

Hisense 海信家電

海信家電集團股份有限公司

Hisense Home Appliances Group Co., Ltd.

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00921 (H Shares)

2024 INTERIM REPORT

Hisense



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CORPORATE INFORMATION

Hisense Home Appliances Group Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") is principally engaged in research and development (R&D), manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc., as well as moulds, automotive air conditioner compressors and integrated thermal management systems, and provides full-scenario smart home solutions centered on the intelligent upgrade of home appliances.

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I. STATUS OF THE INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

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

(1) *Central air-conditioner market*

According to the statistics from AICON (www.aicon.com.cn), the overall market capacity of the central air-conditioner industry decreased by 5% year-on-year in the first half of 2024. Under the cooling market conditions, the concentration of brands became more prominent. Multi-connected units, which are the weighted products in the central air-conditioner market, accounted for nearly 50% of the industry, gradually shifting from incremental expansion to a renewal era of stock improvement.

Traditional industrial and public construction sectors maintained relatively stable demand, while previously hot new market segment cooled down. However, industries such as specialty hotels, bed and breakfasts, and catering continued to show strong momentum. With the release and gradual implementation of the National Action Plan for Promoting Large-scale Equipment Renewal and Consumer Goods Trade-ins (《推動大規模設備更新和消費品以舊換新的行動方案》), the engineering sector focusing on energy-saving renovation projects will become a new development opportunity for central air-conditioners in the future.

The home fit-out retail market was affected by the weak real estate market and weakened demands, resulting in a year-on-year decline of 8.5% in scale. However, under the trend of consumer segmentation, the demand in the improvement market remained strong and continued to upgrade iteratively towards "Health, Comfort, Energy saving and Intelligence." The two-connected supplies have become the fastest-growing products in the industry, with a growth rate of 4%, thereby driving the industry's transformation and upgrade from central air-conditioners to integrated system solutions for air conditioning, floor heating, purification and fresh air.

(2) *Household air-conditioner market*

According to the omnichannel general data from AVC (奧維雲網), the retail volume decreased by 10.8% year-on-year, and the retail sales decreased by 13.7% year-on-year in the air-conditioner market in the first half of 2024.

Under the overall downturn of the air-conditioning market, household air-conditioner products made continuous breakthroughs in product upgrades and technological innovation, focusing on the diversification and refinement of consumer demand, and which resulted in positive growth in this market segment. Given the significant increase in consumer demand for indoor air freshness and oxygen aeration, the fresh-air air-conditioner market achieved growth despite the overall downturn trend. According to the monitoring data from AVC, the offline retail sales penetration rate of fresh-air air-conditioners reached 8.6%, indicating a year-on-year increase of 0.6%.

2. Overview of the Domestic Refrigerator, Washing Machine and Kitchen Appliances Market

(1) *Domestic refrigerator market*

According to the omnichannel general data from AVC, the retail volume increased by 0.8% year-on-year, and the retail sales increased by 0.4% year-on-year in the domestic refrigerator market in the first half of 2024.

From an overall trend perspective, the major refrigerator market tightened month by month, demand was under pressure, and the growth rate slowed down. User demand in large-capacity segments declined, and high-value-for-money products across all channels were more favoured by consumers. Driven by rejuvenation scenarios, the demand for embedded refrigerators continued to rise, with the penetration rate of offline retail sales increasing from 9.5% in 2021 to 37.8% in 2024. From a channel perspective, online new channels for refrigerators are currently in a period of rapid growth, with the retail sales of refrigerators through the TikTok e-commerce platform increasing by 52.5% year-on-year. The trends in the online and offline markets further diverged, and platforms are focusing on developing new marketing methods to achieve traffic acquisition and conversion. There is still room for further integration and development of dual-line channels.

I. STATUS OF THE INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD — *Continued*

2. Overview of the Domestic Refrigerator, Washing Machine and Kitchen Appliances Market — *Continued*

(2) Domestic washing machine market

According to the omnichannel general data from AVC, the retail volume increased by 6.2% year-on-year, and the retail sales increased by 3.8% year-on-year in the washing machine market in the first half of 2024.

In the first half of 2024, the recovery speed of the washing machine industry was higher than other home appliance categories, with rapid development in the online market, making it the main driver behind the scale growth of the washing machine industry. As for clothes dryers, the online and offline markets both continued to maintain steady growth, showing a more optimistic trend.

(3) Domestic kitchen appliance market

According to the omnichannel general data from AVC, the retail volume increased by 0.5% year-on-year, and the retail sales slipped down by 2.3% year-on-year in the large kitchen and bathroom market in the first half of 2024.

Rigid-demand kitchen and bathroom categories (hoods, cookers, electric water heaters, gas water heaters) performed weakly due to the impact of the real estate industry, while the quality-life-demand categories (dishwashers, disinfection cabinets, water purifiers) showed an overall stable growth trend, with dishwashers leading the growth of quality-life-demand products, with retail sales increased by 5.0% year-on-year. As the penetration rate of kitchen and bathroom products gradually approaches that of white goods, product innovation and technological upgrades have become the trend in kitchen and bathroom competition. Well-known home appliance brands are expected to leverage their comprehensive resources and advantages in the white goods product segment to rapidly develop synergistic efforts in the kitchen and bathroom sector.

3. Overview of the Automotive Air Conditioner Compressor and Integrated Thermal Management System Market

According to the data from the China Passenger Vehicle Information Committee, in the first half of 2024, global automobile sales reached 43.9 million units, a year-on-year increase of 3.46%, of which the sales of new energy passenger vehicles were 7.17 million units, a year-on-year increase of 21%. During the Reporting Period, the sales of new energy passenger vehicles in China increased by 33% year-on-year, supporting the continued strong development trend of the global new energy vehicle market.

The rapid growth of the new energy vehicle market has driven the industry to accelerate its transformation towards electrification, intelligence, networking, and sharing. The market space in thermal management sectors such as high-voltage fast charging, battery thermal safety, temperature control management of electric motors and electric controls, and winter range retention improvement has quickly opened up. Under the backdrop of increasingly stringent global environmental protection policies, the demand for components such as integrated thermal management systems and compressors equipped with more environmentally friendly and higher efficiency refrigerants has grown rapidly.

4. Overview of Smart Home Market

New technologies such as big data and artificial intelligence continued to give rise to new consumption scenarios. The intelligent upgrade of home appliances is expected to become a new growth point in the home appliance consumption market, bringing vitality to the smart home appliance segments. According to GfK's retail monitoring data, in the first half of 2024, the retail sales of smart large home appliances, smart large kitchen and bathroom appliances, and smart environmental appliances increased by 5.3%, 4.8%, and 15.7% year-on-year, respectively. The share of smart home appliances in major market segments has increased compared to the same period last year, with smart products in the large home appliances category accounting for over 50%. With the increasing consumer demand for energy conservation, environmental protection, safety, health, and intelligent control, the market space for smart homes is expected to continue to expand.

I. STATUS OF THE INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD — *Continued*

5. Overview of Overseas Markets for Home Appliances

According to the data from Industrial Online, the export volume of the refrigerator industry increased by 23% year-on-year, the export volume of the washing machine industry increased by 22% year-on-year, and the export volume of the air-conditioner industry increased by 30% year-on-year in the first half of 2024. The demand for home appliance product trade-ins and high-end upgrades continues to rise in developed European and American markets. Emerging markets such as Latin America and ASEAN have large populations and significant economic development potential, leading to increased penetration rates and market demand for home appliances. Under the stacked influence of factors such as recovering demand and a low base for the same period, the overseas performance of various home appliance categories was notable in the first half of the year. Although geopolitical risks and rising shipping costs brought uncertainty to the overseas expansion of the home appliance industry, the steady demand in developed markets and the continuous increase in penetration rates in emerging economies continued to drive the growth of home appliance exports and accelerate globalization.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD

1. HVAC Business

(1) *Central air-conditioner business*

The Company closely followed the national “dual carbon” strategic direction, focusing on user demands and continuously introducing market-leading products through ongoing technological innovation, which led to the development of the central air-conditioner business in the green transformation and development of the home fit-out and commercial fit-out markets as well as emerging industries. During the Reporting Period, the central air-conditioner business achieved a year-on-year increase of over 10% in net profit, maintaining a leading position in the multi-connected market with a share of over 20%.

① *In terms of home fit-out business, the Company is deeply engaged in the fields of “health, intelligence, energy saving”, providing high-quality air experience solutions for users.*

During the Reporting Period, the Company adhered to a user-centered approach, precisely understanding user demands for health, intelligence, energy saving, and scenario-based products, and continuously promoting product upgrades and innovation. The Company enriched its 5G smart central air-conditioner product lineup, achieving double-digit growth in sales of the 5G series products. In the consumer survey of smart 5G household central air-conditioners by AICON, Hisense central air-conditioners ranked first among domestic brands with a 22.03% market share. Meanwhile, the Company continuously innovated its two-connected supply product categories, deeply integrating central air-conditioning with central hot water systems, launching high-end products combining freon and water functionalities. Hitachi launched a new Zhixiang series of all-in-one freon heat water product, satisfying the dual needs of families for home cooling/heating and hot water and providing high-quality air solutions for users. York VRF made overall advancements in high-end breakthroughs, exerted more efforts in sinking channels markets, and launched the YES-will series products with upgraded performance and functionality, providing consumers with high-quality and cost-effective cooling/heating solutions. The overall scale of York VRF home fit-out increased by more than 20%.

The Company promoted the deep integration of home appliance channels and the overall sharing of traffic resources, successfully entering over 400 all-category specialty stores in China, achieving an income share of over 10%. Facing the competition in the saturated market and favourable trade-in policies, the Company swiftly responded by launching the “Trade-in for Mega Offer” marketing campaign, achieving sales breakthroughs in regions like East China and Central China. In the real estate brokerage sector, the Company has been actively breaking new ground and piloting initiatives to expand information channels for the stock users and achieve a breakthrough from 0 to 10 million co-operation contracts for the group stock users. Furthermore, the Company has been leading the charge in marketing innovation, focusing on the design community of the decoration sector. Hisense designer IP initiative, the Dunhuang “Carbon” Dreamer (敦煌「碳」夢者), has fostered deeper collaboration with designers across over 200 cities, driving significant advancements in the design sector.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

1. HVAC Business — *Continued*

(1) *Central air-conditioner business — Continued*

- ① *In terms of home fit-out business, the Company is deeply engaged in the fields of "health, intelligence, energy saving", providing high-quality air experience solutions for users. — Continued*

The Company also closely followed industry dynamics, leading the industry towards a new era of integrated system solutions combining air-conditioning, floor heating, purification, and fresh air. Given the growing consumer demand for set solutions and one-stop services, the Company took the lead in launching China's first integrated 5G top-freon and floor-water product, innovatively integrating air-conditioning, floor heating, fresh air, and humidification systems, creating the Thinkair all-in-one active management system, achieving comprehensive upgrades to the home environment. In the preheating stage of the new product, over 100 users placed preorders in a single month.

- ② *In terms of the engineering business, the Company has seized the opportunity of dual-carbon development and led the industry in the deployment of cutting-edge technologies.*

The new generation of the commercial multi-connected M3 series of the Company piloted the IPMS launch process, achieving pre-sale breakthroughs in scenarios such as cool storage, power distribution rooms, and deep dehumidification processes, thanks to its wide-range ambient operation.

In active response to the national carbon neutrality policy, the Company's photosynthesis series and full-effect direct drive series commercial multi-connected systems were implemented in demonstration projects such as Guangzhou University Town, Panyu Sewage Treatment Plant, and Greater Bay Area Energy Storage Industrial Park. Hitachi's new generation of water source multi-connected systems, leading the industry in up to 10.1 IPLV(C) and variable water flow control, achieved international leadership in three core technologies, and held over 50% market share in the water source multi-connected market. The upgraded anti-corrosion and purification AHU products and four-tube heating and cooling recovery multi-connected products expanded into industrial sectors such as industrial plants, pharmaceutical drying, and new energy workshops, significantly promoting growth in industrial and agricultural production fields. York's new generation aqua+ water source multi-connected systems innovatively utilized three core technologies: intelligent variable flow, top-freon and floor-water dual supply, and 100% condensing heat recovery, widely applied in ultra-high-rise buildings, data centres, factories, and water heater renovation markets, achieving a certain size of pre-sales before the launch.

In line with the development of the renovation market, the Company provided a one-stop renovation solution by combining high-efficiency equipment, system optimization, low-carbon consultation, and ongoing operation, characterized by comprehensive facility renovation. By optimizing demand, improving efficiency, reducing energy waste, and enhancing management to build a one-stop renovation solution, the Company signed over 350 renovation projects in the first half of the year. For customers replacing outdoor units of different brands while retaining indoor units, the Company launched control boxes and valve boxes, reducing indoor construction difficulty and customer renovation costs, achieving building energy saving and carbon reduction, and helping customers reduce costs and increase efficiency.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

1. HVAC Business — *Continued*

(1) *Central air-conditioner business — Continued*

③ *In terms of new industries, the Company's energy-saving and low-carbon overall solutions contributed to the rapid growth of the second curve.*

The Company's ECO-B smart building and energy management system won the "Innovative Product" award at the 2024 China Refrigeration Exhibition. Its HVAC energy-saving algorithm could achieve energy savings of over 30%, and the efficient engine room COP could reach over 5.0. In the field of home energy management, the Company launched the Hi-Power series energy products, forming a refined system integrating heat pumps and home appliances, showing significant advantages in energy saving, installation, and maintenance convenience. Hisense smart building also formed strategic partnerships with leading intelligent building company to further consolidate and expand its business in the smart building sector.

In the water heater segment, Hisense launched a new generation of magnetic suspension oil-free variable frequency centrifugal chillers, expanding single unit capacity to 2300RT. With outstanding full-load efficient operation performance, wide-range cooling capabilities, intelligent operation strategies, and convenient oil-free maintenance, the chillers have served hundreds of customers in fields such as industrial plants, industrial parks, government-owned public buildings, and data centres.

In the heat pump fresh air segment, the Company fully expanded the household water market with the launch of the Red Flame dual-efficiency products, featuring strong low-temperature heating and double-first-grade energy efficiency for cooling and heating, achieving nearly double growth in the household water segment. The Company launched Hitachi Whole House All Sense Smart Air Custom System 2.0 and the Wisdom Villa All Sense Smart Air Custom Water System, continuously meeting the demands of users for consumption upgrades, achieving nearly 20% growth in the first half of the year. York VRF continued to optimize its product matrix, striving to build the industry's most comprehensive lineup and most competitive heat pump products in the dual-supply and triple-supply of freon and water, achieving growth of over 10% in the first half of the year. Meanwhile, York VRF launched the YES-fairy series of dual-DC full heat exchange fresh air ventilators and high-efficiency central humidification modules, with fresh air product shipments increased by 90% year-on-year.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

1. HVAC Business — *Continued*

(2) *Household air-conditioner business*

The household air-conditioner business upheld the new mission of “building air conditioner as the central indoor air housekeeper, improving the living environment and benefiting hundreds of millions of families”, and focused on upgrading the technologies and products of Hisense and Kelon. According to the monitoring data from AVC, the retail sales of household air-conditioners increased by 0.3% year-on-year in the first half of 2024, which was 14 percentage points higher than the general retail sales of the industry.

① *Hisense Air Conditioner integrates intelligent, healthy, and comfortable technologies, continually delving into sports marketing to provide users with all-scenario proactive intelligent air solutions.*

In the first half of 2024, Hisense Air Conditioner, under the main theme of “Hisense, A Leader in Fresh Air Conditioning”, deeply integrated intelligent, healthy, and comfortable technologies, focusing on core functions such as the five-dimensional air housekeeper and fresh air oxygenation and building an 24/7 all-space intelligent air central housekeeper to provide users with all-scenario proactive intelligent air solutions. Hisense Air Conditioner continued to deepen its engagement in the fresh air category, conducting sports marketing and e-sports marketing with the theme of “Hisense, the Champion”. Events, such as European Football Championship Offer Activation, Olympic Chen Meng Offer Activation, and KPL Wolves Championship Offer Activation, were held to create the champion product Tresor C3 and hold the AWE champion product release, raising the industry’s awareness of the fresh air category. According to the monitoring data from AVC, Tresor C310 topped the fresh air cabinet segment, ranking TOP1. Moreover, Hisense Air Conditioner occupied 7 seats in the TOP10 bestsellers in the offline new air conditioner market, including best-selling models such as Tresor C320, Tresor C310, Little Oxygen Bar X5, X600, and X628. During the Reporting Period, the offline market share of Hisense Fresh Air Conditioner increased to 45.3%, continuously leading the industry, fully demonstrating Hisense Air Conditioner’s strong strength in the fresh airfield and user recognition.

② *Kelon Air Conditioner builds an Internet air conditioner brand that rejuvenates the vitality of changes and realizes a double breakthrough in brand reputation and sales volume.*

Kelon Air Conditioner keeps up with the home living needs of young users for comfort and convenience, dedicated to building a youthful high-value brand. It successively launched bedroom air-conditioner products such as Little Ear LZ, a 16-decibel quiet sleep air conditioner, and AI high-efficiency energy-saving LT, upgrading technologies in aspects such as quietness, light sensitivity, energy saving, cooling, heating, temperature sensation, and wind sensation, creating a more comfortable sleep environment for users. Additionally, Kelon Air Conditioner achieved high brand exposure by leveraging the IP of the New Youth Music Festival and focusing on platforms such as TikTok, increasing brand voice by 71.66% year-on-year and interaction by 339.6% year-on-year in the first half of 2024.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

2. Refrigerator, Washing Machine and Kitchen Appliance Business

(1) *Refrigerator Business*

The Company continually innovates technology to bring product experiences that meet the needs of users for life quality. In the first half of 2024, according to the omni-channel monitoring data from AVC, refrigerator retail sales increased by 3.6% year-on-year, and market share increased by 0.4 percentage points.

① *Ronshen Refrigerator have upgraded their freshness technology, setting a new trend for integrated home living and continuing to safeguard users' quality and healthy lifestyles.*

In the trend of users seeking more integrated home appliances, Ronshen WILL high-end series made another strong effort, launching the 560WILL Freshness Embedded Refrigerator, upgrading the WILL Natural Freshness System to create a garden for the growth of fruit and vegetable. With its ultra-slim 60cm depth and stylish, elegant, and premium design, the 560WILL refrigerator has quickly climbed to the TOP4 in the industry within just 3 weeks of its launch, expanding Ronshen's representation among the TOP10 offline best sellers to 3. With its 60cm ultra-slim depth and intelligent dual-purification system, the 506 Dual Pure Pro embedded refrigerator has continued to gain high market recognition, winning the 2024 AWE Gold Word of Mouth Award. It maintained its leading position as the number one offline refrigerator best seller in the first half of 2024, extending its dominance from the second half of 2023. Ronshen Refrigerator carried out new product launch tours for the 560WILL Freshness Refrigerator and 517IDP Dual Pure Refrigerator, allowing users to immerse themselves in the product quality and freshness capabilities firsthand, thus sustaining the momentum of the new products. According to the data from AVC, in the first half of 2024, the market share of Ronshen's mid-to-high-end and high-end refrigerator products was 10.7%, a year-on-year increase of 1.1 percentage points. As a pioneer in setting industry standards for freshness, health, and embedded refrigerators, Ronshen has been driving the refrigeration industry towards new heights and horizons.

② *Hisense Refrigerator connects quality through vacuum technology, creating unique spatial art and a complete set of villa wisdom living for users.*

Starting with Hisense Tresor Vacuum Refrigerator, Hisense Refrigerator set the "Vacuum Freshness Preservation" standard and constructed a complete set of intelligent cooking scenarios. The vacuum cube PRO carried by the Tresor 509 Vacuum Refrigerator achieves dynamic vacuum partition storage, offering users a refined storage experience. In the 4th week after its launch, it ranked first in the industry. The Tresor 600 Vacuum Refrigerator achieves zero-distance door opening, truly achieving a 60CM pure flat fully-embedded design, and won the 2024 AWE Excellent Product Award. The Tresor 503 Vacuum Refrigerator uses vacuum ice temperature technology to effectively slow down ingredient oxidation, applying active ion sterilization and deodorization throughout the entire space, achieving 99.9% sterilization efficiency in just 3 minutes and rapid deodorization in 15 minutes. During the European Football Championship, Hisense Refrigerator launched a billboard campaign featuring the slogan "Hisense Vacuum Refrigerator: True Freshness Lies in Vacuum Technology," promoting its champion products Tresor 600 Vacuum Refrigerator and Hisense 500 Vacuum Refrigerator around sports marketing events such as the European Football Championship to enhance awareness of Hisense Vacuum Refrigerators and continuously boost the popularity of the products. According to AVC data, in the first half of 2024, the market share of Hisense's high-end refrigerator products increased by 0.2 percentage points year-on-year, with revenue from the Tresor series for the offline market increased by 81% year-on-year.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

2. Refrigerator, Washing Machine and Kitchen Appliance Business — *Continued*

(1) *Refrigerator Business — Continued*

③ *Enabling a New Retail Paradigm with Emerging Channels*

In the refrigerator segment, the Company focused on expanding new business areas and sales channels, innovating and reforming the product mix and marketing model for online and offline markets through new platforms. While actively expanding the reach of the brand's self-operated matrix accounts and innovating live streaming contents, the Company integrated online traffic with offline store retail through TikTok local life, boosting store traffic and product sales around users' daily lives and various consumption service scenarios, and achieving a 338% increase in sales through TikTok local life in the second quarter.

(2) *Washing Machine Business*

The washing machine business continuously innovated washing technology and product experience, achieving a growth of 49.8% in main business revenue in the first half of 2024.

During the Reporting Period, the washing machine business focused on running water washing technology, continuously upgrading in the field of healthy washing care, optimizing product mix, and enhancing user experience. The running water washing star product L3 ranked TOP2 in the domestic industry.

Hisense washing machine innovatively launched the new generation of washer-dryer Piano Master H8, which achieves 99.99% sterilization against fungi, bacteria and viruses, and reaches an ultra-high washing ratio of 1.259. It meets users' needs for cleaner and healthier clothes washing. Moreover, in clothes care and drying, the Piano Master H8 innovatively applies dryer care principles to the washer-dryer, restoring the softness and fluffiness of clothes in as fast as 15 minutes, providing high-quality clothes care for users. Additionally, Hisense washing machine continuously upgraded in the field of clothes care and led the drafting of the national standard "Clothes Care Evaluation Technical Specification (衣物護理評價技術規範)." Designed with the younger generation in mind, Hisense's "Roman Holiday" visually appealing washing machine series has been honoured with the "2024 AWE Design Award" at the 2024 China Home Appliances and Consumer Electronics Expo. The series' visually appealing design has earned it widespread acclaim from industry professionals and consumers alike.

(3) *Kitchen Appliance Business*

The kitchen appliances business defined a dual-channel development strategy, upgrading product quality and technology to meet users' one-stop home decoration needs.

Despite a sluggish industry growth environment, the Company has maintained robust growth in its kitchen appliance business by leveraging its strong self-owned channel network. Adopting a coordinated development strategy between professional and appliance channels, and focusing on product quality and network efficiency, the Company has upgraded product quality and technology, achieving a year-on-year increase of 40% in online revenue and a year-on-year increase of 85% in overall revenue. Concurrently, the Company continuously refined the structure of mid-to-high-end products, fully integrating the technology from the European company Gorenje into its product development process, launching multiple Tresor series products such as C3 and W8 to meet users' one-stop home decoration needs, with online revenue from mid-to-high-end products increasing to 50%.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

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

Sanden Company actively promoted the transition from a compressor-based component supplier to a supplier of integrated thermal management systems for new energy vehicles. The Company continuously achieved new breakthroughs in product R&D, and its business condition kept improving.

(1) *In terms of product strength, the Company has been aligning with the trend of energy conservation and emission reduction, and has continuously made breakthroughs and upgrades in thermal management systems and core components.*

Sanden Company concentrated efforts to break through the new generation of natural refrigerant CO₂ direct and R290 indirect integrated thermal management systems, achieving leadership in the next-generation thermal management system. Applying heat pump technology, secondary circulation waterway, and waste heat recovery technology, these systems provide balanced temperature management for the cabin, battery, motor, and electronic control of electric vehicles, effectively improving driving comfort and extending winter endurance mileage. Simultaneously, the indirect thermal management system was designed to meet different customers' needs, achieving a highly integrated, miniaturized, universal, and serialized design of the refrigeration circuit, effectively reducing costs and quickly meeting the customization requirements of different customers.

Using high-efficiency scroll lines, adaptive backpressure adjustment, and other technologies, Sanden Company developed a new generation of electric compressor platforms compatible with various refrigerants such as R1234yf, CO₂, and R290. These platforms lead the industry in high pressure, miniaturization, low vibration and noise, and high energy efficiency, reducing the refrigerant charge in vehicle heat pump air conditioning systems and adhering more closely to principles of lightweight and compactness.

Innovatively using technologies such as membrane heating, Sanden Company expanded the ECH product line to adapt to different working temperature thresholds. At the same time, Sanden Company has strong technical advantages in lightweight and low fluid resistance, effectively ensuring the normal working state of batteries in ultra-low temperature environments and providing a comfortable experience for drivers and passengers. Expanding the use of split double-layer flow HVAC, Sanden Company improved user comfort and reduced emission energy consumption loss.

(2) *Internally, Sanden Company has implemented a series of initiatives to enhance efficiency throughout the entire value chain, from procurement to manufacturing and management.*

During the Reporting Period, Sanden Company has been strengthening its strategic partnerships with upstream and downstream players to enhance the efficiency of its external supply chain. Sanden Company has deepened the management of its manufacturing efficiency system, improving both manufacturing efficiency and labour productivity. In the first half of the year, the absolute value of man-hour loss improved by 2.3% year-on-year, UPPH improved by 5.3% year-on-year, and the manufacturing cost per unit improved by 4.4% year-on-year. In the first half of the year, by strictly managing funds and improving fund utilization efficiency, accounts receivable turnover improved by 10%, and inventory turnover improved by 12%. Profitability continuously improved, with gross profit margin increased by 2.5 points year-on-year in the first half of the year.

4. Tresor High-End Business

Hisense Tresor series adheres to the pursuit of ultimate quality, catering to the upgraded needs of high-end users, from aesthetics to intelligent experiences. Inheriting Eastern aesthetics and innovating human-centric technologies, it creates a full-category, all-scenario, and fully intelligent home appliance suite. The Hisense Tresor premium product series saw a revenue growth of 48% year-on-year in the first half of 2024. The Company established 383 new scenario-based experience zones and introduced the Tresor series into Hisense Hitachi retail outlets. With continuous expansion and iteration of our product line, the Tresor C310 fresh air cabinet steadily ranked TOP1 in its market segment, and the Tresor 509 refrigerator clinched the top spot in its category upon its initial launch. From artistic and intelligent homes to user-centric home scenarios, the Company offers a full range of high-end smart home appliance solutions to meet the needs of our users.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

5. Smart Home Business

As the smart centre of Hisense's smart home business, the Hisense AiHome platform offers comprehensive smart control for all devices, full-space scene interaction, and end-to-end home appliance services, centring around users' entire home journey. It innovatively launched air solutions, health preservation solutions, smart washing and care solutions, creating a one-stop high-quality smart living experience for users.

In terms of air solutions, centered around users' home movement, the Company upgraded five major scenarios: formaldehyde removal, home living, sleep, kids and pets. The formaldehyde removal rate in drying rooms increased by 99%, and the Bama air sterilization rate reached 99%. In terms of health preservation, around users' cooking movement, the Company upgraded storage, pre-processing, cooking, and cleaning scenario solutions, providing storage solutions for thousands of ingredients, smart recipes, and cloud recipes. In terms of smart washing and care, around family differentiation needs, the Company innovated private custom scenarios, covering 9 high-frequency washing needs of users, and can intelligently generate hundreds of exclusive program solutions. In terms of user services, the Company covered the entire process from purchase to logistics and installation, and build a tiered and classified message notification system, to continually improve customer satisfaction and loyalty. Thanks to the continuous upgrades of scenario solutions and the improvement of home appliance intelligence, the monthly active users of the Hisense AiHome platform increased by 65% year-on-year in the first half of the year, and the NPS of home appliance intelligent experience increased by 14% year-on-year.

6. Overseas Markets for Home Appliances Business

During the Reporting Period, the Company actively built five regional engines overseas, deepened localization efforts, and capitalized on sports marketing. As a result, overseas self-owned brands have gained significant traction, driving a growth of 36.91% year-on-year in overseas white goods business revenue to RMB14.78 billion in the first half of 2024.

(1) Europe Region

During the Reporting Period, the European Division fully leveraged the opportunity of the European Football Championship, driving rapid revenue growth through brand communication, product marketing, and e-commerce user operations across multiple fields: through proactive product planning and targeted marketing campaigns, the European Division secured prime positions in retail chain channels. A series of online and offline integrated marketing activities were executed to drive growth across all product categories; The European Division organized media events, so as to leverage the broad influence of the media for endorsing the Hisense brand and products, planning a series of rich KOL cooperation contents to enhance brand and product visibility; Additionally, with the e-commerce team's user operation, the European Division effectively enhanced brand exposure and promoted sales growth.

In addition, leveraging its full product range advantage, the European Division successfully drove revenue growth of 14% year-on-year in the first half the year. With refrigerators as the lead product, the division promoted sales of washing machines and dishwashers through series products. Specifically, refrigerator sales experienced a growth of 16.9% year-on-year, with market share increased by 1.4 points, and commercial refrigeration sales nearly tripled; Household air-conditioner business launched the European R&D centre to quickly capture market changes, with revenue increased by 26.8% year-on-year, and light commercial appliance revenue increased by 17.8% year-on-year; washing machine revenue increased by 21.3% year-on-year; Central air conditioner revenue increased by 9.4% year-on-year, with revenue growth in the Spanish market exceeding 65%.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

6. Overseas Markets for Home Appliances Business — *Continued*

(2) *Americas Region*

During the Reporting Period, the American Division leveraged the geographical advantage of the Monterrey factory in Mexico, supplemented the American product lineup, and focused on the Central and South American markets, accelerating channel expansion. In the first half of 2024, the American Division achieved a year-on-year revenue growth of 40%. Among them, refrigerator revenue increased by 97.3% year-on-year, freezer revenue increased by 92% year-on-year, and commercial refrigeration revenue grew nearly sixfold; Household air-conditioner business focused on developing professional channels, successfully promoting the North America's switch to 454B and R32 refrigerant projects, with the light commercial appliance revenue of the American Division increased by 161% year-on-year; Washing machine revenue increased by 97% year-on-year; Central air conditioner business launched 575V/60Hz commercial multi-connection products with AHRI industry recognised certification for the American market, and effectively met the needs of the North American market with its strong low-temperature heating performance, doubling the scale of the US office.

(3) *Middle East and Africa (MEA) Region*

The MEA Division shaped brand appeal through sports sponsorship, capturing user mindshare, focusing on top-end stores, and creating offline brand strongholds to drive sales traction. In the first half of 2024, the MEA Division's revenue increased by 27% year-on-year. Among them, refrigerator revenue increased by 22.6% year-on-year, with market share increased by 0.9 points, and freezer revenue increased by 46.8% year-on-year; Household air-conditioner revenue increased by 20.9% year-on-year, and light commercial appliance revenue increased by 31.5% year-on-year; Washing machine revenue increased by 39% year-on-year; Central air conditioner revenue increased by 89% year-on-year.

(4) *Asia-Pacific Region*

During the Reporting Period, the Asia-Pacific Division continuously upgraded brand and product structure, actively expanding air conditioning, washing machine, and kitchen appliance categories in the Australian market while capturing growth opportunities in markets such as New Zealand, India, Bangladesh and Pakistan. In the first half of 2024, the Asia-Pacific Division's revenue increased by 18.9% year-on-year. Among them, household air-conditioner and light commercial appliance revenue increased by 27% year-on-year, and Japan's household air-conditioner revenue increased by 22.6% year-on-year; Washing machine revenue increased by 18.37% year-on-year.

(5) *ASEAN Region*

During the Reporting Period, the ASEAN Division focused on addressing local user pain points, building key category lineups, rapidly expanding chain channels, and continuously improving retail efficiency. In the first half of 2024, the ASEAN Division's revenue increased by 39.46% year-on-year, with its self-owned brand revenue increasing by 64.37% year-on-year, and its own brand revenue accounting for 74.31%, an increase of 11.26 points. The refrigerator business focused on creating the "Total Space Purification" series of products, increasing the series' revenue share from zero to 22%, with overall revenue increasing by 32% year-on-year. The market share of refrigerators in Malaysia increased by 2.9 points year-on-year, and the market share of refrigerators in Thailand increased by 1.4 points year-on-year; The washing machine business focused on promoting the running water washing series, increasing the revenue share from 17% to 34%, and achieving an overall revenue growth of 78% year-on-year; The household air-conditioner business deeply cultivated professional and traditional channels, with air conditioner revenue increased by 60.28% year-on-year, and own brand business accounting for 78.7%, an increase of 7 points; The central air conditioner business revenue increased by 194% year-on-year.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

7. Channel and Service System Development

(1) *Continuously optimize the channel distribution and fully utilize the advantages of multi-category integration.*

In the first half of 2024, the Company accelerated the rollout of exclusive stores through its own channels, rapidly advancing multi-category integration. Hisense exclusive stores introduced central air conditioners, included the category of Ronshen Refrigerator, and increased kitchen appliance coverage. The scale of exclusive stores achieved a growth of 18% year-on-year in the first half of the year. The Company accelerated the construction of a cooperation matrix for pre-emptive channels, deeply exploring the expansion of channels such as decoration and custom cabinet businesses, achieving a growth of 306% in revenue year-on-year in the first half of 2024, with the number of pre-emptive touchpoints increased by 73% year-on-year. Sinking channels continued to be expanded for low-tier channels, with 3,408 new outlets added in the first half of the year, and revenue from the Tmall Premium channel increased by 20.1% year-on-year. Combining products and sales, the Company vigorously built talent assets for emerging channels, and the revenue from the TikTok channel increased by 27.9% year-on-year in the first half of 2024.

(2) *Deepen digital transformation and explore the space for improvement in refined operations.*

Focusing on core customer acquisition scenarios, the Company strengthened our user operation capabilities and enhanced the efficiency of the entire operation chain with the help of digital tools. The Company continuously focused on “new customer acquisition – member activation – lead conversion” to increase volume, and built a private domain user operation methodology to achieve a double increase in user volume and quality. In the first half of 2024, member sales increased by 7% year-on-year.

8. Building a Global Smart Supply Chain, Data-Driven Empowerment of Lean Manufacturing Systems

The Company continuously consolidated supply chain management, and facilitated internal resource sharing, with the proportion of shared suppliers increased to 28.9%; and promoted the integration and centralized procurement of common categories, completing the integration of 9 categories in the first half of the year, and continuously enhanced the cost competitiveness of those common categories; and encouraged domestic suppliers to go overseas and provide support and promoted the localization process of imported materials, achieving a 5.6% reduction in the delivery cycle of all categories and effectively improving supply efficiency.

The Company continuously advanced the construction of a lean system, practicing advanced manufacturing powered by intelligence, with UPPH increased by 12.3% year-on-year in the first half of the year. By piloting new technologies and promoting mature technologies, the Company reduced operating costs and replaced more than 1,700 people with automation in the first half of the year. By connecting all links in the value chain, the average labour cost per unit has been improved by 11.0% year-on-year. In terms of intelligent manufacturing, Hisense Hitachi Huangdao factory took the lead in planning and building a lighthouse factory, creating more than 40 industry-leading scenarios such as welding automation and aerial logistics, with over 20 industry-first technologies. Additionally, the Company added 6 national Level III certified intelligent manufacturing factories in the first half of the year, rapidly enhancing the level of intelligent manufacturing.

9. Capital Safety Management

The Company adhered to the philosophy of “Long-termism” and “Prudent Operations”, always putting capital safety on top priority, consistently focusing on capital management, and pursuing healthy and efficient development.

Under the current increasingly severe economic situation, intensified market competition and increased demand uncertainty have posed great challenges to the efficiency of the entire supply chain. Taking digital transformation as an opportunity, the Company insisted on taking “efficiency” as the driving force, continuously optimizes the synergy of production, supply and sales, and refines the safe inventory control standards according to, among others, categories and series; At the same time, the Company established a chain-wide inventory monitoring system to determine the inventory coverage days standard by segment and by channel and dynamically adjust the production scheduling, so as to avoid severe channel inventory backlog. In the first half of 2024, the inventory turnover days of the Company improved by 6.5% year-on-year.

II. PRIMARY BUSINESS IN WHICH THE COMPANY WAS ENGAGED DURING THE REPORTING PERIOD — *Continued*

9. Capital Safety Management — *Continued*

In the context of increasing credit risk among domestic and foreign customers, on one hand, the Company tightened internal credit management standards, conducting credit management by customer categorisation and dynamically monitoring customer credit status; On the other hand, insurance means are actively utilized to expand insurance coverage and avoid and transfer risks.

10. OUTLOOK

The Company will adhere to long-termism, remain customer- and user-cantered, focus on efficiency improvement and structural enhancement, and continuously improve operational quality through the following initiatives:

- (1) Perfecting the Construction of Five Overseas Regions and Fully Developing Overseas Markets: Building a global talent supply chain, promoting the integrated construction of overseas R&D centres, production bases, and local business centres, enhancing overseas product strength and order delivery capabilities, and achieving rapid growth in overseas business;
- (2) Focusing on Structural Improvement and Persisting in Long-term Capability Building: Streamlining the entire product life cycle process from R&D to marketing, strengthening user thinking, increasing the proportion of high-end product planning and product competitiveness in the product planning and R&D stages, enhancing brand influence through marketing and terminal scenarios in the marketing stage, and investing more resources in high-end categories like Tresor to achieve continuous improvement in sales structure;
- (3) Leveraging Cross-category Resources and Consolidating R&D Capabilities: Establishing a cross-category product simulation platform system, promoting modular product development, platform-based design, and integrated platforms for products sold in both domestic and foreign markets, thereby improving R&D efficiency;
- (4) Strengthening Supply Chain Management and Deeply Exploring Procurement Efficiency: Continuing to promote the standardization of materials across product lines, achieving centralized procurement of common materials across various production lines to reduce costs, integrating and optimizing suppliers, and enhancing supply chain quality and cost competitiveness;
- (5) Promoting Multi-category Channel Synergy and Enhancing Marketing Capabilities: Advancing the integration of various marketing channels, leveraging the information advantage of Hisense Hitachi central air conditioners on channel traffic in the pre-installation markets, such as real estate and decoration businesses, to drive rapid growth in categories like refrigerators, washing machines, and kitchen appliances. Additionally, introducing categories like central air conditioners and refrigeration products into the Company's own channels, accelerating the construction of full-category exclusive stores, and improving marketing efficiency;
- (6) Practicing Advanced Manufacturing Strategy and Perfecting Lean Production System: Focusing on digitalization, intelligence, and informatization transformation, constructing a lean manufacturing system, and enhancing the lean capability maturity of each factory. Benchmarking against industry leaders to improve manufacturing automation levels, promoting equipment networking, realizing data-driven operations, and improving manufacturing efficiency;
- (7) Strengthening ESG Capacity Building and Further Enhancing Sustainable Development: Publishing the dual carbon planning white paper and internal ESG management standards manual of the home appliance group, perfecting the risk management mechanism, and implementing carbon reduction projects such as energy-saving manufacturing, green product design, and green supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF 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)	48,641,673,374.79	42,943,975,619.38	13.27
Net profits attributable to shareholders of the Company (RMB)	2,015,831,383.14	1,497,562,724.59	34.61
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	1,703,110,186.47	1,263,227,367.15	34.82
Net cash flow from operating activities (RMB)	2,099,973,482.47	3,812,044,169.34	-44.91
Basic earnings per share (RMB/share)	1.48	1.09	35.78
Diluted earnings per share (RMB/share)	1.48	1.09	35.78
Weighted average rate of return on net assets (%)	14.00	12.28	Increase of 1.72 percentage points

Item	At the end of the Reporting Period	At the end of the previous year	Increase or decrease as compared to last year (%)
Total assets (RMB)	70,721,704,555.81	65,946,495,555.67	7.24
Net assets attributable to shareholders of the Company (RMB)	14,161,666,912.48	13,580,174,485.95	4.28

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(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)	-188,908.54	
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)	114,199,094.86	
Profit and losses from assets which entrust others to invest or manage	147,523,809.07	
Gain or loss on debt restructuring	6,522,207.73	
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	67,039,300.20	
Other non-operating income and expenses other than the aforementioned items	62,164,212.50	
Less: Effect of income tax	38,550,258.11	
Effect of minority interests (after tax)	45,988,261.04	
Total	312,721,196.67	

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF 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	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	48,641,673,374.79	42,943,975,619.38	13.27	No significant changes
Operating costs	38,291,675,401.05	33,698,115,348.34	13.63	No significant changes
Sales expenses	4,959,752,440.46	4,492,848,251.67	10.39	No significant changes
Management expenses	1,199,136,901.69	1,024,738,874.90	17.02	No significant changes
Financial expenses	-105,016,702.42	-284,866,150.49	N/A	Mainly due to the decrease in foreign exchange gains on foreign exchange evaluations
Income tax expenses	469,196,871.14	472,191,163.40	-0.63	No significant changes
Research and development expenses	1,643,979,097.19	1,244,057,032.04	32.15	Mainly due to the increase in investment in research and development
Net cash flows from operating activities	2,099,973,482.47	3,812,044,169.34	-44.91	Mainly due to the increase in balanced production reserves and the increase in performance bonuses paid
Net cash flows from investing activities	493,052,678.68	-4,588,662,285.55	N/A	Mainly due to the increase in maturity of wealth management products
Net cash flows from financing activities	-2,612,982,815.10	944,935,699.25	-376.52	Mainly due to the repayment of loans by subsidiaries, the repurchase of shares and the increase in dividend payments
Net increase in cash and cash equivalents	-127,424,266.33	138,885,445.53	-191.75	Mainly due to the decrease in net cash flows from operating activities and financing activities

No significant change in profit composition or profit source during the Reporting Period of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) Analysis of Principal Business — *Continued*

2. Composition of operating revenue

Unit: RMB

Item	The Reporting Period		The corresponding period last year		Change (%)
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	
Total operating revenue	48,641,673,374.79		42,943,975,619.38		13.27
By industry					
Manufacturing industry	43,533,451,261.12	89.50	38,703,106,875.81	90.12	12.48
By product					
HVAC	22,767,026,154.35	46.81	21,160,441,372.37	49.27	7.59
Refrigerators and washing machines	14,692,881,715.23	30.21	11,586,519,085.22	26.98	26.81
Other main business	6,073,543,391.54	12.48	5,956,146,418.22	13.87	1.97
By region					
Mainland	25,328,122,655.20	52.07	24,466,006,890.61	56.97	3.52
Overseas	18,205,328,605.92	37.43	14,237,099,985.20	33.15	27.87

The industry, product or region that accounts for more than 10% of the Company's operating revenue or operating profit

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin (%)	Increase or decrease in gross profit margin as compared to corresponding period last year		Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
				to corresponding period last year (%)	to corresponding period last year (%)	
By industry						
manufacturing industry	43,533,451,261.12	33,423,079,419.82	23.22	12.48	12.58	-0.07
By product						
HVAC	22,767,026,154.35	16,144,839,288.88	29.09	7.59	7.48	0.08
Refrigerators and washing machines	14,692,881,715.23	12,138,574,879.46	17.38	26.81	27.91	-0.71
Other main business	6,073,543,391.54	5,139,665,251.48	15.38	1.97	-0.73	2.31
By region						
Mainland	25,328,122,655.20	17,243,837,527.05	31.92	3.52	2.34	0.79
Overseas	18,205,328,605.92	16,179,241,892.77	11.13	27.87	26.01	1.32

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF ASSETS AND LIABILITIES

1. Significant Changes in the Composition of Assets

Unit: RMB

Item	At the end of the Reporting Period		At the end of 2023		Change (percentage point)	Explanation of significant changes
	Amount	Weighting to total assets (%)	Amount	Weighting to total assets (%)		
Currency fund	5,219,471,325.15	7.38	4,939,273,198.62	7.49	-0.11	No significant changes
Accounts receivable	11,309,189,054.02	15.99	9,225,321,882.07	13.99	2.00	No significant changes
Inventories	6,651,353,361.18	9.40	6,774,603,438.00	10.27	-0.87	No significant changes
Contract assets	35,587,091.49	0.05	35,878,308.82	0.05	0.00	No significant changes
Long-term equity investment	1,874,427,715.29	2.65	1,671,365,117.46	2.53	0.12	No significant changes
Investment properties	255,894,853.52	0.36	177,982,723.30	0.27	0.09	No significant changes
Fixed assets	5,483,408,231.10	7.75	5,662,912,502.03	8.59	-0.84	No significant changes
Construction in progress	475,282,487.05	0.67	443,523,694.21	0.67	0.00	No significant changes
Right-of-use assets	185,583,126.58	0.26	169,378,820.87	0.26	0.00	No significant changes
Short-term borrowings	2,308,121,777.48	3.26	2,502,318,314.58	3.79	-0.53	No significant changes
Contract liabilities	1,330,234,950.50	1.88	1,440,254,499.57	2.18	-0.30	No significant changes
Long-term borrowings	38,147,438.08	0.05	42,956,652.46	0.07	-0.02	No significant changes
Lease liabilities	179,233,775.57	0.25	208,946,083.77	0.32	-0.07	No significant changes

2. Major Foreign Assets

☐ Applicable ☒ Not applicable

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ASSETS AND LIABILITIES POSITION — Continued

3. 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. Trading financial assets (excluding derivative financial assets)	13,187,740,355.11	101,206,357.12			13,060,574,931.64	12,392,808,071.29	-76,258,051.43	13,880,455,521.15
2. Derivative financial assets	4,285,180.76	50,600,856.21					-1,432,340.87	53,453,696.10
3. Other debt investments	4,643,427,583.77				3,160,153,400.98			7,803,580,984.75
4. Other investments in equity instruments	40,244,766.96		4,424,419.04		2,938,783.67	662,065.50	-4,704,483.94	42,241,420.23
5. Other non-current financial assets	27,197,809.69						-5,414,206.44	21,783,603.25
Sub-total of financial assets	17,902,895,696.29	151,807,213.33	4,424,419.04		16,223,667,116.29	12,393,470,136.79	-87,809,082.68	21,801,515,225.48
Investment properties								
Productive biological assets								
Total	17,902,895,696.29	151,807,213.33	4,424,419.04		16,223,667,116.29	12,393,470,136.79	-87,809,082.68	21,801,515,225.48
Financial liabilities	54,355,584.93	18,465,740.05					-5,932,059.20	29,957,785.68

Other changes

Mainly due to the changes in the balance of assets and liabilities arising from changes in foreign exchange rates.

4. 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 V. (24)), 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. ANALYSIS OF INVESTMENT POSITION

1. Overall situation

☒ Applicable ☐ Not applicable

Amount invested during the Reporting Period (RMB)

933,291,882.04

Investment for the same period last year (RMB)

0

Range of changes

N/A

2. Significant equity investments acquired during the Reporting Period

☐ Applicable ☒ Not applicable

3. Ongoing material non-equity investments during the Reporting Period

☐ Applicable ☒ Not applicable

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

4. Financial assets investment

(1) *securities investment*

Type of Securities	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
stock	7267	Honda Motor Co., Ltd. (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	14,976,321.30		2,432,362.91	571,474.09			-1,774,778.24	16,205,380.06	Other equity instruments	Own funds
stock	8795	T&D Holdings (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	20.09						-2.19	17.90	Other equity instruments	Own funds
stock	PRU	Prudential (Listed on the New York Stock Exchange)	-	Fair value measurement	1,702,084.58	206,448.46					37,072.92	1,945,605.96	Trading financial assets	Own funds
stock	000980	ZOTYE AUTOMOBILE	-	Fair value measurement	32,079.74	-17,477.70					353.34	14,955.38	Trading financial assets	Own funds
stock	601777	Lifan Technology	-	Fair value measurement	195,083.41	14,651.45					-3,561.16	206,173.70	Trading financial assets	Own funds
Other securities investments held at the end of the period			-	-									-	-
Total			-	-	16,905,589.12	203,622.21	2,432,362.91	571,474.09			-1,740,915.33	18,372,133.00	-	-
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

(2) *derivatives investment*

√ Applicable □ Not applicable

The Company's derivative investments are mainly foreign exchange derivatives business such as forward settlement and sale of foreign exchange. During the Reporting Period, the Company had no derivative investments for hedging and speculative purposes.

5. Fund raising

The Company had no use of raised funds during the Reporting Period.

6. Significant asset and equity disposals

The Company did not dispose of any significant assets or significant equity during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

7. 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	Production and sale of central air-conditioners	US\$150 million	2,331,935.64	812,212.49	1,133,786.76	230,487.01	195,725.19

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

1. 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*

2. Major Guarantees

Unit: RMB (in ten thousand)

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
N/A										
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 at 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
SANDEN CORPORATION			22 December 2022	RMB0.385 billion	Joint and several liability guarantee	-	-	22 December 2022 - 31 January 2025	No	No
SANDEN CORPORATION	28 November 2023	RMB7.9 billion	7 February 2023	5 billion yen (equivalent to RMB0.224 billion)	Joint and several liability guarantee	-	-	7 February 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			10 February 2023	4 billion yen (equivalent to RMB0.179 billion)	Joint and several liability guarantee	-	-	10 February 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			22 February 2023	1.03 billion yen (equivalent to RMB0.046 billion)	Joint and several liability guarantee	-	-	22 February 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			24 March 2023	3.09 billion yen (equivalent to RMB0.138 billion)	Joint and several liability guarantee	-	-	24 March 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			4 April 2023	11.845 billion yen (equivalent to RMB0.530 billion)	Joint and several liability guarantee	-	-	4 April 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			19 April 2023	0.515 billion yen (equivalent to RMB0.023 billion)	Joint and several liability guarantee	-	-	19 April 2023 - 31 January 2024	Yes	No
SANDEN CORPORATION			31 January 2024	25.472 billion yen (equivalent to RMB1.140 billion)	Joint and several liability guarantee	-	-	31 January 2024 - 30 August 2024	No	No
SANDEN CORPORATION			4 April 2023	RMB0.145 billion	Joint and several liability guarantee	-	-	4 April 2023 - 5 April 2024	Yes	No
SANDEN CORPORATION			18 April 2023	RMB0.093 billion	Joint and several liability guarantee	-	-	18 April 2023 - 30 April 2025	No	No

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

2. Major Guarantees — *Continued*

Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Company's guarantees to subsidiaries				Counter- guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)				
SANDEN CORPORATION			21 April 2023	RM80.185 billion	Joint and several liability guarantee	-	-	21 April 2023 - 8 May 2025	No	No
SANDEN CORPORATION			21 July 2023	RM80.114 billion	Joint and several liability guarantee	-	-	21 July 2023 - 5 August 2024	No	No
SANDEN CORPORATION			22 September 2023	RM80.165 billion	Joint and several liability guarantee	-	-	22 September 2023 - 30 September 2024	No	No
SANDEN CORPORATION			21 June 2024	RM80.031 billion	Joint and several liability guarantee	-	-	21 June 2024 - 24 June 2025	No	No
SANDEN CORPORATION			21 November 2023	2.2 billion yen (equivalent to RM80.098 billion)	Joint and several liability guarantee	-	-	21 November 2023 - 20 November 2024	No	No
SANDEN CORPORATION			19 December 2023	2.5 billion yen (equivalent to RM80.112 billion)	Joint and several liability guarantee	-	-	19 December 2023 - 11 January 2024	Yes	No
SANDEN CORPORATION			22 March 2024	1.0 billion yen (equivalent to RM80.045 billion)	Joint and several liability guarantee	-	-	22 March 2024 - 24 March 2025	No	No
SANDEN CORPORATION			28 March 2024	2.8 billion yen (equivalent to RM80.125 billion)	Joint and several liability guarantee	-	-	28 March 2024 - 28 March 2025	No	No
SANDEN CORPORATION			30 April 2024	N/A	General guarantee	-	-	N/A	No	No
Hisense (Guangdong) Air Conditioning Co.			28 August 2023	RM80.120 billion	Joint and several liability guarantee	-	-	28 August 2023 - 28 February 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			26 September 2023	RM80.064 billion	Joint and several liability guarantee	-	-	26 September 2023 - 26 March 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			27 November 2023	RM80.062 billion	Joint and several liability guarantee	-	-	27 November 2023 - 27 May 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			29 January 2024	RM80.08 billion	Joint and several liability guarantee	-	-	29 January 2024 - 29 July 2024	No	No
Total quota of guarantees to subsidiaries approved during the reporting period (B1)			RM87.9 billion	Total actual amount incurred for guarantees to subsidiaries during the reporting period (B2)						RM84.104 billion
Total quota of guarantees to subsidiaries approved at the end of the reporting period (B3)			RM87.9 billion	Total actual guarantee balances to subsidiaries at the end of the reporting period (B4)						RM82.461 billion

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — Continued

2. Major Guarantees — Continued

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
Hisense (Guangdong) Kitchen & Bath Systems Co.	30 November 2022	RMB12.2 million	30 November 2022	RMB0	Joint and several liability guarantee	-	-	30 November 2022 - 20 May 2025	Yes	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)			RMB12.2 million	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)			RMB7.9 billion	Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)						RMB4.104 billion
Total amount of approved guarantees at the end of the reporting period (A3+B3+C3)			RMB7.912 billion	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						RMB2.461 billion
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets										17.38%
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)										RMB2.461 billion
Amount of the portion of total guarantees exceeding 50% of net assets (F)										N/A
Total amount of the above three guarantees (D+E+F)										RMB2.461 billion
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

3. Particulars of Entrusted Wealth Management

Unit: RMB ten thousand

Product type	Source of funding for entrusted wealth management	Subscription amount of entrusted wealth management	Amount of undue principal and return	Overdue balance return	Impairment amount of overdue wealth management
Wealth management products of banks	Own funds	1,392,361.77	1,376,728.02	0.00	0.00
Total		1,392,361.77	1,376,728.02	0.00	0.00

During the Reporting Period, the Company did not have any high-risk entrusted wealth management with significant individual amounts or low safety and liquidity, 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 entrusted wealth management.

VII. CORE COMPETITIVENESS ANALYSIS

(I) Technical Advantages

The Company always adheres to the core concept of "Technology-based Enterprise", revolves around the smart life strategy, and continues to carry out technological innovation with "intelligence, health and energy saving" as its cores. The Company boasts more than 20 provincial-level and above scientific and technological innovation platforms, including national-level enterprise technology centres, postdoctoral research workstations and national-level industrial design centres. The Company vigorously promotes the transformation of IPD process and the development of engineer culture, establishes a European R&D centre, further improves global R&D system and resource coordination, achieves major breakthroughs in multiple directions such as low-carbon energy-saving, comfort and health, intelligent freshness preservation, high energy efficiency in washing and drying, and constant air volume duct control. These technological advancements have maintained the Company's industry-leading position and have been successfully applied to its products.

1. HVAC Business

- (1) **Central Air-conditioner**, the Company is committed to empowering products and solutions with AI and IoT technologies, enhancing the comprehensive competitiveness of low-carbon, energy-saving, health and comfort technologies. The Company made breakthrough in the new generation of high-efficiency air supply technology and enhanced heat exchange technology, significantly improving the performance of multi-connected products, maintaining its industry leadership. The Company pioneered the load balancing control technology in the industry, achieving load balancing across different rooms and reducing actual operational energy consumption. The Company made breakthrough in the low-noise control technology, reducing the operating refrigerant sound, significantly improving sound quality and enhancing user experience. The Company pioneered energy-saving control technology based on indoor air quality, achieving real-time online monitoring of energy consumption and evaluation of energy-saving effect using AI powered real-time data collection, significantly reducing actual operational energy consumption while improving indoor air quality and maintaining its industry leadership.
- (2) **Household Air-conditioner**, the Company always adheres to technology-first, focusing on user and market demands, continuously intensifying innovations around core technologies such as "health, comfort, energy saving, and intelligence". The Company pioneered the bidirectional fresh air exchange technology in the industry, to use a single motor to simultaneously intake and exhaust air, improving CO2 replacement efficiency in rooms, achieving rapid and efficient fresh air exchange, and continuing to lead the industry in fresh air technology. The Company conducted key research on multi-source noise control technology for air conditioners, enhancing the mute effect of household air conditioners, providing users with a better experience, with technological achievements identified as internationally leading. The Company achieved breakthroughs in the entire chain of infrared human sensing technology from mechanism, identification to control using the personalized thermal comfort AI identification and control technology for air conditioners, enhancing personalized thermal comfort experience for multiple users in different scenarios, with technological achievements identified as internationally leading. The Company developed key technology for a self-developed high-reliability multi-phase interleaved PFC variable frequency control system, solving stress issues such as sudden changes in grid voltage and overcurrent, controlling the attenuation of cooling capacity, improving the overall reliability, environmental adaptability, and user experience of the unit, overcoming the reliance on foreign chips and achieving complete domestication, with technological achievements identified as internationally leading.

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(I) Technical Advantages — *Continued*

2. Refrigerator, Washing Machine and Kitchen Appliance Business

- (1) **Refrigerator**, the Company continues to launch innovative products, leading the trend of high capacity and high energy efficiency, and promoting technological upgrades in the industry. The Company made breakthrough first in the application of 6.35mm small diameter fin evaporator technology, completing further expansion of the large-capacity multi-door refrigerator product platform. The Company pioneered the industry with 55mm ultra-thin freezing foaming technology and achieved its industrialization, completing the development of the new high-energy efficiency product BCD-504W with 8-star rating for export to Australia. The Company pioneered the near-infrared food preservation technology in the industry, combining characteristic spectrum and light patterns to achieve a 40% reduction in the 7-day weight loss rate of fruits and vegetables, a 50% increase in chlorophyll retention rate, and a 25% increase in VC retention rate, filling the research gap in light frequency for fruit and vegetable storage in the industry, with preservation levels internationally leading. The Company made breakthroughs and filled the application gap in sterilization functionality for refrigerator ice-making and water routes, and innovatively developed UV dynamic sterilization technology with a sterilization rate of up to 99.99%, providing users with a safe and hygienic solution for ice and water consumption, with technology reaching internationally leading levels.
- (2) **Washing Machine**, the Company conducts research into washing, drying, and low-carbon technologies, driven by its strategic development goals and customer needs, with the aim of enhancing product performance and low-carbon environmental protection. In the washing and care aspect, the Company had a primary research focus on iterative upgrades of live water washing, with the product's washing ratio reaching an industry-leading level of 1.259, and the European energy efficiency standard achieving A-30% or above. The Company led the formulation of group standards in seven major aspects of care, and obtained the "Skincare Quality Care" certification, meeting the needs of users for different types of clothing care. In the drying asp, the Company focused on improving drying efficiency and developing dryness assessment algorithms, with heat pump dryers achieving new European standard level A energy efficiency, and the drying efficiency of integrated washing and drying machines improved by 35%. In the low-carbon aspect, the Company had a research focus on sustainable packaging and PCR plastic applications, meeting the low-carbon and environmental protection requirements of domestic and international markets.
- (3) **Kitchen Appliances**, the Company focuses on user demands, insists on innovation and technical breakthroughs, and continuously enhances core technology reserves. The dishwasher products apply UV full waterway sterilization technology, achieving a sterilization effect of 99.99%, with the implementation of automatic dispensing, localized enhanced washing, and residual water-free technologies, setting a new benchmark for performance in the industry. Self-developed cooking temperature control algorithms for steam ovens pioneers the application of model predictive control (MPC) algorithms in steam oven products, improving temperature control accuracy by more than 33%, setting a new benchmark for performance in the industry. The Company launched ultra-thin low-suction series products for range hoods, equipped with constant air volume variable frequency air duct matching technology, balancing effective air volume and noise performance, setting a new benchmark for performance in the industry. The Company continually upgrades flat plate burning technology for gas stoves, with thermal efficiency exceeding 75%, reaching advanced industry levels, and expands the application scenarios of dry burn prevention technology, compatible with a variety of cookware such as clay pots and composite bottom pots, setting a new benchmark for performance in the industry.

VII. CORE COMPETITIVENESS ANALYSIS — Continued

(I) Technical Advantages — Continued

3. Automobile Air Conditioner Compressor and Integrated Thermal Management Business

Based on the demand for the ITMS integrated thermal management platform using R290 natural refrigerant, Sanden Company effectively integrates components such as compressors, refrigerant valves, and heat exchangers to develop a highly integrated CRU refrigerant integrated unit, reducing leakage and safety hazards, while fully meeting customer needs for platformization and cost-effectiveness. In the component aspect, the new fifth-generation electric compressor platform achieves compatibility with different refrigerants such as R1234yf, CO₂, and R290, enhancing its technological advantages in performance, noise reduction, and modularization. The new generation of thick film heating technology enriches and expands the ECH product line, effectively assisting in the rapid heating of batteries and cabins under ultra-low temperature conditions, and possesses strong technical advantages in lightweight and low fluid resistance. Additionally, Sanden Company expands the development of split dual-layer flow HVAC, further improving the usage space of electric vehicle cabins, and achieving dual competitiveness in spatial arrangement and low energy consumption.

(II) Brand Matrix

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.

Along with the continuous advancement of Hisense's internationalization strategy, the overseas popularity and influence of the brand have been continuously improved. Meanwhile, Hisense keeps strengthening its marketing effort in sports by sponsoring EURO2016, World Cup 2018, EURO2020, World Cup 2022 and Euro 2024, with the aim to significantly boost its brand popularity in international market through these top sporting events in the world.

According to the marketing effectiveness research data in relation to Euro 2024, Hisense's brand equity overseas increased by 8% year-on-year after the Euro Cup, with an increase of 12% year-on-year in the French market and an increase of 11% year-on-year in Spain. Hisense's brand awareness overseas increased by 7% year-on-year, with an increase of 7% year-on-year in Germany and an increase of 6% year-on-year in France.

(III) Culture of Integrity

Integrity is the core value of Hisense, a principle that all Hisense employees must adhere to. It is a promise written into the name of Hisense and a non-negotiable red line that cannot be crossed. In 2013, Hisense announced the "Code of Integrity of Hisense Group (《海信集團誠信守則》)", which serves as the superior law for all management practices of Hisense. An Annual Integrity Management Report needs to be presented at the Group's annual business work conference.

Abiding by business ethics and adhering to integrity operations is the Company's long-term philosophy. Employees of Hisense regard integrity as their lives and pass it down to this day. To ensure that all employees of the Company always practice the core values of "honesty and integrity, pragmatism and innovativeness," the Company has also formulated systems and norms, including the Administrative Measures for Reporting Violations and Disciplinary Actions (《違規違紀行為舉報管理辦法》), the Business Communication Guidelines for Hisense Partners (《海信合作方商業交往準則》), and the Business Communication Guidelines for Hisense Employees (《海信員工商業交往準則》), to institutionalize, standardize, and normalize its integrity behaviours and carry out business cooperation legally and compliantly.

VIII. THE RISKS FACED BY THE GROUP AND OUTLOOK

1. Risk of macroeconomic fluctuations: If the macroeconomic growth slows down, the momentum of consumption may weaken, thereby affecting the consumer demand for home appliances.
2. Risk of cost increase: If the prices of raw materials continue to fluctuate, the Company's product costs will be adversely affected. Any increase labour and service costs, shipping costs and installation and maintenance service costs may adversely affect the Company's profitability.
3. Market risks brought about by trade protectionism: if some countries and regions protect their own economic interests by raising tariffs, mandatory certification and other means, which will lead to an increase in the Company's operating costs, affecting the competitiveness and profitability of its export business.
4. Exchange rate fluctuation risk: If the exchange rate fluctuates sharply, it will affect the profitability of the Company's overseas business.

In the face of business risks, the Company will actively respond to the challenges and further improve the quality of its business operations through insight into user needs, strengthening R&D capabilities, cost reduction and efficiency improvement, and focusing on long-term construction. ① The Company is user-centered, investigates the concern needs and solves user pain points. ② The Company has strengthened its R&D capabilities and key technology research, and enhanced its technological innovation capabilities. ③ The Company has optimized its sales structure and strengthened cost control to alleviate the pressure of rising costs. ④ The Company has strengthened the credit risk management of customers, accelerated the turnover of inventory funds, and enhanced the efficiency of capital operation. ⑤ The company has practiced advanced manufacturing, focused on long-term capacity building, and constructed the enterprise's sustainable growth capability to ensure the company's healthy, stable and sustainable development.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS

1. 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 (%)	Approved transaction amount (RMB ten thousand)
Hisense Group	Purchase	Finished goods	Agreed price by reference to market price	18,543.58	0.40	553,000.00
Hisense Group	Purchase	Materials	Agreed price by reference to market price	114,689.63	2.48	
Hisense Group	Receipt of services	Receipt of services	Agreed price by reference to market price	85,523.48	1.85	
Hisense Group	Sale	Finished goods	Agreed price by reference to market price	1,443,073.03	29.67	3,085,000.00
Hisense Group	Sale	Materials	Agreed price by reference to market price	68,949.54	1.42	
Hisense Group	Sale	Moulds	Market price	2,721.07	0.06	
Hisense Group	Provision of services	Provision of services	Agreed price by reference to market price	4,317.87	0.09	
Johnson Hitachi	Purchase	Products	Agreed price by reference to market price	56,435.97	1.22	141,586.00
HASCO Sanden	Purchase	Products	Agreed price by reference to market price	20,446.55	0.44	25,000.00
Johnson Hitachi	Sale	Products	Agreed price by reference to market price	19,054.3	0.39	41,503.00
HASCO Sanden	Sale	Products	Agreed price by reference to market price	51,833.97	1.07	270,000.00

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB14.175 billion, recognised interest income of approximately RMB0.186 billion, the actual balance of loan of RMB20 million with loan interest recognised of RMB0.4670 million, the balance of electronic finance company acceptance bill of approximately RMB1.847 billion, and the handling fee for opening accounts for electronic finance company acceptance bill of approximately RMB0.8448 million. The actual amount of discounted interest for the provision of draft discount services of approximately RMB0.0684 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately US\$8.5163 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was approximately RMB0.2279 million.

2. 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.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — *Continued*

3. Connected transactions in relation to joint external investment

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

Co-investor	Relationships	Name of the investee	Principal activities of the investee	Registered capital of the investee	Total assets of the investee (RMB ten thousand)	Net assets of the investee (RMB ten thousand)	Net profit of the investee (RMB ten thousand)
Hisense Visual	Connected Legal Entity	Intelligent Electronic	technical research and development, technical consulting, technical services in the field of electronic technology, software development, network technology development and consulting	RMB1,163,921,324	89,886.39	89,204.48	1,065.17
Progress of significant ongoing projects of the investee (if any)		N/A					

Note: Pursuant to the contractual agreement, Hisense Visual has paid a capital increase of RMB 102 million to Intelligent Electronics and the Company has paid a capital increase of RMB 98 million to Intelligent Electronics. The financial data in the above table represents the latest audited data of Intelligent Electronics.

4. Connected creditor's rights and liabilities

The Company's connected creditor's rights and liabilities are mainly related to the sales of goods, purchases of goods, provision of services, acceptance of services and other business transactions. During the Reporting Period, the Company did not have any non-operational connected creditor's rights and liabilities.

5. 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	2,700,000.00	0.35%-2.80%	1,533,786.44	9,173,716.98	9,290,030.27	1,417,473.15

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — Continued

5. Transactions with related financial companies and financial companies controlled by the Company — Continued

Loan operations

Unit: RMB (in ten thousand)

Related parties	Relationships	Maximum daily loan limit	Loan rate range	Opening balance	Amount incurred during the period		Closing balance
					Total loan amount for the period	Total repayment amount for the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	500,000.00	1.30%-3.70%	11,031.95	1,200.00	10,231.95	2,000.00

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	765,500.00	195,364.04

6. 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB2,100 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB3,812 million).

As at 30 June 2024, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balances) amounting to approximately RMB5,219 million (as at 30 June 2023: RMB4,564 million), of which more than RMB4,735 million are denominated in Renminbi (as at 30 June 2023: RMB3,430 million), and loans amounting to RMB3,135 million (as at 30 June 2023: RMB3,889 million).

Total capital expenditures of the Group for the six months ended 30 June 2024 amounted to approximately RMB540 million (for the six months ended 30 June 2023: RMB405 million).

Details of the Group's capital structure are set out in note XVI (1) to the financial statements.

TRUST DEPOSITS

As at 30 June 2024, 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.



OTHER INFORMATION

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 twelfth session of the audit committee of the Company has reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control, risk management system and financial reporting matters, including the unaudited interim results of the Group for the Reporting Period.

GEARING RATIO

As at 30 June 2024, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 73.12% (as at 30 June 2023: 73.38%).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2024, the Group had approximately 51,675 employees, mainly comprising 10,721 technical staff, 11,791 sales representatives, 520 financial staff, 1,020 administrative staff and 27,623 production staff. The Group had 77 employees with a doctorate degree, 2,511 with a master's degree and 49,087 with a bachelor's degree. For the six months ended 30 June 2024, the Group's staff payroll amounted to RMB4,893 million (for the six months ended 30 June 2023: RMB4,318 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 2024, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2023: nil) which were pledged as security for the Group's borrowings.

OTHER INFORMATION

SHARE CAPITAL STRUCTURE

As at 30 June 2024, 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	927,577,562	66.87%
H Shares	459,589,808	33.13%
Total	1,387,167,370	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2024, there were 25,399 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	37.25%	55.71%	0
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	458,951,527	33.09%	99.86%	0
The Hong Kong Securities Clearing Company Limited ("HKSCC") ^{Note 2}	Foreign legal person	62,789,122	4.53%	6.77%	0
China Construction Bank Corporation - Yinhua Wealthy Theme Hybrid Securities Investment Fund* (中國建設銀行股份有限公司－銀華富裕主題混合型證券投資基金)	Other	15,999,606	1.15%	1.72%	0
National Social Security Fund 101 Portfolio* (全國社保基金一零一組合)	Other	13,590,932	0.98%	1.47%	0
National Social Security Fund 103 Portfolio* (全國社保基金一零三組合)	Other	10,000,000	0.72%	1.08%	0
Industrial and Commercial Bank of China-Southern Performance Growth Equity Securities Investment Fund* (中國工商銀行－南方績優成長股票型證券投資基金)	Other	7,789,701	0.56%	0.84%	0
Hisense Home Appliances Group Co., Ltd. – the 2022 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司－2022年A股員工持股計劃)	Other	6,598,140	0.48%	0.71%	0
Industrial Bank Co., Ltd. - Nanfang Xingrun Value One-Year Holding Period Hybrid Securities Investment Fund* (興業銀行股份有限公司－南方興潤價值一年持有期混合型證券投資基金)	Other	6,325,052	0.46%	0.68%	0
Agricultural Bank of China Co., Ltd - China Securities 500 Traded Open-End Index Securities Investment Fund* (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	Other	5,470,858	0.39%	0.59%	0

OTHER INFORMATION

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited	516,758,670	RMB ordinary shares
HKSCC Nominees Limited	458,951,527	Overseas listed foreign shares
HKSCC	62,789,122	RMB ordinary shares
China Construction Bank Corporation – Yinhua Wealthy Theme Hybrid Securities Investment Fund* (中國建設銀行股份有限公司－銀華富裕主題混合型證券投資基金)	15,999,606	RMB ordinary shares
National Social Security Fund 101 Portfolio* (全國社保基金一零一組合)	13,590,932	RMB ordinary shares
National Social Security Fund 103 Portfolio* (全國社保基金一零三組合)	10,000,000	RMB ordinary shares
Industrial and Commercial Bank of China-Southern Performance Growth Equity Securities Investment Fund* (中國工商銀行－南方績優成長股票型證券投資基金)	7,789,701	RMB ordinary shares
Hisense Home Appliances Group Co., Ltd. – the 2022 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司－2022年A股員工持股計劃)	6,598,140	RMB ordinary shares
Industrial Bank Co., Ltd. – Nanfang Xingrun Value One-Year Holding Period Hybrid Securities Investment Fund* (興業銀行股份有限公司－南方興潤價值一年持有期混合型證券投資基金)	6,325,052	RMB ordinary shares
Agricultural Bank of China Co., Ltd – China Securities 500 Traded Open-End Index Securities Investment Fund * (中國農業銀行股份有限公司－中證500交易型開放式指數證券投資基金)	5,470,858	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 8.97% 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 Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》)

Change in controlling shareholder or de facto controller

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

OTHER INFORMATION

OTHER IMPORTANT MATTERS

- (I) During the Reporting Period, there was no undertaking made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the Reporting Period or prior periods but subsisting to the end of the Reporting Period.
- (II) There was no non-operational appropriation of funds from controlling shareholders and other related parties to the Company during the Reporting Period.
- (III) There were no breaches of the Company's external guarantees during the Reporting Period.
- (IV) The interim report of the Company has not been audited.
- (V) Explanation by the Board and the Supervisory Committee on the "Non-Standard Audit Report" of the CPA firm for the Reporting Period
☐Applicable ☒Not applicable
- (VI) Explanation by the Board on the "Non-Standard Audit Report" of previous year
☐Applicable ☒Not applicable
- (VII) There were no insolvency-related restructuring events during the Reporting Period.
- (VIII) There was no progress of material litigation or arbitration during the Reporting Period.
- (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 2024, 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
Hisense Air-conditioning	Beneficial owner A shares	A Shares	516,758,670(L)	37.25%	55.71%
Hisense Group	Interest of controlled corporation	A Shares	516,758,670(L)	37.25%	55.71%
Hisense Hong Kong	Beneficial owner A shares	H Shares	124,452,000(L)	8.97%	27.08%
Hisense Group	Interest of controlled corporation	H Shares	124,452,000(L)	8.97%	27.08%

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

Note: Hisense Air-conditioning is a company 93.33% directly owned by Hisense Group, whereas Hisense Hong Kong is a company directly wholly-owned by Hisense Group. By virtue of the SFO, Hisense Group was deemed to be interested in the same parcel of A shares of which Hisense Air-conditioning was interested and in the same parcel of H shares of which Hisense Hong Kong was interested.

Save as disclosed above, as at 30 June 2024, 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 2024, 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.

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
Mr. Jia Shao Qian	Beneficial owner	404,360	0.04%	0.03%

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Hong Kong Listing Rules as its code for securities transaction by the Directors and the Supervisors of the Company. After having made specific enquiries to the Directors and the Supervisors, all Directors and Supervisors have confirmed that they had acted in full compliance with the Model Code during their term of office throughout the Reporting Period.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company disclosed the announcement regarding the completion of the repurchase of the Company's A Shares and changes in Shares on 24 July 2024. During the period from 17 January 2024 to 23 July 2024, the Company repurchased 13,915,968 A Shares of the Company, representing 1.00% of the total share capital of the Company as at 24 July 2024, through centralized bidding transactions via a dedicated securities account for share repurchases. The highest transaction price was RMB27.00 per share, the lowest transaction price was RMB23.33 per share, and the total transaction amount was RMB 343,418,332.75 (excluding transaction costs).

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

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 C1 to the Hong Kong Listing Rules.

INTERIM DIVIDENDS

The declaration and payment of a final dividend of RMB10.13 per 10 shares (inclusive of tax) was approved at the annual general meeting of the Company held on 24 June 2024 for the year ended 31 December 2023. The final dividend of approximately RMB1.4 billion in total had been paid to the Shareholders of the Company as of the date of this report.

The Board does not recommend the payment of an interim dividend for the Reporting Period. No interim dividend was paid for the corresponding period last year.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Election of New Session of the Board and Changes in Directors

The twelfth session of the Board was established and assumed its duties on 24 June 2024. As at the date of this report, the Board consisted of nine Directors, including six executive Directors (Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, Ms. Gao Yu Ling and Mr. Zhu Dan) and three independent non-executive Directors (Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun).

From the beginning of the Reporting Period to the date of this report, the changes in Directors of the Company and their positions are as follows:

- (1) With the approval of the 2023 annual general meeting of the Company, Mr. Zhu Dan was appointed as an executive Director of the Company for a term of three years commencing on 24 June 2024. On the same day, with the consideration and the approval of the Board, Mr. Zhu dan was newly appointed as a member of the strategy committee of the Company. For details, please refer to the announcements and the circular of the Company dated 3 June 2024 and 24 June 2024.
- (2) With the approval of the 2023 annual general meeting of the Company, Mr. Tsoi Wing Sing was appointed as an independent non-executive Director of the Company for a term of three years commencing on 24 June 2024. On the same day, with the consideration and the approval of the Board, Mr. Tsoi Wing Sing was newly appointed as the chairman of the nomination committee of the Company, and a member of the audit committee of the Company and the remuneration & appraisal committee of the Company. For details, please refer to the announcements and the circular of the Company dated 3 June 2024 and 24 June 2024.
- (3) With the approval of 2024 third extraordinary general meeting of the Company, Mr. Xu Guo Jun was appointed as an independent non-executive Director of the Company for a term of three years commencing on 2 August 2024. On the same day, with the consideration and the approval of the Board, Mr. Xu Guo Jun was newly appointed as the chairman of audit committee of the Company, and a member of the remuneration & appraisal committee of the Company and the nomination committee of the Company. For details, please refer to the announcements and the circular of the Company dated 16 July 2024 and 2 August 2024.

OTHER INFORMATION

- (4) With effect from 24 June 2024, Mr. Xia Zhang Zhua no longer served as an executive Director and a member of the strategy committee of the Company due to the job rearrangement upon the expiry of his term on 24 June 2024. For details, please refer to the announcement and the circular of the Company dated 3 June 2024 and 24 June 2024.
- (5) With effect from 24 June 2024, Mr. Zhong Geng Shen no longer served as an independent non-executive Director, the chairman of the nomination committee of the Company, and a member of the audit committee of the Company and the remuneration & appraisal committee of the Company due to the expiry of six years as an independent non-executive Director upon the expiry of his term on 24 June 2024. For details, please refer to the announcement and the circular of the Company dated 3 June 2024 and 24 June 2024.
- (6) With effect from 2 August 2024, Mr. Cheung Sai Kit no longer served as an independent non-executive Director, the chairman of audit committee of the Company, and a member of the remuneration & appraisal committee of the Company and the nomination committee of the Company due to the expiry of six years as an independent non-executive Director upon the expiry of his term on 2 August 2024. For details, please refer to the announcement and the circular of the Company dated 16 July 2024 and 2 August 2024.

2. Election of New Session of Supervisory Committee

The twelfth session of the Supervisory Committee was established and assumed its duties on 24 June 2024. As at the date of this report, the Supervisory Committee consisted of three Supervisors, including one employee representative Supervisor (Mr. Bao Yi) and two shareholder representative Supervisors (Mr. Liu Zhen Shun and Ms. Sun Jia Hui).

- (1) With effective from 24 June 2024, Mr. Bao Yi was elected as the employee representative Supervisor at the ninth meeting of the sixth employee representative. For details, please refer to the announcement of the Company dated 24 June 2024.
- (2) With effective from 24 June 2024, Mr. Yin Zhi Xin no longer served as the Company's employee representative Supervisor due to the work adjustment upon the expiry of his term on 24 June 2024. For details, please refer to the announcement of the Company dated 24 June 2024.

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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, amendments have been made to the Articles of Association of the Company pursuant to the special resolution passed at the 2023 annual general meeting held on 24 June 2024. For details of the amendments to the Articles of Association, please refer to the announcement and the circular of the Company dated 3 June 2024. The full text of the amended Articles of Association can be downloaded on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://hxjd.hisense.cn>).

OTHER INFORMATION

2024 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

The Company adopted the 2024 A Share Employee Stock Ownership Plan (the "Stock Ownership Plan") on the 2024 second extraordinary general meeting held on 22 February 2024.

The underlying Shares under the Stock Ownership Plan will not exceed 13,916,000 Shares. The sources of the Shares under the Stock Ownership Plan are the ordinary A Shares repurchased with the Company's designated repurchase account.

The participants of the Stock Ownership Plan are Directors (excluding independent Directors), supervisors, senior management, core management and core employees of the Company, who have an important role and influence on the overall performance and medium- to long-term development of the Company. The total number of Directors (excluding independent Directors), supervisors, senior management, core management and core employees of the Company participating in the Stock Ownership Plan shall not exceed 279, including 8 Directors, supervisor and senior management. The relationship between such personnel and the Stock Ownership Plan does not constitute acting-in-concert relationship.

As at the date of this report, there are 735,918 A Shares available for future grant under the Stock Ownership Plan.

The following table sets out the details of grant of Shares under the Stock Ownership Plan during the Reporting Period. To the best knowledge of the Directors, save as disclosed below, none of the Participants is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined under the Listing Rules) of any of them; (ii) a participant with awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; and (iii) a related entity participant or service provider with awards granted and to be granted in any 12-month period exceeding 0.1% of the total ordinary A Shares in issue.

Grantee	Date of grant	Unlocking period	Purchase price	Closing price of the A Shares on the date of grant:	Unvested as at 1 January 2024 ⁽¹⁾	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 30 June 2024
Dai Hui Zhong (Chairman)	10 July 2024 ⁽¹⁾	The underlying Shares acquired by the Stock Ownership Plan through non-trading transfer or other ways permitted by the laws and regulations shall be unlocked in three phases commencing from 12 months after the date of the announcement of the Company of the transfer of the last tranche of underlying Shares for the first grant to the Stock Ownership Plan. The lock-up period shall be up to 36 months.	RMB10.78 per A Share	RMB27.68 per A Share	N/A	200,000 A Shares	-	-	-	200,000 A Shares
Jia Shao Qian (Executive Director)						200,000 A Shares	-	-	-	200,000 A Shares
Yu Zhi Tao (Executive Director)						200,000 A Shares	-	-	-	200,000 A Shares
Hu Jian Yong (Executive Director and President)						330,000 A Shares	-	-	-	330,000 A Shares
Gao Yu Ling (Executive Director and person in charge of finance)						200,000 A Shares	-	-	-	200,000 A Shares
Zhang Yu Xin (Secretary to the Board)						60,000 A Shares	-	-	-	60,000 A Shares
Xia Zhang Zhua (Former Executive Director)						200,000 A Shares	-	-	-	200,000 A Shares
Yin Zhi Xin (Former Supervisor)						130,000 A Shares	-	-	-	130,000 A Shares
Sub-total						1,520,000 A Shares	-	-	-	1,520,000 A Shares
core management and core employees (not exceeding 271 people)			RMB24.42 per A Share			12,396,00 A Shares	-	-	-	12,396,00 A Shares
Total						13,916,000 A Shares	-	-	-	13,916,000 A Shares



OTHER INFORMATION

Notes:

- (1) Please refer to the announcement of the Company dated 12 July 2024 in relation to the transfer of the underlying Shares for the first grant to the Stock Ownership Plan.
- (2) Details of the unlocking period are as follows:
 - Time of unlocking for the first batch shall be: the expiry of 12 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 40% of the total number of the underlying Shares held by the Stock Ownership Plan.
 - Time of unlocking for the second batch shall be: the expiry of 24 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.
 - Time of unlocking for the third batch shall be: the expiry of 36 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.
- (3) The Stock Ownership Plan was adopted on 22 February 2024.
- (4) According to the provisions of Accounting Standards for Enterprises No. 11 – Share-based Payment, the equity-settled share-based payments in consideration of services rendered by staff that can only be exercised upon the completion of services or attainment of required performance targets within the vesting period are recognized in relevant cost or expenses and the capital reserve in respect of services obtained for the period at the fair value on the date of grant of the equity instrument based on the best estimate of the volume of exercisable equity instruments at each balance sheet date during the vesting period. The fair value of the underlying Shares of the Stock Ownership Plan granted on the date of grant was approximately RMB349.93 million.

DEFINITIONS

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

"Articles of Association" or "Articles"	the articles of association of the Company, as amended from time to time
"Board"	the board of the Directors
"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 37.25% 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 8.97% of the issued shares of the Company as at the date of this report
"Hisense Visual"	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
"HASCO Sanden"	Sanden HASCO Automotive Air-Conditioning Co., Ltd.
"Intelligent Electronic"	Qingdao Hisense Intelligent Electronic Technology Co., Ltd.* (青島海信智能電子科技有 限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of Hisense Visual
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"Reporting Period"	the six months ended 30 June 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Sanden company"	Sanden Holdings Corporation
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company

* 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

II. FINANCIAL STATEMENTS

The units of the statements in the financial notes are: RMB

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

1. CONSOLIDATED BALANCE SHEETS

Prepared by: Hisense Home Appliances Group Co., Ltd.

30 June 2024

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	V. (1)	5,219,471,325.15	4,939,273,198.62
Balances with clearing companies			
Lending capital			
Transactional financial assets	V. (2)	13,933,909,217.25	13,192,025,535.87
Derivative financial assets			
Notes receivable	V. (3)	568,011,867.25	741,622,573.50
Accounts receivable	V. (4)	11,309,189,054.02	9,225,321,882.07
Receivables Financing	V. (6)	7,803,580,984.75	4,643,427,583.77
Prepayment	V. (8)	373,539,317.78	389,066,274.16
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	V. (7)	153,261,651.26	145,804,125.45
Including: Interest receivable			
Dividends receivable			89,630.21
Financial assets purchased under agreements to resell			
Inventories	V. (9)	6,651,353,361.18	6,774,603,438.00
Of which: data resources			
Contract assets	V. (5)	35,587,091.49	35,878,308.82
Assets held for sale			
Non-current assets due within one year	V. (10)	2,932,812,972.23	3,641,708,361.11
Other current assets	V. (11)	944,564,884.01	1,411,188,199.90
Total current assets		49,925,281,726.37	45,139,919,481.27

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

1. CONSOLIDATED BALANCE SHEETS — Continued

Unit: RMB			
Item	Note	Closing balance	Opening balance
Non-current assets:			
Disbursement of loans and advances			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments	V. (12)	1,874,427,715.29	1,671,365,117.46
Other equity investment	V. (13)	42,241,420.23	40,244,766.96
Other non-current financial assets	V. (14)	21,783,603.25	27,197,809.69
Investment properties	V. (15)	255,894,853.52	177,982,723.30
Fixed assets	V. (16)	5,483,408,231.10	5,662,912,502.03
Construction in progress	V. (17)	475,282,487.05	443,523,694.21
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V. (18)	185,583,126.58	169,378,820.87
Intangible assets	V. (19)	1,307,439,921.13	1,341,855,927.15
Of which: data resources			
Development costs			
Of which: data resources			
Goodwill	V. (20)	226,408,877.76	226,408,877.76
Long-term prepaid expenses	V. (21)	38,208,337.25	40,734,232.78
Deferred tax assets	V. (22)	1,138,063,576.09	1,125,596,510.74
Other non-current assets	V. (23)	9,747,680,680.19	9,879,375,091.45
Total non-current assets		20,796,422,829.44	20,806,576,074.40
Total assets		70,721,704,555.81	65,946,495,555.67

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

1. CONSOLIDATED BALANCE SHEETS — Continued

			Unit: RMB
Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	V. (25)	2,308,121,777.48	2,502,318,314.58
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	V. (26)	29,957,785.68	54,355,584.93
Derivative financial liabilities			
Notes payable	V. (27)	17,490,283,741.47	14,608,429,378.74
Accounts payable	V. (28)	12,240,835,365.94	12,049,877,232.20
Advances from customers	V. (29)	3,170,588.32	3,833,256.75
Contractual liabilities	V. (30)	1,330,234,950.50	1,440,254,499.57
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	V. (31)	1,095,355,676.00	1,373,816,151.59
Taxes payable	V. (32)	529,475,260.43	774,372,089.67
Other payables	V. (33)	6,253,733,970.04	4,670,674,014.20
Including: Interest payable			
Dividends payable		1,404,749,348.52	70,574,497.68
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V. (34)	114,887,076.33	121,677,937.29
Other current liabilities	V. (35)	7,873,839,126.85	6,442,483,786.34
Total Current Liabilities		49,269,895,319.04	44,042,092,245.86

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

1. CONSOLIDATED BALANCE SHEETS — Continued

			Unit: RMB
Item	Note	Closing balance	Opening balance
Non-current Liabilities:			
Reserves for reinsurance contract			
Long-term borrowings	V. (36)	38,147,438.08	42,956,652.46
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities	V. (37)	179,233,775.57	208,946,083.77
Long-term payables			
Long-term employee remunerations payable	V. (38)	104,309,750.48	105,961,766.83
Provisions	V. (39)	1,203,478,155.64	1,229,967,589.74
Deferred income	V. (40)	150,321,276.96	149,189,343.53
Deferred tax liabilities	V. (22)	171,043,556.12	158,435,374.83
Other non-current liabilities	V. (41)	592,628,428.95	612,887,372.01
Total non-current liabilities		2,439,162,381.80	2,508,344,183.17
Total liabilities		51,709,057,700.84	46,550,436,429.03
Shareholders' equity:			
Share capital	V. (42)	1,387,167,370.00	1,387,935,370.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	V. (43)	2,048,439,817.38	2,115,407,718.05
Less: Treasury shares	V. (44)	260,855,550.60	236,626,482.61
Other comprehensive income	V. (45)	282,431,575.05	226,997,819.74
Special reserves	V. (46)	13,261,241.79	6,319,636.53
Surplus reserves	V. (47)	724,682,309.99	724,682,309.99
General risk provisions			
Undistributed profits	V. (48)	9,966,540,148.87	9,355,458,114.25
Total equity attributable to owners of the parent		14,161,666,912.48	13,580,174,485.95
Minority interests		4,850,979,942.49	5,815,884,640.69
Total owners' equity		19,012,646,854.97	19,396,059,126.64
Total liabilities and shareholders' equity		70,721,704,555.81	65,946,495,555.67

Legal representative: Dai Hui Zhong

Chief financial officer: Gao Yu Ling

Accounting supervisor: Zhou Shan

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

2. BALANCE SHEETS OF PARENT COMPANY

30 June 2024			
Item	Note	Closing balance	Opening balance
Unit: RMB			
Current assets:			
Cash at bank and on hand		76,401,339.06	78,796,769.09
Transactional financial assets		1,242,595,827.73	1,326,115,505.29
Derivative financial assets			
Notes receivable			749,731.29
Accounts receivable	XVII. (1)	494,773,460.88	618,381,907.19
Receivables Financing		41,984,191.87	26,311,535.56
Prepayment		26,399,708.54	21,670,721.68
Other receivables	XVII. (2)	2,116,292,728.10	1,255,850,852.04
Including: Interest receivable			
Dividends receivable		1,029,119,900.71	68,351,678.85
Inventories		3,411,237.13	4,042,505.04
Of which: data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		90,227,643.75	97,352,470.53
Total current assets		4,092,086,137.06	3,429,271,997.71
Non-current assets:			
Investments in debt			
Other investments in debt			
Long-term receivables		1,193,902,091.09	1,182,103,450.53
Long-term equity investments	XVII. (3)	6,334,717,422.12	5,935,343,771.41
Other equity investment			
Other non-current financial assets			
Investment properties		2,091,120.00	2,091,120.00
Fixed assets		32,598,189.74	32,456,914.98
Construction in progress		4,014,762.84	295,088.50
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		159,741,908.82	160,458,676.30
Of which: data resources			
Development costs			
Of which: data resources			
Goodwill			
Long-term prepaid expenses		176,653.88	164,213.60
Deferred tax assets			
Other non-current assets		2,113,084.00	2,453,747.08
Total non-current assets		7,729,355,232.49	7,315,366,982.40
Total assets		11,821,441,369.55	10,744,638,980.11

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

2. BALANCE SHEETS OF PARENT COMPANY — Continued

Unit: RMB			
Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		45,729,463.78	36,610,973.32
Accounts payable		47,437,075.10	42,353,376.00
Advances from customers			
Contractual liabilities		1,058,578.69	3,175,690.52
Employee remunerations payable		29,555,763.93	41,599,867.10
Taxes payable		4,568,470.01	2,592,997.56
Other payables		2,049,912,345.01	800,818,012.63
Including: Interest payable			
Dividends payable		1,404,749,348.52	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		199,630,453.13	93,285,809.09
Total Current Liabilities		2,377,892,149.65	1,020,436,726.22
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		227,741,550.39	209,867,477.18
Deferred income		23,926,317.87	23,941,659.62
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		251,667,868.26	233,809,136.80
Total liabilities		2,629,560,017.91	1,254,245,863.02
Shareholders' equity:			
Share capital		1,387,167,370.00	1,387,935,370.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		2,292,947,147.83	2,352,730,955.68
Less: Treasury shares		260,855,550.60	236,626,482.61
Other comprehensive income		-10,753,562.90	1,507,133.78
Special reserves			
Surplus reserves		694,073,685.00	694,073,685.00
Undistributed profits		5,089,302,262.31	5,290,772,455.24
Total owners' equity		9,191,881,351.64	9,490,393,117.09
Total liabilities and shareholders' equity		11,821,441,369.55	10,744,638,980.11

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

3. CONSOLIDATED INCOME STATEMENT

January to June 2024

Unit: RMB

Item	Note	First half of 2024	First half of 2023
I. Total operating revenue		48,641,673,374.79	42,943,975,619.38
Including: Operating revenue	V. (49)	48,641,673,374.79	42,943,975,619.38
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		46,206,400,614.00	40,473,806,340.24
Including: Operating costs	V. (49)	38,291,675,401.05	33,698,115,348.34
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	V. (50)	216,873,476.03	298,912,983.78
Sales expenses	V. (51)	4,959,752,440.46	4,492,848,251.67
Management expenses	V. (52)	1,199,136,901.69	1,024,738,874.90
R&D expenses	V. (53)	1,643,979,097.19	1,244,057,032.04
Financial expenses	V. (54)	-105,016,702.42	-284,866,150.49
Including: Interest expense		69,061,921.52	75,243,787.91
Interest income		33,471,921.44	27,834,239.17
Add: Other income	V. (55)	318,536,900.93	197,948,250.99
Investment gain (loss expressed with "-")	V. (56)	418,984,235.75	411,026,049.40
Including: Share of profit of associates and joint ventures		193,121,101.07	186,177,825.35
Income from derecognition of financial assets at amortised cost		-470,289.12	5,915,437.05
Foreign exchange gains (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")			
Gain from changes in fair values (loss expressed with "-")	V. (57)	170,272,953.38	-195,729,875.25
Impairment losses on credit (loss expressed with "-")	V. (58)	32,676,076.37	-24,090,206.27
Impairment losses on assets (loss expressed with "-")	V. (59)	-17,846,374.49	-87,590,895.34
Gains on disposal of asset (loss expressed with "-")	V. (60)	857,010.80	5,350,381.51
III. Operating profits (loss expressed with "-")		3,358,753,563.53	2,777,082,984.18
Add: Non-operating incomes	V. (61)	154,188,740.82	199,368,441.95
Less: Non-operating expenses	V. (62)	13,592,692.61	17,782,900.83
IV. Total profit (total loss expressed with "-")		3,499,349,611.74	2,958,668,525.30
Less: income tax expense	V. (63)	469,196,871.14	472,191,163.40

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

3. CONSOLIDATED INCOME STATEMENT — Continued

Item	Note	Unit: RMB	
		First half of 2024	First half of 2023
V. Net profits (net loss expressed with “-”)		3,030,152,740.60	2,486,477,361.90
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss denoted by “-”)		3,030,152,740.60	2,486,477,361.90
2. Net profit from discontinued operations (Net loss denoted by “-”)			
(2) Classified by ownership of equity			
1. Net profit attributable to shareholders of the parent (Net loss denoted by “-”)		2,015,831,383.14	1,497,562,724.59
2. Profit and loss of minority interests (Net loss denoted by “-”)		1,014,321,357.46	988,914,637.31
VI. Other comprehensive income after tax, net		74,765,838.10	64,434,240.60
Other comprehensive income after tax attributable to owners of the parent, net		55,433,755.31	77,006,788.64
(1) Other comprehensive income that would not be reclassified to profit or loss		1,199,128.63	
1. Changes arising from remeasurement of defined benefit plan		-207,776.74	
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment		1,406,905.37	
4. Changes in the fair value of the company’s own credit risk			
5. Others			
(2) Other comprehensive income that would be reclassified to profit or loss		54,234,626.68	77,006,788.64
1. Other comprehensive income that is convertible into gains and losses under the equity method		-11,876,110.06	3,979,861.04
2. Changes in fair value of other investments in debt			
3. The amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investment			
5. Cash flow hedge reserve			
6. Differences on translation of foreign currency financial statements		66,110,736.74	70,623,250.51
7. Others			2,403,677.09
Other comprehensive income after tax attributable to minority interests, net		19,332,082.79	-12,572,548.04
VII. Total comprehensive income		3,104,918,578.70	2,550,911,602.50
Total comprehensive income attributable to shareholders of the parent		2,071,265,138.45	1,574,569,513.23
Total comprehensive income attributable to minority interests		1,033,653,440.25	976,342,089.27
VIII. Earnings per share:			
(1) Basic earnings per share		1.48	1.09
(2) Diluted earnings per share		1.48	1.09

Legal representative: Dai Hui Zhong

Chief financial officer: Gao Yu Ling

Accounting supervisor: Zhou Shan

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

4. INCOME STATEMENT OF PARENT COMPANY

January to June 2024

Unit: RMB

Item	Note	First half of 2024	First half of 2023
I. Total operating revenue	XVII. (4)	2,733,618,739.29	2,467,344,164.05
Less: Operating costs	XVII. (4)	2,493,103,269.71	2,212,016,706.60
Taxes and surcharges		4,671,401.49	4,467,390.75
Sales expenses		285,825,293.75	135,674,471.35
Management expenses		64,523,241.39	60,345,812.34
R&D expenses		94,988,639.31	81,843,816.11
Financial expenses		-32,445,193.89	-24,581,147.00
Including: Interest expense			
Interest income		32,499,066.41	24,608,926.10
Add: Other income		787,270.13	1,249,599.19
Investment gain (loss expressed with "-")	XVII. (5)	1,369,551,760.69	932,401,189.48
Including: Share of profit of associates and joint ventures		69,870,818.25	60,178,021.79
Income from derecognition of financial assets at amortised cost (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")			
Gain from changes in fair values (loss expressed with "-")		5,187,754.84	16,111,777.06
Impairment losses on credit (loss expressed with "-")		404,071.20	-10,179.56
Impairment losses on assets (loss expressed with "-")			
Gains on disposal of asset (loss expressed with "-")		10,631.77	2,637,980.94
II. Operating profits (loss expressed with "-")		1,198,893,576.16	949,967,481.01
Add: Non-operating incomes		4,295,902.62	354,313.99
Less: Non-operating expenses		-104,370.17	3,560,358.60
III. Total profit (total loss expressed with "-")		1,203,293,848.95	946,761,436.40
Less: income tax expense		14,693.36	9,122,899.86
IV. Net profits (net loss expressed with "-")		1,203,279,155.59	937,638,536.54
(1) Net profit from continuing operations (net loss expressed with "-")		1,203,279,155.59	937,638,536.54
(2) Net profit from discontinued operations (net loss expressed with "-")			

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

4. INCOME STATEMENT OF PARENT COMPANY — Continued

Item	Note	Unit: RMB	
		First half of 2024	First half of 2023
V. Other comprehensive income after tax, net		-12,260,696.68	3,842,849.26
(1) Other comprehensive income that would not be reclassified to profit or loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Changes in the fair value of the company's own credit risk			
5. Others			
(2) Other comprehensive income that would be reclassified to profit or loss		-12,260,696.68	3,842,849.26
1. Other comprehensive income that is convertible into gains and losses under the equity method		-12,260,696.68	3,842,849.26
2. Changes in fair value of other investments in debt			
3. The amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investment			
5. Cash flow hedge reserve			
6. Differences on translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		1,191,018,458.91	941,481,385.80
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

January to June 2024

Unit: RMB

Item	Note	First half of 2024	First half of 2023
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		36,322,660,974.82	33,166,752,231.76
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 interest, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business capital			
Net income from trading securities as broker			
Tax rebates received		1,794,789,651.68	1,475,527,733.64
Cash received relating to other operating activities	V. (65)	544,075,284.11	536,021,236.75
Subtotal of cash inflows from operating activities		38,661,525,910.61	35,178,301,202.15
Cash paid for purchases of commodities and receipt of labor services		25,269,666,368.17	20,872,912,298.79
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 in placements from banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policyholders' dividend			
Cash paid to and for employees		4,892,792,824.43	4,317,629,982.73
Cash paid for taxes and surcharges		1,934,102,203.66	2,033,053,942.34
Cash paid relating to other operating activities	V. (65)	4,464,991,031.88	4,142,660,808.95
Subtotal of cash outflow from operating activities		36,561,552,428.14	31,366,257,032.81
Net cash flows from operating activities		2,099,973,482.47	3,812,044,169.34
II. Cash flow from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		288,755,704.85	290,829,445.10
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		2,802,246.65	7,987,778.76
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities	V. (65)	14,841,068,042.40	7,738,817,317.98
Subtotal of cash inflows from investing activities		15,132,625,993.90	8,037,634,541.84
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		539,690,593.60	405,180,452.07
Cash paid for investments		98,000,000.00	
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		14,001,882,721.62	12,221,116,375.32
Subtotal of cash outflows from investing activities		14,639,573,315.22	12,626,296,827.39
Net cash flows from investing activities		493,052,678.68	-4,588,662,285.55

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 2024	First half of 2023
III. Cash flows from financing activities:			
Cash received from capital contribution		5,000,000.00	178,181,393.06
Including: Cash contribution to subsidiaries from minority shareholders' investment		5,000,000.00	9,379,313.06
Cash received from borrowings		325,347,689.44	1,832,161,656.52
Cash received relating to other financing activities	V. (65)	1,604,632,245.40	1,718,059,288.47
Subtotal of cash inflows from financing activities		1,934,979,934.84	3,728,402,338.05
Cash paid for repayment of borrowings		243,575,921.60	349,869,107.59
Cash paid for distribution of dividends, profit or payment of interest expenses		1,341,811,290.57	1,134,825,701.83
Including: Dividend and profit paid to minority shareholders by subsidiaries		1,295,271,944.21	1,088,937,012.84
Cash paid relating to other financing activities		2,962,575,537.77	1,298,771,829.38
Subtotal of cash outflows from financing activities		4,547,962,749.94	2,783,466,638.80
Net cash flows from financing activities		-2,612,982,815.10	944,935,699.25
IV. Effects of foreign exchange rate changes on cash and cash equivalents		-107,467,612.38	-29,432,137.51
V. Net increase in cash and cash equivalents		-127,424,266.33	138,885,445.53
Add: Balance of cash and cash equivalents at the beginning of the period		2,877,140,400.54	2,478,346,075.40
VI. Balance of cash and cash equivalents at the end of the period		2,749,716,134.21	2,617,231,520.93

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

6. CASH FLOW STATEMENT OF PARENT COMPANY

January to June 2024

Unit: RMB

Item	Note	First half of 2024	First half of 2023
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		2,085,862,294.57	40,078,965.26
Tax rebates received			260,000.00
Cash received relating to other operating activities		220,287,181.46	286,049,782.28
Subtotal of cash inflows from operating activities		2,306,149,476.03	326,388,747.54
Cash paid for purchases of commodities and receipt of labor services		1,611,284,807.19	16,397,279.00
Cash paid to and for employees		178,755,166.94	152,988,728.67
Cash paid for taxes and surcharges		3,918,702.32	24,008,217.83
Cash paid relating to other operating activities		508,590,265.64	257,194,594.92
Subtotal of cash outflow from operating activities		2,302,548,942.09	450,588,820.42
Net cash flows from operating activities		3,600,533.94	-124,200,072.88
II. Cash flow from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		408,869,352.98	1,005,454,107.23
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		110.00	5,953,057.55
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities		1,040,712,508.35	216,786,562.10
Subtotal of cash inflows from investing activities		1,449,581,971.33	1,228,193,726.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		11,394,646.74	9,947,710.74
Cash paid for investments		302,821,117.29	
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		955,000,000.00	1,140,000,000.00
Subtotal of cash outflows from investing activities		1,269,215,764.03	1,149,947,710.74
Net cash flows from investing activities		180,366,207.30	78,246,016.14
III. Cash flows from financing activities:			
Cash received from capital contribution			168,802,080.00
Cash received from borrowings			
Cash received relating to other financing activities		156,019,707.00	71,778,400.00
Subtotal of cash inflows from financing activities		156,019,707.00	240,580,480.00
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses		1,742,467.87	
Cash paid relating to other financing activities		340,686,488.73	211,437,771.75
Subtotal of cash outflows from financing activities		342,428,956.60	211,437,771.75
Net cash flows from financing activities		-186,409,249.60	29,142,708.25
IV. Effects of foreign exchange rate changes on cash and cash equivalents		47,078.33	9,705.01
V. Net increase in cash and cash equivalents		-2,395,430.03	-16,801,643.48
Add: Balance of cash and cash equivalents at the beginning of the period		78,796,769.09	84,309,922.91
VI. Balance of cash and cash equivalents at the end of the period		76,401,339.06	67,508,279.43

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	First half of 2024													
	Attributable to the owners of the parent													
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotal	Minority interests
		Preference shares	Perpetual debts	Others										Total owners' equity
I. Closing balance in previous year	1,387,935,370.00				2,115,407,718.05	236,626,482.61	226,997,819.74	6,319,636.53	724,682,309.99		9,355,458,114.25		13,580,174,485.95	5,815,884,640.69
Add: Changes in accounting policies														
Correction for error in previous period														
Others														
II. Opening balance for the year	1,387,935,370.00				2,115,407,718.05	236,626,482.61	226,997,819.74	6,319,636.53	724,682,309.99		9,355,458,114.25		13,580,174,485.95	5,815,884,640.69
III. Movements in the current period	-768,000.00				-66,967,900.67	24,229,067.99	55,433,755.31	6,941,605.26			611,082,034.62		581,492,426.53	-964,904,698.20
(Decreases expressed with "-")														
(1) Total comprehensive income							55,433,755.31				2,015,831,383.14		2,071,265,138.45	1,033,653,440.25
(2) Owners' contributions and capital reductions	-768,000.00				-78,608,976.83	24,229,067.99					-103,606,044.82		-809,355,312.98	-913,161,357.80
1. Ordinary shares contributed by owners	-768,000.00										-768,000.00		-833,229,998.27	-833,997,998.27
2. Capital contributions by holders of other equity instruments														
3. Amount of share-based payment included in shareholders' equity					109,930,823.04								109,930,823.04	23,674,685.29
4. Others					-188,539,799.87	24,229,067.99							-212,768,867.86	-212,768,867.86
(3) Profit Distribution											-1,404,749,348.52		-1,404,749,348.52	-1,192,949,625.50
1. Appropriations to surplus reserve														
2. Appropriations to general risk provisions														
3. Distribution to owners (shareholders)											-1,404,749,348.52		-1,404,749,348.52	-1,192,949,625.50
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. Changing amount of defined benefit plan carried forward to retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(5) Special reserves								6,941,605.26					6,941,605.26	929,541.76
1. Provided during the period								42,433,643.82					42,433,643.82	7,852,579.72
2. Used during the period								35,492,038.56					35,492,038.56	6,923,037.96
(6) Others					11,641,076.16								11,641,076.16	3,037,258.27
IV. Closing balance for the period	1,387,167,370.00				2,048,439,817.38	260,855,550.60	282,431,575.05	13,261,241.79	724,682,309.99		9,966,540,148.87		14,161,666,912.48	4,850,979,942.49

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

First half of 2023															
Item	Attributable to the owners of the parent														
	Share capital	Other equity instruments			Capital reserve	Less:	Other	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity
		Preference shares	Perpetual debts	Others		Treasury shares	comprehensive income								
I. Closing balance in previous year	1,362,725,370.00				2,074,168,605.49		121,267,445.50		711,971,309.99		7,248,124,550.56		11,518,257,281.54	4,760,507,749.70	16,278,765,031.24
Add: Changes in accounting policies											116,160.71		116,160.71	201,413.96	317,574.67
Correction for error in previous period															
Others															
II. Opening balance for the year	1,362,725,370.00				2,074,168,605.49		121,267,445.50		711,971,309.99		7,248,240,711.27		11,518,373,442.25	4,760,709,163.66	16,279,082,605.91
III. Movements in the current period	25,210,000.00				41,239,112.56	236,626,482.61	105,730,374.24	6,319,636.53	12,711,000.00		2,107,217,402.98		2,061,801,043.70	1,055,175,477.03	3,116,976,520.73
(Decreases expressed with "-")															
(1) Total comprehensive income							105,730,374.24				2,837,322,754.58		2,943,053,128.82	1,956,337,825.00	4,899,390,953.82
(2) Owners' contributions and capital reductions	25,210,000.00				174,425,236.57	236,626,482.61							-36,991,246.04	95,452,420.55	58,461,174.51
1. Ordinary shares contributed by owners	25,210,000.00				142,284,040.00								167,494,040.00	59,340,725.62	226,834,765.62
2. Capital contributions by holders of other equity instruments															
3. Amount of share-based payment included in shareholders' equity					156,045,669.25								156,045,669.25	35,789,603.15	191,835,272.40
4. Others					-123,904,472.68	236,626,482.61							-360,530,955.29	322,091.78	-360,208,863.51
(3) Profit Distribution									12,711,000.00		-730,105,351.60		-717,394,351.60	-997,671,098.94	-1,715,065,450.54
1. Appropriations to surplus reserve									12,711,000.00		-12,711,000.00				
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)											-717,394,351.60		-717,394,351.60	-997,671,098.94	-1,715,065,450.54
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. Changing amount of defined benefit plan carried forward to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(5) Special reserves								6,319,636.53					6,319,636.53	441,815.25	6,761,451.78
1. Provided during the period								69,325,350.93					69,325,350.93	2,819,063.66	72,144,414.59
2. Used during the period								63,005,714.40					63,005,714.40	2,377,248.41	65,382,962.81
(6) Others					-133,186,124.01								-133,186,124.01	614,515.17	-132,571,608.84
IV. Closing balance for the period	1,387,935,370.00				2,115,407,718.05	236,626,482.61	226,997,819.74	6,319,636.53	724,682,309.99		9,355,458,114.25		13,580,174,485.95	5,815,884,640.69	19,396,059,126.64

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

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

Amount for current period

Unit: RMB

Item	First half of 2024											Total owners' equity
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	
I. Closing balance in previous year	1,387,935,370.00				2,352,730,955.68	236,626,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24		9,490,393,117.09
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,387,935,370.00				2,352,730,955.68	236,626,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24		9,490,393,117.09
III. Movements in the current period	-768,000.00				-59,783,807.85	24,229,067.99	-12,260,696.68			-201,470,192.93		-298,511,765.45
(Decreases expressed with "-")												
(1) Total comprehensive income							-12,260,696.68			1,203,279,155.59		1,191,018,458.91
(2) Owners' contributions and capital reductions	-768,000.00				-59,410,865.71	24,229,067.99						-84,407,933.70
1. Ordinary shares contributed by owners	-768,000.00											-768,000.00
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity					133,605,508.33							133,605,508.33
4. Others					-193,016,374.04	24,229,067.99						-217,245,442.03
(3) Profit Distribution										-1,404,749,348.52		-1,404,749,348.52
1. Appropriations to surplus reserve												
2. Distribution to owners (shareholders)										-1,404,749,348.52		-1,404,749,348.52
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. Changing amount of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					-372,942.14							-372,942.14
IV. Closing balance for the period	1,387,167,370.00				2,292,947,147.83	260,855,550.60	-10,753,562.90		694,073,685.00	5,089,302,262.31		9,191,881,351.64

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	First half of 2023											Total owners' equity
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	
I. Closing balance in previous year	1,362,725,370.00				2,276,770,725.22		-1,699,624.23		681,362,685.00	4,986,235,440.95		9,305,394,596.94
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,276,770,725.22		-1,699,624.23		681,362,685.00	4,986,235,440.95		9,305,394,596.94
III. Movements in the current period	25,210,000.00				75,960,230.46	236,626,482.61	3,206,758.01		12,711,000.00	304,537,014.29		184,998,520.15
(Decreases expressed with "-")												
(1) Total comprehensive income							3,206,758.01			1,034,642,365.89		1,037,849,123.90
(2) Owners' contributions and capital reductions	25,210,000.00				210,540,696.27	236,626,482.61						-875,786.34
1. Ordinary shares contributed by owners	25,210,000.00				142,284,040.00							167,494,040.00
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity					191,835,272.39							191,835,272.39
4. Others					-123,578,616.12	236,626,482.61						-360,205,098.73
(3) Profit Distribution									12,711,000.00	-730,105,351.60		-717,394,351.60
1. Appropriations to surplus reserve									12,711,000.00	-12,711,000.00		
2. Distribution to owners (shareholders)										-717,394,351.60		-717,394,351.60
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. Changing amount of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					-134,580,465.81							-134,580,465.81
IV. Closing balance for the period	1,387,935,370.00				2,352,730,955.68	236,626,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24		9,490,393,117.09

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

I. COMPANY PROFILE

Hisense Home Appliances Group Co., Ltd. (hereinafter referred to as the **"Company"**, 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, with its place of registration and head office address at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province. 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 accordance with the Industrial Classification for National Economic Activities (2017) issued by the National Bureau of Statistics, the Company belongs to **"C3851 Manufacturer of household refrigeration appliances"**, which is principally engaged in the research and development, manufacturing, marketing and service business of HVAC, refrigerators, freezers, washing machines, kitchen appliances, automotive air-conditioning compressors, automotive integrated thermal management systems and other products, and provides the full-scenario smart home solutions. The main products include HVAC, refrigerators, freezers, washing machines, kitchen appliances, automotive air-conditioning compressors, automotive integrated thermal management systems, etc.

The financial statements were approved for publication by the Board of the Company on 30 August 2024.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements of the Group are prepared based on actual transactions and events according to the "Accounting Standards for Business Enterprises" and its application guidelines, interpretations and other relevant regulations (hereinafter referred to collectively as the **"Accounting Standards for Business Enterprises"**) issued by the Ministry of Finance, the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports" (Revised in 2023) and relevant provisions issued by the China Securities Regulatory Commission (**"CSRC"**), as well as the relevant disclosure provisions required by the "Companies Ordinance" of Hong Kong and the "Listing Rules" of The Stock Exchange of Hong Kong.

2. Going-concern

The Group has evaluated its ability to continue as a going concern for twelve months as of 30 June 2024, and has found no events or circumstances that cast significant doubt on its ability to continue as a going concern. The financial statements are presented on a going concern basis.

III. 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 bad debts provision for receivables, provision for decline in value of inventories, depreciation of fixed assets, 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

These financial statements give a true, accurate and complete view of the financial position as at 30 June 2024, operation results, cash flows and other information for the six months ended 30 June 2024 of the Company and the Group in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

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. Functional currency

The Company and its domestic subsidiaries adopt RMB as their reporting currencies. The overseas subsidiaries of the Group shall determine their respective reporting currencies depending on the primary economic environment where they operate. The Group converts other currencies into RMB in preparing the financial statements according to the methods described in Section III. 10.

5. Method for determination and basis for selection of materiality criteria

The Group follows the principle of materiality in the preparation and disclosure of its financial statements. The matters disclosed in the notes to the financial statements that involve judgements about materiality criteria and the method for determination and basis for selection of materiality criteria are set out as follows:

Disclosures involving judgements about materiality criteria	Disclosure sections of matters in the notes to the financial statements	Method for determination and basis for selection of materiality criteria
Accounts receivable/other receivables with significant amount of bad debt provision recovered or reversed during the Year	V.(4).3; V.(7).7.2.4	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Write-off of significant accounts receivable/other receivables during the Year	V.(4).4; V.(7).7.2.5	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Significant accounts payable/contract liabilities/other payables with an ageing of over one year or overdue	V.(28); V.(30).2; V.(33).33.2.2	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Important overseas business entities	V.(66).2	Subsidiaries with normal business operations and with their net assets accounting for over 0.5% of the Group's consolidated net assets
Main components of the enterprise group	VIII.(1).1	Subsidiaries with normal business operations and with their net assets accounting for over 0.5% of the Group's consolidated net assets
Important non-wholly-owned subsidiaries	VIII.(1).2	Subsidiaries with their net assets accounting for over 15% of the Group's consolidated net assets

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

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

(1) Business combinations involving entities under common control

A business combination under common control means that the entities involved in the combination are under the ultimate control of the same party or parties before and after the combination and that such control is not temporary.

The assets and liabilities obtained by the Group as the merging party in a business combination under common control are measured at the combination-date carrying amount of the merged party in the consolidated statements of the ultimate controller. The difference between the carrying amount of net assets obtained and the carrying amount of the combination consideration paid (or the total par value of the issued shares) shall be adjusted in capital reserve; if the capital reserve is not sufficient for offsetting, the retained earnings shall be adjusted.

(2) Business combinations involving entities not under common control

A business combination not under common control means that the parties involved in the combination are not under the ultimate control of the same party or parties before and after the combination.

The acquiree's identifiable assets, liabilities and contingent liabilities obtained by the Group as an acquirer in a business combination not under common control shall be measured at fair value on the acquisition date. Where the cost of combination exceeds the acquirer's share of the fair value of the acquiree's identifiable net assets, the difference is recognised 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 fair values of all the identifiable assets, liabilities and contingent liabilities obtained in the business combination and the cost of combination shall be 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.

7. Criteria for determining control and preparation of consolidated financial statements

The consolidation scope of the consolidated financial statements of the Group is determined based on control, including the Company and all subsidiaries controlled by the Company (including the divisible parts of enterprises and investees, as well as structured entities controlled by enterprises). The standard for judging control by the Group is that the Group has the power over the investee, enjoys variable returns through participating in related activities of the investee, and is able to use the power over the investee to influence its return amount.

When preparing the consolidated financial statements, when the accounting policy or 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 policy or accounting period of the Company.

The impact of internal transactions between the Company and its subsidiaries or between subsidiaries on the consolidated financial statements shall be offset at the time of consolidation. 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 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 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.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**7. Criteria for determining control and 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.

8. Classification of joint arrangements and accounting treatment for joint operations

Joint arrangements of the Group include joint operation and joint venture. Joint operation refers to a joint arrangement in which the joint venturers enjoy the assets and assume the liabilities associated with the arrangement. Joint venture refers to a joint arrangement in which the joint venturers only have rights to the net assets of the arrangement.

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 recognized according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sold under joint operation that do not constitute business, only the profit or loss incurred from that transaction attributable to the other parties under the joint operation is recognized.

9. 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 in the cash flow statement represent investments which are held for less than three months, highly liquid and are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

10. Foreign currency transactions and translation of financial statements in foreign currency**(1) Foreign currency transactions**

When foreign currency transactions of the Group are initially recognised, the amount in foreign currency shall be translated into the reporting currency at the approximate exchange rate of the spot exchange rate on the date when the transactions take place. As at the balance sheet date, foreign currency monetary items are translated into the reporting currency using the spot exchange rate on 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 capitalisation are dealt with based on the capitalisation principle. Foreign currency non-monetary items measured at historical cost are still translated using the spot exchange rate on the transaction date, without changing their reporting currency amount. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate on the date of fair value determination. The difference between the translated amount in reporting currency and the original amount in reporting currency is treated as changes in fair value (including exchange rate changes) and included in the profit or loss for current period. The capital from investors in foreign currency is translated using the spot exchange rate on the transaction date, and there is no foreign currency capital translation difference between the foreign currency investment and the reporting currency amount of corresponding monetary item.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

10. Foreign currency transactions and translation of financial statements in foreign currency — Continued

(2) Translation of financial statements in foreign currency

When preparing the consolidated financial statements, the Group translates the financial statements on overseas operations into RMB, in which, asset and liability items in the balance sheet denominated in foreign currency are translated at the spot exchange rate prevailing on the balance sheet date; the owners' equity items, except for the "undistributed profits", are translated at the spot exchange rate when a business takes place; income and expense items in the income statement are translated at the spot exchange rate or approximate exchange rate on 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 spot exchange rate or approximate exchange rate on 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.

11. Financial instruments

(1) Recognition and derecognition of financial instruments

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

A financial asset (or part of a financial asset, or part of a group of similar financial assets) shall be derecognised, i.e., be written off from its accounts and balance sheet, if the following conditions are satisfied: 1) the right to collect cash flows from the financial asset expires; 2) the Group has transferred the right to collect cash flows from the financial asset, or assumed the obligation under a "transfer agreement" to timely pay the collected cash flows to a third party in full; and the Group has substantially transferred almost all the risks and rewards on ownership of the financial asset, or relinquished control over such financial asset even though it has neither substantially transferred nor retained almost all the risks and rewards on ownership of the financial asset.

If the obligation for financial liabilities has been fulfilled, revoked or expired, the financial liabilities shall be derecognised. If the existing financial liability is replaced by another financial liability with substantially different terms by the same creditor, or if the terms of the existing liability are substantially modified, such replacement or modification shall be treated as derecognition of original liability and recognition of new liability, and the difference shall be included in the profit or loss for current period.

The financial assets acquired or sold in a conventional manner shall be recognised and derecognised according to the accounting on the transaction date.

(2) Classification and measurement of financial assets

At the time of initial recognition, the Group classifies financial assets into financial assets at amortised 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. All affected related financial assets will be reclassified only when the Group changes its business model for managing financial assets.

When judging the business model, the Group considers the methods of enterprise evaluation and reporting financial asset performance to key management personnel, the risks affecting financial asset performance and their management methods, as well as the compensation obtainment methods of relevant business management personnel. When evaluating whether to target the collection of contractual cash flows, the Group needs to analyse and judge the reason, time, frequency and value of the sale of financial assets before their maturity date.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(2) Classification and measurement of financial assets — Continued

When judging the characteristics of contractual cash flow, the Group needs to determine whether the contractual cash flow is only for the payment of principal and interest based on unpaid principal. When evaluating the correction of the time value of money, it is necessary to determine whether there is a significant difference compared to the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to determine whether the fair value of prepayment characteristics is very low.

Financial assets are measured at fair value upon initial recognition, but if the accounts receivable or notes receivable arising from the sale of goods or provision of services do not include significant financing components or do not consider financing components for a period not exceeding one year, they are initially measured at the transaction price.

As for financial assets at fair value through profit or loss, relevant transaction costs are directly included in profit or loss for the period; as for other kinds of financial assets, relevant transaction costs are included in their initial recognition amount.

The subsequent measurement of financial assets depends on their classification:

1) Financial assets measured at amortised cost

Financial assets that simultaneously meet the following conditions are classified as financial assets measured at amortised cost: ① the financial assets are managed within a business model whose objective is achieved by collecting contractual cash flow; 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. The Group's financial assets in this category mainly include: currency funds, accounts receivable, notes receivable, other receivables, etc.

2) Investments in debt instruments at fair value through other comprehensive income

Financial assets that simultaneously meet the following conditions are classified as 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; 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. The interest income on such financial assets is recognised using the effective interest method. Except for interest income, impairment losses and exchange differences, other changes in fair value are recognised 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's financial assets in this category mainly include: receivables financing.

3) Investments in equity instruments at fair value through other comprehensive income

The Group irrevocably designates part of 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 Group only recognises relevant dividend income (except for dividend income that is clearly recovered as part of the investment cost) in profit or loss for the period, and subsequent changes in fair value are included in other comprehensive income without making the provision for impairment. 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 retained earnings. The Group's financial assets in this category are investments in other equity instruments.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(2) Classification and measurement of financial assets — Continued

4) Financial assets at fair value through profit or loss

Other than the above financial assets classified as financial assets measured at amortised cost and those classified or designated as 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 for the period. Such financial assets are subsequently measured at fair value, with all changes in fair value included in profit or loss for the period except for those related to hedge accounting. The Group's financial assets in this category mainly include: financial assets held for trading.

(3) Classification, recognition and measurement of financial liabilities

Except for the signed financial guarantee contracts, the loan commitments at a rate lower than the market interest rate, and 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 classifies its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost at the time of initial recognition. As for financial liabilities at fair value through profit or loss, relevant transaction costs are directly included in profit or loss for the period; as for financial liabilities measured at amortised cost, relevant transaction costs are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

1) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are recognised using the effective interest method and subsequently measured at amortised cost.

2) Financial liabilities at fair value through profit or loss

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. Held-for-trading financial liabilities (includes derivative instruments that are financial liabilities) are subsequently measured at fair value, with all changes in fair value included in profit or loss for the period (except for those related to hedge accounting). Financial liabilities designated as measured at fair value through profit or loss are subsequently measured at fair value, with other changes in fair value included in profit or loss for the period, except that the changes in fair value arising from changes in the Group's own credit risk are recognised in other comprehensive income. If fair value changes caused by changes in the Group's own credit risk are recognised in other comprehensive income, which would result in or amplify an accounting mismatch in profit or loss, the Group will recognise all fair value changes (including the amount affected by changes in its own credit risk) in the profit or loss for current period.

(4) Impairment of financial instruments

Based on expected credit losses, the Group conducts impairment treatment and recognises loss provisions for financial assets measured at amortised cost, debt investments measured at fair value with changes recognised in other comprehensive income, contract assets, lease receivables, loan commitments, and financial guarantee contracts.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(4) Impairment of financial instruments — Continued

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the present value of all cash shortages, which is the difference between all contractual cash flows receivable under the contract and all expected cash flows received, discounted at the original effective interest rate by the Group. When considering the method of measuring expected credit losses, the Group reflects the following elements: ① an unbiased probability weighted average amount determined by evaluating a series of possible outcomes; ② the time value of money; and ③ reasonable and evidence-based information about past events, current conditions, and future economic conditions that can be obtained without incurring unnecessary additional costs on the balance sheet date.

The Group evaluates the expected credit losses of financial instruments based on individual and combination. When evaluating on a combination basis, the Group divides financial instruments into different groups based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include: financial instrument type, credit risk rating, debtor's geographical location, debtor's industry, overdue information, ageing of accounts receivable, etc.

The Group's evaluation of impairment of financial instruments and contract assets using the expected credit loss model requires significant judgment and estimate, taking into account all reasonable and evidence-based information, including forward-looking information. When making these judgments and estimates, the Group infers expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks, and other factors. Different estimates may affect the provision for impairment, and the accrued provision for impairment may not be equal to the actual amount of future impairment losses.

1) Impairment testing method for accounts receivable and contract assets

For accounts receivable, notes receivable, receivables financing, contract assets and other receivables that do not contain significant financing components arising from ordinary business activities, such as sales of goods and provision of services, the Group adopts a simplified measurement methodology to measure the loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

The Group recognises accounts receivable that face special risks as accounts receivable with significant individual amounts. The Group conducts separate impairment tests on accounts receivable with significant individual amounts.

For accounts receivable, except for those with significant individual amounts and credit impairment that have occurred, their credit losses are usually determined based on a combination of common credit risk characteristics, taking into account the elements that should be reflected in the expected credit loss measurement method, and referring to historical credit loss experience, a comparison table of overdue days of accounts receivable, accounts receivable aging, and default loss rate is prepared, and based on this, the expected credit losses are calculated. If a customer's credit risk characteristics are significantly different from those of other customers in the portfolio, or if the customer's credit risk characteristics undergo significant changes, such as severe financial difficulties, and the expected credit loss rate of accounts receivable from the customer is significantly higher than its expected credit loss rate in the aging and overdue range, the Group shall make a provision for losses on a single item basis for accounts receivable from the customer.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(4) Impairment of financial instruments — Continued

1) Impairment testing method for accounts receivable and contract assets — Continued

① Combination categories and determination basis of accounts receivable and contract assets

Based on information such as the ageing of accounts receivable and contract assets, overdue ageing, nature of accounts, credit risk exposure, and historical collection status, the Group classifies them as follows according to the similarity and correlation of credit risk characteristics:

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

② Combination categories and determination basis of notes receivable

Based on the common risk characteristics of the acceptor credit risk of notes receivable, the Group classifies them into different combinations and determines the accounting estimate policy for expected credit losses as follows:

Item	Basis for determination of groups
Bank acceptance notes	Acceptor being a bank with less credit risk. The Group identifies these receivables as having a low credit risk and does not recognise their expected credit losses
Commercial acceptance notes	Based on the credit risk of the acceptor (same as accounts receivable)

2) Impairment testing methods for debt investments, other debt investments, loan commitments, and financial guarantee contracts

Except for financial assets that adopt simplified measurement methods as mentioned above, the Group adopts the general method (three-stage method) to calculate expected credit losses. On each balance sheet date, the Group assesses whether its credit risk has significantly increased since initial recognition. If the credit risk has not significantly increased since initial recognition and is in the first stage, the Group measures the provision for losses based on an amount equivalent to the expected credit loss for the next 12 months, and calculates interest income based on the book balance and actual interest rate. If credit risk has significantly increased since initial recognition but credit impairment has not yet occurred, in the second stage, the Group measures loss provisions at an amount equivalent to the expected credit loss over the entire existence period, and calculates interest income based on the book balance and actual interest rate. If credit impairment occurs after initial recognition, in the third stage, the Group measures the provision for losses at an amount equivalent to the expected credit loss for the entire existence period, and calculates interest income at amortized cost and actual interest rate. For financial instruments with lower credit risk on the balance sheet date, the Group assumes that their credit risk has not significantly increased since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(4) Impairment of financial instruments — Continued

2) Impairment testing methods for debt investments, other debt investments, loan commitments, and financial guarantee contracts — Continued

The expected credit loss for the entire expected lifespan of a financial instrument refers to the expected credit loss caused by all possible default events that may occur throughout the expected lifespan of the financial instrument. The expected credit loss within the next 12 months refers to the expected credit loss that may occur due to a default event of a financial instrument within the next 12 months after the balance sheet date (if the expected maturity of the financial instrument is less than 12 months, then the expected maturity), which is a part of the expected credit loss for the entire maturity period.

Please refer to Note X.(1) for the disclosure of the criteria for significantly increasing credit risk and the definition of credit impairment assets that have occurred in the Group.

(5) Recognition and measurement of transfer of financial assets

For financial asset transfer transactions, if the Group has transferred almost all the risks and rewards of ownership of the financial asset to the transferee, the recognition of the financial asset shall be terminated. If almost all risks and rewards related to the ownership of financial assets are retained, the recognition of such financial assets shall not be terminated; If almost all risks and rewards related to the ownership of financial assets have not been transferred or retained, and control over the financial asset has been relinquished, the recognition of the financial asset and the recognition of the resulting assets and liabilities shall be terminated. If control over the financial asset has not been relinquished, relevant financial asset shall be recognised based on its continued involvement in the transferred financial assets, with corresponding liabilities recognised.

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: ① the Group's 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.) is included in the profit or loss for the period.

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 derecognised 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 derecognised portion (The transferred financial asset shall meet all of the following conditions: ① the Group's 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.), and the apportioned entire carrying amount of the said financial assets are included in the profit or loss for the period.

For those who continue to be involved by providing financial guarantees for the transferred financial assets, the assets formed by further involvement shall be recognised based on the lower of the book value of the financial assets and the amount of financial guarantees. The financial guarantee amount refers to the highest amount of consideration received that will be required to be repaid.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

11. Financial instruments — Continued

(6) 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.

(7) Derivative financial instruments

The Group uses derivative financial instruments, such as foreign exchange forward contracts, commodity forward contracts, and interest rate swaps, to hedge exchange rate risk, commodity price risk, and interest rate risk, respectively. Derivative financial instruments are initially measured at their fair value on the date of signing the derivative transaction contract, and subsequently measured at their fair value. Derivative financial instruments with a positive fair value are recognised as an asset, while those with a negative fair value are recognised as a liability.

Except for those related to hedge accounting, gains or losses arising from changes in fair value of derivative instruments are directly included in the profit or loss for current period.

(8) 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 recognised 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.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**12. Inventories**

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

Inventories are initially measured at cost. Inventory costs include purchase costs, processing costs and other costs. The Group maintains a perpetual inventory system. Actual cost is calculated using weighted average method when the inventories are received or delivered. Low-value consumables and packaged goods are amortised using one-time resale method.

Inventories are measured at the lower of their cost and net realisable value on the balance sheet date. If the cost of inventories is higher than their net realisable value, a provision for decline in value of inventories will be made and included in profit or loss for the period. Net realisable value refers to the estimated selling price of inventories in daily activities, minus the estimated costs to be incurred till completion, estimated selling expenses and related taxes.

The Group makes provisions for decline in value of inventories on the basis of individual inventory items. Net realisable value of the inventories of goods directly used for sale, such as finished goods, work in process and materials for sale, is determined by the estimated selling price of such inventories, minus the estimated selling expenses and related taxes; Net realisable value of the inventories of materials held for production is determined by the estimated selling price of finished goods produced, minus the estimated costs to be incurred till completion, estimated selling expenses and related taxes.

13. Contract assets and contract liabilities**(1) 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.

For method of determination and accounting treatment of expected credit loss of contract assets, please refer to relevant contents in "Note III. 11. (4) Impairment of financial instruments" described above.

(2) Contractual liabilities

A contract liability reflects the Group's obligation to transfer goods to a customer for which the Company has received or should receive consideration 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 recognise 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.

14. Assets relating to 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. According to the liquidity, contract performance costs are presented separately in inventory and other non-current assets, while contract acquisition costs are presented separately in other current assets and other non-current assets.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

14. Assets relating to contract costs — Continued

(1) Method of determination of amount of assets relating to contract costs — Continued

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, such as inventories, fixed assets or intangible assets, 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, manufacturing costs (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 and which is recognised as an asset as contract acquisition cost. If the amortisation period of such asset is no more than one year, the Group chooses the simplified treatment of including such contract acquisition cost 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

If the carrying amount of the Group's assets relating to contract costs is higher than the difference between the following two items, the Group makes a provision for impairment and recognises the excess as an asset impairment loss: ① the remaining consideration expected to be received from transfer of the goods relating to the asset; and ② the cost expected to be incurred for transfer of the relevant goods.

15. Long-term equity investments

Long-term equity investments of the Group include the investments in subsidiaries, investments in associates and equity investments in joint ventures.

(1) Determination of significant influence and common control

The Group's investment in associates refers to the equity investment that has a significant influence on the investee. Significant influence means that the Group has the power to participate in decision-making on the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. 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 sent to the investee, or significant technology information provided to the investee which have significant influence to the investee.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**15. Long-term equity investments — Continued****(1) Determination of significant influence and common control — Continued**

The equity investment in a joint venture refers to the investment in which the Group exercises joint control with other joint venture parties over the investee and has the power over the net assets of the investee. Joint control refers to the shared control over a certain arrangement in accordance with relevant agreements, and the related activities of the arrangement must be unanimously agreed upon by the participating parties who share control before decision-making can be made. Basis for determination in respect of common control is that all participating parties or a group of participating parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that control such arrangement.

(2) Accounting treatment method

The Group initially measures the long-term equity investments obtained based on the initial investment cost.

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

Apart from the long-term equity investments acquired through business combination, for long-term equity investments acquired by cash payment, the initial investment cost shall be based on the actual purchase price paid and the expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investments. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued;

The Company's investments in subsidiaries are accounted for in individual financial statements using cost method. When the cost method is used, long-term equity investments are measured at their initial investment cost. When making additional investment, carrying amount 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.

The Group's investments in the associates and joint ventures are accounted for under equity method. When using the equity method, if the initial investment cost of a long-term equity investment exceeds the share of the fair value of the identifiable net assets of the investee that should be enjoyed at the time of investment, the book value of the long-term equity investment shall not be adjusted. If the initial investment cost of a long-term equity investment is less than the share of the fair value of the identifiable net assets of the investee that should be enjoyed at the time of investment, the difference shall be adjusted to the book value of the long-term equity investment and included in the profit or loss for current investment period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

15. Long-term equity investments — Continued

(2) Accounting treatment method — Continued

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying amount of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders' equity of the investee during the investment period. When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable asset 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 Group according to the shareholding (if internal transaction losses belong to asset impairment losses, they shall be fully recognised), and recognised after adjustment is made to the net profit of the investee. The Group recognises the net loss incurred by the investee, with the book value of long-term equity investments and other long-term equity essentially constituting the net investment in the investee reduced to zero, except for the obligation of the Group to bear additional losses.

16. Investment properties

The Group's investment properties refer to the real estate held for the purpose of earning rent or capital appreciation, or for both, which comprise rented out houses, buildings and land. They are measured using the cost model.

The Group's investment property is depreciated or amortised using the same policy as that for houses, buildings or land use rights.

17. Fixed assets

The Group's fixed assets are tangible assets held for producing goods, providing services, leasing, or for operating and administrative purposes, with useful lives exceeding one year.

Fixed assets are recognized when it is probable that the associated economic benefits will flow to the Group and the cost can be reliably measured. The Group's fixed assets include land overseas, buildings, machinery and equipment, electronic equipment, furniture and fixtures, and transportation equipment.

Except for fully depreciated fixed assets that are still in use and land accounted for separately, the Group depreciates all of its fixed assets. Depreciation is calculated using the straight-line method. The classification, useful life, estimated residual value, and annual depreciation rates of the Group's fixed assets are as follows:

No.	Category	Useful life (year)	Rate of residual value (%)	Annual depreciation rates (%)
1	Offshore land	Unlimited	Not applicable	Not applicable
2	Buildings and structures	20 – 50	0 – 10	1.8 – 5
3	Machinery and equipment	5 – 20	5 – 10	4.5 – 19
4	Electronic equipment, appliances and furniture	3 – 10	0 – 10	9 – 33.33
5	Transportation equipment	5 – 10	5 – 10	9 – 19

The Group reviews the useful lives, estimated residual values and depreciation methods of fixed assets at the end of each year. Any changes are treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

18. Construction in progress

The cost of construction in progress is determined based on the actual project expenditure incurred, including various construction expenditures and other related costs during the construction period.

Construction in progress is transferred to fixed assets when it reaches its intended usable state. It is measured at the estimated value based on the project budget, cost, or actual project cost, and depreciation starts from the following month. The original value of fixed assets will be adjusted upon completion of final accounts.

The criteria for transferring construction in progress to fixed assets are as follows:

Item	Criteria for transfer to fixed assets
Buildings and structures	Earlier of completion and acceptance/actual commencement of use
Machinery and equipment	Completion of installation and commissioning and acceptance

19. Borrowing costs

The Group will capitalise the borrowing costs that can be directly attributed to the construction or production of assets eligible for capitalisation, and include them in the relevant asset costs. Other borrowing costs will be recognised in the profit or loss for current period. Assets identified by the Group as eligible for capitalization include borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for more than 1 year, 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.

During each accounting period within the capitalization period, the Group recognizes the amount of borrowing costs capitalized as follows: for specialized borrowings, the amount is determined based on the actual interest expenses incurred during the period, less the interest income from unused borrowings deposited in the bank or the investment income from temporary investments; for general borrowings, the amount is determined by multiplying the weighted average of asset expenditures exceeding the specific borrowings by the capitalization rate of the general borrowings, where the capitalization rate is calculated based on the weighted average interest rate of general borrowings.

20. Intangible assets

The Group's intangible assets mainly include land use right, trademark right, proprietary technology, and sales channel 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. However, 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 at fair value on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

20. Intangible assets — Continued

(1) Useful life and its basis of determination, estimation, amortization method or review procedure

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 costs and profit or 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.

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

Item	Useful lives (years)
Land use rights	20-70
Trademark rights	5
Know-how	10
Sales channels	10
Others	3-10

Note: The useful life of the land use right is determined according to the transfer period; the useful life of other intangible assets is determined according to the shortest of their estimated useful lives, the beneficial period stipulated in the contract, and the legal validity period.

In each accounting period, the Group reviews the estimated useful life of intangible assets with uncertain useful lives. If there is evidence showing that the period during which the intangible assets bring economic benefits to the enterprise is foreseeable, the useful life is estimated and amortized according to the amortization policy for intangible assets with limited useful lives.

(2) Scope of research and development expenditure and related accounting treatment

The Group's research and development expenditure includes salaries of research and development personnel, direct investment expenses, depreciation and prepayment expenses, and other expenses.

The Group distinguishes the expenditure of internal research and development projects into research phase expenditure and development phase expenditure according to the nature of the expenditure and whether the intangible assets formed by the research and development activities have high uncertainty. Research phase expenditure is included in current profit or loss when incurred. Expenditure in the development phase is capitalized if all of the following conditions are met: The Group evaluates that the intangible assets can be used or sold technically; The Group has the intention to complete and use or sell the intangible assets; The intangible assets are expected to generate economic benefits for the Group; The Group has sufficient technical, financial resources and other resources to support the completion of the development of the intangible assets and the ability to use or sell the intangible assets; The expenditure attributable to the development phase of the intangible assets can be measured reliably. Expenditures in the development phase that do not meet the criteria for capitalization are included in current profit or loss when incurred.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**21. 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 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 year end regardless of whether there is indication of impairment loss.

(1) Impairment of non-current assets other than financial assets (other than goodwill)

When conducting impairment testing, the Group determines its recoverable amount based on the higher of the net amount after deducting disposal expenses from the fair value of the asset and the present value of the expected future cash flows of the asset. After impairment testing, if the book value of the asset exceeds its recoverable amount, the difference is recognised as impairment loss.

The Group estimates its recoverable amount based on individual assets. If it is difficult to estimate the recoverable amount of individual assets, the recoverable amount shall be determined based on the asset group to which the asset belongs. The recognition of an asset group is based on whether the main cash inflows generated by the asset group are independent of the cash inflows of other assets or asset groups.

The net amount after deducting disposal costs from fair value is determined by referring to the sales agreement price or observable market price of similar assets in fair trade, minus the incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, the management must estimate the expected future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows. Please refer to Note V.(19) for details.

(2) Goodwill impairment

The Group amortises the book value of the goodwill arising from business combinations to the relevant asset groups starting from the purchase date, allocating it to those asset groups that can be reasonably attributed, and to the relevant asset group combinations when it is difficult to allocate them to specific asset groups. When conducting impairment tests on relevant asset groups or asset group combinations that include goodwill, if there are indications of impairment related to the asset groups or asset group combinations associated with goodwill, the Group first performs an impairment test on the asset groups or asset group combinations that do not include goodwill, calculates the recoverable amount, and compares it with the relevant carrying amount to recognize the corresponding impairment loss. Subsequently, an impairment test is conducted on the asset groups or asset group combinations that include goodwill, comparing the carrying amount with the recoverable amount. If the recoverable amount is less than the carrying amount, the amount of impairment loss is first deducted from the book value of goodwill allocated to the asset groups or asset group combinations, and then, based on the proportion of the book value of other assets, excluding goodwill, within the asset groups or asset group combinations, the book value of other assets are proportionately reduced.

The methods, parameters and assumptions for impairment testing of goodwill are detailed in Note V. (20).

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

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**22. Long-term prepaid expenses**

Long-term prepaid expenses are expenditures of the Group that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Such expenses are amortised on average during the benefit period. If a long-term prepaid expense item cannot benefit subsequent accounting periods, the amortised value of the item that has not yet been amortised shall be fully transferred to the profit or loss for current period.

23. Employee remuneration

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

Short-term remuneration mainly includes staff 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 basic pension insurance premiums, unemployment insurance, etc., and are classified as defined contribution plans and defined benefit plans according to the risks and obligations borne by the company. For defined contribution plans, the contributions payable to the independent entity for services provided by employees during the accounting period at the balance sheet date are recognized as a liability and included in the profit or loss for the current period or the cost of relevant assets according to the beneficiary.

The Group operates a defined benefit pension scheme which requires contributions to be made to an independently managed fund. No fund has been injected to the scheme, and the cost of providing the benefit under the defined benefit scheme is based on the expected cumulative benefit unit method. Re-measurements arising from the defined benefit pension scheme, including actuarial gains or losses, changes in the impact of asset ceilings (net of amounts included in net interest on net liabilities for the defined benefit scheme) and returns on assets under the scheme (net of amounts included in net interest on net liabilities for the defined benefit scheme) shall be recognised immediately in the balance sheet. They shall be included in the shareholders' equity through other comprehensive income for the period in which they occur, and not reversed to profit or loss in subsequent periods. The Group recognises past service costs as current expenses on the date of modification of the defined benefit scheme or the date of recognition of relevant restructuring expenses or dismissal benefits, whichever is earlier.

Termination benefits are employee benefits provided by the Group for terminating the employment relationship with employees before the expiration of the employment contract or for encouraging employees to accept voluntary redundancy. The Group recognizes a liability for termination benefits at the earlier of the following dates: when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring that involves the payment of termination benefits.

24. Provisions

The Group recognises it as a liability when an obligation pertinent to contingencies such as external guarantees, discounting of commercial acceptance bills, pending litigation or arbitration, product quality assurance, etc. simultaneously meets the following conditions: The obligation is a current obligation borne by the Group; it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and the amount of the obligation can be reliably measured.

Accrued liabilities are initially 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. The Group reviews the current best estimates and makes adjustments to the carrying amount of the accrued liabilities on the balance sheet date.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**24. Provisions — Continued**

Contingent liabilities of the acquiree acquired in a business combination not under common control are measured at fair value at the time of initial recognition and be subsequently measured at the higher of the recognised amount of accrued liabilities or the balance after deducting the accumulated amortisation amount determined by the revenue recognition principle from the initial recognition amount.

25. 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 can be vested immediately upon grant, it shall be included in relevant costs or expenses according to the fair value of equity instruments on the grant date, and the capital reserves shall be increased accordingly. 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 on each balance sheet date within the vesting period, the services acquired during the period shall be included in relevant costs or expenses and capital reserves according to the fair value of equity instruments on the grant date, based on the best estimate of the number of vested equity instruments. If the terms of an equity-settled share-based payment are modified, acquired services are recognised at least as if the terms had not been modified. In addition, modifications that increase the fair value of equity instruments granted, or changes that are beneficial to employees on the date of modification, are recognised as an increase in services acquired.

If equity-settled share-based payments are cancelled, they shall be treated as accelerated exercise on the date of cancellation, and the unrecognised amount shall be recognised immediately. If employees or other parties can choose to satisfy the non-exercisable conditions but fail to do so within the vesting period, it shall be treated as cancellation of the equity-settled share-based payment. However, if a new equity instrument is granted and it is determined on the date of grant that the new equity instrument is intended to replace the cancelled equity instrument, the substitute equity instrument granted shall be treated in the same manner as the modification to the terms and conditions of the original equity instrument.

26. Recognition and measurement of revenue

The Group recognises revenue when a performance obligation in the contract is fulfilled, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers. Acquiring control over relevant goods or services means to be able to dominate the use of such goods or the provision of such services and obtain almost all economic benefits from them.

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

The sale of products by the Group to customers is the fulfilment of its performance obligation at a certain point of time, and revenue is recognised when the performance obligation is completed. Domestic sales business: Revenue is recognised when the goods are delivered by the Group according to the contract or order and received by the customer. Overseas sales business: It is generally agreed in the sales contracts signed between the Group and overseas customers that the point of time at which the control over the goods is transferred is when the goods are loaded onto ships and depart from the ports. Therefore, the Group recognises the overseas sales revenue from its major overseas sales business when the goods depart from the ports.

27. Government grants

Government grants are recognised when they meet the accompanying conditions and can be received. Government grants that are monetary assets shall be measured at the amount actually received. Grants, which are disbursed according to fixed quota standard or where there is conclusive evidence at the end of the year that they can satisfy relevant conditions set out in the financial support policy and that the financial support funds are expected to be received, shall be measured at the amount receivable.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued**27. Government grants — Continued**

Government grants of the Group consist of asset-related government grants and income-related government grants. Asset-related government grants refer to government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation; income-related government grants refer to those other than asset-related government grants. If related government documents do not specify targets of the grants, the Group will recognise the grants according to the above principle, and if it's difficult to distinguish, they shall be recognised as the income-related government grants as a whole.

Asset-related government grants shall be recognised as deferred income, and included in profit or loss over the useful life of the asset based on reasonable and systemic methods. If relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the balance of undistributed deferred income shall be transferred to profit or loss for the period in which the assets are disposed of.

Income-related government grants, which are used to compensate for related expenses or losses to be incurred in the subsequent periods, shall be recognised as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognised. Government grants related to daily activities, depending on the essence of economic business, are included in other income or used to offset relevant expenses. Government grants not related to daily activities are included in non-operating income or expenses.

If the Group obtains policy-based preferential loan interest subsidies, the accounting treatment shall be distinguished between the following two situations: (1) If the financial funds are allocated to the loan bank, and the loan bank provides loans to the Group at a preferential policy interest rate, the Group shall record the actual loan amount received as the entry value of the loan, and calculate the relevant borrowing costs according to the principal of the loan and the policy preferential interest rate (or the fair value of the loan shall be recorded as the entry value of the loan and the borrowing costs shall be calculated according to the actual interest rate method. The difference between the actual amount received and the fair value of the loan shall be recognised as deferred income. The deferred income shall be amortised using the actual interest rate method during the loan period to offset the relevant borrowing costs). (2) Where the finance department disburses the subsidised funds directly to the Group, the Group will offset relevant borrowing costs with the corresponding subsidised funds.

28. Deferred tax assets and deferred tax liabilities

The Group's deferred income tax assets and deferred income tax liabilities are recognised on the basis of (temporary differences) arising from differences between the tax bases of assets and liabilities and their carrying amount, as well as from differences between the tax bases and their carrying amount of items that are not recognised as assets and liabilities but whose tax bases can be determined according to tax laws.

The Group recognises deferred income tax liabilities for all taxable temporary differences, except in the following circumstances: (1) temporary differences arising from the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions that are not business combinations and that affect neither the accounting profit nor taxable income (or deductible losses); (2) taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Group is able to control the timing of the reversal of the temporary differences and such temporary differences are likely not to be reversed in the foreseeable future.

The Group recognises deferred income tax assets for deductible temporary differences, deductible losses and tax credits to the extent 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, except in the following circumstances: (1) temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profit nor taxable income (or deductible losses); and (2) deductible temporary differences related to investments in subsidiaries, associates and joint ventures that can not simultaneously satisfy the following conditions: temporary differences are likely to be reversed in the foreseeable future, and taxable income is likely to be obtained in the future to offset deductible temporary differences.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

28. Deferred tax assets and deferred tax liabilities — Continued

The Group recognises deferred income tax assets for all unused deductible losses to the extent that it is likely that sufficient taxable income will be available to offset the deductible losses. The management uses considerable judgements in estimating the time and amount of future taxable income, and determines the amount of deferred income tax assets to be recognised by taking into account the tax planning strategies, thus resulting in uncertainty.

On the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rate during the expected period in which the asset is recovered or the liability is settled.

The Group presents deferred income tax assets and liabilities as net amounts after offsetting when all of the following conditions are met: the Group has the legal right to settle current income tax assets and current deferred income tax liabilities on a net basis; deferred income tax assets and liabilities are related to income tax levied by the same tax collection and management authority on the same taxpayer or on different taxpayers. However, for each future period in which significant deferred income tax assets and liabilities are reversed, the taxpayers involved intend to either settle the current income tax assets and liabilities on a net basis or to acquire the assets and settle the liabilities simultaneously.

29. Lease

(1) Identification of lease

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 lease or includes lease.

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conduct accounting treatment respectively for all separate leases.

(2) The Group as a lessee

1) Lease recognition

Except for short-term lease and lease of low-value assets, the Group recognises right-of-use assets and lease liabilities of the lease at the inception of the lease term.

The right-of-use assets refer to the right of underlying assets in the lease term for the Group as a lessee, which are initially measured at cost. Such cost shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made on or before the inception of the lease, less any lease incentives received; ③ any initial direct costs incurred; 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 (costs of production of inventory are excluded). If the Group re-measures lease liability in accordance with the relevant provisions of the lease standards, the carrying amount of the right-of-use assets shall be adjusted accordingly.

The Group depreciates the right-of-use assets on a straight-line basis over the expected consumption of the economic benefits associated with the right-of-use assets. If it can reasonably determined that ownership of the leased asset will be obtained upon expiration of the lease term, depreciation shall be accrued within the remaining useful life of the leased asset; if it can not be reasonably determined that ownership of the leased asset will be obtained upon expiration of the lease term, depreciation shall be accrued within the lease term or the remaining useful life of the leased asset, whichever is shorter. The depreciation amount accrued is included in the cost of relevant asset or current profit or loss based on the use of the right-of-use asset.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

29. Lease — Continued

(2) The Group as a lessee — Continued

1) Lease recognition — Continued

The lease liability is initially measured at the present value of the outstanding lease payments at the inception of the lease term. The lease payments include: ① the fixed payment and the substantial fixed payment, net of the lease incentive amount; ② the variable lease payments depending on the index or ratio; ③ the 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; and ⑤ the amount payable based on the residual value of the security provided by the Group.

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 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 capitalisation.

Subsequent to the inception of the lease term, the Group increases the carrying amount of the lease liability at the time of recognising interest on the lease liability, and decreases the carrying amount of the lease liability at the time of making lease payments. When there is a change in the substantive fixed payments, a change in the expected payable amount for the residual value of the guarantee, a change in the index or ratio used to determine the amount of lease payments, or a change in the valuation result or actual exercise of the option of purchase, renewal or termination, the Group will re-measure the lease liability based on the present value of lease payments as a result of the change.

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

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

(3) The Group as a lessor

The Group as a lessor classifies the lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, and classifies other leases as operating leases.

1) Finance lease

At the inception of the lease term, the Group 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.

The net lease investment is the sum of the unsecured residual value and the present value of rental receipts that has not been received at the inception of the lease term, which is discounted according to the interest rate implicit in lease. The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. The variable lease payments received by the Group that are not included in the net lease investment are recognised in profit or loss for the period in which they are actually incurred.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — Continued

29. Lease — Continued

(3) The Group as a lessor — Continued

2) Operating lease

During each period of the lease term, the Group recognises the lease receipts from operating leases as rental income on a straight-line basis.

The initial direct costs incurred in relation to operating leases by the Group are capitalised into the cost of the leased asset and are recognised in profit or loss over the lease term on the same basis as rental income. The variable lease payments related to operating leases obtained by the Group that are not included in the lease receipts are recognised in profit or loss when they are actually incurred.

When there is a change in operating leases, the Group treats it as a new lease for accounting purposes from the effective date of the change, and the pre-received or receivable lease receipts related to the lease before the change are regarded as the receipts of the new lease.

30. Discontinued operations

Discontinued operations refer to the separately identifiable components of the Group that meet one of the following conditions and have been disposed of or classified as held-for-sale: (1) the component represents an independent major business or a separate major operating area; (2) the component is part of an associated plan to dispose of an independent major business or a separate major operating area; (3) the component is a subsidiary acquired exclusively for resale.

In the profit statement, the Group sets up “net profit from continuing operations” and “net profit from discontinued operations” under “net profit” to reflect the profit or loss related to continuing operations and discontinued operations, respectively, on an after-tax net basis. The profit and loss from discontinued operations shall be reported as discontinued operations income, including the entire reporting period, not just the reporting period after being identified as discontinued operations.

31. Fair value measurement

The Group measures investment property, derivative financial instruments, and equity instrument investments at fair value at each balance sheet date. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured or disclosed at fair value in the financial statements are classified into different fair value levels based on the lowest level input that is significant to the overall fair value measurement: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date; Level 2 inputs are inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

32. Changes in critical accounting policies and estimates

(1) Changes in critical accounting policies

Nil.

(2) Changes in critical accounting estimates

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

IV. TAXATION

1. The main types and rates of taxes

Type of taxes	Tax basis	Tax rate
Value-added tax	Output value-added tax is computed at 13%, 9%, 6%, 5%, 3% of taxable income. Value-added tax is computed on the difference after deduction of input value-added tax. 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 on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	15.00%
Guangdong Kelon Mould Co., Ltd.	15.00%
Hisense Refrigerator Co., Ltd.	15.00%
Hisense Air-Conditioning Co., Ltd.	15.00%
Qingdao Hisense Mould Co., Ltd.	15.00%
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15.00%
Foshan Shunde Rongshen Plastic Co., Ltd.	15.00%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15.00%
Foshan Hisense Kelon Property Development Co., Ltd.	20.00%
Hisense (Chengdu) Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	15.00%
Qingdao Hisense Commercial Cold Chain Co., Ltd.	15.00%
Hisense (Shandong) Kitchen and Bath Co., Ltd.	15.00%
Hisense (Guangdong) Air-Conditioner Company Limited	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., Limited.	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 Corporation	30.50%
SANDEN INTERNATIONAL (EUROPE) GmbH	30.00%
SANDEN MANUFACTURING EUROPE S.A.S.	28.00%
SANDEN VIKAS(INDIA) LTD.	35.00%
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	30.00%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15.00%
Other overseas subsidiaries	5%-34%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

IV. TAXATION — Continued

2. Tax preferences

On 28 December 2023, Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202344003724, with an effective period of three years), which was jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance and the State Administration of Taxation Guangdong Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 28 December 2023, Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202344002886, with an effective period of three years), which was jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance and the State Administration of Taxation Guangdong Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 9 November 2023, Hisense Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202337101305, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 9 November 2023, Hisense Air-Conditioning Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202337101226, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 9 November 2023, Qingdao Hisense Mould Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202337100712, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 19 December 2022, Hisense (Guangdong) Kitchen and Bath System Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202244002710, with an effective period of three years), which was jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance and the State Administration of Taxation Guangdong Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2022, 2023 and 2024.

On 19 December 2022, Foshan Shunde Rongshen Plastic Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202244004440, with an effective period of three years), which was jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance and the State Administration of Taxation Guangdong Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2022, 2023 and 2024.

IV. TAXATION — *Continued***2. Tax preferences** — *Continued*

On 12 December 2022, Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202232015499, with an effective period of three years), which was jointly issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance and the State Administration of Taxation Jiangsu Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2022, 2023 and 2024.

Foshan Hisense Kelon Property Service Co., Ltd., a subsidiary of the Company, meets the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2023] No. 12: 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, the taxable income was calculated according to 25%, and the enterprise income tax was paid at the rate of 20% in 2024.

Hisense (Chengdu) Refrigerator Co., Ltd., a subsidiary of the Company, belongs to an encouraged industrial enterprise located in the western region. In accordance with relevant provisions of the Announcement [2020] No. 23 of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China, the applicable enterprises income tax rate for this subsidiary is 15% from 1 January 2021 to 31 December 2030.

On 14 December 2021, Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202137101914, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2021, 2022 and 2023. The re-assessment of High/New Technology Enterprise status for Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. in 2024 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.

On 4 November 2021, Qingdao Hisense Commercial Cold Chain Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202137100462, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2021, 2022 and 2023. The re-assessment of High/New Technology Enterprise status for Qingdao Hisense Commercial Cold Chain Co., Ltd. in 2024 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.

On 29 November 2023, Hisense (Shandong) Kitchen and Bath Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202337102273, with an effective period of three years), which was jointly issued by Qingdao Municipal Bureau of Science and Technology, Qingdao Municipal Bureau of Finance and the State Administration of Taxation Qingdao Municipal Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

On 28 December 2023, Hisense (Guangdong) Air-Conditioner Company Limited, a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202344002235, with an effective period of three years), which was jointly issued by Guangdong Provincial Department of Science and Technology, Guangdong Provincial Department of Finance and the State Administration of Taxation Guangdong Provincial Taxation Bureau. The subsidiary has handled tax reduction and exemption filing procedures with the competent tax authorities, and adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

IV. TAXATION — Continued

2. Tax preferences — Continued

The subsidiaries of the Company which were incorporated in Hong Kong are subject to an enterprise income tax on the estimated assessable profits derived from or arising in Hong Kong at the following rates: ① for KII: a rate of 8.25% is applied to the part which 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.

3. Other tax preferences

In accordance with relevant provisions of the Circular of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100), the subsidiaries of the Company, including Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., Hisense Ronshen (Guangdong) Freezer Co., Ltd., Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd., Hisense (Chengdu) Refrigerator Co., Ltd., Hisense Air-Conditioning Co., Ltd., Hisense (Zhejiang) Air-Conditioner Co., Ltd., Hisense Refrigerator Co., Ltd. and Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., will enjoy the tax incentives of immediate collection and refund for the portion of the embedded software products with the actual VAT burden of more than 3%.

V. 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 2024; and "Closing Balance" refers to the balance as at 30 June 2024. "Current Period" refers to the period from 1 January to 30 June 2024; "Previous Period" refers to the period from 1 January to 30 June 2023. The Currency is denominated in RMB.

(1) Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	128,162.79	151,362.17
Bank deposits	935,787,887.18	1,242,044,709.82
Other cash at bank and on hand	2,098,823,812.22	1,749,212,727.81
Deposit in financial company	2,184,731,462.96	1,947,864,398.82
Including: Bank deposits	1,796,572,283.86	1,612,090,951.28
Other cash at bank and on hand	388,159,179.10	335,773,447.54
Total	5,219,471,325.15	4,939,273,198.62
Including: Total amount deposited overseas	534,467,313.75	937,552,504.07

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

Item	Closing balance	Opening balance
Deposit for issuing bank acceptance bills	2,422,957,753.56	2,011,488,962.44
Other security deposit	46,797,437.38	50,643,835.64
Total	2,469,755,190.94	2,062,132,798.08

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

V. 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	13,933,909,217.25	13,192,025,535.87
Including: Derivative financial instruments	53,453,696.10	4,285,180.76
Wealth management products	13,880,455,521.15	13,187,740,355.11
Total	13,933,909,217.25	13,192,025,535.87

Notes to transactional financial assets:

The Group did not have high-risk entrusted wealth management, 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 XI.(1). Fair value of assets and liabilities measured at fair value as at the end of the period.

(3) Notes receivable

1. As shown by classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	161,616,335.32	165,995,198.60
Commercial acceptance notes	406,395,531.93	575,627,374.90
Total	568,011,867.25	741,622,573.50

Notes to notes receivable: notes 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. As shown by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on					
a group basis	568,026,416.06	100.00	14,548.81		568,011,867.25
Including:					
Bank acceptance notes	161,616,335.32	28.45			161,616,335.32
Commercial acceptance notes	406,410,080.74	71.55	14,548.81		406,395,531.93
Total	568,026,416.06	100.00	14,548.81		568,011,867.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(3) Notes receivable — Continued

2. As shown by provision for bad debts — Continued

(continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on a group basis	742,123,337.77	100.00	500,764.27	0.07	741,622,573.50
Including:					
Bank acceptance notes	165,995,198.60	22.37			165,995,198.60
Commercial acceptance notes	576,128,139.17	77.63	500,764.27	0.09	575,627,374.90
Total	742,123,337.77	100.00	500,764.27	0.07	741,622,573.50

(1) Among the group, provision for bad debts for bank acceptance notes

Name	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a bank with low credit risk	161,616,335.32		
Total	161,616,335.32		-

(2) Among the group, provision for bad debts for commercial acceptance notes

Name	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a related party company	397,718,863.09		
Acceptor being other types of company	8,691,217.65	14,548.81	0.17
Total	406,410,080.74	14,548.81	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(3) Notes receivable — Continued

3. Provision for bad debts of notes receivable that are accrued, recovered or reversed in the current period

Category	Opening balance	Changes during the period			Effect of changes in exchange rate	Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off		
Commercial acceptance notes	500,764.27		486,215.46			14,548.81
Total	500,764.27		486,215.46			14,548.81

4. Notes receivable pledged as at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance notes	161,616,335.32
Total	161,616,335.32

Note: For details of the pledge, please refer to Note 5.(24). Assets with restrictions on ownership or right of use.

5. Notes receivable endorsed or discounted as at the end of the period but not mature at the balance sheet date

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Commercial acceptance notes		103,614,318.18
Total		103,614,318.18

6. Notes receivable written-off during the period

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(4) Accounts receivable

1. Accounts receivable by ageing

Ageing	Book value as at the end of the period	Book value as at the beginning of the period
Within three months	10,491,965,313.38	8,330,628,047.85
Over three months but within six months	367,968,183.05	433,307,441.27
Over six months but within one year	244,840,364.36	246,354,515.38
Over one year	517,264,432.51	527,815,292.00
Total	11,622,038,293.30	9,538,105,296.50

2. Accounts receivable by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Accounts receivable for which provision for bad debts is separately made	88,956,663.60	0.77	88,956,663.60	100.00	
Accounts receivable for which provision for bad debts is made on a group basis	11,533,081,629.70	99.23	223,892,575.68	1.94	11,309,189,054.02
Including:					
Ageing analysis method	1,548,909,655.82	13.33	142,832,190.53	9.22	1,406,077,465.29
Receivables from related parties	7,168,100,008.16	61.68	13,403,145.47	0.19	7,154,696,862.69
Other account payments	2,816,071,965.72	24.22	67,657,239.68	2.40	2,748,414,726.04
Total	11,622,038,293.30	100.00	312,849,239.28	2.69	11,309,189,054.02

(continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Accounts receivable for which provision for bad debts is separately made	97,304,043.14	1.02	97,304,043.14	100.00	
Accounts receivable for which provision for bad debts is made on a group basis	9,440,801,253.36	98.98	215,479,371.29	2.28	9,225,321,882.07
Including:					
Ageing analysis method	1,505,237,529.67	15.78	132,000,437.65	8.77	1,373,237,092.02
Receivables from related parties	5,682,941,225.24	59.58	21,281,661.78	0.37	5,661,659,563.46
Other account payments	2,252,622,498.45	23.62	62,197,271.86	2.76	2,190,425,226.59
Total	9,538,105,296.50	100.00	312,783,414.43	3.28	9,225,321,882.07

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(4) Accounts receivable — Continued

2. Accounts receivable by provision for bad debts — Continued

(1) Accounts receivable subject to separate provision for bad debts

Name	Book value	Closing balance		
		Provision for bad debts	%	Reasons for provision
Domestic customers	88,956,663.60	88,956,663.60	100.00	Expected to be difficult to recover in full
Total	88,956,663.60	88,956,663.60	-	-

(2) Among the group, accounts receivable for which provision for bad debts is made by aging analysis method:

Ageing	Book value	Closing balance	
		Provision for bad debts	%
Within three months	1,360,506,788.41	2,675,612.16	0.20
Over three months but within six months	49,642,833.40	4,964,283.34	10.00
Over six months but within one year	7,135,477.96	3,567,738.98	50.00
Over one year	131,624,556.05	131,624,556.05	100.00
Total	1,548,909,655.82	142,832,190.53	9.22

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.

(3) Among the group, accounts receivable subject to provision for bad debts by receivables from related parties:

Ageing	Book value	Closing balance	
		Provision for bad debts	%
Within one year	7,154,696,863.53		
Over one year	13,403,144.63	13,403,145.47	100.00
Total	7,168,100,008.16	13,403,145.47	0.19

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(4) Accounts receivable — Continued

2. Accounts receivable by provision for bad debts — Continued

(4) Among the group, accounts receivable subject to provision for bad debts by other amount:

Category	Closing balance		%
	Book value	Provision for bad debts	
Other account payments	2,816,071,965.72	67,657,239.68	2.40
Total	2,816,071,965.72	67,657,239.68	2.40

3. Provision for bad debts of accounts receivable that are accrued, recovered or reversed in the current period

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	Changes in exchange rate	
Separate provision	97,304,043.14		8,347,379.54			88,956,663.60
Ageing analysis method	132,000,437.65	12,188,890.20		1,347,538.00	-9,599.32	142,832,190.53
Receivables from related parties	21,281,661.78	41,828.84	7,871,993.82		-48,351.33	13,403,145.47
Other account payments	62,197,271.86	8,060,131.59	3,679,681.33	1,124,045.14	2,203,562.70	67,657,239.68
Total	312,783,414.43	20,290,850.63	19,899,054.69	2,471,583.14	2,145,612.05	312,849,239.28

Note: The Group has no significant amount of bad debt provisions recovered or reversed during the period.

4. Accounts receivable written-off

Item	Written-off amount
Accounts receivable written-off	2,471,583.14

Note: The Group has no significant accounts receivable written-off during the period.

5. Top five accounts receivable by closing balance of debtors and contract assets

The total top five accounts receivable of the Group by closing balance of debtors amounted to RMB6,498,936,127.92, accounting for 55.92% of the closing balance of account receivable. A provision for bad debts of RMB8,874,278.31 in total was made as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(5) Contract assets

1. Contract assets

Item	Closing balance			Opening balance		
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount
Guarantee	42,865,400.56	7,278,309.07	35,587,091.49	41,049,130.53	5,170,821.71	35,878,308.82
Total	42,865,400.56	7,278,309.07	35,587,091.49	41,049,130.53	5,170,821.71	35,878,308.82

2. Contract assets by provision for bad debts

Category	Closing balance				
	Book value		Provision for bad debts		Carrying amount
	Amount	%	Amount	%	
Contract assets for which provision for bad debts is separately made					
Contract assets for which provision for bad debts is made on a group basis	42,865,400.56	100.00	7,278,309.07	16.98	35,587,091.49
Including:					
Guarantee	42,865,400.56	100.00	7,278,309.07	16.98	35,587,091.49
Total	42,865,400.56	100.00	7,278,309.07	16.98	35,587,091.49

(continued)

Category	Opening balance				
	Book value		Provision for bad debts		Carrying amount
	Amount	%	Amount	%	
Contract assets for which provision for bad debts is separately made					
Contract assets for which provision for bad debts is made on a group basis	41,049,130.53	100.00	5,170,821.71	12.60	35,878,308.82
Including:					
Guarantee	41,049,130.53	100.00	5,170,821.71	12.60	35,878,308.82
Total	41,049,130.53	100.00	5,170,821.71	12.60	35,878,308.82

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(5) Contract assets — Continued

2. Contract assets by provision for bad debts — Continued

(1) Contract assets for which provision for bad debts is made on a group basis

Name	Closing balance		%
	Book value	Provision for bad debts	
Guarantee	42,865,400.56	7,278,309.07	16.98
Total	42,865,400.56	7,278,309.07	16.98

3. Provision for bad debts of contract assets that are accrued, recovered or reversed in the current period

Item	Provision for the period	Reversal for the period	Write-off or charge-off for the year	Reason
Guarantee	2,107,487.36			
Total	2,107,487.36		-	

4. Contract assets written-off for the period

There were no contract assets written-off for the period.

(6) Receivables Financing

1. Factoring of accounts receivable by category

Item	Closing balance	Opening balance
Bank acceptance notes	7,803,580,984.75	4,643,427,583.77
Total	7,803,580,984.75	4,643,427,583.77

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(6) Receivables Financing — Continued

2. Factoring of accounts receivable by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Factoring of accounts receivable for which provision for bad debts is separately made					
Factoring of accounts receivable for which provision for bad debts is made on a group basis	7,803,580,984.75	100.00			7,803,580,984.75
Including:					
Bank acceptance notes	7,803,580,984.75	100.00			7,803,580,984.75
Total	7,803,580,984.75	100.00			7,803,580,984.75

(continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Factoring of accounts receivable for which provision for bad debts is separately made					
Factoring of accounts receivable for which provision for bad debts is made on a group basis	4,643,427,583.77	100.00			4,643,427,583.77
Including:					
Bank acceptance notes	4,643,427,583.77	100.00			4,643,427,583.77
Total	4,643,427,583.77	100.00			4,643,427,583.77

3. Factoring of accounts receivable pledged as at the end of the period

There was no factoring of accounts receivable pledged as at the end of the period

4. Notes receivable endorsed or discounted as at the end of the period but not mature at the balance sheet date

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	6,105,626,943.12	
Total	6,105,626,943.12	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(6) Receivables Financing — Continued

5. Factoring of accounts receivable written-off for the period

There was no factoring of accounts receivable written-off for the period

(7) Other receivables

Item	Closing balance	Opening balance
Dividends receivable		89,630.21
Other receivables	153,261,651.26	145,714,495.24
Total	153,261,651.26	145,804,125.45

7.1 Dividends receivable

1. Classification of dividends receivable

Investees	Closing balance	Opening balance
SANPAK ENGINEERING INDUSTRIES		89,630.21
Total		89,630.21

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

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	81,633,785.05	92,707,932.31
Refund of tax for exports		6,920,930.95
Other current account	160,903,474.38	181,056,905.05
Total	242,537,259.43	280,685,768.31

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(7) Other receivables — Continued

7.2 Other receivables — Continued

2. Other receivables by ageing

Ageing	Book value as at the end of the period
Within three months	102,534,488.71
Over three months but within six months	14,058,841.77
Over six months but within one year	21,006,305.12
Over one year	104,937,623.83
Total	242,537,259.43

3. Provision for bad debts for other receivables

	First stage	Second stage	Third stage	
	Expected credit loss in the next 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	Total
Provision for bad debts				
Balance as at 1 January 2024	1,576,447.61	122,225,464.14	11,169,361.32	134,971,273.07
During the period, the book balance of other receivables as at 1 January 2024	-	-	-	-
- transferred to second stage	-1,232,586.54	1,232,586.54		
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period	3,414,584.91	1,512,773.95		4,927,358.86
Reversal for the period	310,644.98	37,198,370.73		37,509,015.71
Written-off for the period				
Charge-off for the period				
Other changes	-87,608.95	-13,026,399.10		-13,114,008.05
Balance as at 30 June 2024	3,360,192.05	74,746,054.80	11,169,361.32	89,275,608.17

Note 1: The amount of other changes arises from the translation of the amount of provision for bad debts in the foreign currency statements of foreign subsidiaries using spot exchange rates at the balance sheet date.

Note 2: Except for separate assessment, the Group assessed whether the credit risk of financial instruments since its initial recognition was significantly increased based on the aging, and estimated the expected credit loss of other receivables with ageing of over one year in the lifetime.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

V. 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 of other receivables that are accrued, recovered or reversed in the current period*

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	Changes in exchange rate	
Ageing analysis method	89,113,107.02	3,414,584.91	11,270,609.98		-87,608.95	81,169,473.00
Receivables from related parties	23,555,199.92		22,768,882.27		-515,066.09	271,251.56
Other account payments	22,302,966.13	1,512,773.95	3,469,523.46		-12,511,333.01	7,834,883.61
Total	134,971,273.07	4,927,358.86	37,509,015.71		-13,114,008.05	89,275,608.17

Note: The Group has no significant amount of bad debt provisions recovered or reversed during the period.

5. *Other receivables actually written off*

There were no other receivables actually written off for the period.

6. *Top five other receivables by debtor in terms of balances as at the end of the period*

No.	Nature of the amount	Closing balance	Ageing	Percentage of total closing balance of other receivables (%)	Provision for bad debts Closing balance
Top 1	Security deposit	35,000,000.00	Over one year	14.43	35,000,000.00
Top 2	Other current account	8,204,591.30	Within three months	3.38	
Top 3	Other current account	7,500,000.00	Over one year	3.09	7,500,000.00
Top 4	Other current account	4,611,503.56	Within three months	1.90	
Top 5	Security deposit	3,835,019.41	Within three months	1.58	
Total	-	59,151,114.27	-	24.38	42,500,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(8) Prepayment

1. Ageing of prepayments

Item	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	369,717,065.78	98.98	386,713,010.82	99.40
Over one year	3,822,252.00	1.02	2,353,263.34	0.60
Total	373,539,317.78	100.00	389,066,274.16	100.00

The Group 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 RMB159,219,085.60, accounting for 42.62% of total closing balance of prepayments.

(9) Inventories

1. Classification of inventories

Item	Closing balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,166,551,195.64	37,546,065.48	1,129,005,130.16
Works in progress	668,996,008.60	1,734,377.84	667,261,630.76
Finished goods	4,891,467,683.97	36,381,083.71	4,855,086,600.26
Total	6,727,014,888.21	75,661,527.03	6,651,353,361.18

(continued)

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,299,765,277.95	32,551,279.20	1,267,213,998.75
Works in progress	705,502,423.53	6,035,772.16	699,466,651.37
Finished goods	4,863,238,690.81	55,315,902.93	4,807,922,787.88
Total	6,868,506,392.29	93,902,954.29	6,774,603,438.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(9) Inventories — Continued

2. Provision for declines in value of inventories

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Changes in exchange rate	Reversed or written-off	Changes in exchange rate	
Raw materials	32,551,279.20	9,794,296.47		4,748,615.95	50,894.24	37,546,065.48
Works in progress	6,035,772.16	734,657.29		4,891,928.72	144,122.89	1,734,377.84
Finished goods	55,315,902.93	42,269,123.28		60,803,281.39	400,661.11	36,381,083.71
Total	93,902,954.29	52,798,077.04		70,443,826.06	595,678.24	75,661,527.03

3. Basis of the provision for declines in value of inventories and reasons for the reversal or write-off during the year

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		

(10) Non-current assets due within one year

Item	Closing balance	Opening balance
Time deposits and interest due within one year	2,932,812,972.23	3,641,708,361.11
Total	2,932,812,972.23	3,641,708,361.11

(11) Other current assets

Item	Closing balance	Opening balance
Term deposit and interest	15,697,786.47	428,942,015.90
Prepaid tax and tax deductible	685,678,855.70	773,825,888.41
Prepaid expenses and others	243,188,241.84	208,420,295.59
Total	944,564,884.01	1,411,188,199.90

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(12) Long-term equity investments

			Movements in the current period								Closing balance (Carrying amount)	Opening balance of impairment provision
			Opening balance	Provision for impairment	Gains or losses from investment recognised using equity method	Adjustment or other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Changes in exchange rate		
Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Increase in investment	Decrease in investment								
I. Joint ventures												
Hisense Marketing Management Co., Ltd.	49,708,956.80				7,917,434.22						57,626,391.02	
Qingdao Hisense Global Asia Holding Co., Ltd.	24,044,123.64				-1,817,799.54	708,859.43					22,935,183.53	
Subtotal	73,753,080.44				6,099,634.68	708,859.43					80,561,574.55	
II. Associates												
Qingdao Hisense Jinlong Holdings Co., Ltd.	406,595,770.08				8,961,872.90						415,557,642.98	
Qingdao Hisense International Marketing Co., Ltd.	192,692,420.64				54,505,100.11	-12,969,556.11	1,027,488.52	66,249,200.00			169,006,253.16	
Qingdao Hisense Intelligent Electronics Co., Ltd.			98,000,000.00		304,210.56		-1,400,430.66				96,903,779.90	
Associates of Sanden Corporation	998,323,846.30		4,656,996.90	204,723.80	123,250,282.82	513,124.24				-14,141,061.76	1,112,398,464.70	
Subtotal	1,597,612,037.02		102,656,996.90	204,723.80	187,021,466.39	-12,456,431.87	-372,942.14	66,249,200.00		-14,141,061.76	1,793,866,140.74	
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	1,671,365,117.46	11,000,000.00	102,656,996.90	204,723.80	193,121,101.07	-11,747,572.44	-372,942.14	66,249,200.00		-14,141,061.76	1,874,427,715.29	11,000,000.00

Notes:

- 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.
- Qingdao Hisense Jinlong Holdings Co., Ltd. (formerly Qingdao Hisense Financial Holdings Co., Ltd.) is hereinafter referred to as "Hisense Jinlong Holdings".
- Qingdao Hisense Global Asia Holding Co., Ltd. is hereinafter referred to as "Hisense Global Asia Holding".
- Hisense Marketing Management Co., Ltd. is hereinafter referred to as "Hisense Marketing Management".
- Hisense International Co., Ltd. is hereinafter referred to as "Hisense International".
- Qingdao Hisense Intelligent Electronics Co., Ltd. is hereinafter referred to as "Intelligent Electronics".
- As at the end of the Reporting Period, all the joint ventures and associates of the Company were unlisted companies.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(12) Long-term equity investments — Continued

Including:

Item	Closing balance	Opening balance
Unlisted investments:		
Equity method	1,874,427,715.29	1,671,365,117.46
Including: Joint ventures	80,561,574.55	73,753,080.44
Associate	1,793,866,140.74	1,597,612,037.02
Total	1,874,427,715.29	1,671,365,117.46

(13) Other equity investment

1. Other equity investment

Item	Closing balance	Opening balance
Non-trading equity investments	42,241,420.23	40,244,766.96
Total	42,241,420.23	40,244,766.96

(14) Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	21,783,603.25	27,197,809.69
Total	21,783,603.25	27,197,809.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(15) Investment properties

1. Investment properties measured at cost

Item	Buildings and structures	Land	Total
I. Original carrying amount			
1. Opening balance	269,143,187.31	37,924,071.00	307,067,258.31
2. Increase for the period	120,443,425.71		120,443,425.71
(1) Addition	108,586,786.47		108,586,786.47
(2) Other	11,856,639.24		11,856,639.24
3. Decrease for the period		11,856,639.24	11,856,639.24
(1) Disposal			
(2) Other		11,856,639.24	11,856,639.24
4. Effect of exchange rate movement	-10,880,938.42	-14,072,275.94	-24,953,214.36
5. Closing balance	378,705,674.60	11,995,155.82	390,700,830.42
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	128,402,894.01	681,641.00	129,084,535.01
2. Increase for the period	10,780,886.52	18,248.00	10,799,134.52
(1) Provision or amortisation	10,780,886.52	18,248.00	10,799,134.52
3. Decrease for the period			
(1) Disposal			
4. Effect of exchange rate movement	-5,077,692.63		-5,077,692.63
5. Closing balance	134,106,087.90	699,889.00	134,805,976.90
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
3. Decrease for the period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	244,599,586.70	11,295,266.82	255,894,853.52
2. Opening carrying amount	140,740,293.30	37,242,430.00	177,982,723.30

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(16) Fixed assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	5,480,712,470.66	5,662,566,792.19
Disposal of fixed assets	2,695,760.44	345,709.84
Total	5,483,408,231.10	5,662,912,502.03

16.1 Fixed assets

1. Particulars of fixed assets

Item	Land	Buildings and structures	Machinery and equipment	Electronic equipment, appliances and furniture	Transportation equipment	Total
I. Original carrying amount						
1. Opening balance	327,133,888.08	3,990,154,356.71	5,569,616,652.38	3,496,673,038.66	78,132,300.88	13,461,710,236.71
2. Increase for the period	747,946.20	41,678,730.30	318,219,764.51	59,358,779.29	7,950,255.84	427,955,476.14
(1) Addition	747,946.20	3,143,714.09	92,482,786.72	50,449,577.17	6,685,576.60	153,509,600.78
(2) Transfer from construction in progress		38,535,016.21	225,736,977.79	8,909,202.12	1,264,679.24	274,445,875.36
3. Decrease for the period		20,898,670.27	101,727,053.58	91,452,552.83	2,011,950.87	216,090,227.55
(1) Disposal or retirement		20,898,670.27	101,727,053.58	91,452,552.83	2,011,950.87	216,090,227.55
4. Effect of exchange rate movement	-1,462,103.83	-49,940,831.52	-92,131,246.51	-37,121,477.14	-672,334.33	-181,327,993.33
5. Closing balance	326,419,730.45	3,960,993,585.22	5,693,978,116.80	3,427,457,787.98	83,398,271.52	13,492,247,491.97
II. Accumulated depreciation						
1. Opening balance		1,713,488,070.20	2,980,089,516.29	2,787,475,233.45	34,846,453.32	7,515,899,273.26
2. Increase for the period		94,737,164.12	262,951,398.29	102,713,537.52	4,368,923.87	464,771,023.80
(1) Provision		94,737,164.12	262,951,398.29	102,713,537.52	4,368,923.87	464,771,023.80
3. Decrease for the period		9,092,266.70	80,054,518.34	83,518,229.93	1,672,464.84	174,337,479.81
(1) Disposal or retirement		9,092,266.70	80,054,518.34	83,518,229.93	1,672,464.84	174,337,479.81
4. Effect of exchange rate movement		-15,826,935.96	-26,788,639.83	-12,554,448.52	-642,913.29	-55,812,937.60
5. Closing balance		1,783,306,031.66	3,136,197,756.41	2,794,116,092.52	36,899,999.06	7,750,519,879.65
III. Provision for impairment						
1. Opening balance		9,076,269.26	181,662,476.78	92,113,523.45	391,901.77	283,244,171.26
2. Increase for the period				123,683.43		123,683.43
(1) Provision				123,683.43		123,683.43
3. Decrease for the period		278,282.45	1,210,166.02	88,957.26		1,577,405.73
(1) Disposal or retirement		278,282.45	1,210,166.02	88,957.26		1,577,405.73
4. Effect of exchange rate movement			-11,048,169.03	-9,684,855.12	-42,283.15	-20,775,307.30
5. Closing balance		8,797,986.81	169,404,141.73	82,463,394.50	349,618.62	261,015,141.66
IV. Carrying amount						
1. Closing carrying amount	326,419,730.45	2,168,889,566.75	2,388,376,218.66	550,878,300.96	46,148,653.84	5,480,712,470.66
2. Opening carrying amount	327,133,888.08	2,267,590,017.25	2,407,864,659.31	617,084,281.76	42,893,945.79	5,662,566,792.19

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(16) Fixed assets — Continued

16.1 Fixed assets — Continued

2. Fixed assets leased out under operating lease

Item	Closing carrying amount
Building or structures	209,393,173.73
Machinery and equipment, etc.	4,487,907.54
Transportation equipment	101,886.69
Total	213,982,967.96

3. Fixed assets without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Building or structures	269,358,913.52	Transferred to fixed assets on achieving scheduled availability and in the process of application for ownership certificates

4. Impairment test of fixed assets

Determination of the net recoverable amount at fair value minus disposal costs

Item	Carrying amount	Recoverable amount	Impairment amount
Electronic equipment, appliances and furniture	164,186.00	40,502.57	123,683.43
Total	164,186.00	40,502.57	123,683.43

The Group measures impairment by estimating the recoverable amount of a fixed asset for which there is any sign of impairment. Impairment of assets is calculated and recognised on an individual asset basis. The fair value of an asset is determined on the basis of the market price in fair transactions, or where there is no active market for the asset, the fair value of the asset is estimated on the basis of the best available information. Disposal costs include legal expenses, relevant taxes and handling fees related to the disposal of assets and direct expenses incurred to bring the assets to a saleable condition. The Group determines the fair value mainly by reference to the replacement cost and depreciation rate of equipment.

16.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	2,695,760.44	345,709.84
Total	2,695,760.44	345,709.84

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(17) Construction in progress

Item	Closing balance	Opening balance
Construction in progress	475,282,487.05	443,523,694.21
Total	475,282,487.05	443,523,694.21

1. Breakdown of construction in progress

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Air-conditioning infrastructure construction	358,800.00		358,800.00	358,800.00		358,800.00
Refrigerator production line project	3,486,893.28		3,486,893.28	3,076,052.62		3,076,052.62
Staff apartment project				103,176,525.50		103,176,525.50
Refrigerator production line expansion project	17,047,256.56		17,047,256.56	11,766,283.11		11,766,283.11
Others	497,112,056.19	42,722,518.98	454,389,537.21	373,076,538.74	47,930,505.76	325,146,032.98
Total	518,005,006.03	42,722,518.98	475,282,487.05	491,454,199.97	47,930,505.76	443,523,694.21

2. Movements in key constructions in progress during the period

Name of construction	Opening balance	Increase during the period	Decrease during the period		Closing balance	Budget	Accumulative contribution in budget (%)	Progress (%)	Source of funding
			Transferred to fixed assets	Other decrease					
Air-conditioning infrastructure construction	358,800.00				358,800.00	433,753,816.31	87.22	87.22	Self funding
Refrigerator production line project	3,076,052.62	410,840.66			3,486,893.28	767,677,318.00	88.41	88.41	Self funding
Staff apartment project	103,176,525.50	5,244,888.00		108,421,413.50		112,446,477.77	96.42	100.00	Self funding
Refrigerator production line expansion project	11,766,283.11	14,227,876.10	8,946,902.65		17,047,256.56	30,518,000.00	85.18	85.18	Self funding
Others	373,076,538.74	397,010,243.31	265,498,972.71	7,475,753.15	497,112,056.19				Self funding
Total	491,454,199.97	416,893,848.07	274,445,875.36	115,897,166.65	518,005,006.03	1,344,395,612.08	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(18) Right-of-use assets

Item	Buildings and structures	Machinery, equipment and others	Total
I. Original carrying amount			
1. Opening balance	299,984,465.58	47,126,238.56	347,110,704.14
2. Increase for the period	56,251,080.05	2,535,083.08	58,786,163.13
(1) Rental	56,251,080.05	2,535,083.08	58,786,163.13
3. Decrease for the period	16,860,849.68		16,860,849.68
(1) Disposal	16,860,849.68		16,860,849.68
4. Effect of exchange rate movement	-12,092,404.69	-2,721,677.57	-14,814,082.26
5. Closing balance	327,282,291.26	46,939,644.07	374,221,935.33
II. Accumulated depreciation			
1. Opening balance	154,515,053.62	22,943,140.68	177,458,194.30
2. Increase for the period	34,516,795.64	4,426,335.04	38,943,130.68
(1) Provision	34,516,795.64	4,426,335.04	38,943,130.68
3. Decrease for the period	14,313,903.48		14,313,903.48
(1) Disposal	14,313,903.48		14,313,903.48
4. Effect of exchange rate movement	-11,149,004.35	-2,543,455.55	-13,692,459.90
5. Closing balance	163,568,941.43	24,826,020.17	188,394,961.60
III. Provision for impairment			
1. Opening balance	49,158.53	224,530.44	273,688.97
2. Increase for the period			
(1) Provision			
3. Decrease for the period			
(1) Disposal			
4. Effect of exchange rate movement	-5,360.02	-24,481.80	-29,841.82
5. Closing balance	43,798.51	200,048.64	243,847.15
IV. Carrying amount			
1. Closing carrying amount	163,669,551.32	21,913,575.26	185,583,126.58
2. Opening carrying amount	145,420,253.43	23,958,567.44	169,378,820.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(19) Intangible assets

1. Breakdown of intangible assets

Item	Land use rights	Trademark rights	Know-how	Sales channels	Others	Total
I. Original carrying amount						
1. Opening balance	1,065,778,734.06	660,643,862.44	91,147,370.55	794,759,590.57	515,646,165.53	3,127,975,723.15
2. Increase for the period			1,107,882.00		49,806,959.41	50,914,841.41
(1) Additions			1,107,882.00		49,806,959.41	50,914,841.41
3. Decrease for the period					7,112,129.43	7,112,129.43
(1) Disposal					7,112,129.43	7,112,129.43
4. Effect of exchange rate movement	3,968,087.62		-162,247.08		-9,728,621.25	-5,922,780.71
5. Closing balance	1,069,746,821.68	660,643,862.44	92,093,005.47	794,759,590.57	548,612,374.26	3,165,855,654.42
II. Accumulated amortisation						
1. Opening balance	339,347,507.40	263,274,752.40	55,780,477.04	405,839,072.08	361,940,490.55	1,426,182,299.47
2. Increase for the period	11,514,074.86	650,000.00	2,795,268.13	48,020,282.98	20,978,024.38	83,957,650.35
(1) Provision	11,514,074.86	650,000.00	2,795,268.13	48,020,282.98	20,978,024.38	83,957,650.35
3. Decrease for the period					6,780,252.71	6,780,252.71
(1) Disposal					6,780,252.71	6,780,252.71
4. Effect of exchange rate movement	-122,831.46		-92,495.72		-2,064,160.29	-2,279,487.47
5. Closing balance	350,738,750.80	263,924,752.40	58,483,249.45	453,859,355.06	374,074,101.93	1,501,080,209.64
III. Provision for impairment						
1. Opening balance	50,012,843.19	286,061,116.40			23,863,536.94	359,937,496.53
2. Increase for the period						
(1) Provision						
3. Decrease for the period						
(1) Disposal						
4. Effect of exchange rate movement					-2,601,972.88	-2,601,972.88
5. Closing balance	50,012,843.19	286,061,116.40			21,261,564.06	357,335,523.65
IV. Carrying amount						
1. Closing carrying amount	668,995,227.69	110,657,993.64	33,609,756.02	340,900,235.51	153,276,708.27	1,307,439,921.13
2. Opening carrying amount	676,418,383.47	111,307,993.64	35,366,893.51	388,920,518.49	129,842,138.04	1,341,855,927.15

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

(19) Intangible assets — *Continued*

2. There were no land use rights whose certificates of ownership are pending as at the end of the period

3. ***Impairment testing of intangible assets***

As of 30 June 2024, the useful life of the trademark rights. 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 Income growth rate and prepared net profit and cash flow forecasts for the next 5 years according to the principle of prudence 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.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(20) Goodwill

1. Original value of goodwill

Name of investees	Opening balance	Increase during the period	Decrease during the period	Closing balance
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	132,571,746.36			132,571,746.36
Sanden Corporation	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 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 on 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(21) Long-term prepaid expenses

Item	Opening balance	Increase during the period	Amortization for the period	Other deductions for the period	Effect of changes in exchange rate	Closing balance
Long-term prepaid expenses	40,734,232.78	9,851,140.85	11,309,027.86		-1,068,008.52	38,208,337.25
Total	40,734,232.78	9,851,140.85	11,309,027.86		-1,068,008.52	38,208,337.25

(22) 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	292,731,534.12	59,639,878.99	334,544,586.58	69,407,745.06
Accrued expenses	4,823,587,759.73	956,795,868.99	5,213,201,415.36	952,917,557.88
Others	1,150,550,120.81	231,165,151.75	1,042,708,500.77	204,484,349.27
Total	6,266,869,414.66	1,247,600,899.73	6,590,454,502.71	1,226,809,652.21

2. Undeducted deferred tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	556,479,003.48	88,480,265.59	508,897,224.91	80,973,714.15
Transactional financial assets	93,956,437.35	23,489,799.34	69,225,594.91	17,181,198.73
Asset appraisal appreciation due to business combination involving entities not under common control	262,223,707.85	46,676,927.04	253,062,239.80	49,463,778.67
Others	417,336,978.25	121,933,887.79	384,983,049.80	112,029,824.75
Total	1,329,996,126.93	280,580,879.76	1,216,168,109.42	259,648,516.30

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(22) Deferred tax assets and deferred tax liabilities — Continued

3. Deferred tax assets or liabilities stated at net of offset

Item	Deferred tax assets and liabilities offset amounts at the end of the period	Closing balance of deferred tax assets or liabilities after offsetting	Deferred tax assets and liabilities offset amounts at the beginning of the period	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	109,537,323.64	1,138,063,576.09	101,213,141.47	1,125,596,510.74
Deferred tax liabilities	109,537,323.64	171,043,556.12	101,213,141.47	158,435,374.83

(23) Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	9,561,028,333.33	9,750,910,000.02
Others	186,652,346.86	128,465,091.43
Total	9,747,680,680.19	9,879,375,091.45

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.

(24) Assets with restrictions on ownership or right of use

Item	As at the end of the period			
	Book balance	Carrying amount	Type of restrictions	Restrictions
Cash at bank and on hand	2,469,755,190.94	2,469,755,190.94	Security deposit	Deposit for issuing bank acceptance bills and other security deposit
Notes receivable	161,616,335.32	161,616,335.32	Pledge	Pledge to issue bank acceptance bills
Fixed assets	163,070,464.32	148,245,876.66	Mortgage	For a loan
Inventories	130,642,621.18	130,642,621.18	Mortgage	For a loan
Accounts receivable	129,673,591.62	129,673,591.62	Mortgage	For a loan
Total	3,054,758,203.38	3,039,933,615.72	-	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(25) Short-term borrowings

1. Classification of short-term borrowings

Types of borrowings	Closing balance	Opening balance
Credit borrowings	102,501,191.47	121,475,530.12
Guaranteed borrowings	2,174,266,800.00	2,358,953,905.88
Secured borrowings	31,353,786.01	21,888,878.58
Total	2,308,121,777.48	2,502,318,314.58

2. There are no overdue short-term borrowings as at the end of the period.

(26) Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	29,957,785.68	54,355,584.93
Including: Derivative financial liabilities	29,957,785.68	54,355,584.93
Total	29,957,785.68	54,355,584.93

Notes to transactional financial liabilities:

They mainly represent the Group's outstanding forward contracts with banks, which are recognized as transactional financial assets or liabilities based on the difference between the quoted prices of the outstanding forward contracts and the forward exchange rates at the end of the period.

(27) Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	11,224,490,932.57	9,101,350,361.29
Commercial acceptance notes	6,265,792,808.90	5,507,079,017.45
Total	17,490,283,741.47	14,608,429,378.74

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(28) Accounts payable

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

Ageing	Closing balance	Opening balance
Within one year	12,202,968,998.18	12,007,211,767.15
Over one year	37,866,367.76	42,665,465.05
Total	12,240,835,365.94	12,049,877,232.20

2. The Group had no significant accounts payable aged over one year or overdue as at the end of the period.

(29) Advances from customers

Category	Closing balance	Opening balance
Rent received in advance	3,170,588.32	3,833,256.75
Total	3,170,588.32	3,833,256.75

(30) Contractual liabilities

1. Contract liability

Item	Closing balance	Opening balance
Advance on sales	1,330,234,950.50	1,440,254,499.57
Total	1,330,234,950.50	1,440,254,499.57

2. The Group had no significant contract liability aged over one year as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(31) Employee remunerations payable

1. Classification of employee remunerations payable

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Short-term remuneration	1,371,370,657.43	4,515,210,736.02	4,777,573,280.17	-16,067,741.42	1,092,940,371.86
Post-employment benefits – defined contribution plans	1,968,535.48	231,720,441.61	231,491,697.00	-132,633.64	2,064,646.45
Termination benefits	476,958.68	12,339,396.28	12,465,697.27		350,657.69
Total	1,373,816,151.59	4,759,270,573.91	5,021,530,674.44	-16,200,375.06	1,095,355,676.00

2. Short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Salaries, bonuses, allowances and subsidies	1,324,851,984.81	4,036,229,796.53	4,305,610,603.86	-12,655,551.32	1,042,815,626.16
Staff welfare	33,064,127.93	190,375,894.24	185,753,877.55	-2,523,927.48	35,162,217.14
Social insurance	7,210,567.49	149,085,052.28	148,941,953.70	-761,754.19	6,591,911.88
Including: Medical insurance	5,799,422.25	139,194,274.26	139,028,240.97	-616,879.97	5,348,575.57
Work-related injury insurance	1,382,276.73	9,595,610.39	9,618,685.97	-144,879.07	1,214,322.08
Maternity insurance	28,868.51	295,167.63	295,026.76	4.85	29,014.23
Housing provident funds	3,352,735.86	115,360,983.99	115,150,003.28	-59,211.49	3,504,505.08
Labour union funds and employee education funds	2,891,241.34	24,159,008.98	22,116,841.78	-67,296.94	4,866,111.60
Total	1,371,370,657.43	4,515,210,736.02	4,777,573,280.17	-16,067,741.42	1,092,940,371.86

3. Defined contribution plans

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Basic pension insurance	1,904,658.85	220,748,808.34	220,559,230.57	-129,044.37	1,965,192.25
Unemployment insurance	63,876.63	10,971,633.27	10,932,466.43	-3,589.27	99,454.20
Total	1,968,535.48	231,720,441.61	231,491,697.00	-132,633.64	2,064,646.45

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(32) Taxes payable

Item	Closing balance	Opening balance
Value-added tax	187,728,346.41	129,595,207.99
Enterprise income tax	233,394,001.87	508,299,564.69
Others	108,352,912.15	136,477,316.99
Total	529,475,260.43	774,372,089.67

(33) Other payables

Item	Closing balance	Opening balance
Dividends payable	1,404,749,348.52	70,574,497.68
Other payables	4,848,984,621.52	4,600,099,516.52
Total	6,253,733,970.04	4,670,674,014.20

33.1 Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	1,404,749,348.52	70,574,497.68
Total	1,404,749,348.52	70,574,497.68

33.2 Other payables

1. Classification of other payables by nature

Item	Closing balance	Opening balance
Current account	2,896,393,888.00	3,089,481,175.74
Deposit and margin	1,243,743,697.87	1,167,578,825.36
Payment for project and equipment	708,847,035.65	343,039,515.42
Total	4,848,984,621.52	4,600,099,516.52

2. The Group had no significant other payables aged over one year or overdue as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(34) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	17,932,320.82	15,204,736.26
Lease liabilities due within one year	96,954,755.51	106,473,201.03
Total	114,887,076.33	121,677,937.29

(35) Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	1,650,066,509.04	1,268,994,692.74	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	4,130,443,839.17	3,491,257,535.59	Incurred but not yet settled
Others	2,093,328,778.64	1,682,231,558.01	Incurred but not yet settled
Total	7,873,839,126.85	6,442,483,786.34	

(36) Long-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	50,150,554.30	56,720,490.51
Credit borrowings	5,929,204.60	1,440,898.21
Less: Long-term borrowings due within one year	17,932,320.82	15,204,736.26
Total	38,147,438.08	42,956,652.46

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(37) Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	179,233,775.57	208,946,083.77
Total	179,233,775.57	208,946,083.77

(38) Long-term employee remunerations payable

1. Classification of long-term employee remunerations payable

Item	Closing balance	Opening balance
Post-employment benefits – Net liability for defined benefit plans	104,309,750.48	105,961,766.83
Total	104,309,750.48	105,961,766.83

(39) Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	105,273,432.45	115,479,065.21	Estimated litigation compensation
Provision for warranties	1,002,860,764.39	1,017,020,555.28	Estimated quality guarantee of products
Others	95,343,958.80	97,467,969.25	Estimated other expenditures
Total	1,203,478,155.64	1,229,967,589.74	-

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(40) Deferred income

1. Classification of deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance	Reason for occurrence
Government grants	149,189,343.53	19,122,040.00	16,417,164.46	-1,572,942.11	150,321,276.96	Amortization of government grants
Total	149,189,343.53	19,122,040.00	16,417,164.46	-1,572,942.11	150,321,276.96	-

2. Government grants

Government grant items	Opening balance	Amount of new grants for the period	Amount included in other income for the period	Changes in exchange rate	Closing balance	Asset-related/ income-related
Industrial design development promotion grant	5,000,000.00				5,000,000.00	Asset-related
State debenture projects for technical advancement and industry upgrade	21,450,000.00				21,450,000.00	Asset-related
Transformation project on system integration technology of green supply chain of freezers	6,225,419.78		690,597.42		5,534,822.36	Asset-related
Technological transformation project	8,454,736.78	317,600.00	1,014,107.11		7,758,229.67	Asset-related
Other related to assets	107,659,186.97	18,804,440.00	14,712,459.93	-1,572,942.11	110,178,224.93	Asset-related
Other related to revenue	400,000.00				400,000.00	Income-related
Total	149,189,343.53	19,122,040.00	16,417,164.46	-1,572,942.11	150,321,276.96	

(41) Other non-current liabilities

Item	Closing balance	Opening balance
Long-term dividends payable	581,488,159.22	597,352,709.07
Others	11,140,269.73	15,534,662.94
Total	592,628,428.95	612,887,372.01

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(42) Share capital

Item	Opening balance	Change for the period (+,-)				Closing balance
		Issue of new shares	Bonus issue	Conversion from reserve	Repurchase and cancellation	
Total shares	1,387,935,370.00				-768,000.00	1,387,167,370.00

During the period, the Company repurchased and cancelled 768,000.00 restricted shares that had been granted but not unlocked.

(43) Capital reserve

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share premium	1,938,965,438.87	170,462,410.21	221,075,727.38	1,888,352,121.70
Other capital reserve	176,442,279.18	150,088,906.27	166,443,489.77	160,087,695.68
Total	2,115,407,718.05	320,551,316.48	387,519,217.15	2,048,439,817.38

Notes:

① The change in share capital premium is mainly due to:

Increase in share capital premium by RMB166,070,547.63 as a result of vesting of equity incentive plans;

The difference between the repurchase price and the grant price of the Employee Stock Ownership Plan reduced the equity premium by RMB188,929,121.48;

Equity incentive expenses borne in proportion to the shareholdings of minority shareholders of the subsidiaries decreased by RMB23,674,685.29 in equity premium;

The equity premium was reduced by RMB4,469,379.64 from equity transactions of subsidiaries;

Increase in share capital premium by RMB4,391,862.58 as a result of repurchase of minority interest;

Decrease in share capital premium by RMB3,974,378.34 as a result of cancellation of restricted shares;

② Main reason for the change in other capital surplus:

Decrease in other capital reserve of RMB166,070,547.63 as a result of vesting of equity incentive plans.

Costs and expenses recognised in equity-settled share-based payment for the period increased other capital surplus by RMB133,605,508.33;

Increase in other capital reserves by RMB16,483,397.94 for deferred income tax assets recognised for share-based payment;

The equity method of accounting for other changes in the Company's equity decreased other capital surplus by RMB372,942.14.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(44) Treasury shares

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Treasury shares for share-based payment incentive scheme – Granted	220,545,726.98	151,567,339.00	122,161,407.28	249,951,658.70
Treasury shares for share-based payment incentive scheme – Not granted	16,080,755.63	335,319,596.75	340,496,460.48	10,903,891.90
Total	236,626,482.61	486,886,935.75	462,657,867.76	260,855,550.60

Notes:

Changes in treasury shares were primarily due to repurchases of shares from the market for use in equity incentive plans, repurchase obligations recognised in connection with the granting of equity incentive plans and repurchase obligations recognised in connection with adjustments to dividends.

(45) Other comprehensive income

Item	Opening balance	Amount for the period					Attributable to minority interest after tax	Closing balance
		Amount before income tax for the period	Less: Amount included in other comprehensive income in previous period and transferred to profit or loss in current period	Less: 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		
1. Other comprehensive income that would not be reclassified to profit or loss	30,599,299.53	1,599,904.77				1,199,128.63	400,776.14	31,798,428.16
Including: Changes arising from re-measurement of defined benefit plan	28,795,291.03	-277,220.47				-207,776.74	-69,443.73	28,587,514.29
Changes in the fair value of other equity instruments investment	1,804,008.50	1,877,125.24				1,406,905.37	470,219.87	3,210,913.87
2. Other comprehensive income that would be reclassified to profit or loss	196,398,520.21	73,165,933.33				54,234,626.68	18,931,306.65	250,633,146.89
Including: Other comprehensive income that would be reclassified into profit or loss under equity method	1,979,835.73	-11,747,572.44				-11,876,110.06	128,537.62	-9,896,274.33
Difference arising from translation of financial statements presented in foreign currency	194,418,684.48	84,913,505.77				66,110,736.74	18,802,769.03	260,529,421.22
Total other comprehensive income	226,997,819.74	74,765,838.10				55,433,755.31	19,332,082.79	282,431,575.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(46) Special reserves

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety production fee	6,319,636.53	42,433,643.82	35,492,038.56	13,261,241.79
Total	6,319,636.53	42,433,643.82	35,492,038.56	13,261,241.79

(47) Surplus reserves

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	724,682,309.99			724,682,309.99
Total	724,682,309.99			724,682,309.99

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

(48) Undistributed profits

Item	The Period	Previous Year
Balances at the end of the previous period	9,355,458,114.25	7,248,124,550.56
Adjustment of total undistributed profits at the beginning of the period (increase +, decrease -)		116,160.71
Including: Retroactive adjustment of "Business Accounting Standards" and related new regulations		116,160.71
Correction for significant error in previous period		
Opening balance for the period	9,355,458,114.25	7,248,240,711.27
Add: Net profits attributable to owners of the parent company for the period	2,015,831,383.14	2,837,322,754.58
Less: Appropriation of statutory surplus reserve		12,711,000.00
Dividends payable on ordinary shares	1,404,749,348.52	717,394,351.60
Closing balance for the period	9,966,540,148.87	9,355,458,114.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(49) Operating revenue and costs

1. Particulars of operating revenue and operating costs

Item	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	43,533,451,261.12	33,423,079,419.82	38,703,106,875.81	29,688,988,010.28
Other operations	5,108,222,113.67	4,868,595,981.23	4,240,868,743.57	4,009,127,338.06
Total	48,641,673,374.79	38,291,675,401.05	42,943,975,619.38	33,698,115,348.34

2. Principal operation revenue generated from contracts

Categories of contract	Amount for the period	
	Revenue	Cost
Categories of product:		
HVAC	22,767,026,154.35	16,144,839,288.88
Refrigerators and washing machines	14,692,881,715.23	12,138,574,879.46
Others	6,073,543,391.54	5,139,665,251.48
By operating regions:		
Domestic	25,328,122,655.20	17,243,837,527.05
Overseas	18,205,328,605.92	16,179,241,892.77
Total	43,533,451,261.12	33,423,079,419.82

(50) Taxes and surcharges

Item	Amount for the period	Amount for the previous period
City maintenance and construction tax	73,640,794.64	86,214,726.80
Education surcharges	43,441,530.29	56,428,786.69
Others	99,791,151.10	156,269,470.29
Total	216,873,476.03	298,912,983.78

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(51) Sales expenses

Item	Amount for the period	Amount for the previous period
Sales expenses	4,959,752,440.46	4,492,848,251.67
Total	4,959,752,440.46	4,492,848,251.67

Note: In the first half of 2024, 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 2023: over 70%).

(52) Management expenses

Item	Amount for the period	Amount for the previous period
Management expenses	1,199,136,901.69	1,024,738,874.90
Total	1,199,136,901.69	1,024,738,874.90

Note: In the first half of 2024, 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 2023: over 80%).

(53) R&D expenses

Item	Amount for the period	Amount for the previous period
R&D expenses	1,643,979,097.19	1,244,057,032.04
Total	1,643,979,097.19	1,244,057,032.04

Note: In the first half of 2024, 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 2023: over 80%).

(54) Financial expenses

Item	Amount for the period	Amount for the previous period
Interest expenses	69,061,921.52	75,243,787.91
Less: Interest income	33,471,921.44	27,834,239.17
Add: Exchange loss	-147,627,102.88	-339,059,620.75
Other expenses	7,020,400.38	6,783,921.52
Total	-105,016,702.42	-284,866,150.49

Note: In the first half of 2024, interest expenses included interest expenses on lease liabilities of RMB4,679,826.23 (first half of 2023: RMB5,317,011.14). Other interest expenses for the first half of 2024 and the first half of 2023 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 2024 to 30 June 2024

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

(55) Other income

Sources of other income	Amount for the period	Amount for the previous period
Immediate refund of value-added tax	217,057,832.38	158,364,342.56
Other government subsidies related to general activities	30,529,244.36	38,038,777.73
Others	70,949,824.19	1,545,130.70
Total	318,536,900.93	197,948,250.99

(56) Investment gain

Item	Amount for the period	Amount for the previous period
Gain from long-term equity investment under the equity method	193,121,101.07	186,177,825.35
Gain from disposal of transactional financial assets	50,168,458.36	84,368,124.31
Interest income from time deposits	175,521,060.15	139,858,586.05
Others	173,616.17	621,513.69
Total	418,984,235.75	411,026,049.40

Gain from long-term equity investments by the equity method

Investees	Amount for current period	Amount for previous period
Hisense Jinlong Holdings	8,961,872.90	9,068,096.27
Hisense Marketing Management	7,917,434.22	6,038,753.68
Hisense International Marketing	54,505,100.11	45,071,171.84
Hisense Global Asia Holding	-1,817,799.54	
Intelligent Electronics	304,210.56	
Associates of Sanden Company	123,250,282.82	125,999,803.56
Total	193,121,101.07	186,177,825.35

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(57) Profit or loss on changes in fair value

Sources of gain arising from changes in fair value	Amount for the period	Amount for the previous period
Transactional financial assets	151,807,213.33	29,286,325.30
Including: Gain from changes in fair value of derivative financial instruments	50,600,856.21	-17,048,769.95
Transactional financial liabilities	18,465,740.05	-225,016,200.55
Including: Gain from changes in fair value of derivative financial instruments	18,465,740.05	-225,016,200.55
Total	170,272,953.38	-195,729,875.25

(58) Impairment loss on credit

Item	Amount for the period	Amount for the previous period
Loss of bad debts of notes receivable	486,215.46	-503,296.72
Loss of bad debts of accounts receivable	-391,795.94	14,064,001.22
Loss of bad debts of other receivables	32,581,656.85	-37,650,910.77
Total	32,676,076.37	-24,090,206.27

(59) Impairment losses on assets

Item	Amount for the period	Amount for the previous period
Loss on decline in value of inventories	-14,666,330.04	-27,816,207.88
Impairment loss on fixed assets	-123,683.43	-23,659,661.31
Impairment loss on contractual assets	-2,107,487.36	52,509.72
Impairment loss on construction in progress	-948,873.66	-30,751,884.26
Impairment loss on intangible assets		-5,217,383.48
Impairment loss on right-of-use assets		-198,268.13
Total	-17,846,374.49	-87,590,895.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(60) Gains on disposal of asset (loss expressed with "-")

Item	Amount for the period	Amount for the previous period
Gains on disposal of non-current assets	857,010.80	5,350,381.51
Including: Gains on disposal of non-current assets which are not classified as held for sale	857,010.80	5,350,381.51
Including: Gains on disposal of fixed assets	529,641.71	2,677,836.89
Gains on disposal of intangible assets		2,637,179.25
Total	857,010.80	5,350,381.51

(61) 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 of the current period
Gain from scrapping of non-current assets	2,859,569.91	2,285,987.93	2,859,569.91
Government grants	79,477,755.05	50,396,852.18	79,477,755.05
Others	71,851,415.86	146,685,601.84	71,851,415.86
Total	154,188,740.82	199,368,441.95	154,188,740.82

(62) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount included in non-recurring profit or loss of the current period
Loss on scrapping of non-current assets	3,905,489.25	2,822,923.96	3,905,489.25
Others	9,687,203.36	14,959,976.87	9,687,203.36
Total	13,592,692.61	17,782,900.83	13,592,692.61

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(63) Income tax expense

1. Income tax expense

Item	Amount for the period	Amount for the previous period
Current income tax expenses	455,348,121.56	473,636,708.09
Including: PRC enterprise income tax	414,684,537.71	448,544,068.44
Deferred income tax expenses	13,848,749.58	-1,445,544.69
Total	469,196,871.14	472,191,163.40

2. Reconciliation of accounting profit and income tax expenses

Item	Amount for the period
Total profits	3,499,349,611.74
Income tax expense calculated at statutory (or applicable) tax rates	874,837,402.94
Effect of application of different tax rate to certain subsidiaries	-222,210,271.15
Adjustment to income tax in previous periods	2,063,761.27
Effect of non-taxable income	-17,467,704.56
Effect of non-deductible cost, expense and loss	20,519,857.53
Effect of utilization of deductible losses and deductible difference of unrecognized deferred tax assets in previous period	-148,526,269.61
Effect of deductible temporary difference or deductible loss of unrecognized deferred tax assets in current period	65,612,509.41
Effect of super deduction of research and development expense	-122,542,472.21
Others	16,910,057.52
Income tax expense	469,196,871.14

(64) Other comprehensive income

Please see note V.(45) for details.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(65) Items in the cash flows statement

1. Cash relating to operating activities

(1) Cash received relating to other operating activities

Item	Amount for the period	Amount for the previous period
Interest income	27,631,318.97	30,984,780.63
Government grants	110,969,932.22	85,348,902.75
Security deposit and others	405,474,032.92	419,687,553.37
Total	544,075,284.11	536,021,236.75

(2) Cash paid relating to other operating activities

Item	Amount for the period	Amount for the previous period
Cash payments for management expenses	1,169,299,014.36	1,050,310,667.09
Cash payments for sales expenses	3,073,311,626.10	2,795,438,748.26
Bank charges	7,027,339.25	10,644,799.53
Others	215,353,052.17	286,266,594.07
Total	4,464,991,031.88	4,142,660,808.95

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(65) Items in the cash flows statement — Continued

2. Cash relating to investing activities

(1) Significant cash received relating to investing activities

Item	Amount for the period	Amount for the previous period
Recovery of wealth management products	12,392,808,071.29	5,714,777,706.31
Recovery of time deposits upon maturity	2,436,070,127.65	2,024,039,611.67

(2) Significant cash paid relating to investing activities

Item	Amount for the period	Amount for the previous period
Acquisition of wealth management products	13,060,574,931.64	10,351,116,375.32
Placement of time deposits	941,307,789.98	1,870,000,000.00

(3) Cash received relating to other investing activities

Item	Amount for the period	Amount for the previous period
Disposal of wealth management products and time deposits upon maturity	14,828,878,198.94	7,738,817,317.98
Others	12,189,843.46	
Total	14,841,068,042.40	7,738,817,317.98

(4) Cash paid relating to other investing activities

Item	Amount for the period	Amount for the previous period
Acquisition of wealth management products and time deposits	14,001,882,721.62	12,221,116,375.32
Total	14,001,882,721.62	12,221,116,375.32

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(65) Items in the cash flows statement — Continued

3. Cash relating to financing activities

(1) Cash received relating to other financing activities

Item	Amount for the period	Amount for the previous period
Security deposit		1,580,614,126.83
Others	1,604,632,245.40	137,445,161.64
Total	1,604,632,245.40	1,718,059,288.47

(2) Cash paid relating to other financing activities

Item	Amount for the period	Amount for the previous period
Security deposit	411,468,791.12	
Payment of the principal and interest on lease liabilities	51,342,731.10	18,342,284.80
Others	2,499,764,015.55	1,280,429,544.58
Total	2,962,575,537.77	1,298,771,829.38

(3) Changes in liabilities arising from financing activities

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	2,502,318,314.58	260,495,748.92	18,033,133.59	197,802,141.67	274,923,277.94	2,308,121,777.48
Long-term borrowings (including borrowings due within one year)	58,161,388.72	64,851,940.52	570,376.94	59,085,852.58	8,418,094.70	56,079,758.90
Lease liabilities (including leases due within one year)	315,419,284.80		48,317,566.00	51,342,731.10	36,205,588.62	276,188,531.08
Other payables - Borrowings from affiliated companies	741,012,162.47	1,439,393,164.29	49,327,570.10	1,457,479,686.69		772,253,210.17
Other payables - Restricted shares	154,357,517.41		36,196.92	4,738,560.00	70,743,632.38	78,911,521.95
Other payables - Employee Stock Ownership Plan repayment obligations	64,727,409.57	152,853,639.00		2,178,085.06	46,715,411.81	168,687,551.70
Total	3,835,996,077.55	1,917,594,492.73	116,284,843.55	1,772,627,057.10	437,006,005.45	3,660,242,351.28

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(65) Items in the cash flows statement — Continued

4. Supplementary information to consolidated statement of cash flows

Item	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	3,030,152,740.60	2,486,477,361.90
Add: Impairment provision for assets	17,846,374.49	87,590,895.34
Impairment loss on credit	-32,676,076.37	24,090,206.27
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	475,570,158.32	500,249,321.38
Depreciation of right-of-use assets	38,943,130.68	32,606,238.56
Amortization of intangible assets	83,957,650.35	86,260,000.09
Amortization of long-term prepaid expenses	11,309,027.86	7,474,900.84
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-857,010.80	-5,350,381.51
Loss on retirement of fixed assets (Gain expressed with "-")	1,045,919.34	536,936.03
Loss on change in fair value (Gain expressed with "-")	-170,272,953.38	195,729,875.25
Financial expenses (Gain expressed with "-")	-78,565,181.36	-263,815,832.84
Investment loss (Gain expressed with "-")	-418,984,235.75	-411,026,049.40
Decrease in deferred tax assets (Increase expressed with "-")	-12,467,065.35	-19,293,451.51
Increase in deferred tax liabilities (Decrease expressed with "-")	12,608,181.29	9,625,739.83
Decrease in inventories (Increase expressed with "-")	141,491,504.08	479,302,662.34
Decrease in operating receivables (Increase expressed with "-")	-5,008,961,349.65	-5,822,434,480.06
Increase in operating payables (Decrease expressed with "-")	4,009,832,668.12	6,424,020,226.83
Others		
Net cash flows from operating activities	2,099,973,482.47	3,812,044,169.34
2. Significant investment and financing activities not involving cash receipts and payments:		
Liabilities converted into equity		
Convertible company debentures due within one year		
Fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Cash balances at the end of the period	2,749,716,134.21	2,617,231,520.93
Less: Cash balances at the beginning of the period	2,877,140,400.54	2,478,346,075.40
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-127,424,266.33	138,885,445.53

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(65) Items in the cash flows statement — Continued

5. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	2,749,716,134.21	2,877,140,400.54
Including: Cash on hand	128,162.79	151,362.17
Bank deposits that are readily available for payment	936,892,608.04	2,854,135,661.10
Other cash at bank and on hand that are readily available for payment	1,812,695,363.38	22,853,377.27
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents as at the end of the period	2,749,716,134.21	2,877,140,400.54
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

(66) Monetary items in foreign currencies

1. Major monetary items in foreign currencies

Item	Closing balance of foreign currency	Translation rate	Closing balance denominated in RMB
Cash at bank and on hand	—	—	—
Including: USD	9,147,626.29	7.1268	65,193,303.04
EUR	6,501,559.48	7.6617	49,812,998.27
HKD	1,500,823.56	0.9127	1,369,801.66
JPY	718,021,713.00	0.044738	32,122,855.40
Accounts receivable	—	—	—
Including: USD	68,743,563.44	7.1268	489,921,627.92
EUR	27,373,617.23	7.6617	209,728,443.13
HKD	245,353.17	0.9127	223,933.84
JPY	219,839,302.00	0.044738	9,835,170.69
Other receivables	—	—	—
Including: USD	259,925.24	7.1268	1,852,435.20
EUR	56,865.78	7.6617	435,688.55
JPY	13,032,635,868.00	0.044738	583,054,063.46
Short-term borrowings	—	—	—
Including: JPY	1,500,000,000.00	0.044738	67,107,000.00
Accounts payable	—	—	—
Including: USD	13,905,028.94	7.1268	99,098,360.25
EUR	10,024,887.91	7.6617	76,807,683.70
JPY	189,877,537.00	0.044738	8,494,741.25
Other payables	—	—	—
Including: USD	111,858,117.52	7.1268	797,190,431.94
EUR	172,352.98	7.6617	1,320,516.83
HKD	22,390,861.81	0.9127	20,436,139.57
JPY	60,505,608.00	0.044738	2,706,899.89

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(66) Monetary items in foreign currencies — Continued

2. Major overseas operating entities

Company name	Principal place of business	Functional currency	Whether there is change in functional currency
Hisense (Hong Kong) America Manufacturing Co., Limited.	Hong Kong	HKD	No
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Mexico	Mexican Peso	No
Hisense Monterrey Property Management, S.de R.L. de C.V.	Mexico	Mexican Peso	No
Hisense Japan Automotive Air-Conditioning Systems Corporation	Japan	JPY	No
Sanden Corporation	Japan	JPY	No
SANDEN INTERNATIONAL (EUROPE) GmbH	Germany	EUR	No
SANDEN MANUFACTURING EUROPE S.A.S.	France	EUR	No
SANDEN VIKAS(INDIA) LTD.	India	Indian Rupee	No
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	Mexico	USD	No

(67) Leases

1. The Group as a lessee

Item	Amount for the period	Amount for the previous period
Interest expenses on lease liabilities	4,679,826.23	5,317,011.14
Short-term lease expenses recognised in profit or loss using simplified treatment	52,459,994.46	47,259,036.55
Lease expenses for low-value assets recognised in profit or loss using simplified treatment (excluding short-term leases)		
Variable lease payments not included in the measurement of lease liabilities		
Including: Part arising from sale and leaseback transactions		
Income from sublease of right-to-use assets		
Total cash outflows related to leases	144,458,937.46	144,959,978.01
Related gain or loss arising from sale and leaseback transactions		
Cash inflows from sale and leaseback transactions		
Cash outflows from sale and leaseback transactions		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(67) Leases — Continued

2. The Group as a lessor

(1) The Group as a lessor under operating lease

Item	Rental Income	Including: Income related to variable lease payments not included in lease receipts
Building or structures	26,757,521.29	
Machinery and equipment	1,001,444.60	
Transportation equipment	30,000.00	
Land	8,786,404.06	
Total	36,575,369.95	

(68) Segment reporting

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

1. Segment profit or loss and assets and liabilities

Amount for current period	HVAC	Refrigerators and washing machines	Others	Inter-segment elimination	Total
I. Revenue from external sales	22,767,026,154.35	14,692,881,715.23	6,073,543,391.54		43,533,451,261.12
II. Revenue from inter-segment transactions	193,504.41	13,004,095.96	1,769,758,421.25	-1,782,956,021.62	
III. Gain from investment in associates and joint ventures	3,958,717.11	3,958,717.11	185,203,666.85		193,121,101.07
IV. Depreciation and amortization	237,791,517.26	160,789,230.00	211,199,219.95		609,779,967.21
V. Gain arising from changes in fair value	13,052,908.28	82,229,386.18	74,990,658.92		170,272,953.38
VI. Impairment losses on credits and assets	-2,888,857.17	-2,917,190.98	20,635,750.03		14,829,701.88
VII. Total profits (losses)	2,977,933,739.18	492,984,027.31	28,431,845.25		3,499,349,611.74
VIII. Total assets	45,165,383,637.71	50,443,490,241.26	15,894,819,637.51	-40,781,988,960.67	70,721,704,555.81
IX. Total liabilities	29,423,311,157.53	40,168,420,871.26	11,353,809,230.87	-29,236,483,558.82	51,709,057,700.84
X. Additions to other non-current assets other than long-term equity investments	-186,465,840.53	-4,597,587.19	-22,152,415.07		-213,215,842.79

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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

(68) Segment reporting — Continued

1. Segment profit or loss and assets and liabilities — Continued

Continued from above table

Amount for previous period	HVAC	Refrigerators and washing machines	Others	Inter-segment elimination	Total
I. Revenue from external sales	21,160,441,372.37	11,586,519,085.22	5,956,146,418.22		38,703,106,875.81
II. Revenue from inter-segment transactions	97,548.68	5,806,128.29	1,448,667,404.15	-1,454,571,081.12	
III. Gain from investment in associates and joint ventures	3,019,376.84	3,019,376.84	180,139,071.67		186,177,825.35
IV. Depreciation and amortization	245,865,896.35	171,793,222.13	208,931,342.39		626,590,460.87
V. Gain arising from changes in fair value	-117,439.59	29,692,409.18	-225,304,844.84		-195,729,875.25
VI. Impairment losses on credits and assets	-33,380,608.40	-7,139,811.20	-71,160,682.01		-111,681,101.61
VII. Total profits (losses)	2,539,543,248.77	400,129,695.46	18,995,581.07		2,958,668,525.30
VIII. Total assets	40,417,588,553.10	33,853,598,305.57	15,953,974,664.30	-26,310,598,173.86	63,914,563,349.11
IX. Total liabilities	27,285,453,453.73	23,034,742,422.57	11,808,128,692.40	-15,229,017,555.93	46,899,307,012.77
X. Additions to other non-current assets other than long-term equity investments	24,802,259.21	14,268,316.65	90,642,584.36		129,713,160.22

2. Geographic information

Region	Amount for the year/closing balance	Amount for previous year/opening balance
Revenue from domestic transactions	25,328,122,655.20	24,466,006,890.61
Revenue from overseas transactions	18,205,328,605.92	14,237,099,985.20
Total	43,533,451,261.12	38,703,106,875.81
Non-current assets – Domestic	16,876,415,138.64	16,928,683,438.39
Non-current assets – Overseas	3,920,007,690.80	3,877,892,636.01
Total	20,796,422,829.44	20,806,576,074.40

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

VI. R&D EXPENDITURE

Item	Amount for the period	Amount for the previous period
R&D expenses	1,643,979,097.19	1,244,057,032.04
Total	1,643,979,097.19	1,244,057,032.04
Including: Expensed R&D expenditure	1,643,979,097.19	1,244,057,032.04
Capitalised R&D expenditure		

(1) R&D projects eligible for capitalisation

The Group had no R&D projects eligible for capitalisation

(2) Significant outsourced projects under research

The Group had no significant outsourced projects under research

VII. CHANGE IN SCOPE OF CONSOLIDATION

(1) Changes in scope of consolidation for other reasons

On 5 February 2024, the Company invested in the establishment of Qingdao Yiyang Venture Capital Management Co., Ltd. with a registered capital of RMB20 million, of which the Company has contributed RMB10 million, with a paid-in capital of RMB5 million, representing 50% of the registered capital. The Company has control over the subsidiary, which was included in the scope of consolidation with effect from 5 February 2024.

On 28 May 2024, the Company invested in the establishment of Hisense Home Appliances (Hunan) Co., Ltd. with a registered capital of RMB40 million, of which the Company has contributed RMB40 million, with a paid-in capital of RMB5 million, representing 100% of the registered capital. The Company has control over the subsidiary, which was included in the scope of consolidation with effect from 28 May 2024.

The Company's subsidiary Hisense Hitachi invested in the establishment of Hisense Hitachi Air-conditioning (Hunan) Co., Ltd. on 28 May 2024, with a registered capital of RMB20 million, of which Hisense Hitachi has contributed RMB20 million, with a paid-in capital of RMB0, representing 100% of the registered capital. Hisense Hitachi has control over the subsidiary, which was included in the scope of consolidation with effect from 28 May 2024.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

VIII. INTERESTS IN OTHER ENTITIES

(1) Interests in subsidiaries

1. Composition of enterprise group

Name of subsidiary	Abbreviation	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		100.00	Establishment
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	Guangdong Freezer	RMB237.00 million	Foshan	Foshan	Manufacturing		100.00	Establishment
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	Hisense K&B	RMB77.5751 million	Foshan	Foshan	Manufacturing		74.00	Establishment
Foshan Shunde Rongshen Plastic Co., Ltd.	Rongsheng Plastic	USD15.8274 million	Foshan	Foshan	Manufacturing	44.92	25.13	Establishment
Guangdong Kelon Mould Co., Ltd.	Kelon Mould	USD15.0561 million	Foshan	Foshan	Manufacturing		70.11	Establishment
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	Yangzhou Refrigerator	USD44.4479 million	Yangzhou	Yangzhou	Manufacturing		100.00	Establishment
Hisense (Chengdu) Refrigerator Co., Ltd.	Chengdu Refrigerator	RMB50.00 million	Chengdu	Chengdu	Manufacturing		100.00	Establishment
Hisense Refrigerator Co., Ltd.	Shandong Refrigerator	RMB275.10 million	Qingdao	Qingdao	Manufacturing	100.00		Establishment
Guangdong Hisense Refrigerator Marketing Co., Ltd.	Refrigerator Marketing Company	RMB200.8190 million	Foshan	Foshan	Trading		100.00	Establishment
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Air-conditioner Marketing Company	RMB100.91 million	Qingdao	Qingdao	Trading		75.57	Establishment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	RMB200.00 million	Jiangmen	Jiangmen	Manufacturing		100.00	Establishment
Hisense Air-Conditioning Co., Ltd.	Shandong Air-conditioning	RMB500.00 million	Qingdao	Qingdao	Manufacturing	100.00		Business combination under common control
Qingdao Hisense Mould Co., Ltd.	Hisense Mould	RMB36.0664 million	Qingdao	Qingdao	Manufacturing	99.87		Business combination under common control
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	RMB450.00 million	Huzhou	Huzhou	Manufacturing		100.00	Business combination not under common control
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50.00 million	Qingdao	Qingdao	Manufacturing		95.66	Establishment
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	Hisense Hitachi	USD150.00 million	Qingdao	Qingdao	Manufacturing	49.20		Business combination not under common control
Qingdao Hisense Hitachi Air-conditioner Marketing Co., Ltd.	Hitachi Marketing	RMB274.3003 million	Qingdao	Qingdao	Trading		98.18	Business combination not under common control
Qingdao Johnson Controls Air-Conditioning Co., Ltd.	Johnson Controls	RMB400.00 million	Qingdao	Qingdao	Trading		100.00	Business combination not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	RMB600.00 million	Qingdao	Qingdao	Manufacturing		100.00	Business combination not under common control
Hisense (Hong Kong) America Manufacturing Co., Limited.	Hong Kong Home Appliance Manufactory	HKD1,176.9149 million	Hong Kong	Hong Kong	Manufacturing		100.00	Business combination under common control

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

VIII. INTERESTS IN OTHER ENTITIES — Continued

(1) Interests in subsidiaries — Continued

1. Composition of enterprise group — Continued

Name of subsidiary	Abbreviation	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Hisense Monterrey Manufacturing	MXN462.2452 million	Mexico	Mexico	Manufacturing	100.00		Business combination not under common control
Hisense Monterrey Property Management, S.de R.L. de C.V.	Monterrey Property	MXN1,092.5993 million	Mexico	Mexico	Service industry	100.00		Business combination under common control
Qingdao Gorenje Electrical Co., Ltd.	Qingdao Gorenje	RMB21.00 million	Qingdao	Qingdao	Trading	70.00		Establishment
Hisense Japan Automotive Air-Conditioning Systems Corporation	SPV	JPY1	Japan	Japan	Investment	100.00		Establishment
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd.	Hitachi Air Conditioning Technology	RMB20.00 million	Qingdao	Qingdao	Manufacturing	100.00		Establishment
Qingdao Yiyang Venture Capital Management Co., Ltd.	Yiyang Venture Capital	RMB20.00 million	Qingdao	Qingdao	Investment	50.00		Establishment
Hisense Home Appliances (Hunan) Co., Ltd.	Appliances Hunan	RMB400.00 million	Changsha	Changsha	Manufacturing	100.00		Establishment
Hisense Hitachi Air-conditioning (Hunan) Co., Ltd.	Hitachi Hunan	RMB200.00 million	Changsha	Changsha	Manufacturing	100.00		Establishment
Sanden Corporation	SDC	JPY21,741.869287 million	Japan	Japan	Manufacturing	74.95		Business combination not under common control
Sanden International (Europe) GmbH	SIE	EUR0.025 million	Germany	Germany	Manufacturing	100.00		Business combination not under common control
SANDEN MANUFACTURING EUROPE S.A.S.	SME	EUR21.00 million	France	France	Manufacturing	100.00		Business combination not under common control
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	SVL	INR296.25 million	India	India	Manufacturing	50.00		Business combination not under common control
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	SMM	USD66.78537926 million	Mexico	Mexico	Manufacturing	100.00		Business combination not under common control
Suzhou Sanden Precision Parts Co., Ltd.	SSP	USD11.00 million	Suzhou	Suzhou	Manufacturing	65.00		Business combination not under common control
Sanden (China) Automotive Air Conditioning Co., Ltd.	CSA	RMB145.1238436 million	Chongqing	Chongqing	Manufacturing	100.00		Business combination 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 held 49.20% of equity interests of Hisense Hitachi, and according to the articles of association of Hisense Hitachi, the Company held five-ninth voting rights of the board of directors, the highest authority of Hisense Hitachi.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

VIII. INTERESTS IN OTHER ENTITIES — Continued

(1) Interests in subsidiaries — Continued

2. Principal non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest	Gain or loss attributable to minority interests for the period	Dividends paid to minority interests for the period	Closing balance of minority interests
Hisense Hitachi	50.80%	997,948,140.13	1,160,605,076.17	4,168,773,309.07

3. Major financial information of principal non-wholly-owned subsidiaries (Unit: RMB'0000)

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	1,145,913.96	1,186,021.68	2,331,935.64	1,361,097.25	154,352.51	1,515,449.76

(continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	998,767.35	1,236,999.95	2,235,767.30	1,197,141.45	153,566.59	1,350,708.04

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	1,133,786.76	195,725.19	195,725.19	66,794.40	1,130,298.16	161,667.05	161,667.05	182,537.92

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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) From May 2024 to June 2024, the Company repurchased the equity of the minority shareholders of Hisense Mould, and after the repurchase, the Company's shareholding in Hisense Mould changed from 82.41% to 99.87%, and the Company still has control over Hisense Mould.
- (2) In June 2024, Shandong Refrigerator, a subsidiary of the Company, repurchased the equity of the minority shareholders of its subsidiary Refrigerator Marketing, and after the repurchase, Shandong Refrigerator's shareholding in Refrigerator Marketing changed from 78.82% to 100%, and the Company still has control over Refrigerator Marketing.
- (3) In June 2024, Shandong Refrigerator, a subsidiary of the Company, repurchased the equity of the minority shareholders of its subsidiary Commercial Cold Chain, and after the repurchase, Shandong Refrigerator's shareholding in Commercial Cold Chain changed from 70% to 95.66%, and the Company still has control over Commercial Cold Chain.
- (4) From May 2024 to June 2024, Hisense Hitachi, a subsidiary of the Company, repurchased the equity of the minority shareholders of its subsidiary Hitachi Marketing, and after the repurchase, Hisense Hitachi's shareholding in Hitachi Marketing changed from 70% to 98.18%, and the Company still has control over Hitachi Marketing.

2. Impacts of changes in ownership interest in subsidiaries on equity

① Repurchase of minority interests in Hisense Mould

Item	Hisense Mould
Cash	-149,821,117.29
Total cost of purchase/consideration for disposal	-149,821,117.29
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-157,224,419.01
Difference	7,403,301.72
Including: Adjustment to capital reserves	7,403,301.72

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

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 — Continued

2. Impacts of changes in ownership interest in subsidiaries on equity — Continued

② Repurchase of minority interests in Refrigerator Marketing

Item	Refrigerator Marketing
Cash	-63,814,500.00
Total cost of purchase/consideration for disposal	-63,814,500.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-66,364,613.66
Difference	2,550,113.66
Including: Adjustment to capital reserves	2,550,113.66

③ Repurchase of minority interests in Commercial Cold Chain

Item	Commercial Cold Chain
Cash	-63,640,272.00
Total cost of purchase/consideration for disposal	-63,640,272.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-57,686,093.31
Difference	-5,954,178.69
Including: Adjustment to capital reserves	-5,954,178.69

④ Repurchase of minority interests in Hitachi Marketing

Item	Hitachi Marketing
Cash	-464,997,758.40
Total cost of purchase/consideration for disposal	-556,562,246.40
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	-557,360,266.51
Difference	798,020.11
Including: Adjustment to capital reserves	798,020.11

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

VIII. INTERESTS IN OTHER ENTITIES — Continued

(3) Interests in joint ventures or associates

1. Aggregated financial information of insignificant joint ventures and associates (Unit: RMB'0000)

Item	Closing balance/Amount for the period	Opening balance/Amount for previous period
Joint venture	-	-
Total carrying amounts of investments	8,056.16	7,375.31
Amounts in aggregate in proportion to the shareholdings	-	-
- Net profit	609.96	603.88
- Other comprehensive income	70.88	
- Total comprehensive income	680.84	603.88
Associate	-	-
Total carrying amounts of investments	179,386.61	159,761.20
Amounts in aggregate in proportion to the shareholdings	-	-
- Net profit	18,702.15	18,013.91
- Other comprehensive income	-1,245.64	402.58
- Total comprehensive income	17,456.51	18,416.49

IX. GOVERNMENT GRANTS

(1) Government grants recognised based on the amount receivable at the end of the period

The Group had no government grants recognised based on the amount receivable at the end of the period.

(2) Liability items involving government grants

Government grant items	Opening balance	Amount of new grants for the period	Amount included in other income for the period	Changes in exchange rate	Closing balance	Asset-related/income-related
Deferred income	148,789,343.53	19,122,040.00	16,417,164.46	-1,572,942.11	149,921,276.96	Asset-related
Deferred income	400,000.00				400,000.00	Income-related
Total	149,189,343.53	19,122,040.00	16,417,164.46	-1,572,942.11	150,321,276.96	

(3) Government grants included in profit or loss

Accounting items	Amount for the period	Amount for the previous period
Other income	247,587,076.74	196,403,120.29
Operating costs	4,192,095.45	
Non-operating income	79,477,755.05	50,396,852.18

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

X. RISKS RELATING TO FINANCIAL INSTRUMENTS

The Group faces a variety of financial instrument risks in its daily activities, which primarily include market risk (including exchange rate risk, and interest rate risk), credit risk and liquidity risk. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The Group's management manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

(1) Various risk management objectives and policies

The Group engages in risk management with the objective of striking an appropriate balance between risk and return, minimise the negative impact of risks on the Group's operating results and maximises the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyse various risks faced by the Group, establish appropriate risk tolerance thresholds to manage the risks, and monitor various risks in a timely and reliable manner to control the risks within a limited range.

1. Market risk

(1) Exchange rate risk

The Group's exposure to exchange rate risk is primarily related to USD and EUR. Such risk is due to sales or purchases made by the Group in currencies other than its reporting currency. The exchange rate risk arising from monetary assets and liabilities held by the Group in foreign currencies may have an impact on the Group's results of business operations.

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

Currency	Closing balances		Opening balances	
	Assets	Liabilities	Assets	Liabilities
USD	556,967,366.16	896,288,792.19	567,555,388.91	846,039,195.00
EUR	259,977,129.95	78,128,200.53	172,190,075.44	55,108,811.39

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

Sensitivity analysis of changes in exchange rates:

Item	The Period Increase/Decrease in profit after tax	Previous period Increase/Decrease in profit after tax
USD to RMB		
Appreciates by 5%	-12,724,553.48	3,738,278.54
Depreciates by 5%	12,724,553.48	-3,738,278.54
EUR to RMB		
Appreciates by 5%	6,819,334.85	4,204,991.04
Depreciates by 5%	-6,819,334.85	-4,204,991.04

The Group pays close attention to the impact of exchange rate changes on the Group, and through research and judgement on the trend of foreign exchange rates, the Group duly operates forward settlement/purchase of foreign exchange to effectively counteract market risks and ensure a reasonable level of profit for the Company.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

(1) Various risk management objectives and policies — Continued

1. *Market risk* — Continued

(2) *Interest rate risk*

The Group's interest rate risk arises from interest-bearing debts such as bank loans. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 30 June 2024, the Group's interest-bearing debts mainly consisted of fixed-rate loan contracts denominated in Japanese Yen, totalling to RMB2,272,197,284.63 and the floating-rate contracts denominated in Japanese Yen, totalling to RMB92,004,251.75.

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates is mainly associated with fixed-rate bank loans. For fixed-rate loans, the Group aims to maintain their floating rates.

The Group's risk of changes in cash flow of financial instruments resulted from the changes in interest rates is mainly associated with floating-rate bank loans. The Group's policy is to maintain these loans at floating rates, so as to eliminate fair value risks arising from changes in interest rate.

2. *Credit risk*

The Group manages credit risk by portfolio classification. Credit risk mainly arises from monetary funds, notes receivable, accounts receivable, receivables financing, other receivables, contract assets, etc.

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

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

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

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

3. *Liquidity risk*

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

(1) Various risk management objectives and policies — Continued

3. Liquidity risk — Continued

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

30 June 2024

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	5,219,471,325.15			5,219,471,325.15	
Transactional financial assets	13,933,909,217.25			13,933,909,217.25	
Notes receivable	568,011,867.25			568,011,867.25	
Accounts receivable	11,309,189,054.02			11,309,189,054.02	
Receivables Financing	7,803,580,984.75			7,803,580,984.75	
Other receivables	153,261,651.26			153,261,651.26	
Other current assets	15,697,786.47			15,697,786.47	
Non-current assets due within one year	2,932,812,972.23				2,932,812,972.23
Other non-current financial assets				21,783,603.25	21,783,603.25
Other non-current assets			9,561,028,333.33		9,561,028,333.33
Total	41,935,934,858.38		9,561,028,333.33	21,783,603.25	51,518,746,794.96
Financial liabilities					
Short-term borrowings	2,308,121,777.48			2,308,121,777.48	
Transactional financial liabilities	29,957,785.68			29,957,785.68	
Notes payable	17,490,283,741.47			17,490,283,741.47	
Accounts payable	12,240,835,365.94			12,240,835,365.94	
Other payables	6,253,733,970.04			6,253,733,970.04	
Other current liabilities	7,873,839,126.85			7,873,839,126.85	
Non-current liabilities due within one year	131,904,841.33				131,904,841.33
Lease liabilities		95,428,429.44	102,080,481.52	34,761,303.21	232,270,214.17
Long-term borrowings			38,147,438.08		38,147,438.08
Total	46,328,676,608.80	95,428,429.44	140,227,919.60	34,761,303.21	46,599,094,261.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

(1) Various risk management objectives and policies — Continued

3. Liquidity risk — Continued

31-Dec

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	4,939,273,198.62			4,939,273,198.62	
Transactional financial assets	13,192,025,535.87			13,192,025,535.87	
Notes receivable	741,622,573.50			741,622,573.50	
Accounts receivable	9,225,321,882.07			9,225,321,882.07	
Receivables Financing	4,643,427,583.77			4,643,427,583.77	
Other receivables	145,804,125.45			145,804,125.45	
Other current assets	428,942,015.90			428,942,015.90	
Non-current assets due within one year	3,641,708,361.11				3,641,708,361.11
Other non-current financial assets				27,197,809.69	27,197,809.69
Other non-current assets		4,758,035,277.79	4,992,874,722.23		9,750,910,000.02
Total	36,958,125,276.29	4,758,035,277.79	4,992,874,722.23	27,197,809.69	46,736,233,086.00
Financial liabilities					
Short-term borrowings	2,502,318,314.58			2,502,318,314.58	
Transactional financial liabilities	54,355,584.93			54,355,584.93	
Notes payable	14,608,429,378.74			14,608,429,378.74	
Accounts payable	12,049,877,232.20			12,049,877,232.20	
Other payables	4,670,674,014.20			4,670,674,014.20	
Other current liabilities	6,442,483,786.34			6,442,483,786.34	
Non-current liabilities due within one year	129,924,113.67				129,924,113.67
Lease liabilities		97,238,874.85	95,803,553.55	38,932,932.94	231,975,361.34
Long-term borrowings		962,797.50	44,251,224.00		45,214,021.50
Total	40,458,062,424.66	98,201,672.35	140,054,777.55	38,932,932.94	40,735,251,807.50

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

(2) Transfer of financial assets

1. Classification of transfer methods

Transfer methods	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Basis for determining derecognition
Endorsement or discounting of notes	Notes receivable	103,614,318.18	Not derecognised	Almost all of its risks and rewards have been retained, including the related default risk.
Endorsement or discounting of notes	Receivables Financing	6,105,626,943.12	Derecognised	Almost all of its risks and rewards have been transferred.
Total		6,209,241,261.30		

2. Financial assets derecognised due to transfer

Item	Method for the transfer of financial assets	Amount of financial assets derecognised	Gain or loss related to derecognition
Receivables Financing	Endorsement or discounting of notes	6,105,626,943.12	
Total		6,105,626,943.12	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XI. DISCLOSURE OF FAIR VALUE

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

Item	Fair value as at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis	-	-	-	-
(1) Transactional financial assets		53,453,696.10	13,880,455,521.15	13,933,909,217.25
1. Financial assets at fair value through profit or loss		53,453,696.10	13,880,455,521.15	13,933,909,217.25
(1) Wealth management products			13,880,455,521.15	13,880,455,521.15
(2) Derivative financial assets		53,453,696.10		53,453,696.10
(2) Other investments in debt			7,803,580,984.75	7,803,580,984.75
1. Receivables Financing			7,803,580,984.75	7,803,580,984.75
(3) Other equity investment			42,241,420.23	42,241,420.23
(4) Other non-current financial assets			21,783,603.25	21,783,603.25
Total assets measured at fair value on a recurring basis		53,453,696.10	21,748,061,529.38	21,801,515,225.48
(4) Transactional financial liabilities		29,957,785.68		29,957,785.68
1. Financial liabilities at fair value through profit or loss		29,957,785.68		29,957,785.68
(1) Derivative financial liabilities		29,957,785.68		29,957,785.68
Total liabilities measured at fair value on a recurring basis		29,957,785.68		29,957,785.68

(2) Basis for determination of the market value of Level 1 fair value measurements on a recurring and non-recurring basis

For transactional financial assets held by the Company subject to Level 1 fair value measurements, the quoted market prices of the corresponding products and investments in the open market shall be used as the basis for determining the market value.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XI. DISCLOSURE OF FAIR VALUE — *Continued*

(3) Valuation techniques and qualitative and quantitative information of significant parameters used for items at level 2 fair value measurement on a recurring and 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.

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

The Group's level 3 items are wealth management products of banks, receivables financing and other investments in equity instruments. The wealth management products of banks forecast future cash flows using the expected rate of return and the unobservable input value is the expected rate of return. The receivables financing are notes receivable held by the Group having relatively short remaining maturity with their carrying amount appropriate to fair value, and adopt carrying amount as their fair value. Other investments in equity instruments are mainly equity investments for which there is no observable and active market data to validate the financial projections using their own data.

A gain or loss from change in fair value of RMB101,206,357.12 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.

XII. RELATED PARTY AND RELATED TRANSACTIONS

(1) Relationship with related parties

1. *Parent company of the Company*

Name of the parent company	Place of registration	Business nature	Registered capital (RMB'0000)	Parent company's percentage of shareholding in the Company (%)	Parent company's percentage of voting rights in the Company (%)
Qingdao Hisense Air-Conditioning Co., Ltd.	Qingdao	Manufacture of air-conditioners and moulds and provision of after-sale services	67,479	37.23	37.23

The indirect controlling shareholder of the Company is Hisense Group Holdings Co., Ltd., and the Company has no actual controller.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(1) Relationship with related parties — Continued

2. Subsidiaries of the Company

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

3. Joint ventures and associates of the Company

Other joint ventures or associates that had related party transactions with the Company during the period, or had balances arising from related party transactions with the Company in the previous periods, are as follows:

Name of joint ventures or associates	Relationship with the Company
Hisense Jinlong Holdings	Associate
Hisense Marketing Management	Joint venture
Hisense Global Asia Holding	Joint venture
Hisense International Marketing	Associate
Intelligent Electronics	Associate
Associates of Sanden Company	Associate

4. Other related parties of the Company

Name of other related parties	Relationship with the Company
Hisense Group Holdings Co., Ltd. and its subsidiaries ("Hisense Group Company and its subsidiaries")	Indirect holding company and other subsidiaries controlled by them
Hisense Finance Co., Ltd. ("Hisense Finance")	Subsidiary of the indirect holding company
Hisense Visual Technology Co., Ltd. and its subsidiaries ("Hisense Visual and its subsidiaries", formerly known as Qingdao Hisense Electric Appliance Co., Ltd.)	Subsidiary of the indirect holding company
Hisense Group Company Limited and its subsidiaries ("Hisense Group and its subsidiaries")	Related parties with significant influence over indirect controlling shareholders of the Company
Haifeng Group Company Limited and its subsidiaries ("Haifeng Group and its subsidiaries")	Related parties with significant influence over indirect controlling shareholders of the Company
Beijing Xuehua Group Company Limited ("Xuehua Group")	Minority shareholder of Beijing Refrigerator
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd. ("Johnson Hitachi")	Controlling shareholder of the minority shareholder of Hisense Hitachi

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(2) Related party transactions

1. Purchase of goods/receipt of services

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for current 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	Reference market price Agreed price	182,954,460.23	0.39	125,595,400.48	0.37
Hisense Visual and its subsidiaries	Finished goods	Reference market price Agreed price	2,481,281.34	0.01	2,969,756.86	0.01
Johnson Hitachi and its subsidiaries	Finished goods	Reference market price Agreed price	42,122,389.48	0.09	17,423,703.61	0.05
Associates of Sanden Company	Finished goods	Reference market price Agreed price	204,465,536.17	0.44	204,985,343.35	0.61
Subtotal of purchase of finished goods			432,023,667.22	0.93	350,974,204.30	1.04
Hisense Group Company and its subsidiaries	Materials	Reference market price Agreed price	1,051,944,969.25	2.27	875,765,954.48	2.59
Hisense Visual and its subsidiaries	Materials	Reference market price Agreed price	94,951,418.97	0.21	170,922,460.78	0.51
Johnson Hitachi and its subsidiaries	Materials	Reference market price Agreed price	516,196,448.91	1.12	291,360,856.79	0.86
Subtotal of purchase of materials			1,663,092,837.13	3.60	1,338,049,272.05	3.96
Hisense Group Company and its subsidiaries	Fixed assets, intangible assets	Reference market price Agreed price	25,784,466.70	0.05		
Hisense Visual and its subsidiaries	Fixed assets, intangible assets	Reference market price Agreed price	2,713,918.18	0.01		
Subtotal of purchase of fixed assets and intangible assets			28,498,384.88	0.06		
Hisense Group Company and its subsidiaries	Receipt of services	Reference market price Agreed price	800,084,076.83	1.74	590,892,949.95	1.76
Hisense Visual and its subsidiaries	Receipt of services	Reference market price Agreed price	55,150,684.78	0.12	27,620,909.68	0.08
Johnson Hitachi and its subsidiaries	Receipt of services	Reference market price Agreed price	6,040,882.71	0.01	3,600,276.65	0.01
Xuehua Group	Receipt of services	Reference market price Agreed price	144,511.46		231,135.02	
Subtotal of receipt of services			861,420,155.78	1.87	622,345,271.30	1.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(2) Related party transactions — *Continued*

1. Purchase of goods/receipt of services — *Continued*

Notes:

The lease payment amounted to RMB35,591,500 recognised by the Company as a lessee was included in the "receipt of services" under related party transactions during the Year.

- 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 28 November 2023. During the effective period of the agreement, the transaction amount of the Company as the purchaser and recipient of services was capped at a total of RMB5,530.00 million (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into a Business Framework Agreement on 25 January 2024. During the effective period of the agreement, the transaction with the Company as the purchaser was capped at a total of RMB1,415.86 million (exclusive of value-added tax).
- ③ The Company and Huayu Sanden entered into a Business Framework Agreement on 25 January 2024. During the effective period of the agreement, the transaction with the Company as the purchaser was capped at a total of RMB250.00 million (exclusive of value-added tax).

The above agreements were considered and approved at the eighth interim meeting of the Company's Eleventh Session of the Board of Directors in 2023 convened on 28 November 2023 and the second interim meeting of the Company's Eleventh Session of the Board of Directors in 2024 convened on 25 January 2024, respectively.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(2) Related party transactions — Continued

2. Sale of goods/rendering of service

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for current 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	Reference market price Agreed price	14,430,441,706.00	29.67	10,576,706,455.18	24.63
Hisense Visual and its subsidiaries	Finished goods	Reference market price Agreed price	288,619.91		561,849.38	
Johnson Hitachi	Finished goods	Reference market price Agreed price	183,663,452.91	0.38	107,807,196.76	0.25
Associates of Sanden Company	Finished goods	Reference market price Agreed price	518,339,747.53	1.07	606,339,256.15	1.41
Subtotal of sale of finished goods			15,132,733,526.35	31.12	11,291,414,757.47	26.29
Hisense Group Company and its subsidiaries	Materials	Reference market price Agreed price	322,814,376.27	0.66	259,972,833.54	0.60
Hisense Visual and its subsidiaries	Materials	Reference market price Agreed price	366,681,025.37	0.75	351,821,668.44	0.82
Johnson Hitachi	Materials	Reference market price Agreed price	4,251,640.00	0.01	2,057,302.93	
Subtotal of sale of materials			693,747,041.64	1.42	613,851,804.91	1.42
Hisense Group Company and its subsidiaries	Fixed assets	Reference market price Agreed price	747,263.36			
Hisense Visual and its subsidiaries	Fixed assets	Reference market price Agreed price	3,309.22			
Subtotal of sale of fixed assets			750,572.58			
Hisense Group Company and its subsidiaries	Moulds	Market price	9,777,765.39	0.02	9,402,085.17	0.02
Hisense Visual and its subsidiaries	Moulds	Market price	17,432,876.11	0.04	19,658,991.14	0.05
Johnson Hitachi	Moulds	Market price	43,976.88			
Subtotal of sale of moulds			27,254,618.38	0.06	29,061,076.31	0.07
Hisense Group Company and its subsidiaries	Rendering of service	Reference market price Agreed price	38,806,890.75	0.07	25,726,322.29	0.06
Hisense Visual and its subsidiaries	Rendering of service	Reference market price Agreed price	4,371,849.07	0.01	2,901,807.06	0.01
Johnson Hitachi	Rendering of service	Reference market price Agreed price	2,583,852.34	0.01		
Subtotal of rendering of services			45,762,592.16	0.09	28,628,129.35	0.07

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(2) Related party transactions — Continued

2. Sale of goods/rendering of service — Continued

Notes:

The lease revenue amounted to RMB5.9011 million recognised by the Company as a lessor was included in the "rendering of services" under related party transactions during the Year.

- 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 28 November 2023. During the effective period of the agreement, the transaction amount of the Company as the supplier and provider of services was capped at a total of RMB30,850.00 million (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into a Business Framework Agreement on 25 January 2024. During the effective period of the agreement, the transaction with the Company as the the supplier and provider of services was capped at a total of RMB415.03 million (exclusive of value-added tax).
- ② The Company and Huayu Sanden entered into a Business Framework Agreement. During the effective period of the agreement, the transaction with the Company as the the supplier and provider of services was capped at a total of RMB2,700.00 million (exclusive of value-added tax).

The above agreements were considered and approved at the eighth interim meeting of the Company's Eleventh Session of the Board of Directors in 2023 convened on 28 November 2023 and the second interim meeting of the Company's Eleventh Session of the Board of Directors in 2024 convened on 25 January 2024, respectively.

3. Related guarantees

As guaranteed party

Name of guarantor	Amount of guarantee	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Hisense (Hong Kong) Company Limited	JPY 12,000,000,000.00	2023-5-25	2024-5-24	Fulfilled

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(2) Related party transactions — Continued

4. Loans and borrowings of the related parties

Name of related parties	Amount of loans and borrowings	Start date	Expiry date	Remarks
Borrowed from				
Hisense Group Company and its subsidiaries	USD41,500,000	2023/4/28	2024/4/26	Repaid, an interest expense of RMB7,277,006.22 was paid during the period
Hisense Group Company and its subsidiaries	USD1,100,000	2023/5/15	2024/5/14	Repaid, an interest expense of RMB220,105.59 was paid during the period
Hisense Group Company and its subsidiaries	USD56,000,000	2023/5/19	2024/5/17	Repaid, an interest expense of RMB11,436,340.97 was paid during the period
Hisense Group Company and its subsidiaries	USD4,000,000	2023/5/30	2024/5/29	Repaid, an interest expense of RMB882,871.98 was paid during the period
Hisense Group Company and its subsidiaries	USD1,800,000	2023/12/19	2024/12/19	RMB454,209.21 was paid during the period
Hisense Group Company and its subsidiaries	EUR100,000,000	2024/2/28	2024/3/28	Repaid, an interest expense of RMB2,816,866.60 was paid during the period
Hisense Group Company and its subsidiaries	EUR31,000,000	2024/2/28	2024/3/28	Repaid, an interest expense of RMB869,210.75 was paid during the period
Hisense Group Company and its subsidiaries	JPY 9,000,000,000	2024/5/16	2024/6/17	Repaid, an interest expense of RMB429,484.80 was paid during the period
Hisense Group Company and its subsidiaries	USD1,850,000	2024/3/19	2025/3/19	RMB239,075.49 was paid during the period
Hisense Group Company and its subsidiaries	USD1,000,000	2024/4/25	2025/4/25	RMB78,257.04 was paid during the period
Hisense Group Company and its subsidiaries	USD41,500,000	2024/4/26	2025/4/25	RMB3,191,104.59 was paid during the period
Hisense Group Company and its subsidiaries	USD1,100,000	2024/5/14	2025/5/14	RMB57,375.51 was paid during the period
Hisense Group Company and its subsidiaries	USD56,000,000	2024/5/17	2025/5/16	RMB2,693,186.50 was paid during the period
Hisense Group Company and its subsidiaries	USD4,000,000	2024/5/29	2025/5/29	RMB126,661.69 was paid during the period
Hisense Group Company and its subsidiaries	USD900,000	2024/6/20	2025/6/20	RMB1,239.92 was paid during the period

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

(2) Related party transactions — *Continued*

5. *Other connected transactions*

- (1) As at 30 June 2024, the Group had a balance of bank deposit of RMB14,174,731,500 (presented in monetary funds, other current assets, other non-current assets due within one year and other non-current assets according to holding intention and liquidity), and a balance of notes payable of RMB1,847,109,700; the loan balance was RMB20,000,000; the amount of loan interest of RMB467,000 was recognised for Hisense Finance, the amount of discounted interest paid for notes was RMB68,400, the amount of handling fees paid for electronic finance company acceptance notes was RMB844,800, and the amount of handling fees for settlement services paid for receipt and payment of funds was RMB227,900. Interest income from bank deposits of RMB186,070,500 was recognised for Hisense Finance. During the period, the amount involved for the provision of settlement and sale of foreign exchange services provided by Hisense Finance to the Group was RMB60,693,800, and the amount for the provision of discounted notes was RMB49,812,100.
- (2) On 29 March 2024, the Eleventh Session of the Company's Board of Directors convened the first meeting of 2024 and approved the Resolution on Related Transactions for Joint Capital Increase with Related Parties. In order to meet the needs for employee dormitories and supporting facilities to support the continuous development of the Company's business, Hisense Visual's wholly-owned subsidiary Qingdao Hisense Intelligent Electronics Co., Ltd. ("**Intelligent Electronics**") intended to issue additional shares to the Company and Hisense Visual to raise funds for the construction of employee dormitories and supporting facilities. On 29 March 2024, the Company jointly signed the Capital Increase Agreement of Qingdao Hisense Intelligent Electronics Co., Ltd. ("**Capital Increase Agreement**") with Hisense Visual, intending to jointly increase capital in Intelligent Electronics. Hisense Visual waived its preemptive right to subscribe for shares from the Company. The capital increase price is determined based on the audited net assets of Intelligent Electronics as of 31 December 2023. As of 30 June 2024, the Company has paid RMB98.00 million to Intelligent Electronics for the capital increase.
- (3) 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 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

(3) Receivables from and payables to related parties

1. Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Receivables Financing	Hisense Visual and its subsidiaries	6,668,308.13		12,428,611.93	
Receivables Financing	Hisense Group Company and its subsidiaries	6,721,361.56		81,566,277.21	
Subtotal		13,389,669.69		93,994,889.14	
Notes receivable	Hisense Visual and its subsidiaries	245,579,903.37		319,007,723.28	
Notes receivable	Hisense Group Company and its subsidiaries	152,138,959.72		226,887,871.53	
Subtotal		397,718,863.09		545,895,594.81	
Interest receivable	Hisense Finance	505,678,144.10		426,261,929.09	
Subtotal		505,678,144.10		426,261,929.09	
Accounts receivable	Hisense Visual and its subsidiaries	84,152,951.11		96,504,120.74	
Accounts receivable	Hisense Group Company and its subsidiaries	6,835,680,259.32	12,966,222.40	5,197,036,356.39	20,130,123.69
Accounts receivable	Hisense Group and its subsidiaries			708,092.53	708,092.53
Accounts receivable	Johnson Hitachi and its subsidiaries	96,207,706.97		68,933,497.31	
Accounts receivable	Associates of Sanden Company	152,059,090.76	436,923.07	319,759,158.27	443,445.56
Subtotal		7,168,100,008.16	13,403,145.47	5,682,941,225.24	21,281,661.78
Other receivables	Hisense Visual and its subsidiaries	40,492.86		190,548.80	18,000.00
Other receivables	Hisense Group Company and its subsidiaries	4,360,667.16	43,394.66	2,106,607.85	392,320.98
Other receivables	Johnson Hitachi and its subsidiaries	2,408,966.71			
Other receivables	Associates of Sanden Company	5,580,170.74	227,856.90	23,908,679.93	23,144,878.94
Subtotal		12,390,297.47	271,251.56	26,205,836.58	23,555,199.92
Dividends receivable	Associates of Sanden Company			89,630.21	
Subtotal				89,630.21	
Prepayments	Hisense Visual and its subsidiaries	1,770,578.30		411,109.28	
Prepayments	Hisense Group Company and its subsidiaries	71,331,483.48		87,637,498.40	
Subtotal		73,102,061.78		88,048,607.68	
Other non-current assets	Hisense Group Company and its subsidiaries	5,941,243.72		6,384,738.43	
Subtotal		5,941,243.72		6,384,738.43	

Note: Interest receivable represents the total amount of interest accrued based on the effective interest rate method. It is included in the carrying balance of the corresponding financial assets and is listed in other current assets, non-current assets due within one year, and other non-current assets according to holding intention and liquidity.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XII. RELATED PARTY AND RELATED TRANSACTIONS — Continued

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

2. Payables to related parties

Item	Related party	Closing balance	Opening balance
Notes payable	Hisense Group Company and its subsidiaries	74,791,827.31	68,374,144.06
Notes payable	Hisense Visual and its subsidiaries	3,459,013.42	4,638,174.56
Notes payable	Johnson Hitachi and its subsidiaries	449,248,180.86	279,435,254.04
Notes payable	Associates of Sanden Company	284,557.24	1,402,649.94
Subtotal		527,783,578.83	353,850,222.60
Accounts payable	Hisense Group Company and its subsidiaries	219,651,637.13	251,028,022.33
Accounts payable	Hisense Visual and its subsidiaries	3,321,870.89	1,885,200.49
Accounts payable	Johnson Hitachi and its subsidiaries	120,485,822.59	43,155,749.32
Accounts payable	Associates of Sanden Company	33,767,787.71	40,136,801.48
Subtotal		377,227,118.32	336,205,773.62
Dividends payable	Johnson Hitachi and its subsidiaries		68,073,826.50
Dividends payable	Hisense Group Company and its subsidiaries	649,546,408.71	
Subtotal		649,546,408.71	68,073,826.50
Other payables	Hisense Group Company and its subsidiaries	911,395,568.98	818,587,876.17
Other payables	Hisense Group and its subsidiaries		50,983.14
Other payables	Hisense Visual and its subsidiaries	6,449,274.21	406,339.02
Other payables	Johnson Hitachi and its subsidiaries	216,173.06	200,000.00
Other payables	Associates of Sanden Company	54,418,733.69	37,781,629.00
Other payables	Xuehua Group		100,859.00
Subtotal		972,479,749.94	857,127,686.33
Advances	Hisense Visual and its subsidiaries		160,022.73
Subtotal			160,022.73
Contractual liabilities	Hisense Group Company and its subsidiaries	134,526,602.81	102,170,950.58
Contractual liabilities	Hisense Visual and its subsidiaries	361,279.90	12,939.87
Contractual liabilities	Johnson Hitachi and its subsidiaries	124,616.03	21,851.62
Subtotal		135,012,498.74	102,205,742.07
Other non-current liabilities	Johnson Hitachi and its subsidiaries	581,488,159.22	576,186,668.20
Subtotal		581,488,159.22	576,186,668.20

XIII. SHARE-BASED PAYMENTS**(1) General information about share-based payments****1. Overview on Restricted Share Incentive Scheme**

On 28 February 2023, the 2023 second extraordinary general meeting, the 2023 first A Share class general meeting and the 2023 first H Share class general meeting considered and approved the "Resolution on the 2022 Restricted Share Incentive Scheme for A Shares (Draft) of the Company and its Summary", the "Resolution on the Administrative Measures for the Appraisal System of the 2022 Restricted Share Incentive Scheme for A Shares of the Company" and the "Resolution to Propose the General Meeting to Authorise the Board to Handle Matters Relating to the 2022 Restricted Share Incentive Scheme for A Shares of the Company". On the same day, the 2023 third extraordinary general meeting of the Eleventh Session of the Board and the 2023 first meeting of the Eleventh Session of the Supervisory Committee were convened to consider and approve the "Proposal for the Granting of Restricted Shares to Incentive Recipients under the 2022 Restricted Share Incentive Scheme for A Shares". The above resolutions determined that the total number of restricted shares granted to 596 incentive recipients was 29,618,000 shares. As some of the incentive recipients forfeited the restricted shares granted to them, the actual number of recipients of the first grant under the Incentive Scheme was 511, the number of shares granted was 25,422,000 shares, and the grant price was RMB6.64 per share.

2. Overview on Employee Stock Ownership Plan

The Company held the 2022 tenth interim meeting of the Eleventh Session of the Board and the 2022 fourth meeting of the Eleventh Session of the Supervisory Committee on 30 December 2022, and the 2023 first A Share class general meeting and the 2023 first H Share class general meeting on 28 February 2023, which considered and approved relevant resolutions, such as the "Resolution on the 2022 Employee Stock Ownership Plan for A Shares of the Company and its Summary" and the "Resolution on the Administrative Measures for the 2022 Employee Stock Ownership Plan for A Shares of the Company", agreeing to implement the 2022 Employee Stock Ownership Plan for A Shares and authorising the Board to handle the matters in relation to the 2022 Employee Stock Ownership Plan for A Shares of the Company. On 12 May 2023, the Company held the 2023 sixth interim meeting of the Eleventh Session of the Board, which considered and passed the "Resolution on the Allocation of Reserved Shares under the Employee Stock Ownership Plan for A Shares in 2022" within the scope of authorisation of the 2023 second extraordinary general meeting. The participants of this Employee Stock Ownership Plan are the directors (excluding independent directors), supervisors, senior management and other core employees of the Company, with the total number of the first grant not exceeding 30 participants (excluding the reserved shares) and with the reserved shares allocated to 29 participants. The number of the underlying shares involved in this Employee Stock Ownership Plan was not more than 11,700,000 shares. According to the actual subscription and final payment by the participants, a total of 52 employees (including reserved shares) actually participated in the subscription of shares of the first grant under the 2022 Employee Stock Ownership Plan of the Company, corresponding to 10,810,000 shares, with the grant price of RMB6.64 per share. The source of the shares was the Company's repurchase of its shares through a special securities account for share repurchase through centralised bidding transactions.

On 8 January 2024, the Company held the first interim meeting of the Eleventh Session of the Board of Directors and the first meeting of the Eleventh Session of the Supervisory Committee, and on 22 February 2024, the Company convened the second extraordinary general meeting of 2024, the first A Share class general meeting of 2024, and the first H Share class general meeting of 2024, which considered and approved the Company's Resolution on the Draft 2024 Employee Stock Ownership Plan for A Shares and its Summary and related resolutions, agreeing to implement the 2024 Employee Stock Ownership Plan for A Shares and authorising the Board to handle matters in relation to the 2024 Employee Stock Ownership Plan for A Shares of the Company. The total number of shares to be acquired under this stock ownership plan shall not exceed 13,916,000 shares, and the total number of participants in this Employee Stock Ownership Plan shall not exceed 279 participants, with the acquisition price set at RMB10.78 per share. The total number of shares acquired shall not exceed 13,916,000 shares. The source of the shares was the Company's repurchase of its shares through a special securities account for share repurchase through centralised bidding transactions.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XIII. SHARE-BASED PAYMENTS — Continued

(1) General information about share-based payments — Continued

2. Overview on Employee Stock Ownership Plan — Continued

Category of grant targets	Granted during the period		Exercised during the period		Unlocked during the period		Lapsed during the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Senior management and core personnel	13,180,050.00	142,080,939.00			13,258,895.00	88,039,062.80	1,924,965.00	12,781,767.60
Total	13,180,050.00	142,080,939.00			13,258,895.00	88,039,062.80	1,924,965.00	12,781,767.60

Share options or other equity instruments issued as at the end of the period

Category of grant targets	Other equity instruments issued as at the end of the period	
	Range of exercise prices	Remaining contractual term
Senior management and core personnel	6.64; 10.78	The validity period of the equity incentive scheme shall commence on the date of completion of the registration of the grant of restricted shares and end on the date on which all restricted shares granted to the target of the incentive scheme are released from restriction or repurchased and cancelled, which shall not exceed 48 months at the longest.

(2) Equity settled share-based payments

Item	The Period
Method for determining fair value of equity instruments on the date of grant	The fair value of restricted shares and the Employee Stock Ownership Plan is determined by subtracting the grant price from the market price on the date of grant.
Important parameters for fair value of equity instruments on the date of grant	Market price on the date of grant
Basis for determining the number of equity instruments with exercisable rights	The Company revises the estimated number of equity instruments that can be released from sale restriction on each balance sheet date during the period of restriction based on the latest available subsequent information such as changes in the number of persons who can be released from sale restriction, achievement of performance targets, and so on.
Reasons for significant discrepancies between estimates of the period and the previous period	N/A
Accumulated amount of equity-settled share-based payment included in the capital surplus	109,930,823.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XIII. SHARE-BASED PAYMENTS — Continued

(3) Share-based payment expenses during the period

Category of grant targets	Equity settled share-based payments
Senior management and core personnel	133,605,508.33
Total	133,605,508.33

(4) Termination or modification of share-based payment

Nil.

XIV. COMMITMENTS AND CONTINGENCIES

(1) Important commitments

Unit: RMB'0000

Item	Closing balance	Opening balance
Commitments in respect of investment in subsidiaries and jointly controlled entities (commitment to purchase long-term assets):		
– Authorised but not contracted		
– Contracted but not paid	21,541.93	41,097.13
Commitments in respect of acquisition of the property, plant and equipment of subsidiaries (commitment for external investment):		
– Contracted but not paid		

(2) Contingencies

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

As at 30 June 2024, the Group was involved, as defendant, in litigations with amount of RMB115,380,596.54, and accrued liabilities of RMB105,273,432.45 had been made.

XV. SUBSEQUENT EVENTS

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVI. OTHER SIGNIFICANT EVENTS

(1) Capital management

The primary objectives of the Company's capital management are to safeguard the Company'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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or procedures for managing capital during the periods ended 30 June 2024 and 31 December 2023.

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 period were as follows:

Item	End of the period	Beginning of the period
Total liabilities	51,709,057,700.84	46,550,436,429.03
Including: Short-term borrowings	2,308,121,777.48	2,502,318,314.58
Accounts payable	12,240,835,365.94	12,049,877,232.20
Notes payable	17,490,283,741.47	14,608,429,378.74
Other payables	6,253,733,970.04	4,670,674,014.20
Less: Cash and cash equivalents	2,749,716,134.21	2,877,140,400.54
Net debt	48,959,341,566.63	43,673,296,028.49
Equity attributable to shareholders of parent	14,161,666,912.48	13,580,174,485.95
Capital and net liability	63,121,008,479.11	57,253,470,514.44
Gearing ratio	77.56%	76.28%

(2) Pension scheme

In accordance with the relevant PRC laws and regulations, 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 2024 to 30 June 2024

XVI. OTHER SIGNIFICANT EVENTS — Continued

(3) Leases

1. Different categories of leased assets of the Group are as follows:

Unit: RMB'0000

Categories of leased assets under operating leases	Closing carrying amount	Opening carrying amount
Buildings and structures	20,939.32	31,660.82
Land use rights	116.01	108.88
Machinery and equipment, etc.	448.79	469.51
Transportation equipment	10.19	14.57
Total	21,514.31	32,253.78

2. The Group as lessor under operating lease

The Company's investment properties are also leased to a number of tenants for different terms. The rental income for the first half of 2024 amounted to RMB26.7575 million (2023 first half: RMB22.1061 million). The minimum lease payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

Unit: RMB'0000

Item	Amount for the period	Amount for previous period
Within one year	5,529.42	5,884.48
Over one year but within five years	14,692.97	16,900.18
Total	20,222.39	22,784.66

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVI. 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 2024 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the period	Amount for previous period
Building or structures	9,794.62	8,688.46
Others	4,651.28	5,807.54
Total	14,445.90	14,496.00

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	11,400.34	18,293.10
Over one year but within five years	15,189.50	24,981.10
Over five years	900.24	4,992.39
Total	27,490.08	48,266.59

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT

(1) Accounts receivable

1. Accounts receivable by ageing

Ageing analysis of accounts receivable based on invoice day is as follows:

Ageing	Closing balance	Opening balance
Within three months	494,389,188.55	617,522,768.99
Over three months but within six months	308,900.00	860,204.88
Over six months but within one year	75,717.88	
Over one year	106,429,847.25	107,107,551.47
Total	601,203,653.68	725,490,525.34

2. Accounts receivable by provision for bad debts

Category	Book balance		Closing balance		Carrying amount
	Amount	%	Amount	%	
Accounts receivable for which provision for bad debts is separately made					
Accounts receivable for which provision for bad debts is made on a group basis	601,203,653.68	100.00	106,430,192.80	17.70	494,773,460.88
Including:					
Ageing analysis method	108,673,848.78	18.08	106,430,192.80	97.94	2,243,655.98
Receivables from related parties	492,529,804.90	81.92			492,529,804.90
Total	601,203,653.68	100.00	106,430,192.80	17.70	494,773,460.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(1) Accounts receivable — Continued

2. Accounts receivable by provision for bad debts — Continued

(continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	%	Amount	%	
Accounts receivable for which provision for bad debts is separately made					
Accounts receivable for which provision for bad debts is made on a group basis	725,490,525.34	100.00	107,108,618.15	14.76	618,381,907.19
Including:					
Ageing analysis method	107,640,893.73	14.84	107,108,618.15	99.51	532,275.58
Receivables from related parties	617,849,631.61	85.16			617,849,631.61
Total	725,490,525.34	100.00	107,108,618.15	14.76	618,381,907.19

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

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Including: Within three months	2,244,001.53	345.55	0.02
Over one year	106,429,847.25	106,429,847.25	100.00
Total	108,673,848.78	106,430,192.80	97.94

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 balance	Provision for bad debts	%
Within one year	492,529,804.90		
Total	492,529,804.90		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(1) Accounts receivable — Continued

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 or charge-off	
Ageing analysis method	107,108,618.15		678,425.35		106,430,192.80
Total	107,108,618.15		678,425.35		106,430,192.80

4. Accounts receivable written-off

There were no accounts receivable written-off during the period.

5. 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 RMB477,712,444.47, accounting for 79.46% of the closing balance of accounts receivable. A provision for bad debts of RMB24,988,826.34 in total was made as at the end of the period.

(2) Other receivables

Item	Closing balance	Opening balance
Dividends receivable	1,029,119,900.71	68,351,678.85
Other receivables	1,087,172,827.39	1,187,499,173.19
Total	2,116,292,728.10	1,255,850,852.04

2.1 Dividends receivable

1. Classification of dividends receivable

Item (or investee)	Closing balance	Opening balance
Hisense Hitachi	1,029,119,900.71	68,351,678.85
Total	1,029,119,900.71	68,351,678.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(2) Other receivables — Continued

2.2 Other receivables

1. Classification of other receivables by nature

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	257,010.00	
Other current account	1,102,005,548.26	1,202,314,549.91
Total	1,102,262,558.26	1,202,314,549.91

2. Other receivables by ageing

Ageing	Book value as at the end of the period
Within three months	5,080,741.59
Over three months but within six months	110,015,092.05
Over six months but within one year	202,083,946.24
Over one year	785,082,778.38
Total	1,102,262,558.26

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(2) Other receivables — Continued

2.2 Other receivables — Continued

3. Other receivables as shown by provision for bad debts

Category	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on a group basis	1,102,262,558.26	100.00	15,089,730.87	1.37	1,087,172,827.39
Including:					
Ageing analysis method	14,621,967.93	1.33	14,608,905.03	99.91	13,062.90
Receivables from related parties	1,087,100,939.69	98.62	7,429.68		1,087,093,510.01
Other account payments	539,650.64	0.05	473,396.16	87.72	66,254.48
Total	1,102,262,558.26	100.00	15,089,730.87	1.37	1,087,172,827.39

(continued)

Category	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on a group basis	1,202,314,549.91	100.00	14,815,376.72	1.23	1,187,499,173.19
Including:					
Ageing analysis method	14,836,569.05	1.23	14,815,376.72	99.86	21,192.33
Receivables from related parties	1,186,884,657.69	98.72			1,186,884,657.69
Other account payments	593,323.17	0.05			593,323.17
Total	1,202,314,549.91	100.00	14,815,376.72	1.23	1,187,499,173.19

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(2) Other receivables — Continued

2.2 Other receivables — Continued

3. Other receivables as shown by provision for bad debts — Continued

(1) Among the group, provision for bad debts for other receivables by ageing analysis method:

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Including: Within three months	4,179.14		
Over three months but within six months	2,995.09	299.51	10.00
Over six months but within one year	12,376.36	6,188.18	50.00
Over one year	14,602,417.34	14,602,417.34	100.00
Total	14,621,967.93	14,608,905.03	99.91

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 other receivables by receivables from related parties:

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Related parties within the scope of consolidation	1,086,805,887.67		
Related parties beyond the scope of consolidation	295,052.02	7,429.68	2.52
Including: Within one year	287,622.34		
Total	1,087,100,939.69	7,429.68	

(3) Among the group, provision for bad debts for other receivables by other account payments:

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Other account payments	539,650.64	473,396.16	87.72
Total	539,650.64	473,396.16	87.72

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(2) Other receivables — Continued

2.2 Other receivables — Continued

4. Provision for bad debts of other receivables

	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (without credit impairment)	Third stage Lifetime expected credit loss (with credit impairment)	Total
Provision for bad debts				
Balance as at 1 January 2024	13,887.13	3,632,128.27	11,169,361.32	14,815,376.72
During the period, the book balance of other receivables as at 1 January 2024	-	-	-	-
- transferred to second stage	-11,901.73	11,901.73		
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period	6,487.69	480,825.84		487,313.53
Reversal for the period	1,985.4	210,973.98		212,959.38
Written-off for the period				
Charge-off for the period				
Other changes				
Balance as at 30 June 2024	6,487.69	3,913,881.86	11,169,361.32	15,089,730.87

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.

5. Provision for bad debts of other receivables by ageing analysis method

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	
Ageing analysis method	14,815,376.72	6,487.69	212,959.38		14,608,905.03
Receivables from related parties		7,429.68			7,429.68
Other account payments		473,396.16			473,396.16
Total	14,815,376.72	487,313.53	212,959.38		15,089,730.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(2) Other receivables — Continued

2.2 Other receivables — Continued

6. Other receivables actually written off during the period

There were no other receivables actually written off for the period

7. Top five other receivables by debtor in terms of balances as at the end of the period

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%) Closing balance	Provision for bad debts Closing balance
Top 1	Inter-group current account payments	372,699,354.39	Within one year	33.81	
Top 2	Inter-group current account payments	214,000,000.00	Within two years	19.41	
Top 3	Inter-group current account payments	99,000,000.00	Within one year	8.98	
Top 4	Inter-group current account payments	98,428,349.37	Within one year	8.93	
Top 5	Inter-group current account payments	95,300,693.05	Within two years	8.65	
Total	-	879,428,396.81	-	79.78	

(3) Long-term equity investments

1. Breakdown of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	5,607,834,641.87	59,381,641.00	5,548,453,000.87	5,297,448,970.59	59,381,641.00	5,238,067,329.59
Investments in associates and joint ventures	786,264,421.25		786,264,421.25	697,276,441.82		697,276,441.82
Total	6,394,099,063.12	59,381,641.00	6,334,717,422.12	5,994,725,412.41	59,381,641.00	5,935,343,771.41

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(3) Long-term equity investments — Continued

2. Investments in subsidiaries

Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Movements in the current period			Closing balance (Carrying amount)	Opening balance of impairment provision
			Increase in investment	Decrease in investment	Increase in share-based payments		
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	5,227,619.58				2,277,631.90	7,505,251.48	
Guangdong Kelon Air Conditioner Co., Ltd.	221,618,359.00	59,381,641.00				221,618,359.00	59,381,641.00
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	1,258,766.53				952,132.41	2,210,898.94	
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	2,285,200.95				1,444,825.72	3,730,026.67	
Foshan Shunde Rongshen Plastic Co., Ltd.	54,285,499.65				614,293.64	54,899,793.29	
Foshan Shunde Wangao Import & Export Co., Ltd.	600,000.00					600,000.00	
Guangdong Kelon Jiake Electronics Co., Ltd.	82,000,000.00					82,000,000.00	
Hisense Ronshen (Yingkou) Refrigerator Co., Ltd.	84,000,000.00					84,000,000.00	
Jiangxi Kelon Industrial Development Co., Ltd.	147,763,896.00					147,763,896.00	
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	1,661,131.90				1,090,465.19	2,751,597.09	
Zhuhai Kelon Industrial Development Co., Ltd.	189,101,850.00					189,101,850.00	
Shenzhen Kelon Procurement Co., Ltd.	95,000,000.00					95,000,000.00	
Kelon Development Co., Ltd.	11,200,000.00					11,200,000.00	
Hisense (Chengdu) Refrigerator Co., Ltd.	113,402.40				61,391.20	174,793.60	
Hisense (Beijing) Electric Appliances Co., Ltd.	92,101,178.17					92,101,178.17	
Hisense Air-Conditioning Co., Ltd.	587,104,019.88				11,958,269.54	599,062,289.42	
Qingdao Hisense Mould Co., Ltd.	208,396,930.42		149,821,117.29		576,316.43	358,794,364.14	
Hisense Refrigerator Co., Ltd.	775,730,414.11				20,368,286.61	796,098,700.72	
Foshan Hisense Kelon Property Development Co., Ltd.	5,008,411.99				421,683.98	5,430,095.97	
Qingdao Hisense Hitachi Air- Conditioning Systems Co., Ltd.	2,590,877,442.55				15,042,787.87	2,605,920,230.42	
Qingdao Gorenje Electrical Co., Ltd.	16,840,534.29				2,153,145.53	18,993,679.82	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(3) Long-term equity investments — Continued

2. Investments in subsidiaries — Continued

Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Movements in the current period			Closing balance (Carrying amount)	Opening balance of impairment provision
			Increase in investment	Decrease in investment	Increase in share-based payments		
Hisense (Shandong) Kitchen and Bath Co., Ltd.	3,016,863.30				2,863,479.53	5,880,342.83	
Qingdao Hisense Commercial Cold Chain Co., Ltd.	5,334,046.68				4,078,949.45	9,412,996.13	
Guangdong Hisense Refrigerator Marketing Co., Ltd.	15,207,676.59				9,625,155.78	24,832,832.37	
Hisense (Zhejiang) Air-Conditioner Co., Ltd.	476,290.07				125,532.27	601,822.34	
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	16,574,088.62				10,578,848.56	27,152,937.18	
Guangdong Kelon Mould Co., Ltd.	433,324.37				250,521.43	683,845.80	
Jiangmen Hisense Home Appliances Co., Ltd.	1,166,103.75				823,448.27	1,989,552.02	
Qingdao Hisense Hitachi Air- conditioner Marketing Co., Ltd.	17,844,908.20				12,987,616.96	30,832,525.16	
Hisense (Guangdong) Air- Conditioner Company Limited	5,839,370.59				7,166,514.61	13,005,885.20	
Qingdao Johnson Controls Air-Conditioning Co., Ltd.					103,257.11	103,257.11	
Hisense Home Appliances (Hunan) Co., Ltd.			50,000,000.00			50,000,000.00	
Qingdao Yiyang Venture Capital Management Co., Ltd.			5,000,000.00			5,000,000.00	
Total	5,238,067,329.59	59,381,641.00	204,821,117.29		105,564,553.99	5,548,453,000.87	59,381,641.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(3) Long-term equity investments — Continued

3. Investments in associates and joint ventures

Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Movements in the current period							Closing balance (Carrying amount)	Opening balance of impairment provision
			Increase in investment	Decrease in investment	Gains or losses from investment recognised using equity method	Adjustment or other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Changes in exchange rate	
I. Joint ventures											
Hisense Marketing Management Co., Ltd.	49,708,956.80				7,917,434.22						57,626,391.02
Qingdao Hisense Global Asia Holding Co., Ltd.	24,044,123.64				-1,817,799.54	708,859.43					22,935,183.53
Subtotal	73,753,080.44				6,099,634.68	708,859.43					80,561,574.55
II. Associates											
Qingdao Hisense Jinlong Holdings Co., Ltd.	406,595,770.08				8,961,872.90						415,557,642.98
Qingdao Hisense International Marketing Co., Ltd.	216,927,591.30				54,505,100.11	-12,969,556.11	1,027,488.52	66,249,200.00			193,241,423.82
Qingdao Hisense Intelligent Electronics Co., Ltd.			98,000,000.00		304,210.56		-1,400,430.66				96,903,779.90
Subtotal	623,523,361.38		98,000,000.00		63,771,183.57	-12,969,556.11	-372,942.14	66,249,200.00			705,702,846.70
Total	697,276,441.82		98,000,000.00		69,870,818.25	-12,260,696.68	-372,942.14	66,249,200.00			786,264,421.25

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT — Continued

(4) Operating revenue and operating costs

Breakdown of operating revenue and operating costs

Item	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	2,599,779,932.40	2,379,712,206.51	2,363,446,815.71	2,123,200,003.66
Other operations	133,838,806.89	113,391,063.20	103,897,348.34	88,816,702.94
Total	2,733,618,739.29	2,493,103,269.71	2,467,344,164.05	2,212,016,706.60

(5) Investment gain

Item	Amount for the period	Amount for the previous period
Gain from long-term equity investment under the cost method	1,286,865,097.36	851,575,300.95
Gain from long-term equity investment under the equity method	69,870,818.25	60,178,021.79
Gain from disposal of transactional financial assets	12,815,845.08	20,647,866.74
Total	1,369,551,760.69	932,401,189.48

XVIII. APPROVAL OF THE FINANCIAL REPORT

This financial report was approved by the Board of the Company on 30 August 2024.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XIX. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

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

Item	Amount for current period	Notes
Gain or loss from disposal of non-current assets (Including the offsetting part of the provision for impairment of assets already provisioned)	-188,908.54	
Government grants included in the gain or loss (excluding those government grants that are closely related to the Company's normal business operations, that are in line with national policies, that are enjoyed according to defined criteria, and that have a sustained impact on the Company's profit or loss)	114,199,094.86	
Gain or loss from changes in fair value of financial assets and liabilities held by non-financial enterprises and gain or loss from the disposal of financial assets and liabilities, except for the effective hedging business related to the Company's normal business operations	67,039,300.20	
Capital occupation fees received from non-financial enterprises that are included in current profit or loss		
Gain or loss arising from entrusted investment or entrusted asset management	147,523,809.07	
Gain or loss arising from entrusted loan		
Loss of assets due to force majeure factors such as natural disasters		
Reversal of impairment provision for accounts receivable individually tested for impairment		
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 identifiable net assets of the investee at the time the investment is acquired		
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 non-monetary assets exchange		
Gain or loss arising from debt restructuring	6,522,207.73	
One-off costs incurred by the enterprise as a result of discontinuation of relevant business activities, such as expenses for resetting employees		
One-off effect on current profit or loss arising from adjustments as required by taxation, accounting and other laws and regulations		
One-off recognition of share-based payment expense due to cancellation and modification of equity incentive plans		
For cash-settled share-based payments, gain or loss arising from changes in the fair value of employee compensation payable after the date on which the right is exercisable		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2024 to 30 June 2024

XIX. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS — Continued

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

Item	Amount for current period	Notes
Gain or loss arising from changes in fair value of investment properties measured subsequently by using fair value model		
Gain arising from transactions at significantly unfair prices		
Gain or loss arising from contingencies unrelated to the Company's normal business operations		
Custody fee income from entrusted operations		
Other non-operating income and expense other than the aforementioned items	62,164,212.50	
Other profit or loss items within the meaning of non-recurring profit or loss		
Subtotal	397,259,715.82	
Less: Effect of income tax	38,550,258.11	
Effect of minority interests (after tax)	45,988,261.04	
Total	312,721,196.67	-

2. Return on net asset and earnings per share

	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Profit for the reporting period			
Net profit attributable to ordinary shareholders of the parent	14.00	1.48	1.48
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	11.82	1.23	1.23

Hisense Home Appliances Group Co., Ltd.

30 August 2024