353.83	22,425,255,381.23

45. Tax and surcharges

Item	Amount for the period	Amount for the previous period
City maintenance and construction tax	62,972,493.14	49,835,680.61
Education surcharges	44,010,701.77	26,510,679.70
Others	134,248,453.13	109,360,116.42
Total	241,231,648.04	185,706,476.73

46. Sales expenses

Item	Amount for the period	Amount for the previous period
Sales expenses	4,060,709,601.69	4,146,338,659.12
Total	4,060,709,601.69	4,146,338,659.12

Note: In the first half of 2022, sales expenses mainly include after-sale expenses, publicity and promotion, end employee compensation, with the percentage to the total sales expenses over 70% (first half of 2021: over 70%).

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

47. Management expenses

Item	Amount for the period	Amount for the previous period
Management expenses	856,747,306.06	460,341,123.45
Total	856,747,306.06	460,341,123.45

Note: In the first half of 2022, 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 2021: over 80%).

48. Research and development expenses

Item	Amount for the period	Amount for the previous period
Research and development expenses	1,067,706,086.41	836,068,530.36
Total	1,067,706,086.41	836,068,530.36

Note: In the first half of 2022, 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 2021: over 80%).

49. Financial expenses

Item	Amount for the period	Amount for the previous period
Interest expenses	40,469,080.28	16,366,968.89
Less: Interest income	26,064,751.83	139,206,806.04
Add: Exchange losses	-89,240,636.87	65,273,086.61
Other expenses	8,031,634.33	13,491,985.76
Total	-66,804,674.09	-44,074,764.78

Note: In the first half of 2022, interest expenses included interest expenses on lease liabilities of RMB5,443,195.70 (first half of 2021: RMB1,803,390.87). Other interest expenses for the first half of 2022 and the first half of 2021 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 2022 to 30 June 2022

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

50. Other income

Sources of other income	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the year
Immediate refund of value-added tax	112,459,513.84	118,461,410.68	
Others	75,536,089.51	143,881,250.93	75,536,089.51
Total	187,995,603.35	262,342,661.61	75,536,089.51

51. Investment gain

Item	Amount for the period	Amount for the previous period
Gains on long-term equity investment accounted for under equity method	83,163,879.24	58,004,642.77
Investment gains on disposal of transactional financial assets	61,486,216.54	78,910,716.04
Others	131,435,145.44	315,175.94
Total	276,085,241.22	137,230,534.75

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

Investee	Amount for the period	Amount for the previous period
Hisense Financial Holdings	6,184,125.13	-3,393,195.66
Hisense Marketing Management	4,107,217.61	4,582,135.38
Hisense International	4,753,961.16	46,635,241.13
Associates of Sanden Company	68,118,575.34	10,180,461.92
Total	83,163,879.24	58,004,642.77

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 2022 to 30 June 2022

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

52. Gains 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	36,366,241.82	4,757,540.32
Including: Gains from changes in fair value of derivative financial instruments	-5,174,807.00	-848,341.89
Transactional financial liabilities	-8,027,673.00	17,236.00
Including: Gains from changes in fair value of derivative financial instruments	-8,027,673.00	17,236.00
Total	28,338,568.82	4,774,776.32

53. Impairment losses on credit

Item	Amount for the period	Amount for the previous period
Losses on bad debts of notes receivable	1,114,732.69	427,774.60
Losses on bad debts of accounts receivable	7,797,463.74	3,068,443.02
Losses on bad debts of other receivables	3,411,404.81	1,920,558.54
Total	12,323,601.24	5,416,776.16

54. Impairment losses on assets

Item	Amount for the period	Amount for the previous period
Decline in value of inventories	-29,128,670.86	-10,833,909.24
Impairment loss on fixed assets	-30,298,894.06	
Impairment loss on contractual assets	760,515.87	
Impairment loss on construction in progress	-13,142,362.83	
Total	-71,809,411.88	-10,833,909.24

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

55. 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	-417,676.97	3,498,168.18	-417,676.97
Including: Gains on disposal of non-current assets not classified as held for sale	-417,676.97	3,498,168.18	-417,676.97
Including: Gains on disposal of fixed assets	-444,400.49	3,498,168.18	-444,400.49
Gains on disposal of intangible assets	26,723.52		26,723.52
Total	-417,676.97	3,498,168.18	-417,676.97

56. Non-operating income

(1) Particulars of non-operating income

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	1,917,116.33	2,486,237.66	1,917,116.33
Government grants	51,468,359.25	46,582,940.74	51,468,359.25
Others	68,683,378.27	20,912,964.17	68,683,378.27
Total	122,068,853.85	69,982,142.57	122,068,853.85

(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		112,459,513.84		118,461,410.68	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		690,597.42	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		1,099,394.46		903,926.06	Related to assets
Other government grants related to assets		10,585,525.42		7,768,709.90	Related to assets
Other government grants related to daily operation		62,755,572.21		134,113,017.55	Related to income
Government grants not related to daily operation	51,468,359.25		46,582,940.74		Related to income
Total	51,468,359.25	187,995,603.35	46,582,940.74	262,342,661.61	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

57. 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	5,521,284.22	1,198,873.67	5,521,284.22
Others	29,210,770.62	-2,267,471.07	29,210,770.62
Total	34,732,054.84	-1,068,597.40	34,732,054.84

58. Income tax expense

(1) Income tax expense

Item	Amount for the period	Amount for the previous period
Current income tax expense	349,955,068.71	365,942,619.57
Including: PRC enterprise income tax	321,631,512.71	362,992,335.92
Hong Kong profit tax		
Deferred income tax expense	21,422,693.07	-19,026,909.81
Total	371,377,761.78	346,915,709.76

(2) Reconciliation of accounting profit and income tax expense

Item	Amount for the period
Total profits	1,734,465,058.13
Income tax expense calculated at the statutory (or applicable) tax rate	450,027,563.56
Effect of different tax rates applicable to certain subsidiaries	-111,637,473.74
Adjustments of income tax for the previous period	643,051.58
Effect of non-taxable income	-3,761,325.98
Effect of non-deductible costs, expenses and losses	20,602,767.26
Effect of the utilisation of deductible losses and deductible differences not recognised as deferred income tax assets for the previous period	-31,229,905.28
Effect of deductible temporary differences or deductible losses not recognised as deferred income tax assets for the period	132,544,232.35
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	-85,811,147.97
Others	
Income tax expense	371,377,761.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

59. Other comprehensive income

For details, please refer to relevant information as set out in note “VI.41. Other comprehensive income”.

60. 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	32,747,454.58	37,747,542.57
Government grants	125,855,748.28	190,839,241.04
Others	492,750,774.12	282,291,489.41
Total	651,353,976.98	510,878,273.02

2) Other cash paid related to operating activities

Item	Amount for the period	Amount for the previous period
Cash payments	3,548,713,208.30	2,597,198,286.59
Others	378,681,741.99	251,362,213.98
Total	3,927,394,950.29	2,848,560,500.57

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	7,851,048,662.54	8,303,075,489.68
Net cash paid for acquisitions of subsidiaries and other operating units		1,018,588,166.01
Total	7,851,048,662.54	9,321,663,655.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

60. 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	6,055,544,534.91	8,394,862,538.33
Total	6,055,544,534.91	8,394,862,538.33

5) Other cash received related to financing activities

Item	Amount for the period	Amount for the previous period
Security deposit	191,925,955.47	
Borrowings	770,769,596.57	646,338,288.47
Total	962,695,552.04	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
Payment for the principal and interest on lease liabilities	14,906,142.14	21,611,052.73
Repayment of loans	419,000,000.00	
Total	433,906,142.14	536,561,240.18

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

60. 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	1,363,087,296.35	1,331,261,631.57
Add: Provision for asset impairment	71,809,411.88	10,833,909.24
Impairment losses on credit	-12,323,601.24	-5,416,776.16
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	521,045,110.22	455,650,537.52
Depreciation of right-of-use assets	57,731,035.10	27,169,392.44
Amortisation of intangible assets	117,975,307.15	117,531,038.50
Amortisation of long-term deferred expenses	7,645,763.19	22,354,859.33
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain denoted in "-")	417,676.97	-3,498,168.18
Losses on retirement of fixed assets (Gain denoted in "-")	3,604,167.89	-1,287,363.99
Losses from changes in fair value (Gain denoted in "-")	-28,338,568.82	-4,774,776.32
Financial expenses (Gain denoted in "-")	40,469,080.28	16,366,968.89
Investment losses (Gain denoted in "-")	-276,085,241.22	-137,230,534.75
Decrease in deferred income tax assets (Increase denoted in "-")	16,257,887.37	18,405,878.49
Increase in deferred income tax liabilities (Decrease denoted in "-")	-956,926.68	-3,808,430.86
Decrease in inventories (Increase denoted in "-")	1,502,093,144.60	-484,262,177.37
Decrease in operating receivables (Increase denoted in "-")	-2,207,343,912.85	-3,016,432,427.60
Increase in operating payables (Decrease denoted in "-")	-457,059,051.92	3,741,763,379.14
Others		
Net cash flows from operating activities	720,028,578.27	2,084,626,939.89
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	3,814,351,610.20	3,802,768,453.39
Less: Cash balances at the beginning of the period	2,879,176,794.68	1,617,202,572.26
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	935,174,815.52	2,185,565,881.13

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

60. Items in the cash flows statement — Continued

(3) Cash and cash equivalents

Item	Closing balances	Opening balances
Cash	3,814,351,610.20	2,879,176,794.68
Including: Cash on hand	191,256.14	181,739.29
Bank deposits readily available for payment	3,810,506,491.69	2,872,579,821.13
Other cash at bank and on hand readily available for payment	3,653,862.37	6,415,234.26
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalent balances at the end of the period	3,814,351,610.20	2,879,176,794.68
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

61. Assets with limited ownership or use rights

Item	Closing carrying amount	Reason for limitation
Cash at bank and on hand	3,983,989,023.33	As collaterals for bank acceptance bill and other security deposit
Non-current assets due within one year	900,063,000.00	As collaterals for bank acceptance bill
Other non-current assets	1,000,000,000.00	As collaterals for bank acceptance bill
Others	147,019,677.59	Borrowings of Sanden Company
Total	6,031,071,700.92	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

62. 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	64,500,016.86	6.7114	432,885,413.15
EUR	28,244,424.32	7.0084	197,948,223.40
HKD	1,632,168.57	0.85519	1,395,814.24
JPY	4,840,485,007.00	0.049136	237,842,071.30
Accounts receivable			
Including: USD	76,380,371.41	6.7114	512,619,224.68
EUR	85,941,666.80	7.0084	602,313,577.60
JPY	7,664,026,100.00	0.049136	376,579,586.45
Other receivables			
Including: USD	15,923,361.38	6.7114	106,868,047.57
EUR	904,438.58	7.0084	6,338,667.34
JPY	2,612,249,420.00	0.049136	128,355,487.50
Short-term borrowings			
Including: EUR	4,061,000.00	7.0084	28,461,112.40
JPY	29,290,220,000.00	0.049136	1,439,204,249.92
INR	235,985,367.82	0.08549664	20,175,956.04
Accounts payable			
Including: USD	14,041,702.04	6.7114	94,239,479.07
EUR	26,732,511.87	7.0084	187,352,136.19
JPY	18,344,146,206.00	0.049136	901,357,967.98
Other payables			
Including: USD	106,463,694.14	6.7114	714,520,436.85
EUR	6,159,272.38	7.0084	43,166,644.55
JPY	18,462,156,300.00	0.049136	907,156,511.96
Long-term borrowings			
Including: INR	264,803,655.17	0.08549664	22,639,822.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

62. 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 Company	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 INTERNATIONAL (SINGAPORE) PTE.LTD.	Singapore	USD	No
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	India	INR	No
SANDEN THAILAND CO., LTD.	Thailand	THB	No

63. Government grants

(1) Basic information of government grants

Category	Amount	Item presented	Amount included in profit or loss for the period
Related to assets	16,110,538.47	Deferred income	12,780,517.30
Related to income	175,215,086.05	Other income	175,215,086.05
Related to income	51,468,359.25	Non-operating revenue	51,468,359.25

(2) Refund of government grants

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

64. 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	Air conditioning	Refrigerators and washing machines	Others	Inter-segment elimination	Total
1. Revenue from external sales	18,946,839,080.54	10,426,711,894.49	5,602,323,153.88		34,975,874,128.91
2. Revenue from inter-segment transactions	144,903.98	5,531,322.27	1,325,032,208.40	-1,330,708,434.65	
3. Gains on investment in associates and joint ventures	2,053,608.81	2,053,608.81	79,056,661.62		83,163,879.24
4. Depreciation and amortisation	280,325,020.06	188,171,063.39	235,901,132.21		704,397,215.66
5. Gains from changes in fair value	-2,859,300.00	31,939,394.49	-741,525.67		28,338,568.82
6. Impairment losses on credit and assets	-13,266,280.73	-6,044,988.41	-40,174,541.50		-59,485,810.64
7. Total profits (Total losses)	1,677,723,054.06	38,213,014.72	18,528,989.35		1,734,465,058.13
8. Total assets	35,161,575,740.61	26,266,316,942.24	15,872,018,974.49	-21,660,817,709.84	55,639,093,947.50
9. Total liabilities	21,870,594,698.85	17,051,542,032.26	11,714,903,309.63	-11,147,050,955.87	39,489,989,084.87
10. Additions to other non-current assets other than long-term equity investments	-579,086,736.54	-110,275,977.37	-20,157,179.34		-709,519,893.25

Continued from above table

Amount for the previous period	Air conditioning	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		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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

64. Segment reporting — *Continued*

(2) *Geographical information*

Region	Amount for the period/closing balances	Amount for the previous period/opening balances
Revenue from domestic transactions	20,654,298,103.61	18,400,504,662.25
Revenue from overseas transactions	14,321,576,025.30	10,642,290,691.58
Total	34,975,874,128.91	29,042,795,353.83
Non-current assets – Domestic	12,315,695,028.61	12,954,700,539.65
Non-current assets – Overseas	3,310,891,504.58	3,294,025,662.40
Total	15,626,586,533.19	16,248,726,202.05

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. As such, no presentation of more detailed geographical information is required.

VII. CHANGE IN SCOPE OF CONSOLIDATION

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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
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	RMB77.5751 million	Foshan	Foshan	Manufacturing	74		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
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	HKD10.00 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 Refrigerator Ltd.	Hisense 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 AirConditioning Co., Ltd.	Hisense 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	RMB35.6082 million	Qingdao	Qingdao	Manufacturing	83.47		Business combination involving entities under common control
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	RMB450.00 million	Huzhou	Huzhou	Manufacturing	100		Business combination involving entities not under common control

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50.00 million	Qingdao	Qingdao	Manufacturing		70	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	RMB247.11 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	MXN197.7472 million	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	MXN3,000	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	RMB35.00 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	Investment		100	Establishment or investment
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd.	Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd	RMB1 million	Qingdao	Qingdao	Manufacturing		100	Establishment or investment
Sanden Corporation	SDHD	JPY21,741.869287 million	Japan	Japan	Provision of services		74.88	Business combination involving entities not under common control
Sanden International (Europe) GmbH	SIE	EUR25,000	Germany	Germany	Manufacturing		100	Business combination under common control

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	Tianjin	Tianjin	Manufacturing	51		Business combination involving entities not under common control

Notes:

- ① All subsidiaries incorporated in the PRC are companies with limited liability, save for Refrigerator Marketing Company, Air-conditioner Marketing Company, Commercial Cold Chain, Hitachi Marketing and Qingdao Gorenje which are joint-stock companies with limited liability.
- ② 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 2022 to 30 June 2022

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%	654,567,205.81	494,700,560.00	3,946,438,246.81

(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	1,174,042.65	721,531.38	1,895,574.03	1,027,200.03	32,463.58	1,059,663.61

(continued)

Name of subsidiary	Opening balances					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	1,057,578.48	798,105.83	1,855,684.31	1,011,941.97	31,396.07	1,043,338.04

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	1,004,661.13	128,851.81	128,851.81	27,439.42	878,738.84	123,685.72	123,685.72	198,649.37

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

2. Transactions that led to changes in the ownership interest in, but without losing of control of the subsidiary

(1) *Note to change in the ownership interest in subsidiary*

- (1) In April 2022, Hisense Visual increased its capital contribution in Hisense K&B, a subsidiary of the Company, the shareholding percentage of the Company in Hisense K&B changed from 81.17% to 60.06% after the capital increase, and the Company still has control over the company.
- (2) In April 2022, the Company acquired minority interest in Hisense K&B, following which the shareholding percentage of the Company in Hisense K&B changed from 60.06% to 74% and still has control over the company.
- (3) In April 2022, the Company increased its capital contribution in Hisense Mould, a subsidiary of the Company, by the equity interest of Hisense K&B held by the Company, following which the shareholding percentage of the Company in Hisense Mould changed from 78.70% to 83.47% and still has control over them after the capital increase.

(2) *Impacts of changes in ownership interest in subsidiaries on equity*

① *Hisense Visual increased its capital contribution in Hisense K&B*

Item	Hisense K&B
Fair value of non-cash assets	63,535,500.00
Total cost of purchase/consideration for disposal	63,535,500.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	67,594,029.29
Difference	-4,058,529.29
Including: Adjustment to capital reserves	-4,058,529.29

② *The Company acquired minority interest in Hisense K&B*

Item	Hisense K&B
Cash	-34,053,075.00
Total cost of purchase/consideration for disposal	-34,053,075.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-36,989,669.93
Difference	2,936,594.93
Including: Adjustment to capital reserves	2,936,594.93

③ *The Company increased its capital contribution in Hisense Mould*

Item	Hisense Mould
Fair value of non-cash assets	-180,880,160.43
Total cost of purchase/consideration for disposal	-180,880,160.43
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-180,240,515.47
Difference	-639,644.96
Including: Adjustment to capital reserves	-639,644.96

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

VIII. INTERESTS IN OTHER ENTITIES — Continued

3. 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.	Shanghai	Shanghai	Manufacturing		43.00	Equity method
Shenyang Sanden Automotive Air-Conditioning Co. Ltd.	Shenyang	Shenyang	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	5,440.40	5,029.68
Aggregated amounts of the following items in proportion to the shareholdings		
– Net profit	410.72	458.21
– Other comprehensive income		
– Total comprehensive income	410.72	458.21
Associates		
Total carrying amounts of investments	146,919.30	138,592.00
Aggregated amounts of the following items in proportion to the shareholdings		
– Net profit	7,905.67	5,342.25
– Other comprehensive income	1,093.75	-216.15
– Total comprehensive income	8,999.42	5,126.10

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include: bank deposits and cash, transactional financial assets, notes receivable, accounts receivables, other receivables, notes payable, accounts 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 2022 to 30 June 2022

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 2022

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	7,798,340,633.53				7,798,340,633.53
Transactional financial assets	5,126,053,140.56				5,126,053,140.56
Notes receivable	156,881,858.82				156,881,858.82
Accounts receivable	9,268,259,488.67				9,268,259,488.67
Accounts receivable financing	5,656,865,625.23				5,656,865,625.23
Other receivables	421,420,094.01				421,420,094.01
Non-current assets due within one year	1,907,415,555.55				1,907,415,555.55
Other current assets	1,644,208,699.86				1,644,208,699.86
Other non-current assets			4,865,422,000.01		4,865,422,000.01
Total	31,979,445,096.23		4,865,422,000.01		36,844,867,096.24
Financial liabilities					
Short-term borrowings	1,609,308,315.26				1,609,308,315.26
Transactional financial liabilities	8,027,917.21				8,027,917.21
Notes payable	10,750,258,328.10				10,750,258,328.10
Accounts payable	10,923,579,331.78				10,923,579,331.78
Other payables	3,944,388,273.31				3,944,388,273.31
Non-current liabilities due within one year	145,323,155.37				145,323,155.37
Other current liabilities	6,841,995,827.72				6,841,995,827.71
Long-term borrowings		10,894,234.71	14,600,158.00		25,494,392.71
Lease liabilities		122,388,861.58	134,110,425.45	52,744,249.28	309,243,536.31
Total	34,222,881,148.75	133,283,096.29	148,710,583.45	52,744,249.28	34,557,619,077.77

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

2. Liquidity risk — Continued

31 December 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	7,022,572,498.74				7,022,572,498.74
Transactional financial assets	5,625,841,633.95				5,625,841,633.95
Notes receivable	228,252,631.50				228,252,631.50
Accounts receivable	8,757,077,378.05				8,757,077,378.05
Accounts receivable financing	3,669,679,060.94				3,669,679,060.94
Other receivables	484,042,296.38				484,042,296.38
Other current assets	2,012,245,610.33				2,012,245,610.33
Non-current assets due within one year	2,210,937,867.57				2,210,937,867.57
Other non-current assets			5,293,818,555.55		5,293,818,555.55
Total	30,010,648,977.46		5,293,818,555.55		35,304,467,533.01
Financial liabilities					
Short-term borrowings	2,858,984,229.49				2,858,984,229.49
Transactional financial liabilities	244.38				244.38
Notes payable	11,513,955,689.58				11,513,955,689.58
Accounts payable	11,779,280,708.56				11,779,280,708.56
Other payables	3,425,374,535.37				3,425,374,535.37
Other current liabilities	5,462,375,607.34				5,462,375,607.34
Non-current liabilities due within one year	172,947,297.72				172,947,297.72
Lease liabilities		152,935,697.86	171,482,316.02	73,383,574.05	397,801,587.93
Long-term borrowings		32,382,835.84			32,382,835.84
Total	35,212,918,312.44	185,318,533.70	171,482,316.02	73,383,574.05	35,643,102,736.21

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 2022, 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 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	1,052,372,685.38	808,759,915.92	1,144,632,542.99	783,578,410.53
EUR	806,600,468.41	258,979,893.15	601,130,847.30	204,149,400.80

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%	9,135,478.86	-9,711,591.73
Depreciates by 5%	-9,135,478.86	9,711,591.73
EUR to RMB		
Appreciates by 5%	20,535,771.57	1,954,290.28
Depreciates by 5%	-20,535,771.57	-1,954,290.28

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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		1,477,499.87	5,124,575,640.69	5,126,053,140.56
1. Financial assets at fair value through profit or loss		1,477,499.87	5,124,575,640.69	5,126,053,140.56
(1) Wealth management products			5,124,575,640.69	5,124,575,640.69
(2) Derivative financial assets		1,477,499.87		1,477,499.87
(ii) Other debt investments			5,656,865,625.23	5,656,865,625.23
1. Notes receivable			5,656,865,625.23	5,656,865,625.23
(iii) Other equity instrument investments			34,918,015.38	34,918,015.38
Total assets measured at fair value on a recurring basis		1,477,499.87	10,816,359,281.30	10,817,836,781.17
(iv) Transactional financial liabilities		8,027,917.21		8,027,917.21
Including: Derivative financial liabilities		8,027,917.21		8,027,917.21
Total liabilities measured at fair value on a recurring basis		8,027,917.21		8,027,917.21

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 RMB41,541,048.82 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 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS

1. Relationship with related parties

(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.3. (1) Major joint ventures or associates".

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Hisense Group and its subsidiaries ("Hisense Group and its subsidiaries")	Indirect holding company
Hisense Finance Co., Ltd. ("Hisense Finance")	Subsidiary of the holding company
Hisense Visual Technology Co., Ltd. ("Hisense Visual Technology")	Subsidiary of the holding company
Beijing Xuehua Group Company Limited ("Xuehua Group")	Minority Shareholder of Beijing Refrigerator
Hisense (Hong Kong) Company Limited ("Hisense Hong Kong")	Subsidiary of the 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

5. 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
Shangqiu Bingxiong Freezing Facilities Co., Ltd. ("Shangqiu Bingxiong")	Specific Third Party Company

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(II) Related party transactions

1. Related party transactions for the purchase and sale of goods, provision and receipt of services

(1) Purchase of goods/receipt of services

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	119,906,692.00	0.39	73,200,486.17	0.29
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	307,740.00	0.00	163,852.74	0.00
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	34,971,483.58	0.11	611,326.58	0.00
Associates of Sanden company	Finished goods	Agreed price	144,202,963.67	0.47		
Subtotal purchase of finished goods			299,388,879.75	0.97	73,975,665.49	0.29
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	478,714,166.95	1.55	222,087,685.72	0.86
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	29,441,156.92	0.10	20,094,804.37	0.08
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	372,962,555.47	1.21	348,866,968.34	1.36
Subtotal purchase of raw materials			881,117,879.34	2.85	591,049,458.43	2.30
Hisense Group Company and its subsidiaries	Receipt of services	Agreed price	515,906,379.13	1.66	458,736,078.23	1.79
Hisense Visual Technology and its subsidiaries	Receipt of services	Agreed price	18,756,988.19	0.06	13,771,067.55	0.05
Johnson Hitachi and its subsidiaries	Receipt of services	Agreed price	12,076,590.32	0.04	12,777,299.16	
Xuehua Group	Receipt of services	Agreed price	395,283.55	0.00		
Associates of Sanden Company	Receipt of services	Agreed price	11,210,427.54	0.04		
Subtotal purchase of receipt of services			558,345,668.73	1.81	485,284,444.94	1.89
Hisense Hong Kong	Financing purchase	Agreed price			369,195,893.22	1.44
Subtotal of financing purchase					369,195,893.22	1.44

Note: The lease payment amounted to RMB20,957,700 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 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(II) Related party transactions — *Continued*

1. *Related party transactions for the purchase and sale of goods, provision and receipt of services — Continued*

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

- ① The Company and Hisense Group Company and Hisense Visual Technology and Hisense International and Hisense Marketing Management and Hisense Hong Kong entered into the Business Cooperation Framework Agreement on 16 November 2021. During the effective period of the agreement, the transaction with the Group as the purchaser and recipient of services was capped at a total of RMB3,886,160,000 (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into the H Share Announcement-Continuing Connected Transactions on 28 December 2021. During the effective period of the agreement, the transaction with the Group as the purchaser was capped at a total of RMB1,318,360,000 (exclusive of value-added tax).

The above agreements were considered and approved at the third interim meeting of the Company's eleventh session of the board of directors in 2021 convened on 16 November 2021.

- ③ The above transactions with Hisense Group Company and its subsidiaries, Hisense Visual and its subsidiaries, Hisense Hong Kong, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (provided since the financial assistance arrangements under the Purchase Financing Agency Framework Agreement entered into between the Company and Hisense Hong Kong was for the benefit of the Company on normal commercial terms where no security over the assets of the Group was granted in respect of the financial assistance, such connected transaction with Hisense Hong Kong were exempt from the reporting, announcement and shareholders' approval requirements pursuant to Rule 14A.65(4) and Rule 14A.76(1)(b) of the Hong Kong Listing Rules; The Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and Shareholders' approval requirements according to of Rule 14A.101 of the Hong Kong Listing Rules).

Other than the above transactions, the transactions with related parties conducted in 2022 as disclosed in note XI of the financial statements in the 2022 interim report do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(II) Related party transactions — Continued

1. Related party transactions for the purchase and sale of goods, provision and receipt of services — Continued

(2) Sale of goods/rendering of service

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	10,313,662,282.58	26.93	9,313,202,243.05	28.73
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	6,011,569.17	0.02	604,888.58	0.00
Johnson Hitachi	Finished goods	Agreed price	118,510,562.42	0.31	115,181,397.06	0.36
Associates of Sanden Company	Finished goods	Agreed price	530,364,833.15	1.38	256,242,489.31	0.81
Subtotal of sale of finished goods			10,968,549,247.32	28.64	9,428,988,528.69	29.09
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	173,670,680.06	0.45	164,348,745.12	0.51
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price			2,207.76	0.00
Johnson Hitachi	Raw materials	Agreed price	3,964,901.14	0.01	2,522,466.78	0.01
Subtotal of sale of raw materials			177,635,581.20	0.46	166,873,419.66	0.52
Hisense Visual Technology and its subsidiaries	Moulds	Market price	24,745,474.39	0.06	28,615,292.02	0.09
Hisense Group Company and its subsidiaries	Moulds	Market price	15,635,760.91	0.04	8,861,594.15	0.03
Subtotal of sale of moulds			40,381,235.30	0.10	37,476,886.17	0.12
Hisense Group Company and its subsidiaries	Provision of services	Agreed price	9,811,755.71	0.02	8,585,292.72	0.02
Hisense Visual Technology and its subsidiaries	Provision of services	Agreed price	87,798,772.90	0.23	2,477,124.59	0.01
Xuehua Group	Provision of services	Agreed price			485,789.28	0.00
Subtotal of rendering of services			97,610,528.61	0.25	11,548,206.59	0.03

Note: The lease revenue amounted to RMB5,451,900 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 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(II) Related party transactions — *Continued*

1. *Related party transactions for the purchase and sale of goods, provision and receipt of services — Continued*

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

- ① The Company and Hisense Group Company and Hisense Visual Technology and Hisense International and Hisense Marketing Management and Hisense Hong Kong entered into the Business Cooperation Framework Agreement on 16 November 2021. During the effective period of the agreement, the transaction with the Group as the supplier and provider of services was capped at a total of RMB26,569,720,000 (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into the H Share Announcement-Continuing Connected Transactions on 28 December 2021. During the effective period of the agreement, the transaction with the Group as the supplier and provider of services was capped at a total of RMB588,490,000 (exclusive of value-added tax).

The above agreements were considered and approved at the third interim meeting of the Company's eleventh session of the board of directors in 2021 convened on 16 November 2021.

- ③ The above transactions with Hisense Group Company and its subsidiaries, Hisense Visual and its subsidiaries, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (provided that the Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and shareholders' approval requirements under 14A.101 of the Listing Rules).

Other than the above transactions, the transactions with related parties conducted in 2022 as disclosed in note XI of the financial statements in the 2022 interim report do not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(II) Related party transactions — Continued

2. Related guarantees

(1) As guarantor

Guaranteed party	Amount of Guarantee	Guarantee Start Date	Guarantee Expiry Date	Whether the guarantee has been fulfilled
SANPAK ENGINEERING INDUSTRIES PVT.LTD.	PKR 561,840,000	2019-3-25	2022-3-31	Completed

(2) As guaranteed party

Name of Guarantor	Amount of Guarantee	Guarantee Start Date	Guarantee Expiry Date	Whether the guarantee has been fulfilled
Hisense Group Holdings Co., Ltd.	20,000,000.00	2021-8-30	2022-8-30	Outstanding
Hisense (Hong Kong) Company Limited	JPY 12,000,000,000	2021-5-31	2022-5-30	Completed
Hisense (Hong Kong) Company Limited	JPY 12,000,000,000	2022-5-30	2023-5-26	Outstanding
HISENSE CKL (HK) CO., LIMITED	JPY 4,000,000,000	2021-8-17	2022-8-16	Outstanding

(3) Loans and borrowings of the related parties

Name of other related parties	Lending amount	Inception date	Expiry date	Notes
Borrowings				
Hisense Group Company and its subsidiaries	USD41,500,000	2021-4-30	2022-4-29	Repaid, an interest expense of RMB1,777,230.33 was paid during the period
Hisense Group Company and its subsidiaries	USD56,000,000	2021-5-20	2022-5-20	Repaid, an interest expense of RMB2,898,932.38 was paid during the period
Hisense Group Company and its subsidiaries	USD64,000,000	2022-4-8	2023-4-6	An interest expense of RMB1,753,862.65 was paid during the period
Hisense Group Company and its subsidiaries	EUR41,000,000	2022-4-8	2023-4-6	An interest expense of RMB472,521.89 was paid during the period
Hisense Group Company and its subsidiaries	USD13,200,000	2022-4-20	2023-4-20	An interest expense of RMB314,712.78 was paid during the period
Hisense Group Company and its subsidiaries	USD41,500,000	2022-4-29	2023-4-28	An interest expense of RMB1,061,556.57 was paid during the period
Hisense Group Company and its subsidiaries	USD56,000,000	2022-5-20	2023-5-19	An interest expense of RMB944,774.25 was paid during the period
Hisense Group Company and its subsidiaries	USD4,000,000	2022-5-30	2023-5-30	An interest expense of RMB47,984.23 was paid during the period

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(II) Related party transactions — *Continued*

2. *Related guarantees* — *Continued*

(4) *Other connected transactions*

As at 30 June 2022, the Group had the balance of deposit of RMB15,030,793,600 (listed in bank deposits, other current assets, non-current assets due within one year and other non-current assets according to holding intention and liquidity), and balance of notes receivables of RMB7,602,376,500 with Hisense Finance. The balance of loan was RMB120,000,000. The amount of loan interest for Hisense Finance of RMB9,696,400 was recognized. The amount of settlement service for receipt and payment of funds paid by the Company to Hisense Finance amounted to RMB3,762,000 and RMB588,600. Interest income from bank deposits of RMB154,403,300 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 RMB111,845,500.

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 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(III) 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
Receivables Financing	Hisense Visual and its subsidiaries	233,776,440.14		138,875,648.82	
Receivables Financing	Hisense Group Company and its subsidiaries	197,671,098.35		114,170,356.26	
Receivables Financing	Associates of Sanden Company	12,000,000.00		13,078,804.47	
Subtotal		443,447,538.49		266,124,809.55	
Other current assets	Hisense Finance	293,780,389.22		282,254,604.08	
Other current assets	Associates of Sanden Company	10,712,090.22			
Subtotal		304,492,479.44		282,254,604.08	
Accounts receivable	Hisense Visual and its subsidiaries	49,084,565.99		6,464,782.34	
Accounts receivable	Hisense Group Company and its subsidiaries	4,405,754,392.33	217,470.79	3,777,309,074.40	1,606.82
Accounts receivable	Johnson Hitachi and its subsidiaries	68,254,644.54		68,805,985.32	
Accounts receivable	Associates of Sanden Company	207,260,886.16		257,594,559.41	
Subtotal		4,730,354,489.02	217,470.79	4,110,174,401.47	1,606.82
Other receivables	Hisense Visual and its subsidiaries	75,541.19		26,823.45	18,000.00
Other receivables	Hisense Group Company and its subsidiaries	9,439,409.52	356,356.00	12,014,260.14	906,664.83
Other receivables	Associates of Sanden Company	36,408,993.76		14,523,772.77	
Subtotal		45,923,944.47	356,356.00	26,564,856.36	924,664.83
Dividends receivable	Associates of Sanden Company	67,444,933.48		153,473,105.41	
Subtotal		67,444,933.48		153,473,105.41	
Prepayment	Hisense Visual and its subsidiaries	1,462,958.38		26,153.12	
Prepayment	Hisense Group Company and its subsidiaries	12,787,134.39		10,806,167.16	
Subtotal		14,250,092.77		10,832,320.28	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(III) Receivables from and payables to related parties — *Continued*

(2) Payables to related parties

Item	Related party	Closing balance	Opening balance
Note payable	Hisense Group Company and its subsidiaries	31,872,177.68	32,919,385.66
Note payable	Johnson Hitachi and its subsidiaries	160,139,825.76	429,848,157.74
Note payable	Associates of Sanden Company	976,430.59	2,098,233.56
Subtotal		192,988,434.03	464,865,776.96
Accounts payable	Hisense Group Company and its subsidiaries	2,317,428,281.53	1,954,787,570.13
Accounts payable	Hisense Visual and its subsidiaries	763,730.88	459,881.80
Accounts payable	Johnson Hitachi and its subsidiaries	72,202,402.28	120,970,318.39
Accounts payable	Associates of Sanden Company	14,063,813.98	21,536,903.43
Subtotal		2,404,458,228.67	2,097,754,673.75
Other payables	Hisense Group Company and its subsidiaries	755,109,867.66	1,099,423,611.55
Other payables	Hisense Visual and its subsidiaries	162,216.37	298,109.13
Other payables	Johnson Hitachi and its subsidiaries	200,000.00	200,000.00
Other payables	Associates of Sanden Company	14,934,667.45	4,795,954.90
Other payables	Xuehua Group		100,859.00
Subtotal		770,406,751.48	1,104,818,534.58
Contratual liabilities	Hisense Group Company and its subsidiaries	72,310,050.73	64,552,052.04
Contratual liabilities	Johnson Hitachi and its subsidiaries		11,520.81
Subtotal		72,310,050.73	64,563,572.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(III) Receivables from and payables to related parties — Continued

(3) Transactions with "specific third party companies"

Item	Related party	At the end of the period Book value	At the beginning of the period Book value
Other receivables	Shangqiu Bingxiong	58,030,000.00	58,030,000.00
Subtotal of other receivables		58,030,000.00	58,030,000.00

XII. CONTINGENCIES

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

As at 30 June 2022, the Group was involved, as defendant, in litigations with amount of RMB129,580,724.78, and provision of RMB123,181,825.99 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	4,267.74	
- Contracted but not paid	34,315.01	22,631.22
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.5. lease for details.

XIV. SUBSEQUENT EVENTS

NIL.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 any changes were made in the objectives, policies or processes for managing capital as at 30 June 2022 and during the year ended 30 June 2021.

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	39,489,989,084.87	40,357,298,250.20
Including: Short-term borrowings	1,609,308,315.26	2,858,984,229.49
Accounts payable	10,923,579,331.78	11,779,280,708.56
Notes payable	10,750,258,328.10	11,513,955,689.58
Other payables	3,944,388,273.31	3,425,374,535.37
Less: Cash and cash equivalents	3,814,351,610.20	2,879,176,794.68
Net debt	35,675,637,474.67	37,478,121,455.52
Equity attributable to shareholders of parent	10,714,177,111.72	10,342,355,185.33
Capital and net debt	46,389,814,586.39	47,820,476,640.85
Gearing ratio	76.90%	78.37%

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 2022 to 30 June 2022

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	24,725.80	19,318.97
Machinery and equipment, etc	1,111.37	1,109.04
Total	25,837.17	20,428.01

(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 first half of 2022 amounted to RMB14,157,000 (first half of 2021: RMB15,778,000). 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	1,433.13	1,416.71
Over one year but within five years	39.38	144.69
Total	1,472.51	1,561.40

The amount of undiscounted lease receipts to be received each year for five consecutive accounting years after the balance sheet date: RMB14,331,300 within 1 year, RMB260,000 in 1-2 years, RMB133,800 in 2-3 years, 0 in 3-4 years, 0 in 4-5 years and 0 in over 5 years.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 period ended 30 June 2022 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the period	Amount for previous period
Building or structure	3,941.90	4,292.58
Others	194.34	125.55
Total	4,136.24	4,418.13

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	4,500.68	4,099.79
Over one year but within five years	3,834.84	3,497.40
Over five years	27.79	78.11
Total	8,363.31	7,675.30

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT

1. Accounts receivable

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

Category	Closing balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	295,463,557.21	100.00	107,107,549.79	36.25	188,356,007.42
Including:					
Ageing analysis method	107,107,549.79	36.25	107,107,549.79	100.00	
Receivables from related parties	188,356,007.42	63.75			188,356,007.42
Total	295,463,557.21	100.00	107,107,549.79	36.25	188,356,007.42

(Continued)

Category	Opening balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and Accounts receivable					
Provision for bad debts for Accounts receivable on a group basis	385,951,167.28	100.00	107,107,575.52	27.75	278,843,591.76
Including:					
Ageing analysis method	107,120,414.84	27.75	107,107,575.52	99.99	12,839.32
Receivables from related parties	278,830,752.44	72.25	0.00	0.00	278,830,752.44
Total	385,951,167.28	100.00	107,107,575.52	27.75	278,843,591.76

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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 ageing analysis method:

Ageing	Closing balance		
	Book value	Provision for bad debts	(%)
Over one year	107,107,549.79	107,107,549.79	100.00
Total	107,107,549.79	107,107,549.79	100.00

Note: This group is based on the ageing of Accounts receivable as credit risk characteristic and made provision for bad debts based on the expected credit loss of each ageing 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	188,356,007.42		
Total	188,356,007.42		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	188,356,007.42	278,843,617.49
Over one year	107,107,549.79	107,107,549.79
Total	295,463,557.21	385,951,167.28

(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	
Ageing analysis method	107,107,575.52		25.73		107,107,549.79
Total	107,107,575.52		25.73		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 RMB217,091,395.34, accounting for 73.47% 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 2022 to 30 June 2022

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

2. Other receivables

Item	Closing balance	Opening balance
Other receivables	1,562,118,766.17	1,143,227,303.10
Total	1,562,118,766.17	1,143,227,303.10

(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
Other current account	1,582,383,818.58	1,163,492,355.51
Total	1,582,383,818.58	1,163,492,355.51

(2) Provision for bad debts of other receivables

Provision for bad debts	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss in the lifetime (without credit impairment)	Third stage Expected credit loss in the lifetime (with credit impairment)	Total
Opening balance	-	3,390,735.73	16,874,316.68	20,265,052.41
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				
Written-off for the period				
Charge-off for the period				
Other changes				
Closing balance		3,390,735.73	16,874,316.68	20,265,052.41

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 ageing, 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 2022 to 30 June 2022

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	1,562,121,342.73
Over three months but within six months	
Over six months but within one year	
Over one year	20,262,475.85
Total	1,582,383,818.58

(4) Provision for bad debts of other receivables

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Ageing analysis method	20,265,052.41				20,265,052.41
Total	20,265,052.41				20,265,052.41

(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	23.55	
Top 2	Inter-group current account payments	197,858,752.75	Within three months	12.5	
Top 3	Inter-group current account payments	180,184,888.89	Within three months	11.39	
Top 4	Inter-group current account payments	148,320,946.44	Within three months	9.37	
Top 5	Inter-group current account payments	125,316,273.75	Within three months	7.92	
Total	-	1,024,380,216.22	-	64.74	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	5,128,386,892.23	59,381,641.00	5,069,005,251.23	5,094,333,817.23	59,381,641.00	5,034,952,176.23
Investments in associates and joint ventures	532,974,566.65		532,974,566.65	508,095,683.76		508,095,683.76
Total	5,661,361,458.88	59,381,641.00	5,601,979,817.88	5,602,429,500.99	59,381,641.00	5,543,047,859.99

(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	34,053,075.00	85,584,128.70	0.00		
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		
Hisense Air-conditioning	567,175,477.74			567,175,477.74		
Hisense Mould	121,628,013.09	85,584,128.70		207,212,141.79		
Hisense 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	119,637,203.70	85,584,128.70	5,128,386,892.23		59,381,641.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	Change for the period							Closing balance	Closing balance of provision for impairment	
		Increase in investment	Decrease in investment	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	50,296,828.45			4,107,217.61						54,404,046.06	
II. Associates											
Hisense Financial Holdings	378,544,813.91			6,184,125.13						384,728,939.04	
Hisense International	79,254,041.40			4,753,961.16	10,937,459.30	-1,103,880.31				93,841,581.55	
Total	508,095,683.76			15,045,303.90	10,937,459.30	-1,103,880.31				532,974,566.65	

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	1,801,000,126.31	1,795,487,820.83	513,975,361.23	426,378,543.99
Other operations	69,919,614.69	48,881,255.97	56,625,454.25	35,691,945.76
Total	1,870,919,741.00	1,844,369,076.80	570,600,815.48	462,070,489.75

5. Investment gain

Item	Amount for the period	Amount for previous period
Gain from long-term equity investment under the cost method	527,653,867.82	1,041,337,652.24
Gain from long-term equity investment under the equity method	15,045,303.90	47,824,180.85
Gain from disposal of transactional financial assets	14,767,606.11	8,399,545.77
Total	557,466,777.83	1,097,561,378.86

XVII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 30 August 2022.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

XVIII. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT

1. Breakdown of non-recurring profit or loss for the period

Item	Amount for the period	Notes
Profit or loss from disposal of non-current assets	-4,021,844.86	
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)	127,004,448.76	
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	57,652,634.25	
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 year 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	41,541,048.82	
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	39,472,607.64	
Other profit or loss items within the meaning of non-recurring profit or loss		
Subtotal	261,648,894.61	
Less: Effect of income tax	41,734,031.51	
Effect of minority interests (after tax)	27,753,012.68	
Total	192,161,850.42	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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	5.84	0.46	0.46
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	4.03	0.31	0.31

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

Statement item	Closing balance or amount for the period	Opening balance or amount for the previous period	Change ratio (%)	Reason for change
Notes receivable	156,881,858.82	228,252,631.50	-31.27	Mainly due to the decrease in pledging notes at the end of the Reporting Period
Factoring of accounts receivables	5,656,865,625.23	3,669,679,060.94	54.15	Mainly due to the growth in size of the Company during the Reporting Period
Short-term borrowings	1,609,308,315.26	2,858,984,229.49	-43.71	Mainly due to the decrease in borrowings from subsidiaries at the end of the Reporting Period
Contract assets	1,649,808,399.53	1,147,112,513.32	43.82	Mainly due to the increase in merchant returns during the Reporting Period
Other comprehensive income	138,328,963.56	93,569,998.57	47.83	Mainly due to the merger of Sanden Company
Management expenses	856,747,306.06	460,341,123.45	86.11	Mainly due to the merger of Sanden Company
Financial expenses	-66,804,674.09	-44,074,764.78	N/A	Mainly due to the decrease in interest income from time deposits
Investment income	276,085,241.22	137,230,534.75	101.18	Mainly due to the increase in interest income from time deposits and the merger of Sanden company
Impairment losses on assets	-71,809,411.88	-10,833,909.24	N/A	Mainly due to the merger of Sanden Company
Non-operating income	122,068,853.85	69,982,142.57	74.43	Mainly due to the merger of Sanden Company
Tax rebates received	1,629,884,248.01	1,172,643,631.19	38.99	Mainly due to the increase in tax refunds received during the Reporting Period and the merger of Sanden company
Cash paid for purchase of goods and services	22,367,119,748.25	16,549,959,237.11	35.15	Mainly due to the growth in size of the Company during the Reporting Period and the merger of Sanden Company

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2022 to 30 June 2022

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

Statement item	Closing balance or amount for the period	Opening balance of or amount for the previous period	Change ratio (%)	Reason for change
Cash paid to and for employees	4,024,934,668.27	2,778,765,511.65	44.85	Mainly due to the growth in size of the Company during the Reporting Period and the merger of Sanden Company
Cash paid for taxes and surcharges	1,695,073,685.10	1,285,083,743.94	31.90	Mainly due to the growth in size of the Company during the Reporting Period and the merger of Sanden Company
Cash paid for other operating activities	3,927,394,950.29	2,848,560,500.57	37.87	Mainly due to the growth in size of the Company during the Reporting Period and the merger of Sanden Company
Cash received from investment income	61,471,044.22	46,272,447.53	32.85	Mainly due to the increase in financial investment income received in the period
Cash received from borrowings	624,527,436.50	2,311,192,725.02	-72.98	Mainly due to the decrease in bank borrowings of subsidiaries at the end of the Reporting Period
Cash received relating to other financing activities	962,695,552.04	646,338,288.47	48.95	Mainly due to the increase in bank borrowings of subsidiaries during the Reporting Period and the margin changes in bills during the Reporting Period
Cash paid for distribution of dividends, profit or payment of interest expenses	600,820,852.88	859,913,978.97	-30.13	Mainly due to the decrease in dividends during the Reporting Period

Hisense Home Appliances Group Co., Ltd.

30 August 2022