

Hisense 海信家電

海信家電集團股份有限公司

Hisense Home Appliances Group Co., Ltd.

Stock Code: 000921 (A Shares)

00921 (H Shares)

2024 ANNUAL REPORT

Hisense



2025 FIFA世俱杯™全球官方合作伙伴



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Definitions

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.

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

“Articles of Association”	the articles of association of the Company currently in force
“Company”, “We”, “Hisense Home Appliances”	Hisense Home Appliances Group Co., Ltd. *(海信家電集團股份有限公司), a joint stock limited incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“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, which holds approximately 37.28% of the issued shares of the Company
“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 Company Holdings Limited*(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, which holds approximately 8.98% of the issued shares of the Company
“Hisense International”	Hisense International Co., Ltd*(青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.*(海信營銷管理有限公司), a company incorporated in the PRC with limited liability and 50% owned by the Company
“Hisense Visual”	Hisense Visual Technology Co., Ltd. *(海信視像科技股份有限公司), a joint stock limited incorporated in the PRC with limited liability and a subsidiary of Hisense Group, whose shares are listed on the main board of Shanghai Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

Definitions

“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.
“Johnson Hitachi”	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
“PRC”	the People’s Republic of China
“Reporting Period”	1 January 2024 to 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC
“Sanden Company”	Sanden Holdings Corporation
“US\$”	the United States dollars, the lawful currency of the United States
“Yen”	Japanese Yen, the lawful currency of Japan

* For identification purposes only

Chairman's Statement

Dear investors,

In the year 2024, while Hisense Home Appliances celebrated its 40th anniversary, it was also the 55th anniversary of Hisense Group. Since Deng Xiaoping, the architect of modern China's economic reforms, made the remark that "development is of overriding importance" during his visit to the Ronshen refrigerator factory in his southern tour, Hisense Home Appliances has gone through dozens of years of cultivation and gradually established a modern enterprise system, and has become one of the forerunners in China's home appliance industry. Looking back at the past decade, Hisense has achieved rapid growth in revenue and net profit, with a 16% compounded growth rate in revenue and a 21% compounded growth rate in net profit attributable to the parent company, thanks to its steady operation and continuous innovation.

However, since 2024, the challenges faced by the home appliance industry have become increasingly severe due to the evolving international landscape, frequent trade conflicts, weak consumption in the domestic market and a downturn in the real estate industry. Confronting these difficulties, more than 50,000 employees of Hisense Home Appliances are united in solidarity and tackling the challenges head on, ultimately achieving a historic success. Our revenue reached a new high of RMB92.746 billion, representing a year-on-year increase of 8.35%, while net profit attributable to the parent company of RMB3.348 billion was realized, representing a year-on-year increase of 17.99%. This performance not only demonstrates the long-termism and value that Hisense Home Appliances has always practiced, but also highlights our spirit of making breakthroughs in a changing era, insisting on our original beliefs in the midst of reform, and innovating in the midst of inheritance. These principles are encapsulated in our "Seven Insistences".

I. INSISTING ON "TECHNOLOGY-BASED ENTERPRISE" AND PROMOTING PRODUCT INNOVATION

Hisense Home Appliances has always adhered to its core philosophy of "technology-based enterprise", and winning the market through innovative products. With more than 20 years of core technology accumulation, more than 2,000 technology patents and more than 400 new technology achievements made in 2024, the Company has developed multiple industry-leading products in China, such as top-freon and floor-water (天氟地水) products and 5G central air-conditioners, and has continued to lead the industry in terms of market share in multiple lines. With vacuum preservation technology as its core, Hisense Refrigerator has led the industry in vacuum standard, and its vacuum preservation products have won many product awards such as the AWE Excellent Product Award. Simultaneously, the Company has made technological breakthroughs in the fields of fresh air conditioning, smart buildings and vehicle thermal management, laying a solid foundation for continuous product innovation.

II. INSISTING ON USER-CENTEREDNESS AND PROMOTING SCENARIO UPGRADE

Hisense Home Appliances has always placed users at the core of its enterprise value, and has made in-depth layout around the user scenarios to accurately cover diversified consumer groups. In response to users' increasing demand for home appliances with aesthetic design, the Hisense Tresor series merges the aesthetics of Eastern design with technology that embodies humanistic care to provide high-end families in China with a "smart home" and "artist" lifestyle. During the year, the scale of the Tresor series increased by 52% year-on-year, and even realized an increase of more than 120% after the implementation of the trade-in policy. In the face of user demand for temperature, humidity and other indoor air personalization, Hisense fresh air air-conditioners focus on the comprehensive air scenario and the "AI air housekeeper" feature provides users with a full range of customized air services, making annual sales volume and sales ranking the first in the industry. For young users requiring silent sleep, Kelon Air Conditioner became well known on Douyin quickly with its operational noise of mere 16 decibels. Catering the vintage trend of millennial users, the Roman Holiday series of Hisense washing machines in Italian design was launched and won a number of awards. In addition to the household scenario, we have also constructed the ECO-B smart building system to satisfy the needs of customers, showing the beauty of green smart living.

III. INSISTING ON A LONG-TERM INCENTIVE SYSTEM TO MOTIVATE EMPLOYEES

Hisense Home Appliances has always been committed to a long-term incentive mechanism designed to foster entrepreneurial passion of the management and employees through reform. Since 2022, we have implemented a series of transformations in strategies, organization, talents and processes as well as a corporate culture and leadership building program. We continue to optimize the incentive mechanism to fully mobilize the enthusiasm and creativity of the management and employees. From 2023 to 2024, we introduced an equity incentive and employee stock ownership plan, covering more than 880 core management members and key employees over multiple phases. This approach aligns the interests of shareholders, the Company and our core team, driving rapid growth in both scale and performance.

IV. INSISTING ON THE GLOBALIZATION STRATEGY AND LETTING THE “WORLD MANAGING THE WORLD”

Hisense Home Appliances remains committed to its globalization strategy and continuously enhancing the influence of its own brands in the global market. During 2024, the overseas revenue of the Company exceeded RMB35.6 billion, representing a year-on-year growth of 28%. Among them, Hisense refrigerators achieved outstanding performance in the overseas market, with record high market share in a number of markets, with the share of Europe reaching 10.3% and that of South Africa exceeding 34%. Overseas gross profit margins continued to rise, and profitability continued to improve for the third consecutive year. Since 2006 when our then leader put forward the strategy of “focusing on overseas markets”, we have set up 36 industrial parks and production bases around the world, with 30 research and development institutes and 64 overseas companies and offices. The Company insisted on deepening sports marketing and has continuously sponsored top world events. Following the successful sponsorship of the FIFA World Cup Russia 2018 and the FIFA World Cup Qatar 2022, Hisense is officially becoming the first global official partner of the FIFA Club World Cup 2025, joining hands with FIFA for the third time to jointly create an upcoming World Cup and showcase the brand's appeal to consumers around the globe. At the same time, the Company has further integrated research, production and sales to optimize its sales structure. Moving forward, Hisense will continue to embed itself in local communities, serving local areas and contributing to local areas, realizing the change from “China managing the world” to “the world managing the world”.

V. INSISTING ON DIGITAL TRANSFORMATION AND INTEGRATING BIG MODEL TECHNOLOGY

Hisense Home Appliances remains firmly committed to digitalization and intelligence to reshape its sustainable development capability for the future. At present, we have initiated digital transformation, completed the initial design of the reform program and entered the stage of substantive reform of our businesses. For example, we have promoted intelligent operation management in the supply chain, which has resulted in a 37.59% reduction in material numbers, a 25.8% year-on-year shortening of order fulfillment cycle for core indicators and a 7.5% year-on-year increase in the order guarantee rate. We have carried out a full-scale digital transformation in intelligent manufacturing, introducing advanced technologies such as automated robots, AI and 5G, which has resulted in a 10% year-on-year improvement in the cost of manufacturing a single unit and a 14.9% year-on-year increase in UPPH (units produced per hour) in 2024. We released our proprietary Xinghai large model and deeply integrated DeepSeek and other technologies to redefine the standard of whole-house intelligent experience, significantly enhancing the humanization, intelligence and interactive experience of home appliances. Through comprehensive digital transformation, we will provide solid support for the enterprise's high-quality and sustainable development, and enhance Hisense's own “new quality productive force”.

VI. INSISTING ON GREEN MANUFACTURING TO BUILD A LIGHTHOUSE FACTORY

Hisense Home Appliances remains committed to the concept of green manufacturing, so that green has become an important pillar for “building 100 year old Hisense” and become the permanent background color of the Hisense brand. We have pushed forward the “digitalization and intelligence upgrading” and promoted green, low-carbon and sustainable development with more than 20 pioneering technologies in the industry. The Huangdao factory of Hisense Hitachi was selected as a global “lighthouse factory” and became the world’s first “lighthouse factory” for multi-line central air conditioners. We have actively responded to the country’s “dual-carbon” strategy by publishing the “Hisense Home Appliances 2024 Carbon Neutral White Paper” and announcing our dual-carbon commitment at the ESG Global Leadership Conference 2024: to achieve operational carbon peak by no later than 2026 and to achieve operational carbon neutrality by no later than 2050. At the same time, we foster collaborative innovation across our value chain, working with our upstream and downstream partners to develop low-carbon technologies and emission reduction solutions along the value chain to improve resource utilization efficiency in procurement, logistics, warehousing and recycling, and utilize the “Internet + recycling” model to achieve full monitoring and management of the recycling process, so as to jointly promote green and low-carbon development.

VII. INSISTING ON SHAREHOLDERS’ RETURNS AND DEEPENING INVESTOR VALUE

Hisense Home Appliances has always placed shareholder value creation at the core of its business, and has made the enhancement of investor returns an important goal of the Company’s high-quality development. During the year, we implemented the A Share Repurchase Plan to grant incentives to participants under the Employee Stock Ownership Plan and create a long-term incentive effect. In the past two years, along with the rapid growth of our results, we have also increased our dividend payout ratio from 30% to 50% of net profit attributable to the parent company, with a significant increase of 95.9% year-on-year in the dividend per share for 2023, and proposed increasing the 2024 dividend to RMB1.23, representing a year-on-year increase of 21.4%. Over the past ten years, we have cumulatively distributed dividends of approximately RMB5.05 billion to our shareholders and repurchased shares of RMB550 million, steadfastly sharing the fruits of our corporate development with all investors.

At the 55th anniversary celebration, Hisense Group formally put forward the new goal of “building a world-class enterprise and achieving a world-class brand”. Hisense Home Appliances will accelerate the pace of development, focus on scale breakthroughs and industrial upgrading, and actively shine in the competition of hundreds of billions of dollars. We firmly believe that: though the storm has come and the road is arduous and lengthy, if we press on unceasingly, we shall surely reach our destination. We hope that all investors will join hands with us to create a brilliant future together!

Corporate Information

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Board Secretary: Ms. Zhang Yu Xin
Company Secretary: Ms. Wong Tak Fong

AUTHORIZED REPRESENTATIVES

Ms. Gao Yu Ling
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Management Discussion and Analysis

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

1. Overview of the Domestic Heating, Ventilation and Air-conditioning (“HVAC”) Market

(1) *Central air-conditioning market*

According to the statistics from AICON (www.aicon.com.cn), the overall market size of the central air-conditioning industry decreased by 12.5% year-on-year in 2024. In the context of a cooling market, the concentration of brands has increased, with multi-split systems remaining dominant products in the central air-conditioning market.

The engineering market has experienced a downturn due to the decline in the property fitting-out furnishing market, the reduction of large-scale public construction projects, and other factors. The demand for previously high-demand new niche markets has weakened; however, high-end property fitting-out furnishing support projects and industrial projects were still resilient. Driven by national policies such as the “Dual Carbon Goals” and 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 market of existing stock, such as industrial retrofitting, may leave room for future growth in the central air-conditioning.

The home fit-out retail market was affected by the sluggish real estate sector, thus experiencing a year-on-year decline of 17% in scale. Amidst the trend of consumer segmentation, the demand for the improvement market remained robust. The market share for high-end offerings targeting large residential units and villas, such as dual-supply systems and multi-constant power systems, witnessed an increase. Additionally, energy-saving and intelligent air-conditioning products were increasingly preferred.

(2) *Household air-conditioning market*

In 2024, the air-conditioning market exhibited a trend of “cooling first and warming afterward.” According to the omni-channel aggregated data from AVC (奧維雲網), the annual retail volume of the domestic air-conditioner market fell by 1.7% year-on-year, while retail sales fell by 2.1% year-on-year.

In the second half of 2024, driven by national subsidy policies, the demand from the air-conditioner market was effectively stimulated, revealing an improving structural trend. Among them, the fresh air conditioner market grew rapidly, with the market share of fresh air conditioners in online and offline retail sales increasing by 5.1 and 8.6 percentage points year-on-year, respectively, according to monitoring data from AVC. The national subsidy policies have accelerated the popularization of high-efficiency products, thereby unleashing demand in lower-tier markets. Product categories featuring fresh air, integrated, and AI-driven smart products have emerged as new trends for market growth.

Management Discussion and Analysis

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

(1) *Domestic refrigerator and freezer market*

According to the omni-channel aggregated data from AVC, the retail volume of the domestic refrigerator market increased by 4.9% year-on-year in 2024 and the retail sales increased by 7.6% year-on-year. Driven by national subsidy policies, the refrigerator industry experienced growth in both volume and sales, while steadily advancing towards the high-end segment. Concurrently, with the deepening trend of integration in home appliances and home furnishings, the demand for large capacity, health and freshness-preserving features, and built-in models continues to rise.

According to the omni-channel aggregated data from AVC, the retail volume of the domestic freezer market in 2024 declined by 2.1% year-on-year, while the retail sales declined by 5.1% year-on-year. During the period, the demand for household freezer declined, experiencing three consecutive quarters of contraction. However, with the implementation of national subsidy policies, the freezer market gradually recovered in the fourth quarter, achieving a growth of 2.5%.

(2) *Domestic washing machine market*

According to the omni-channel aggregated data from AVC, the retail volume of washing machines increased by 7.3% year-on-year in 2024. Drum washing machines continued to lead the market, while dryers and washer-dryer sets emerged as core growth engines. The washing machine market is gradually shifting to technology-driven development of high-end, health and home integration.

(3) *Domestic kitchen appliance market*

According to the omni-channel aggregated data from AVC, the retail volume of large kitchen and bathroom appliance increased by 5.7% year-on-year in 2024.

Driven by the national subsidy policy and replacement demand, the kitchen appliance industry has entered a new cycle of structural adjustment. Rigid demand categories (hoods, stoves, electric water heaters and gas water heaters) returned to the core of the industry and demonstrated certain growth resilience; quality-life-demand categories (dishwashers, disinfection cabinets, built-in microwave combi ovens and water purifiers) entered a fast-growth track, with retail sales increasing by 16.4% year-on-year. Among them, dishwashers upgraded significantly in structure, leading the market with a growth rate of 17.2%. Driven by policies, the kitchen appliances industry is accelerating its development towards large capacity, integration and intelligence, and the increment in the lower-tier markets is particularly remarkable.

Management Discussion and Analysis

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

According to the data from relevant think-tanks, the global automobile sales reached 89 million units in 2024, reflecting a year-on-year increase of 2.1%. Sales of new energy vehicles totalled 18.24 million units, representing a year-on-year growth of 24.4%. Among them, the sales of new energy vehicles in China reached 12.866 million units, with a penetration rate of approximately 40.9%, representing a year-on-year increase of 35.5%. The Chinese market remained to serve as a strong driving force underpinning the robust development of new energy vehicles globally. In the context of increasingly stringent global environmental policies, the demand for compressors equipped with more environmentally friendly and energy-efficient refrigerants, as well as integrated thermal management systems, grew rapidly. The industry will accelerate its transformation towards integration, electrification, intelligence, networking, and sharing.

4. Overview of the Smart Home Market

According to the data from AVC, the penetration rate of smart home appliances in the domestic market continued to grow in 2024. In terms of the share in the offline market, smart air conditioners accounted for 94.3% (+4.2%), while smart refrigerators accounted for 57.6% (+10.5%). In terms of the share in the online market, smart air conditioners accounted for 84.9% (+9.8%), and smart refrigerators accounted for 54.2% (+12.0%). The significant year-on-year increases in intelligence rates across major appliances categories reflects growing consumer demand for energy efficiency, environmental protection, health management, and deep intelligence. Meanwhile, the smart home market is poised to experience the dual drivers from technological innovation and consumer upgrades in 2025. The rise of AI models, such as DeepSeek, is rapidly reshaping the smart home appliance ecosystem, driving a transition from “passive connectivity” to “active recognition.” The innovative paradigm of “foundational models plus vertical scenarios” propels smart home appliances from individual functionality optimization to holistic household cognition synergy. Backed by policies backing and technological breakthroughs, the smart home market is expected to accelerate towards a larger industrial scale.

5. Overview of Overseas Home Appliance Market

According to the data from the Industry Online, in 2024, the export volume of refrigerators and freezers rose by 20% year-on-year, and the export volume of air conditioner industry rose by 28% year-on-year, with that of washing machine industry rising by 17% year-on-year. In 2024, the sudden onset of the Red Sea crisis, coupled with intensified trade protectionism and escalating of geopolitical competition, have led to greater uncertainty in the home appliance sector’s overseas expansion. On the other hand, the economic recovery in emerging markets, the release of demographic dividends and the increase in penetration rate of the home appliance industry have also driven industry’s rapid growth. At the same time, mature markets in Europe and the U.S. are gradually deepening scenario-driven and intelligent trends, continuously upgrading the industry structure.

Note: According to the data from AVC, smart air conditioners and smart refrigerators refer to products with wifi connectivity.

Management Discussion and Analysis

In terms of categories, the overall demand for air-conditioning products in overseas markets improved significantly and maintained a growth trend. This growth was mainly driven by the increase in demand brought about by global climate change and the higher overall competitiveness of China's air-conditioning industry in the global market. With relatively low air-conditioner penetration in emerging countries, there is still significant potential for future growth. Refrigerators and freezers have demonstrated particularly impressive performance in the South American market, while the African market has also achieved double-digit year-on-year growth due to favorable demand.

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

1. HVAC Business

(1) Central air-conditioner business

In 2024, amidst the dual challenge posed by persistent downturn of the real estate market and the contraction of public construction projects, the central air-conditioner business, guided by China's "Dual Carbon Goals" and urban renewal policies, achieved steady sales growth through technological innovation. Its market share in the domestic multi-split systems market exceeded 20%, continually leading the way forward in the industry.

i. Smart home solutions, technology tailored to life

The Hisense brand has carried out innovation with focusing on users' "worry-free life" and launched the 5G + Honor Home series of central air conditioners. In response to the demand for removing formaldehyde in newly decorated houses, the Hisense 5G+ Glory Home features a proprietary, high-speed Internet of Things module specifically designed for central air conditioning, equipped with its own 5G network. This ensures that even new users without Wi-Fi can remotely control their air conditioning anytime, anywhere, with a one-touch solution for removing formaldehyde in newly decorated houses. Meanwhile, by incorporating an active comprehensive air management system that automatically links multiple air devices throughout the home, it facilitates self-awareness and self-regulation, thereby achieving active intelligent control of air quality through AI. For instance, in the presence of children or pets, the air conditioning system will actively sense variations in indoor temperature, humidity, and air quality, and then autonomously adjust to ensure a fresh atmosphere. Meanwhile, the Company's newly launched fresh air indoor unit has revolutionized conventional fresh air technology and performance standards, incorporating all three of air purification, cleanliness, and oxygen enrichment. It boasts advanced features such as temperature and humidity regulation, efficient ventilation, and integrated control with air conditioning. According to the report from AICON, Hisense maintained its leading position in the domestic smart central air-conditioner market in 2024.

Management Discussion and Analysis

The Hitachi brand, anchored in the principles of intelligent foresight and comfort-oriented control, has created the “home that breathes intelligently” for its users. The top-freon and floor-water (天氟地水) Smart Enjoy series offered a comprehensive intelligent multi-connected system, delivering an integrated solution for both heating and cooling that efficiently meets the core demands of users in East and Central China for optimal heating in winter and year-round comfort from temperature control. In 2024, its sales volume increased by nearly 20%. The household smart air customization system has been upgraded to the home-feel 2.0 version, which deeply integrates three core modules of air conditioning, underfloor heating, and fresh air circulation, and automatically optimizes the operation of the equipment based on the big data of global users. Users can effortlessly enjoy intelligently coordinated adjustments of temperature, humidity, and fresh air volume without complex operations, resulting in a responsiveness improvement of 5 to 10 minutes compared to manual modes. Furthermore, with an energy-saving performance of 8%, this innovative achievement has successfully secured the Aipulan “Smart Technology Award” at AWE 2024.

York’s VRF brand meticulously customizes and innovatively develops two-connected supply products, crafting an experience of “seamless luxury care” for its users. The newly launched product features an innovative design that integrates top-freon and floor-water with top-freon and hot water, offering an ecosystem-level solution for discerning clients seeking a comprehensive underfloor heating and hot water experience. In 2024, its market share in the segmented field of top-freon and floor-water exceeded 20%, maintaining its leadership in the industry.

ii. **Full-scene engineering solutions, using innovative technologies to address intricate demands**

The Hisense brand focuses on the application of extreme environmental scenarios and robustly introduces the M3 series of comprehensive scene solutions. With its first-of-class all-around operational capability ranging from -30 to 58℃, the M3 series transcends the limits of extreme cold and intense heat. It has been validated to withstand category 17 typhoons and magnitude 9 earthquakes, making it adaptable to the complex conditions of high-altitude cold regions, coastal typhoons, and seismic belts, ensuring round-the-clock stable performance for commercial complexes and research institutions.

The Hitachi brand focuses on the renewal market with energy-saving technologies, providing full lifecycle support from diagnosis of the current situation, customization of solutions and recycling of old equipment. The latest generation of water-source multi-connected systems has broken the efficiency ceiling of multi-connected units and earns it the title of Innovative Product at the China Refrigeration. In 2024, it captured over 40% of the market share in water-source multi-connected systems. The IoT multi-connected unit, SET-FREE AIII, utilized intelligent control algorithms to achieve performance breakthroughs under harsh conditions, while providing smart air solutions for upscale commercial spaces. Throughout the year, the Hitachi brand maintained its leading position in the property fitting-out furnishing market with a market share exceeding 20%.

Management Discussion and Analysis

iii. **Future ecological construction system, supporting urban transformation with hardcore technologies**

The company consistently prioritized the needs of space users, transforming technological innovation into tangible comfort benefits. In the field of smart buildings, the focus was centered on the integration of “HVAC + energy + specialized scenarios” through the introduction of the Hisense ECO-B smart building solution. This initiative facilitated the intelligent interconnection of equipment such as water machines, multi-connected machines, and lighting within building spaces, significantly enhancing the energy efficiency and intelligent capabilities of the buildings. Within the campus of 230,000 square meters of Jinjiang Intelligent Manufacturing College, the ECO-B Smart Building Management System provides an integrated solution for creating the immersive reading environment in the library and the personalized temperature control adjustment in the dormitories. The 22.5% growth in the smart building business fully demonstrates Hisense Central Air Conditioning’s ability to replace manual control with intelligent algorithms, transforming buildings into thinking living organisms.

In the field of water chiller business, the Company has globally launched the first-of-class positive pressure, liquid floating, variable frequency, oil-free centrifugal compressor series and its complete units, which were awarded the Gold Award at China Refrigeration Exhibition. Meanwhile, the Company continues to strengthen its presence in the heat pump fresh air business. The Hitachi brand has launched ultra-energy-efficient total heat exchangers for buildings and high static pressure DC fresh air indoor units, meeting users’ demands for ultra energy efficiency and high static pressure fresh air.

iv. **The innovative channel integration, using high-quality services to shorten the distance between technology and users**

During the Reporting Period, the Company promoted product suite marketing by integrating multiple product line technologies. Throughout the year, the deep integration of 924 channels led to a 14% growth in the scale of the terminal market. Services constitute the ultimate “closed loop” in achieving quality experiences. In terms of after-sales support, the Company has established a comprehensive one-stop service process. Currently, the Company operates 139 self-owned installation service centres and over 700 installation service units across the country, with more than 100 detailed standards of meticulous installation, alongside a ten-year warranty for complete units.

(2) **Household air-conditioner business**

The household air-conditioner business upheld the mission of “building air conditioner as the central indoor air housekeeper, improving the living environment and benefiting hundreds of millions of families,” while focusing on upgrading the technologies and products of Hisense and Kelon. According to the omni-channel monitoring data from AVC, the online and offline retail sales of household air-conditioners increased by 10.8% and 21.2%, respectively in 2024, which is 0.1 points and 6.0 points higher than the industry growth rate, respectively, representing a growth against the trend.

Management Discussion and Analysis

i. **Hisense Air Conditioner, let your home breathe freely**

Hisense Air Conditioner understands the unique demands of every family for air quality and has launched fresh air conditioner family products such as the Tresor C3 series, the Spring Breeze X6, and the Little Oxygen Bar X7. Regardless of the changing seasons, these products can automatically adjust to provide the most suitable temperature, humidity, cleanliness, and freshness. Empowered by AI, technology becomes more human-centric. Hisense Air Conditioners has transformed the “AI Air Housekeeper” of the Tresor C3 series into users’ personal air consultant, with the ability to automatically sense environmental changes. Upon detecting a rise in indoor PM2.5 levels, it promptly activates its purification mode. When the air is detected to be dry, the humidifying function activates automatically. Through the Hisense AiHome App, users can customize their unique air formulas with one tap: the “Bama Wellness Mode” for morning exercises, the “Powerful Formaldehyde Removal Mode” for moving into a new residence, the “Energy-Saving Mode” for the sweltering heat, and even the “Drying Mode” during the rainy season, truly putting technology at the service of daily life. According to monitoring data from AVC, Hisense’s fresh air air-conditioners were set to lead the industry in terms of both sales volume and revenue in 2024, with the Tresor 72C310 model reigning supreme in the fresh air cabinet market segment. In the offline sales rankings for fresh air air-conditioners, six out of ten best-selling models are Hisense products, reflecting users’ genuine feedback on the stability and effectiveness of Hisense’s fresh air technology.

ii. **Kelon Air Conditioners, defining good air for youngsters**

Kelon Air Conditioner forges a close connection with younger users, focusing on two incremental markets of sleep economy and healthy home, while continuing to strengthen the brand’s youthful image. In 2024, Kelon Air Conditioner made technology more humanistic through three major upgrades of “technology that can understand users’ needs, changes that can be seen in effects, and interactive experiences that users can engage in with ease”, establishing an emotional resonance with users. The sleep quiet technology minimized operational noise to a mere 16 decibels, while the AI energy-saving algorithm automatically optimized household energy consumption. Additionally, the retro-designed units were frequently featured in home decoration showcases on Xiaohongshu. The LT product series has been equipped with National Level 1 Energy Efficiency Standard technology, utilizing adaptive frequency conversion to achieve a harmonious balance of energy conservation and quiet operation, fully catering to the year-round needs of households. The LF product series has been specifically designed for families with infants and has received certification from the China Household Electrical Appliance Research Institute as a “baby-friendly room air conditioner,” which proved its effectiveness in filtering allergens such as pollen and dust mites. These endeavors have earned Kelon Air Conditioner the “2024 China Air Conditioning Industry Innovation Brand Award” and established it as a “trusted healthy air conditioning brand among consumers.”

iii. **Implementing national policies to develop a low-carbon future**

Hisense Air Conditioner consistently adheres to the principle of “transforming national policies into the welfare of the people.” In response to the national appliance renewal subsidy policies, all seven series of products have successfully achieved green product certification. Among these, six products, including the Tresor C300, simultaneously earned three-star carbon label certification, allowing consumers to enjoy an additional benefit from the Company’s replacement subsidy upon purchase. Through the combined subsidy efforts of government and enterprises, the market share of mid-to-high-end air conditioning products increased by 0.6 percentage points. In response to the renewal demands in lower-tier markets, the Company has established a nationwide old appliance recycling network, continually advancing its green transformation and digital service upgrades.

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

(1) ***Refrigerator and Freezer Business***

In 2024, the Company’s refrigerator and freezer business, grounded in the dual-brand strategy of Ronshen and Hisense, focused on the core tenets of health preservation and vacuum technology. Supported by “national subsidies” policies for home appliances, the Company aimed to achieve a simultaneous enhancement in both quality and quantity. According to the omni-channel monitoring data from AVC, in 2024, retail sales of Hisense-branded refrigerators increased by 21% year-on-year, boosting its market share by 0.8 percentage points and ranking second in the industry, while retail sales in the mid-to-high-end segment grew by 19.8% year-on-year. Additionally, the market share of the freezer business increased by 1.1 percentage points.

i. **Ronshen refrigerator, revolutionizing the household preservation experience with nature-inspired freshness technology**

Ronshen Refrigerator has continuously deepened its focus on three major technological directions: “fresh preservation, health, and embedded design,” propelling industry advancements through product innovation and standards setting. The 560WILL Fresh Preservation Embedded Refrigerator, developed based on the WILL Natural Fresh Preservation System, pioneeringly simulated a natural ecological storage environment, ensuring that fruits and vegetables maintain a “freshly picked” quality even after seven days of storage. This product rapidly ascended to the industry’s bestseller list after its launch, breaking into the top four within three weeks and ultimately securing a place among the top ten for the year. The highly sought-after 506 Dual Clean Pro Embedded Refrigerator, through the collaborative innovation of the Smart Sensing Dual Clean System and IDP Active Sterilization Technology, precisely tackled the challenge of odor permeation, repeatedly ranking as the top product in the offline market and earning the 2024 Aipulan Golden Reputation Award.

Management Discussion and Analysis

According to monitoring data from AVC, the overall market share of Ronshen refrigerators increased by 0.7 percentage points in 2024, with a year-on-year rise of 1 percentage point in the offline mid-to-high-end and high-end segments. The Company proactively responded to national policies aimed at upgrading consumption by innovatively launching a dual-subsidy model of “government energy efficiency subsidies + enterprise bulk purchase discounts,” reducing the renewal cost for users by over 25%. As a key architect of the embedded appliance standards within the industry, Ronshen refrigerators spearheaded the establishment of a standardized system of installation for embedded appliances, thereby facilitating industrial upgrades in the context of increasing integration in home living.

ii. **Hisense refrigerator, pioneering a high-end fresh-storage revolution with vacuum technology**

Hisense Refrigerator has achieved a significant technological breakthrough in the field of vacuum preservation. The innovative vacuum magnetic field preservation technology developed in 2024 established a constant temperature, low-pressure, low-oxygen environment, coupled with the orderly arrangement of water molecules induced by a magnetic field. This enabled beef steaks to retain cellular vitality even after seven days of refrigeration, thus pioneering a dual preservation mechanism of “vacuum oxidation prevention + magnetic field enzyme activity suppression.” Such advancement fervently propelled the innovation and upgrading of vacuum preservation technologies. In the third quarter of 2024, the flagship 565 vacuum refrigerator equipped with this technology and priced at the level of RMB10,000, was set to launch, thereby enhancing the brand's share in the high-end market by 1.6 percentage points.

As a leader in the industry standards for vacuum preservation chambers, Hisense Refrigerator has developed an intelligent storage and preservation solution that caters to complete user experience. The Tresor Series features one-touch vacuum segregation and an active sterilization and deodorization system, which create a safe preservation environment with a 99.99% antibacterial efficacy. In 2024, the Tresor 600 vacuum refrigerator received the AWE Excellent Product Award. With its innovative flat-integrated and zero-distance opening design, Hisense Refrigerator embodied the concept of an artistic kitchen, while addressing the aesthetic needs of users' living spaces. During the national subsidy period, the Company reduced the trade-in cost for consumers through a combination of government energy efficiency subsidies + corporate bulk purchase discounts, while simultaneously launching the after-sales service policy with a “three-year full warranty for refrigerators and a twelve-year warranty for compressors and vacuum pumps,” which significantly enhanced the quality renewal experience for users.

Management Discussion and Analysis

iii. Freezer business, driving the upgrade of freshness preservation experience with scenario-based innovation

The freezer business concentrates on frost-free air cooling and deep-freezing technologies, while fostering differentiated competitive advantages through innovative scenario applications. According to monitoring data from AVC, Hisense's overall market share in freezers increased by 1.1 percentage points year-on-year in 2024, with its high-end market share rising by 1.6 percentage points year-on-year.

Ronshen Freezer launched fresh cube series, integrating -40 °C deep freeze rapid freezing with dynamic sterilization technology. Its modular design achieves a remarkable 30% enhancement in space utilization, with four online models securing their places in the industry's top 20. Hisense Freezer, backed by years of foresight in air cooling technology, has surmounted the traditional challenges of frost formation with its fourth-generation advancements. The 165L freezer features an elevated design and 360° circulating airflow, striking a balance in experience between "three-second freezing" and "frost-free cooling."

In response to the storage requirements for premium ingredients, the Hisense ice bars series innovatively developed a five-zone independent temperature control system, providing a precise storage environment for items such as red wine and cigars. The technology of deep freezing reduces cellular damage to below 5%. In 2024, the overall market share of Hisense ice bars series increased by 0.5 percentage points year-on-year.

(2) *Washing Machine Business*

Continuously deepening technological innovation and achieving breakthroughs in health-oriented washing and care, the washing machine business has attained the third position in terms of global shipment volumes within China, while securing the top growth rate among the world's top 10 brands.

Based on precise insights into consumer trends, Hisense washing machines have continuously innovated and upgraded their cleaning technology to meet user demands. For the washing machines, the Company has developed patented technology of running water washing technology, which enhances cleaning power by over 22% by invigorating the water, thereby achieving a cleanliness ratio of 1.25 and setting an industry benchmark. Such technology softens water, while eliminating over 93% of scale, preventing laundry from yellowing or hardening. It safeguards user health in real-time, achieving a fungal elimination rate of 99.99%, ensuring deep cleanliness while filtering and expelling lint throughout the washing process. This meticulous attention to hygiene offers a healthy and caring washing experience for pet owners, families with children, and individuals with allergies. Currently, products equipped with Hisense's running water washing technology are widely acclaimed by consumers. According to the data from AVC, the Hisense Piano Master i3 washing machine has successfully claimed the weekly top on the national bestseller list.

Management Discussion and Analysis

Furthermore, leveraging its industry-leading garment care technology to meet the ever-evolving drying and care demands of consumers, Hisense has launched the Marshmallow series washing and drying set. Equipped with skin-care grade clothes care technology, efficient drying technology, and 6D precise drying detection technology, this series has gained immense popularity among consumers since its launch, driving a more than threefold increase in Hisense's dryer sales.

In the realm of consumption among youngsters, Hisense washing machine seamlessly merges vintage aesthetic design with modern technology, while transcending the conventional boundaries of washing machines. It has launched the Roman Holiday series, inspired by romance and freedom, featuring a body with soft and rounded edges, a Roman green color scheme, and a Morandi gradient glaze technique, which brings young users a dual satisfaction of emotional value and laundry experience. The Roman Holiday series has garnered prestigious accolades, including the 2024 International CMF Design Gold Award, the 2025 CES Innovation Award, and the AWE Design Gold Award, greatly endearing itself to consumers.

(3) Kitchen appliances

Hisense kitchen appliances consistently prioritizes user needs in refining its products and services. While continuously deepening technological innovation, it optimizes the layout of consumer experiences, resulting in a 72% year-on-year growth in the kitchen appliance business scale, providing more households with kitchen and bathroom solutions that seamlessly blend functionality and aesthetic appeal.

From its aesthetic design to functional details, Hisense kitchen and bathroom attentively listens to real-world user needs. During the year, it launched 34 models of new mid-to-high-end products iteratively, including combinations of hoods and stoves, dishwashers, as well as electric and gas heating appliances. The W8 and C3 Tresor Series, catering to the health-conscious requirements of modern households, witnessed a remarkable 110% year-on-year increase in the sales of high-end series, thanks to their minimalist aesthetic design and user-friendly interactive experience. Furthermore, the online platform has leveraged favorable national subsidy policies to optimize its structure, resulting in an increase in the sales proportion of mid-to-high-end products to 50%. Meanwhile, the dishwasher category has achieved exponential growth by leveraging eight core technologies such as UV waterway sterilization and intelligent dispensing. The annual sales have witnessed a year-on-year increase by 152%, topping the industry in terms of growth rate, which truly make the liberation of hands an integral part of daily life for countless households.

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

Amid the global energy reform and the intelligent transformation of the automobile industry, Sanden Company has proactively advanced its transition from a compressor-centric parts supplier to a comprehensive thermal management system provider for new energy vehicles. It consistently delivers efficient, energy-saving, intelligent and reliable thermal management solutions to automobile manufacturers worldwide.

Management Discussion and Analysis

(1) *Achieving a comprehensive breakthrough in thermal management systems and core components by advancing the efficacy of green technology*

Sanden Company focuses on the core demands from users of new energy vehicles for safety, efficiency, and comfort. Through innovative green technology, it has revolutionized thermal management systems and core components, thereby continually optimizing travel experiences. In response to concerns regarding the reduction in the battery life in winter, Sanden Company has independently developed the new generation of natural refrigerant integrated units (CRU), which improve the battery life in winter by 25%. Furthermore, the introduction of the innovative fifth-generation electric compressor, designed with a modular architecture, boasts a 20% reduction in operational noise compared to the industry average, fulfilling users' aspirations for a high-quality driving experience characterized by both "efficiency and tranquility". In the face of the challenge posed by extremely low temperatures, the advanced thick film heating technology enables simultaneous rapid warming of both the battery pack and the cabin in conditions as frigid as -30℃. This innovation not only ensures stable battery life in winter but also liberates users from the vexing difficulty of warming the interior of vehicles in severe cold. Addressing the space constraints typical of compact vehicles, Sanden Company has pioneered a split-type dual-layer air conditioning technology. Through the lightweight design of external fan housing, it has succeeded in reclaiming up to 12% more interior space, thereby offering urban users an unparalleled driving experience.

(2) *Being firmly centered on "customer needs" for global layout to foster mutually beneficial ecosystems*

Focusing on the new trends of "electrification, intelligence, connectivity, and sharing" in the automotive industry, Sanden Company has meticulously restructured and outlined clientele maps along with clientele strategies, along with differentiated and customized market planning. In addressing strategic clients, Sanden Company has established a tripartite mechanism encompassing "headquarters-region-possession" collaboration, which deploys engineering teams to deeply integrate within clients' research and development cycles, thereby facilitating joint development of thermal management technologies and forward-looking preassessment of demands. In addressing the high-potential clients in the Chinese market, Sanden Company leverages localized research and development centre alongside flexible production lines to deliver customized solutions such as heat pump air conditioning systems, intelligent water heaters and others, which achieved a 20.8% year-on-year increase in supporting order amounts within the Chinese region in 2024. Through our global layout, which encompassed four major manufacturing bases and R&D centers in Japan, China, Europe, and the United States, Sanden Company has established an integrated mechanism of research, production and sales for customers' proximity to supply and services, allowing for swift responses to empower our partners in seizing market opportunities.

Management Discussion and Analysis

4. Tresor High-End Business

The Hisense Tresor series steadfastly upholds the utmost quality, while merging the aesthetics of Eastern design with technology that embodies humanistic care. It is specifically crafted to provide high-end Chinese households with an aesthetically pleasing, tranquil, and harmonious lifestyle imbued with Eastern elegance. The Tresor series creates a comprehensive smart living ecosystem that breaks down the barriers between isolated spaces, establishing seamless connections among home appliances, home living, and family members. In 2024, the scale of the Tresor premium series witnessed a 52% year-on-year growth. Fueled by the trade-in policy, the Tresor premium series achieved a 120% year-on-year growth, contributing significantly to the escalating penetration of high-end home appliances within the industry. In terms of channel construction, the Tresor series continues to strengthen its connection with central air-conditioning specialty stores, driving a breakthrough in the size of the pre-installation market. From artists and smart homes to user-centric living environments, the Tresor series has emerged as a leader for the high-end lifestyle.

5. Smart Home Business

Currently, the Company has integrated a proprietary Xinghai large model with DeepSeek, while launching the Hisense appliance-specific intelligent agent to create a comprehensive “Hisense all-scenario AI home appliance solution” from the users’ perspective. By merging the large model with our self-developed industry-leading expert database, the Hisense intelligent agent can deeply understand user needs, proactively think and reason, deliver professional solutions, and execute with precision, thus achieving truly holistic and continuous management.

In the realm of air solutions, Hisense AI air housekeeper can achieve “optimal air quality with automatic regulation.” For instance, in a sports viewing scenario, a fan might say, “Hello HALI, a penalty kick is about to occur, and it feels a bit warm here.” The Hisense AI air housekeeper can conduct an in-depth deductive analysis based on the external environment and viewing context, and then activate a fan-exclusive mode that lowers the temperature to a comfortable 24 °C and initiates fresh air circulation to alleviate any tension. The Hisense AI air housekeeper can also implement human-sensing wind control; when users approach the air conditioner, it automatically switches to a gentle breeze to prevent discomfort. Moreover, when no occupants are detected, it automatically transitions into energy-saving mode. In addition, the Hisense AI air housekeeper can even continuously monitor the room’s air quality, and should it detect a significant deterioration, it promptly activates the fresh air mode and autonomously adjusts the fresh air volume to purify the air.

In the realm of intelligent laundry care, Hisense’s AI laundry housekeeper embodies the principle of “instant response, tailored laundry.” When faced with the pet-hair dilemma, one needs only lament, “The sofa cover hasn’t been washed in two weeks, and it’s entirely covered in cat hair,” and the Hisense AI laundry expert will promptly adjust to the most powerful water flow, activating the disinfection and mite-removal mode. When the morning rush calls for a suit to be wrinkle-free, a simple request, “Hasten the care for this suit, need it ready in half an hour,” will prompt the AI laundry expert to initiate steam smoothing, maintain a constantly cool air cycle for dust removal, and automatically shorten the drying time, thereby ensuring the attire is impeccably maintained.

Management Discussion and Analysis

In the realm of health preservation, Hisense's AI culinary housekeeper allows for a clear overview of food within the refrigerator, while intelligently sensing ingredients and providing optimal preservation solutions. For instance, the built-in camera can recognize the marinade on the surface of lamb chops, understand the user's need for rapid marination, and consequently adjust temperature and vacuum levels to achieve the optimal marinating process. As the marination approaches completion, it automatically awakens the oven for preheating. Meanwhile, the AI culinary housekeeper "not only perceives freshness but also unlocks new approach," thus transforming itself into an intelligent nutritionist.

The AI-powered home appliance full-scenario technological solution not only embodies Hisense's advocacy of "integrating human-centric technology into daily life, and allowing people to enjoy every moment of wellness," but also presents the ultimate answer for AI home appliances: simplifying the complex, entrusting technology with intricacies, and restoring simplicity to living.

6. Overseas Markets for Home Appliances Business

During the Reporting Period, the Company proactively developed five key engines in overseas regions, deepened localization efforts, and intensified its sports marketing initiatives, leading to a continuous increase in the influence of its self-owned overseas brands. In 2024, overseas revenue increased by 36% year-on-year with improving sales structure and increasing profitability.

(1) *Europe Region*

During the period, Hisense's Europe region capitalized on the opportunity presented by Euro 2024, while engaging in multifaceted interactions through brand promotion, product marketing, and e-commerce user operations. The region intensified investments in expanding into key markets and top channels, while continuously promoting the mid-to-high-end product matrix, which led to a rapid increase in home appliance revenue, with market shares across all categories experiencing a certain extent of growth. In 2024, the annual revenue from Hisense's European white goods business increased by 35% year-on-year. Among these, the sales of refrigerators experienced a 23% year-on-year growth, with Hisense refrigerators holding a market share of 10.3%, representing an increase of 2.3 percentage points year-on-year. Localization in research and development led to a 33% year-on-year increase in the revenue of the household air conditioner business. The addition of large-capacity, high-efficiency washing machines established a competitive advantage for integrated washing and drying machines, resulting in an increase in revenue of 48% year-on-year.

(2) *Americas Region*

During the period, Hisense's Americas region concentrated on the Central and South American markets, enhancing its local refined operational capabilities while overcoming significant barriers to markets such as Brazil. In 2024, revenue from home appliances in the Americas region surged by 46.5% year-on-year. Among these, the sales of refrigerators focused on channel management, achieving a 70.7% increase in revenue. The household air conditioner business prioritized the development of specialized channels and successfully advanced the North American refrigerant transition project, resulting in an increase in overall revenue by 30% year-on-year, with the revenue from light commercial appliances soaring by 176%. Furthermore, the revenue from washing machines rose by 70%.

Management Discussion and Analysis

(3) Middle East and Africa (MEA) Region

During the period, Hisense's MEA region shaped brand appeal through sponsorship of sporting events, while focusing on top-end stores to establish a strong offline brand presence. The brand strength and channel efficacy consistently improved, resulting in a 27% year-on-year increase in revenue for 2024. Among these, refrigerators have further deepened layout in high-end channels such as flagship stores, with revenue increasing by 19.7% year-on-year, and a greater proportion of high-end products. The sales of refrigerator and freezer products ascended to the top of the market, with Hisense refrigerators in the South African market accounting for 34.1% of total sales, representing a year-on-year increase of seven percentage points and securing the top market position for two consecutive years. Progress has been made in expanding specialized channels for air conditioners, with the light commercial appliance business driving an overall revenue growth by 27% year-on-year in this category. Central air conditioner emphasizes the application and study of technologies suited for high temperatures and sand-resistant capacities, thus achieving an increase in revenue by 57% year-on-year, while washing machines experienced a 39% rise in revenue year-on-year.

(4) Asia-Pacific Region

In 2024, Hisense's Asia-Pacific region implemented multifaceted strategic layout, enhancing its influence in regional markets through the restructuring of brand value and innovating product technology. In the Australian market, the focus was on amplifying efforts in three primary categories: air conditioners, washing machines, and kitchen appliances. Concurrently, in the Japanese market, alongside the enhancement of product strength, the optimization of the network of top-end experiential stores was also promoted. Furthermore, increased localized investment targeted potential markets such as New Zealand, India, and Bangladesh. In 2024, the Asia-Pacific region experienced a 15% year-on-year growth in revenue.

(5) ASEAN Region

During the period, the ASEAN region addressed the pain points of the regional market, while reinforcing its core category layout, accelerating the coverage of its network of chains, and continuously optimizing retail efficiency. In 2024, revenue from Hisense's ASEAN region increased by 32% year-on-year. The air conditioner business strengthened its construction of specialized channels, resulting in a 45% year-on-year revenue growth, with coverage in specialized channels increasing by 10 percentage points. The refrigerator and freezer business focused on structural breakthroughs, with the market share in Malaysia increasing by 1.63 percentage points year-on-year, and in Thailand, by 1.13 percentage points year-on-year. The washing machine business focused on promoting the running water washing series, thereby achieving a 58.2% year-on-year revenue growth, accompanied by a continual improvement in sales structure. The central air conditioner prioritized breakthroughs in specialized channels and water machines, where the revenue increased by 80% year-on-year.

7. Channel and Service System Development

(1) *The deepened omnichannel layout for high-quality growth driven by the emerging ecosystem of business*

In 2024, the Company seized opportunities presented by diversified channel development, while expanding through emerging platforms, constructing a comprehensive marketing system, and innovating service scenarios, in order to achieve synergistic growth across all channels. On the one hand, it established an extensive live streaming matrix that deeply penetrated platforms such as Douyin and Kuaishou, among which, Douyin has created an all-round live streaming ecosystem of over 168 newly established live streaming rooms, while Kuaishou has developed an ecosystem comprising top-tier, niche, and mid-tier anchors. This strategic approach contributed to the industry's highest sales during the 818 sales cycle, with the Double Eleven campaign securing the second-highest sales from the official flagship store. On the other hand, the differentiated activation platforms harnessed their potential, with Douyin leveraging sports marketing as a breakthrough, while enhancing brand visibility through the EURO 2024; Kuaishou fortified its marketing efforts by utilizing national subsidy resources, resulting in a significant increase in brand audience.

(2) *Collaborating efforts with both established and proprietary channels to strengthen top-end service capabilities*

The Company accelerated the establishment of its specialized business system, with the total channel scale growing by 131% year-on-year in 2024 and a 43% increase in the number of touchpoints. Self-owned channels innovatively integrated "online engagement with offline services," while introducing new community service formats, and consolidating scenarios such as convenient services, trade-ins, and others, thereby effectively promoting the sales scale and service quality. The deepening of an omnichannel layout created a multifaceted growth engine for the Company, thus continuously reinforcing its industry-leading position.

(3) *Upgrading of the comprehensive user operation system and redefining of the value of digital experience*

The Company reshaped user experiences with data-driven and scenario-integrated, realizing cross-brand precise identification and stratified operations by integrating user assets across the region and constructing a user dynamic tagging system, which effectively increases the repurchase rate. Concurrently, the Company developed the "Love Home Membership" ecosystem, streamlining the entire chain of purchasing, logistics, and installation into a cohesive process, achieving complete order visibility and accelerated response times for installation and repair requests to just two hours, with a total of 1.13 million active services rendered. Leveraging the momentum of an increase in the sales of smart home appliances, the Company aimed to establish a value ecosystem integrating "products + services + data." This transition from isolated transactions to comprehensive user lifecycle value management has led to a year-on-year surge of 65% in monthly active users of the Hisense Love Home app, along with 14% enhancement in the Net Promoter Score (NPS) for our intelligent experience.

Management Discussion and Analysis

8. Establishing a globalized intelligent supply chain and enabling lean manufacturing with digital intelligence drive

The company is actively building an efficient, agile, transparent and sustainable global supply chain system. Firstly, it deeply optimizes category management, promotes regional integrated procurement, and continuously improves the supplier structure. Secondly, it promotes high-quality domestic suppliers into overseas markets, and enhances the supply of overseas localized resources, thus forming a hierarchical overseas supply system. Thirdly, it improves the risk prevention mechanism of the overseas supply chain while simultaneously achieving dual-track backup of core materials. Finally, it actively enhances the supply chain fulfillment capability. The fulfillment cycle of core orders has been continuously optimized by 25.8%, and the order guarantee rate has increased by 7.5% year-on-year.

Leveraging the exemplary guiding role of the lighthouse factory, the Company has been steadfast in promoting its intelligent-centric advanced manufacturing strategy. During the period, the Hisense-Hitachi multi-connected machine factory received certification from the World Economic Forum (WEF), becoming the first lighthouse factory for multi-connected machines globally. It has innovatively created over 40 advanced scenarios across multiple industries. The rate of product development pace accelerated by 37%, and UPPH (units produced per hour) increased by 14.9%. Meanwhile, the global factory's performance and overall operational capabilities continuously improve by actively replicating advanced experiences. Additionally, the Company has added 11 new "National Intelligent Manufacturing Capability Maturity Level 3" factories to enhance its data-driven quality prevention, alerting and quality control capabilities, and to realize the intelligence, automation and flexibilization of the production process.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

☒ Yes ☐ No

The reason of retroactive adjustments or restatement

The Ministry of Finance issued the "Interpretation No. 18 of Accounting Standards for Enterprises" on 6 December 2024. Regarding the accounting treatment of guarantee-type quality guarantees that are not single performance obligations, the Company has made corresponding adjustments to the beginning-of-period data accordingly. However, the following financial indicators are not affected.

Management Discussion and Analysis

Item	2024	2023	Increase or decrease as compared to last	
			year (%)	2022
Operating revenue (RMB)	92,745,611,109.52	85,600,189,224.06	8.35	74,115,151,039.29
Net profits attributable to shareholders of listed company (RMB)	3,347,881,773.89	2,837,322,754.58	17.99	1,434,968,215.84
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	2,605,848,900.08	2,355,069,261.87	10.65	905,567,200.78
Net cash flow from operating activities (RMB)	5,132,164,941.24	10,611,857,591.35	-51.64	4,032,382,602.38
Basic earnings per share (RMB/share)	2.46	2.08	18.27	1.05
Diluted earnings per share (RMB/share)	2.46	2.08	18.27	1.05
Weighted average rate of return on net assets (%)	23.27	22.64	Increase of 0.63 percentage points	13.13

Item	At the end of 2024	At the end of 2023	Increase or decrease as compared to last	
			year (%)	At the end of 2022
Total assets (RMB)	69,701,939,817.33	65,946,495,555.67	5.69	55,375,868,443.33
Net assets attributable to shareholders of listed company (RMB)	15,455,626,606.63	13,580,174,485.95	13.81	11,518,373,442.25

(II) QUARTERLY MAJOR FINANCIAL INDICATORS

Unit: RMB

Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	23,486,119,294.48	25,155,554,080.31	21,937,415,143.08	22,166,522,591.65
Net profits attributable to shareholders of listed company	981,246,783.99	1,034,584,599.15	777,159,401.39	554,890,989.36
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company	837,889,225.17	865,220,961.30	586,117,603.68	316,621,109.93
Net cash flow from operating activities	156,049,168.70	1,943,924,313.77	3,107,616,661.22	-75,425,202.45

Management Discussion and Analysis

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

✓ Applicable ☐ Not Applicable

Unit: RMB

Item	2024	2023	2022	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-5,693,941.96	-3,666,652.72	47,140,615.81	–
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)	247,168,700.30	195,139,772.58	225,922,958.46	–
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	135,123,664.04	-239,068,307.45	16,533,562.48	–
Profit and losses from assets which entrust others to invest or manage	361,802,134.90	298,844,795.34	187,413,275.48	–
Gain or loss on debt restructuring	9,564,354.65	25,739,211.33		–
Other non-operating income and expenses other than the aforementioned items	179,094,875.47	371,016,020.58	366,457,850.14	–
Other profit and loss items that satisfy the definition of non-recurring profit and loss		72,041,335.03		–
Less: Effect of income tax	141,971,316.85	147,009,791.45	194,250,687.61	–
Effect of minority interests (after tax)	43,055,596.74	90,782,890.53	119,816,559.70	–
Total	742,032,873.81	482,253,492.71	529,401,015.06	–

Management Discussion and Analysis

(IV) ANALYSIS OF PRINCIPAL BUSINESS

1. Composition of operating revenue

Unit: RMB

Item	2024		2023		Increase or decrease as compared to corresponding period last year (%)
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	
Total of operating revenue	92,745,611,109.52		85,600,189,224.06		8.35
By industry					
Manufacturing industry	83,623,219,672.09	90.16	76,959,191,272.42	89.91	8.66
By product					
HVAC	40,283,913,190.36	43.43	38,652,244,832.54	45.15	4.22
Refrigerators and washing machines	30,839,154,917.48	33.25	26,070,166,905.77	30.46	18.29
Others	12,500,151,564.25	13.48	12,236,779,534.11	14.30	2.15
By region					
Domestic	47,993,733,054.87	51.75	49,035,166,343.99	57.28	-2.12
Overseas	35,629,486,617.22	38.42	27,924,024,928.43	32.63	27.59
By sales model					
Direct sales	59,295,528,757.96	63.93	52,044,822,688.37	60.80	13.93
Distribution	24,327,690,914.13	26.23	24,914,368,584.05	29.11	-2.35

Management Discussion and Analysis

2. Description of industries, products or regions accounting for 10% or above of the revenue or profits from operating businesses of the company

Unit: RMB

Item	Principal operating revenue	Principal operating costs	Gross profit margin (%)	Increase or decrease in principal operating revenue as compared to corresponding period last year (%)	Increase or decrease in principal operating costs as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
By industry						
Manufacturing industry	83,623,219,672.09	64,819,490,898.10	22.49	8.66	9.45	-0.56
By products						
HVAC	40,283,913,190.36	28,784,059,348.72	28.55	4.22	6.19	-1.32
Refrigerators and washing machines	30,839,154,917.48	25,423,481,668.92	17.56	18.29	19.36	-0.74
Others	12,500,151,564.25	10,611,949,880.46	15.11	2.15	-1.89	3.50
By region						
Domestic	47,993,733,054.87	33,244,159,644.85	30.73	-2.12	-2.06	-0.05
Overseas	35,629,486,617.22	31,575,331,253.25	11.38	27.59	24.91	1.90
By sales model						
Direct sales	59,295,528,757.96	49,583,912,405.87	16.38	13.93	13.85	0.06
Distribution	24,327,690,914.13	15,235,578,492.23	37.37	-2.35	-2.76	0.26

Management Discussion and Analysis

3. Whether the Company’s product sales revenue exceeds its service revenue

✓ Yes ☐ No

					Increase or decrease as compared to corresponding period last year (%)
Industry category	Item	Unit	2024	2023	
Manufacturing industry	Sales volume	Ten thousand units	5,449	4,815	13.17
	Production volume	Ten thousand units	5,547	4,870	13.90
	Inventory volume	Ten thousand units	526	428	22.90

4. Composition of operating costs

Unit: RMB’0000

		2024		2023		Increase or decrease as compared to corresponding period last year (%)
Industry category	Item	Amount	Weighting to operating costs (%)	Amount	Weighting to operating costs (%)	
Manufacturing industry	Raw materials	5,924,304.40	91.40	5,359,934.07	90.51	10.53
	Direct expense	358,457.60	5.53	352,710.44	5.96	1.63
	Others	199,187.09	3.07	209,463.18	3.54	-4.91

Management Discussion and Analysis

5. Expenses

Unit: RMB

Expense Item	2024	2023	Increase or decrease as compared to the corresponding period last year (%)	Reason for the significant changes
Sales expense	9,001,915,472.95	8,555,775,713.18	5.21	No significant changes
Management expense	2,499,492,962.69	2,296,063,851.05	8.86	No significant changes
Finance expense	-36,902,664.41	-204,586,431.88	N/A	No significant changes
Research and development expense	3,446,746,374.31	2,779,508,194.39	24.01	No significant changes

6. Investment in research and development

For details of the Company's investment in research and development and product enhancement during the Reporting Period, please refer to "CORE COMPETITIVENESS ANALYSIS" in the "MANAGEMENT DISCUSSION AND ANALYSIS".

Details of the Company's research and development personnel

Item	2024	2023	Change in proportion (%)
Number of research and development staff	3,563	3,317	7.42
Proportion of number of research and development staff (%)	6.40%	5.90%	0.50
Academic Structure of research and development Staff			
Undergraduate	1,772	1,633	8.51
Master	1,464	1,374	6.55
Age composition of research and development staff			
Under 30 years old	908	803	13.08
30~40 years old	1,541	1,494	3.15
Over 40 years old	1,114	1,020	9.22

Management Discussion and Analysis

Details of the Company's research and development investment

Item	2024	2023	Change in proportion (%)
Amount invested in research and development (RMB)	3,446,746,374.31	2,779,508,194.39	24.01
Proportion of research and development investment to operating revenue (%)	3.72	3.25	0.47
Amount capitalized for research and development investment (RMB)	0	0	0
Proportion of capitalized research and development investment to research and development investment (%)	0	0	0

7. Cash Flow

Unit: RMB

Item	2024	2023	Increase or decrease as compared to the corresponding period last year (%)
Cash inflows from operating activities	81,425,983,334.68	76,815,643,741.00	6.00
Cash outflows from operating activities	76,293,818,393.44	66,203,786,149.65	15.24
Net cash flows from operating activities	5,132,164,941.24	10,611,857,591.35	-51.64
Cash inflows from investing activities	37,576,184,678.56	20,906,798,504.15	79.73
Cash outflows from investing activities	38,195,621,766.67	30,464,242,081.12	25.38
Net cash flows from investing activities	-619,437,088.11	-9,557,443,576.97	N/A
Cash inflows from financing activities	4,926,600,091.46	4,558,764,891.41	8.07
Cash outflows from financing activities	10,047,920,217.55	5,179,903,602.62	93.98
Net cash flows from financing activities	-5,121,320,126.09	-621,138,711.21	N/A
Net increase in cash and cash equivalents	-685,871,793.99	398,794,325.14	-271.99

Management Discussion and Analysis

Explanations on the main contributing factors for significant year-on-year changes of the relevant figures:

✓Applicable ☐ Not applicable

The change in net cash flows from operating activities was mainly due to the increase in cash paid for purchases of goods and services.

The change in net cash flows from investing activities was mainly due to the increase in maturity of wealth management products.

The change in net cash flows from financing activities was mainly due to dividends, repurchase of shares and changes in notes margin during the Reporting Period.

(V) ANALYSIS OF ASSETS AND LIABILITIES

1. Significant changes in asset items

Unit: RMB

Item	At the end of 2024		At the beginning of 2024		Change in proportion (%)	Explanation of significant changes
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash and cash equivalents	4,397,693,443.73	6.31	4,939,273,198.62	7.49	-1.18	No significant changes
Accounts receivable	10,480,609,898.16	15.04	9,225,321,882.07	13.99	1.05	No significant changes
Inventories	7,566,932,954.39	10.86	6,774,603,438.00	10.27	0.59	No significant changes
Contract assets	56,210,047.88	0.08	35,878,308.82	0.05	0.03	No significant changes
Long-term equity investments	1,764,936,952.09	2.53	1,671,365,117.46	2.53	0.00	No significant changes
Investment property	253,998,555.64	0.36	177,982,723.30	0.27	0.09	No significant changes
Fixed assets	5,648,643,079.56	8.1	5,662,912,502.03	8.59	-0.49	No significant changes
Construction in progress	674,456,905.57	0.97	443,523,694.21	0.67	0.30	No significant changes
Right to use assets	163,180,643.61	0.23	169,378,820.87	0.26	-0.03	No significant changes
Short-term borrowings	2,708,715,351.46	3.89	2,502,318,314.58	3.79	0.10	No significant changes
Contract liabilities	1,838,591,086.05	2.64	1,440,254,499.57	2.18	0.46	No significant changes
Long-term borrowings	49,371,196.64	0.07	42,956,652.46	0.07	0.00	No significant changes
Leasing liabilities	161,471,272.87	0.23	208,946,083.77	0.32	-0.09	No significant changes

Management Discussion and Analysis

2. Assets and liabilities measured at fair value

Unit: RMB

Item	Opening balance	Fair value gain/loss for the period	Cumulative fair value change recognized in equity	Impairment provision for the period	Purchase amount in period	Disposal amount in period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	13,187,740,355.11	162,278,809.71			34,464,033,099.43	31,566,970,144.02	-86,764,653.42	16,160,317,466.81
2. Derivative financial assets	4,285,180.76	43,951,283.69			199,652.72		523,178.87	48,959,296.04
3. Other debt investments	4,643,427,583.77				1,357,092,310.22			6,000,519,893.99
4. Other equity instruments investments	40,244,766.96		2,637,187.04		2,879,927.49	94,661.46	-3,302,406.15	42,364,813.88
5. Other non-current financial assets	27,197,809.69	640,557.95				4,477,818.31	-2,028,131.79	21,332,417.54
Subtotal of financial assets	17,902,895,696.29	206,870,651.35	2,637,187.04		35,824,204,989.86	31,571,542,623.79	-91,572,012.49	22,273,493,888.26
Investment property								
Productive biological assets								
Other items								
Total	17,902,895,696.29	206,870,651.35	2,637,187.04		35,824,204,989.86	31,571,542,623.79	-91,572,012.49	22,273,493,888.26
Financial liabilities	54,355,584.93	46,289,880.32				43,243.11	-4,469,620.32	3,552,841.18

Other changes in content

Other changes mainly due to the effect of foreign exchange rate changes.

(VI) CORE COMPETITIVENESS ANALYSIS

Technical Advantages

The Company remains steadfast in its “technology-driven enterprise” philosophy, continuously advancing innovation under its smart life strategy with a focus on intelligence, health, and energy efficiency. At present, we boast more than 20 provincial-level and above scientific and technological innovation platforms, including national-level enterprise technology centers, postdoctoral research workstations and national-level industrial design centers. The Company vigorously promoted the transformation of IPD process, established research and development centers in the ASEAN and Middle East and Africa, and further improved global research and development system layout. At the same time, we achieved major breakthroughs in multiple directions such as low-carbon energy-saving, comfort and health, intelligent preservation, high energy efficiency in washing and drying, constant air volume duct control, smart operation and maintenance, and application of green materials, with low-carbon, intelligent and healthy technology systems established, leading the industry in technological innovation and product upgrades.

1. HVAC Business

- (1) **In terms of central air-conditioner**, the Company continued to enhance overall competitiveness around core technologies such as “low-carbon energy saving, health and comfort, energy management as well as operation and maintenance”. We made a breakthrough in building load forecasting and following control technology, realized self-learning and prediction of room load, and optimized the traditional control method of air-conditioning, with the actual operating energy efficiency in the leading position in the industry, and the relevant technologies reaching the leading level in the world according to the assessment of our scientific and technological achievements by the China Machinery Industry Federation. We overcome the identification and control technology of heating refrigerant distribution, realized the digital prediction of refrigerant status and indoor unit capacity, and increased the heating air temperature, thus the comfort level reaching the top of the industry. We established the multi-component coupling noise reduction system, and reduced noise generated by indoor units through the synergic optimization among heat exchangers, fans and snail shell-like thermal conductive frameworks, thereby maintaining the industry's technological leadership. We continued to strengthen proactive service operation and maintenance management, made a breakthrough in fault pre-diagnosis technology, realized automatic detection and diagnosis of a variety of faults, and became one of the industry's front-runners.

- (2) **In terms of household air-conditioner**, the Company has reshaped the industry benchmark with six leading technologies, which have been appraised by a team of academicians as reaching international leading standards in the core technology fields of heat comfort AI identification, multi-source noise control, internal pollution purification, jet-pressurized air mixing, slim design and noise reduction, and high-reliability inverter. We relied on the precise temperature control of 0.1 ℃ and the ability to operate at ultra-wide temperature range from -36 ℃ to 66 ℃, and combined with intelligent separate temperature and humidity control technology, to construct an energy saving system which raises energy efficiency by 36% and significantly increases the application of air conditioning. In the field of fresh air technology, the Company's first high-efficiency two-way air ventilation system without the need to expand the outlet hole can increase air ventilation efficiency by 21%, removing the traditional installation limitations. Our coaxial design of dual fans driven by one single motor can reduce noise and energy consumption at the same time, providing technical support for the popularization of economical fresh air products. In terms of independent research and development of core components, the magnetic suspension levitation motor can make the double achievements in quietness and energy saving, and the water molecule capturing technology by electrolysis resolves the problem of the industry, which helps to take the lead in the development of the national standard of “healthy air conditioning”, and establishes the technological right of indoor air health management. Through systematic technological innovation, the Company has completed the whole chain coverage from extreme environment adaptation, energy efficiency upgrade to air health, forming a complete ecosystem including product research and development, standardization, and industrial landing. The Company's technological achievements have been fully realized in product application, promoting the air-conditioning industry to upgrade in the direction of health, constructing a multi-dimensional synergistic breathing ecosystem of temperature, humidity and cleanliness for consumers, and accelerating the progress of the Healthy China strategy in the field of air environment practice.

2. Refrigerator, Washing Machine and Kitchen Appliance Business

- (1) **In terms of refrigerator**, the Company focuses on the core areas of preservation technology, energy efficiency system optimization, intelligent scenario application and low-carbon materials, and continuously strengthens its intellectual competitiveness. Our iterative near infrared light wave preservation solutions can keep fruits and vegetables fresh. The world's first vacuum magnetic field preservation technology enables first-class freshness storage standard for fresh meat for 7 days. By the application of triple energy efficiency technology (smart defrost/environmentally adaptive anti-condensation/ultra-slim door seal), the comprehensive energy efficiency attains the A grade in Europe and improves by 30%. A breakthrough is made in the application of recycled materials with the proportion of recycled steel of 20% and recycled ABS plastics of 50%, and thus the carbon footprint of raw materials of the whole machine is reduced by 14.2%.

Management Discussion and Analysis

- (2) **In terms of washing machine**, the Company has precisely identified market trends and user needs, and has made all-round efforts in technological innovation: we have made great efforts in upgrading its product platform, and have launched a drum washing machine with drum diameter of 536cm and an ultra-slim heat pump dryer, of which the washing ratio of the drum washing machine is as high as 1.259, and the 6D drying detection technology of the heat pump dryer is a pioneer in the industry, with drying efficiency upgraded by 30%. We have launched the “Roman Holiday” series of products, which adopt a highly differentiated Italian retro aesthetic appearance, bringing elegant visual appeal that is deeply loved by consumers. The launch of “Roman Holiday” series of products, adopting highly differentiated Italian retro aesthetic design, brought elegant visual enjoyment and was well received by consumers. The performance of our products has been enhanced significantly, with the European energy efficiency of our drum washing machines reaching A-50% and the energy efficiency of our heat pump dryers reaching the new European standard level A energy efficiency, both of which are at the forefront of the industry, and have been awarded the “best buy” rating in the UK’s “Which?” testing. At the health laundry level, the Company has demonstrated its strengths in optimizing the washing efficiency by leveraging cutting-edge technologies such as washing water purification, with the collection rate of hair and lint exceeding 95%. Meanwhile, the Company has also deeply cultivated the 7 major indicators of clothing care and has been awarded the “Skincare Quality Care” certification. In addition, the Company has accelerated enhancement of the level of green design of its products, realized the application of PCR materials, and practically met the requirements of low-carbon regulations for home appliances in the European Union and other places, so as to lead the new development of the washing machine industry with hardcore technologies.
- (3) **In terms of kitchen appliances**, our dishwasher applies residual water-free, UVC full waterway sterilization, air duct condensation, intelligent detergent dispensing and other technologies to achieve no time limit for storage and greatly enhance the user experience. The tank energy storage technology jointly developed with Gorenje, a European company, achieves A-20% in the European energy efficiency standard. Our hoods are built with a new side suction duct system platform, with the maximum static pressure of more than 1300Pa and suction power of more than 30m³/min for stir-frying. Our wall-mounted hood platforms apply active noise reduction technology to reduce noise by 3dB(A) to reach the industry-leading level. We have completed the development of one-key stir-frying technology, with the strong fire increased by 10% and the dry burn prevention technology upgraded to allow compatibility with a variety of cookware such as clay pots and composite bottom pots, which has set up an industry benchmark.

3. Automobile Air Conditioner Compressor and Integrated Thermal Management Business

The Company has accelerated its transformation into an integrated thermal management system provider for new energy vehicles, focusing on the research and development of the refrigerant integration unit (CRU). Through the integration of compressors, refrigerant valves and heat exchangers, the Company has created ITMS module for platform-based thermal management systems, which effectively reduces the risk of refrigerant leaks, improves endurance performance and reduces the cost of the entire appliance. In the field of core components, the fifth generation electric compressor platform realizes the full compatibility of R1234yf, CO₂ and R290 refrigerants, and the modularized scroll compressor and variable frequency inverter technology increase the energy efficiency by 15%, and the quiet operation performance is among the top in the industry.

Focusing on the pain points in terms of the space layout of new energy vehicles, we have developed the split-type dual-layer flow air-conditioning system which adopts the design of external fan housing, reclaiming more than 15% of the space of the cabin and reducing the overall energy consumption by 20%. At the same time, we made a breakthrough in the thick-film heating technology. Through the ultra-slim composite substrate and the microchannel structure, it realizes a 40% increase in the warming speed of the batteries/cabin in the extreme cold environment of -30° C, a 30% reduction of weight compared with the traditional solution, and a 25% decrease in fluid resistance. At present, the thermal management system and core components have formed three major technology matrices, namely refrigerant integration, energy efficiency optimization and low-temperature heating, which help automobile enterprises construct new energy thermal management solutions with high safety, long endurance and low energy consumption, and promote the industry's accelerated progress toward the goal of carbon neutrality.

Brand Matrix

The Company's products cover eight brands, i.e., "Hisense", "Ronshen", "KELON", "HITACHI", "YORK", "gorenje", "ASKO" and "SANDEN", with a rich brand lineup and a good brand reputation and market basis. With the help of the product range covered by different brands and their product characteristics, the Company can meet the differentiated demands of users.

During the Reporting Period, Hisense's brand equity and awareness continued to rise. According to Ipsos, there was a 2.5% and 2% year-on-year increase in the Hisense Brand Equity Index (HBI) and total brand awareness, respectively, in 2024. The HBI continued to rise by 5.2% year-on-year among young adults, and rose by more than 8% year-on-year among first-tier cities.

Along with the continuous advancement of Hisense's internationalization strategy and ongoing intensification of sports marketing efforts, the overseas popularity and influence of the brand have been constantly improved. Hisense continued to sponsor the global top sports events such as Euro 2016, World Cup 2018, Euro 2020, World Cup 2022 and Euro 2024. Data from the Euro 2024 Marketing Effectiveness Survey shows that after the sports event, the HBI grew by 8% year-on-year overseas, 12% year-on-year in the French market and 11% year-on-year in Spain. The Hisense brand awareness grew by 7% year-on-year overseas, 7% year-on-year in Germany and 6% year-on-year in France.

Management Discussion and Analysis

In 2024, Hisense publicly announced that it is officially joining hands with FIFA as the first global official partner of the FIFA Club World Cup 2025™. This is Hisense's third partnership with FIFA, following its successful sponsorship of the FIFA World Cup Russia 2018 and the FIFA World Cup Qatar 2022. Hisense continued to enhance its brand influence in the international market with the help of such international top sports events.

Corporate Culture

Hisense's practice and experience in going through the economic cycle has demonstrated again that corporate culture is the core of the Company's firm confidence and stable navigation ability, the driving force for countless Hisense employees to work hard on their endeavors, and the ultimate answer for the Company in the face of difficulties and chaos.

In order to promote the in-depth realization of the core values of “honesty, integrity, pragmatism, innovation, customer first and sustainable operation” by all employees, Hisense formally released the Hisense Value Thinking Model in 2025 to attract, support and help all cadres and employees to think out of the box in order to create and mobilize the mighty power to achieve leapfrog development.

In terms of the implementation of values, Hisense has released 22 leadership principles to effectively enhance the strategic execution and organizational leadership of its cadres. The White Paper on Hisense Group's Customer Operations was published to strategically ensure that all the work of the Company was closely revolved around user needs. The management models of “three no's in meetings”, “three cuts in communication” and “three platforms for innovation” are implemented, and efforts were made to establish a minimalist work style centered on users, oriented on value creation and aimed at solving problems. Hisense has always adhered to the long-term development strategy of “technology-based enterprise” and clearly restructured the strategic base of “technology-based enterprise” in three directions from value anchor, innovation paradigm to engine of power in order to maintain the leadership and differentiation in products and technology, and to inject strong energy into the high-quality development of various industries. We will continue to promote the culture of engineers and encourage the development of the Company's technologies. We will continue to promote the engineer culture and encourage ongoing innovation and optimization, so that technological innovation can penetrate the entire development process of the Company, and promote Hisense's technological innovation capability to a high level and high quality.

In the future, the Company will continue to promote the cultural empowerment of all Hisense employees, accelerate the help to refresh the mindset of everyone and lead organization change, so that each value thinking model becomes the way of thinking, behavioral habits and achievement criteria of Hisense employees, in order to help employees grow personally, achieve the strategic goals and business objectives of the Company, provide conceptual guidance to address the challenges of the Company and give a strong impetus to “build a world-class enterprise and achieve a world-class brand”.

Management Discussion and Analysis

(VII) MAJOR SUBSIDIARIES AND COMPANIES IN WHICH THE COMPANY HAS EQUITY INTEREST

Major Subsidiaries and Participating Companies Affecting 10% or More of the Company's Net Profit

Name of company	Company type	Major business	Registered capital	Total assets (RMB ten thousand)	Net assets (RMB ten thousand)	Operating revenue (RMB ten thousand)	Operating profit (RMB ten thousand)	Net profit attributable to shareholders
								of the Company (RMB ten thousand)
Hisense Hitachi	Subsidiary	Production and sale of commercial air-conditioners	USD150 million	1,845,756.87	644,118.80	2,074,427.24	415,413.85	348,577.13

Acquisition and disposal of subsidiaries during the Reporting Period

Details of the changes in the scope of consolidation of the Company during the Reporting Period are set out in Note 7.

IV. OUTLOOK

(I) The Company's development strategy

With the mission of “devoting to scientific and technological innovation, leading advanced manufacturing centered on intelligence, and serving hundreds of millions of families with high-quality products”, the Company abides by the values of “honesty and integrity, pragmatic innovation, customer first and sustainable operation.” By focusing on cognitive, operational, creative, and leadership capabilities, the Company continuously enhances its intrinsic driving force, prioritizes user needs, creates high-quality products with ingenuity, and aims to become the most trustworthy brand in the world.

(II) Business highlights for 2025

The Company will adhere to its customer- and user-centered approach, and cultivate competitive advantages for our brand and products. We will focus on user experience and product excellence to develop leading comprehensive smart living solutions. Additionally, we aim to accelerate our share in overseas markets and online channels, while swiftly advancing the integration of the Company's internal platforms and digital transformation, in order to achieve a breakthrough in the efficiency of corporate operation.

Management Discussion and Analysis

The Company will continue to improve the quality of its operations through the following initiatives:

1. Breaking through core technologies to elevate product competitiveness. To complement our high-end offerings by achieving innovative breakthroughs in product capabilities. To create exceptional products by innovating in aesthetic design, and to position AI-driven interactions as a fundamental competitive edge in home appliances in order to significantly enrich the user experiences.
2. Vigorously developing overseas markets to enhance profitability. To integrate Hisense's advantageous resources to comprehensively support the development of international markets through the establishment of overseas research and development centers, product assurance, and talent provision. To employ multiple engines to rapidly advance in overseas markets in order to elevate the overall operational quality of the Company.
3. Executing a robust marketing strategy for the World Cup to achieve growth in domestic sales. To strengthen branding and marketing capabilities by enhancing strategic awareness, elevating online operational competencies, and fortifying offline networks to rapidly improve the quality of domestic operations. To leverage the sponsorship rights of such premier event to integrate marketing resources effectively, in order to conduct a successful marketing campaign for the World Cup, and to increase the market share of mid-to-high-end products in the domestic market.
4. Promoting organizational reform to enhance managerial efficiency within the enterprise. To leverage the Company's comprehensive category synergy to construct a cross-category strategic collaboration network encompassing research and development, supply chain, manufacturing, and marketing. To achieve a leap in operational efficacy through resource sharing across all domains. To continue to advance organizational reform, improve efficiency, reinforce a flattened organizational structure, expand managerial breadth, and accelerate the release of management efficiency.
5. Enhancing global supply chain capabilities while reducing costs and increasing efficiency. To optimize the layout of global production capacity, strengthen localized procurement abilities, and ensure the security of the global supply chain. To undertake comprehensive deepening of category management, consolidating resources, and continuously lowering costs. To refine supply models to achieve efficient collaborative delivery within the supply chain.
6. Establishing an efficient, low-carbon intelligent factory, and leveraging AI to empower smart manufacturing. To commit fully to the digital transformation of the entire manufacturing chain, to enhance the Company's intelligent manufacturing capabilities across multiple dimensions, namely lean principles, informatization, automation, processes, and safety. To facilitate the upgrading of intelligent manufacturing technologies and position the Company as an industry leader, and to reduce smart manufacturing costs and solidify competitive advantages within the sector.

Management Discussion and Analysis

7. Strengthening the capacity for ESG (Environmental, Social, and Governance) development and expediting the transformation towards a green, low-carbon economy. To implement a carbon-neutral development strategy, achieve carbon reduction targets, establish green factories, and enhance ESG risk management mechanisms. To create a systematic management operation from the top down in critical areas such as carbon neutrality and compliance in order to accelerate the Company's transformation to a green, low-carbon paradigm and to promote sustainable and healthy business development.

(III) Major risks to future development

1. Macroeconomic fluctuation risk. There are increasing uncertainties in the global macroeconomy. If economic growth continues to slow down, it may lead to insufficient consumption momentum, which could, in turn, affect the consumer demand for home appliances.
2. Rising cost risk. Any fluctuation in the prices of raw materials will impact the cost of the Company's products. Any increase in the costs of labor and labor costs, shipping costs, installation and maintenance services may result in the overlapping of costs in multiple segments, which could put pressure on the profitability of the Company.
3. Exchange rate risk. If the exchange rate of RMB fluctuates significantly, it may trigger an inverse linkage between selling prices and costs in overseas markets, which would directly affect the cost competitiveness of the Company's overseas products and lead to a narrowing of the profit margin of the overseas business.
4. Market risk due to trade protectionism and trade barriers. If some countries and regions, in order to protect their own economic interests, intensify trade barriers through means such as increasing tariffs and imposing mandatory certifications, this could drive up compliance costs, make market access difficult, and weaken the price competitiveness and channel penetration efficiency of enterprises in overseas markets.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

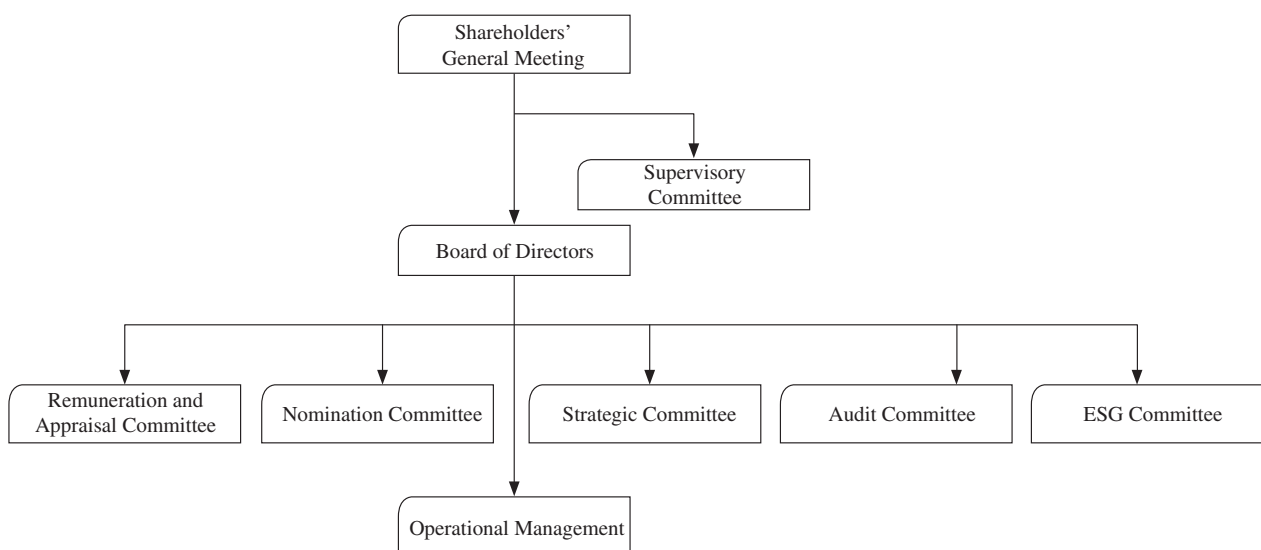
The Group is not aware of any significant events that could have a material impact on our operating and financial performance after the year ended 31 December 2024 and up to the date of this annual report.

Corporate Governance Report

Sound corporate governance is the basic assurance to the long-term healthy and stable development of an enterprise, whereas continued enhancement of the governance level is a necessary measure to maintain the healthy development of the Company. During the Reporting Period, the shareholders' general meeting, the Board of Directors and its specialized committees and the supervisory committee of the Company performed their functions, coordinated with each other and maintained effective check and balance in accordance with the laws, regulations and the relevant systems, which continuously enhanced the level of corporate governance of the Company.

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) contained in Appendix C1 to the Hong Kong Listing Rules as its own code to govern its corporate governance practices.

(I) CORPORATE GOVERNANCE STRUCTURE:



(a) The Shareholders' General Meeting:

The general meeting is the highest authority of the Company, and the shareholders, at general meetings, exercise their functions and powers in accordance with the laws to make decisions on significant matters of the Company. The Company has established and maintained different communication channels with its shareholders through publication of announcements on the websites of the Company, the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, as well as by e-mail and telephone.

All shareholders and their proxies recorded on the date for registration of equity rights shall have the right to attend and speak at the shareholders' general meeting and exercise the voting power according to laws, regulations and the Articles of Association. Votes in the shareholders' general meeting shall be cast by open ballot. The voting results will be announced after the general meeting in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

Corporate Governance Report

In 2024, one annual general meeting (“AGM”) was held by the Company on 24 June 2024, three extraordinary general meetings (“EGMs”) were held by the Company on 25 January 2024, 22 February 2024 and 2 August 2024 respectively, one A Share class meeting and one H Share class meeting (the “Class Meetings”) were held by the Company on 22 February 2024. The shareholding held by the shareholders attending the AGM represented 53% of the then total issued shares of the Company. The shareholding held by the shareholders attending the first EGM represented 58% of the total issued shares of the Company as of that date. The shareholding held by the shareholders attending the second EGM and the Class Meetings represented 62% of the Company’s total issued shares as of that date. The shareholding held by the shareholders attending the third EGM represented 52% of the total issued shares of the Company.

The attendance records of the directors of the Company are set out in the following table:

Attendance of the general meetings of the Company by the Directors				
Name	Number of meetings which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Ms. Gao Yu Ling	4	4	0	100%
Mr. Jia Shao Qian	4	4	0	100%
Mr. Yu Zhi Tao	4	4	0	100%
Mr. Hu Jian Yong	4	4	0	100%
Mr. Zhu Dan <i>(Note 1)</i>	1	1	0	100%
Mr. Dai Hui Zhong	4	4	0	100%
Mr. Li Zhi Gang	4	4	0	100%
Mr. Tsoi Wing Sing <i>(Note 2)</i>	1	1	0	100%
Mr. Xu Guo Jun <i>(Note 3)</i>	0	0	0	—
Mr. Xia Zhang Zhua <i>(Note 4)</i>	3	3	0	100%
Mr. Zhong Geng Shen <i>(Note 5)</i>	3	3	0	100%
Mr. Cheung Sai Kit <i>(Note 6)</i>	4	4	0	100%

Notes:

1. Mr. Zhu Dan has been an executive Director of the Company since 24 June 2024;
2. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
3. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
4. Mr. Xia Zhang Zhua has ceased to be an executive Director of the Company with effect from 24 June 2024;
5. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
6. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

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Rights of Shareholders

Procedures for shareholders in relation to requisition of the convening of shareholders' extraordinary general meeting or class meeting

Shareholders who request the convening of a shareholders' extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) Shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to make a request to convene an extraordinary general meeting or a class meeting in writing to the Board. The Board shall, pursuant to laws, administrative regulations and the Articles of Association, provide written feedback on whether it agrees or disagrees to convene the extraordinary general meeting or the class meeting within ten (10) days after receiving the request.
- (2) If the Board agrees to convene an extraordinary general meeting or a class meeting, it shall issue a notice to convene the shareholders' general meeting or the class meeting within five (5) days of its decision, and any changes to the original request in the notice shall be made only with the consent of the relevant shareholder(s). If the Board decides against convening the extraordinary general meeting or the class meeting, or if it has failed to provide its feedback within ten (10) days after receiving the request, shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to propose to convene an extraordinary general meeting or a class meeting to the Supervisory Committee in writing.
- (3) If the supervisory committee agrees to convene the extraordinary general meeting or the class meeting, it shall issue a notice to convene shareholders' general meeting or class meeting within five (5) days of receipt of the request, and any changes to the original request in the notice shall be made only with the consent of the relevant shareholder(s). If the supervisory committee fails to issue a notice of shareholders' general meeting or class meeting within the prescribed period, the supervisory committee shall be deemed not convening or chairing a shareholders' general meeting or class meeting. Shareholders individually or jointly holding more than 10% of the shares of the Company for ninety (90) consecutive days may convene and chair such meetings on their own.

Procedures by which enquiries may be made by shareholders

Shareholder seeking to request for information such as the Articles of Association, register of shareholders and minutes of extraordinary general meetings or inspect relevant information should provide written documentation to the Company as evidence for the type and number of shares of the Company that he/she holds. The Company shall provide the shareholders' information as required after verification of the identities of the shareholders. In addition, the shareholders can also make enquiries or suggestions by various methods such as phone, mail, site visit and internet platform. The Securities Department of the Company, whose contact details are set out below, is responsible for day-to-day communication with shareholders:

The Securities Department, Hisense Home Appliances Group Co., Ltd.
No. 8 Ronggang Road, Ronggui Street,
Shunde District, Foshan City, Guangdong Province,
the People's Republic of China
Postal code: 528303
E-mail address: hxjdzqb@hisense.com
Telephone: (86-757) 2836 2866

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Shareholders have smooth channels to make enquiries and suggestions to the Company, and the Company also arranges designated personnel to respond to the relevant enquiries in a timely manner.

For voting on each resolution at a general meeting, shareholders are entitled to enquire about the content of the resolution and make recommendation in respect thereof. Speaking shareholder should first introduce his/her identity as shareholder and his/her shareholdings etc., whereas the chairman of the meeting shall in person or appoint specific staff to respond to or give explanation for such enquiry or recommendation.

Procedures for putting forward proposals at shareholders' general meeting

Any shareholder(s) who hold(s), individually or jointly, 3% or more of the Company's shares shall be entitled to propose and submit in writing to the convener additional motions ten (10) days prior to the date of the shareholders' general meeting. The convener shall issue a supplemental notice of the general meeting within two (2) days after the receipt of the motion(s) to announce the contents of the additional motion(s).

As regard the procedures for proposing a person for election as a Director, please refer to the procedures available on the website of the Company at hxjd.hisense.cn.

Changes in constitutional documents

On 24 June 2024, the shareholders of the Company approved the amendments to the Articles of Association at the AGM. The relevant amendments were made according to the Company Law, Guidelines on the Articles of Association of Listed Companies (《上市公司章程指引》), the Management Measures for Independent Directors of Listed Companies (《上市公司獨立董事管理辦法》), and the relevant provisions of the Hong Kong Listing Rules. For details, please refer to the Company's announcement and circular dated 3 June 2024.

The full text of the Amended and Restated Articles of Association can be found at the Hong Kong Stock Exchange's website (<https://www.hkexnews.hk>) and the Company's website (hxjd.hisense.cn).

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(b) The Board of Directors

The Nomination Committee has been established under the Board. The Nomination Committee will select and make suggestions on the candidates for the positions of Directors and the selection criteria and procedures and the same will be submitted to the Board for consideration and approval, and Directors will be elected at the shareholders' general meetings.

As at the date of this report, the Board comprised nine Directors, including six executive Directors, namely Ms. Gao Yu Ling (Chairperson), Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, Mr. Zhu Dan and Mr. Dai Hui Zhong, and three independent non-executive Directors, namely, Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun. The following changes in the composition of the Board during the Reporting Period:

- (i) Mr. Zhu Dan has been an executive Director of the Company since 24 June 2024;
- (ii) Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
- (iii) Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
- (iv) Mr. Xia Zhang Zhua has ceased to be an executive Director of the Company with effect from 24 June 2024;
- (v) Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
- (vi) Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

Members of the Board do not have any relationship in financial, business, family or other significant aspects among themselves.

The Directors of the Company are all elected by the general meetings, with term of office of three years, which are renewable upon re-election and reappointment. Each of the independent non-executive Directors shall not be re-elected for more than six consecutive years.

Corporate Governance Report

Board Diversity Policy

The Board has adopted a board diversity policy. The Company recognises and embraces the benefits of having a diverse board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company aims to achieve board diversity through consideration of a number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, and the selection of director candidates will be based on a range of diversity aspects and the final decision will be based on merits of and contribution that candidate may bring to the Board. The board diversity policy of the Company has been well implemented as the Board currently comprises one female Director, namely Ms. Gao Yu Ling, who has been appointed as the executive Director on 19 January 2022 and the chairperson of the Company on 21 November 2024. In selecting and recommending suitable candidates for the members of the Board in the future, the Company will seize the opportunity to increase the proportion of female members of the Board and enhance the level of gender diversity in accordance with shareholder expectations and recommended best practices.

The Nomination Committee will review the composition of the Board under diversified perspectives and will monitor the implementation of the board diversity policy to ensure its continual effectiveness.

Members of the Board have different backgrounds with extensive experience in various fields such as science and technology, corporate management and finance and accounting. The biographies and roles of the Directors are set out on pages 67 and 68 of this annual report.

The main duties of the Board are as follows: to convene the shareholders' general meeting and report its work to the general meeting of shareholders, and to exercise its decision-making powers in aspects such as the Company's development strategy, investment and financing plans, disposal of major assets, and major transactions in accordance with the authorization of the shareholders' general meeting. The Board is responsible for formulating the Company's overall strategy and annual business plan, and for ensuring that production and operation are properly planned, authorized, carried out and monitored. It is also responsible for appointing the operational management and supervising and evaluating the work of the operational management.

The Board is also responsible for overseeing the preparation of the accounts for each fiscal period to ensure that such accounts truly and fairly reflect the Company's business operation, results and cash flow performance during that period. The Company's Operational Management provides sufficient explanation and information to enable the Board to make an informed assessment of the financial information and other information submitted to it for approval. In preparing the accounts for the year ended 31 December 2024, the Directors:

- selected appropriate accounting policies;
- approved the adoption of all applicable standards as set out in the China Accounting Standards for Business Enterprises; and
- made prudent and reasonable judgments and estimates, and prepared the accounts on a going concern basis.

Corporate Governance Report

The Operational Management of the Company is responsible for implementing the decisions made by the Board and making its own decisions on matters relating to the Company's business operation within the scope of authority delegated by the Board, which include: overseeing the management of the Company's production and operation, organising and implementing the Company's annual operation and investment plans and preparing the proposal for the establishment of the Company's internal control structure. Meanwhile, as requested by the Board, the Operational Management reports to the Board the conclusion and performance of the Company's major contracts, the use of capital and the Company's profit and loss conditions and ensures that such information is true and complete.

The Company has formulated the relevant systems in accordance with the Hong Kong Listing Rules and the relevant laws and regulations to remind the Directors of their obligations, including making disclosures to the regulatory authorities in a timely manner of their interests, potential conflicts of interests and changes in their personal information. Each Director also undertakes that he or she is able to devote sufficient efforts and time to the Company's affairs. The Board assesses and evaluates the performance of the Directors in carrying out their duties according to their attendance rate in the Board meetings and shareholders' general meetings as well as the opinions and suggestions put forward by them in the day-to-day work.

In 2024, the Board of the Company held 14 meetings to discuss the Company's important operating matters. The Directors attended the meetings in person, and their attendance records are set out in the following table:

Attendance of the meetings of the Board in 2024 by the Directors				
Name	Number of meetings which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Ms. Gao Yu Ling	14	14	0	100%
Mr. Jia Shao Qian	14	14	0	100%
Mr. Yu Zhi Tao	14	14	0	100%
Mr. Hu Jian Yong	14	14	0	100%
Mr. Zhu Dan <i>(Note 1)</i>	7	7	0	100%
Mr. Dai Hui Zhong	14	14	0	100%
Mr. Li Zhi Gang	14	14	0	100%
Mr. Tsoi Wing Sing <i>(Note 2)</i>	7	7	0	100%
Mr. Xu Guo Jun <i>(Note 3)</i>	5	5	0	100%
Mr. Xia Zhang Zhua <i>(Note 4)</i>	7	7	0	100%
Mr. Zhong Geng Shen <i>(Note 5)</i>	7	7	0	100%
Mr. Cheung Sai Kit <i>(Note 6)</i>	9	9	0	100%

Notes:

1. Mr. Zhu Dan has been an executive Director of the Company since 24 June 2024;
2. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
3. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
4. Mr. Xia Zhang Zhua has ceased to be an executive Director of the Company with effect from 24 June 2024;

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5. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
6. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

As stipulated in the Articles of Association, all Directors should be given 15 days' notice prior to the commencement of a regular Board meeting. For an extraordinary Board meeting, 3 days' notice should be given in advance. Arrangements are also in place to ensure that all Directors are given an opportunity to include matters in the agenda for Board meetings. The secretary to the Board is responsible for providing detailed information of a regular Board meeting (including information in relation to the meeting of each of the specialised committees of the Board) not later than 3 days prior to the commencement of the meeting to ensure all Directors are apprised of the matters to be considered in the meeting in advance. As for extraordinary Board meetings which are held by means of telecommunication at the request of the Company's management, information relevant to the meeting would be provided simultaneously to all Directors via email or personal service and sufficient time would be given to the Directors to consider the matters. At the same time, the secretary to the Board would respond to any questions raised by the Directors and take appropriate action in a timely manner to assist the Directors to ensure that the procedures of the meetings of the Board are in compliance with the applicable regulations, such as the Company Law of the People's Republic of China, the Articles of Association, the Hong Kong Listing Rules and the Rules Governing the Listing of Shares on Shenzhen Stock Exchange (the "**Shenzhen Listing Rules**"). The Company has made available sufficient resources to enable Directors to discharge their duties and responsibilities, including budget for consulting fees in seeking independent professional advice. Minutes of each Board meeting and each meeting of the committees of the Board will be kept for a term of 10 years for record, during which the minutes are available for Directors' inspection at any time upon their request.

The Board is responsible for corporate governance, supervision of the management in establishment of a compliant organisation structure and system, compliance with the Corporate Governance Code and other laws and regulations in the ordinary course of management and other functions set out in code provision A.2.1 in the Corporate Governance Code. During the Reporting Period, the Board and the specialised committees have reviewed the compliance of the Company's policies and practices on corporate governance, the training and continuous professional development of the Directors and senior management and the Company's internal control and risk management systems.

Independent Non-Executive Directors

The Board comprises three independent non-executive Directors, accounting for not less than one-third of the total number of Directors. The independent non-executive Directors appointed by the Company have complied with Rules 3.10(1) and 3.10(2), Rule 3.10A and Rule 3.13 of the Hong Kong Listing Rules and all of them are independent of and are not connected with the Company and any of the connected persons (as defined in the Hong Kong Listing Rules) of the Company. The Company has received a confirmation of independence from each of the independent non-executive Directors. The terms of office of Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun will expire on 23 June 2027.

In compliance with the relevant laws, regulations and the requirements of the Working System of Independent Non-executive Directors, the independent non-executive Directors of the Company attended the meetings of the Board and the specialised committees in a meticulous, responsible, enthusiastic and conscientious manner and brought their professionalism and expertise to a full play in the independent performance of their duties, and continued to contribute professional advice and independent judgment for significant issues under discussion for decision making.

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Specialised Committees of the Board

The Board has established five specialized committees, namely, the Remuneration and Appraisal Committee, the Nomination Committee, the Strategic Committee, the Audit Committee and the ESG Committee. Each committee has devised its own working rules to define its terms of reference and the procedures of performance, which have been approved by the Board.

Remuneration and Appraisal Committee

The Board has established the Remuneration and Appraisal Committee with specific written terms of reference. During the Reporting Period, the Remuneration and Appraisal Committee consisted of two executive Directors, namely, Mr. Jia Shao Qian, Mr. Yu Zhi Tao and three independent non-executive Directors, namely, Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun. Mr. Li Zhi Gang acted as the chairman of the committee.

The major duties and authority of the Remuneration and Appraisal Committee are:

- I. to analyze, formulate the appraisal standard of the directors and senior management and to carry out the appraisal, select and examine the remuneration policy and proposal of directors and senior management of the Company, and make recommendations to the Board in the following matters:
 1. remuneration of directors and senior management;
 2. formulation or change of the share incentive scheme, employee stock ownership plan, granting of rights and interests to scheme participants, and fulfilment of the conditions for exercising the rights and interests;
 3. arrangement of shareholding plans by directors and senior management in the subsidiaries to be spun off;
 4. other matters stipulated by laws, regulations, the securities regulatory rules of the place(s) where the Company's shares are listed and requirements of the Articles of Association.
- II. to make recommendations in situations where Directors or senior management accept responsibilities and resign or are proposed to be dismissed for their defaults and failure to perform their duties;
- III. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- IV. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- V. to make recommendations to the Board for the remuneration of independent non-executive Directors;
- VI. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

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- VII. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management (adopted the approach under code provision E.1.2(c)(ii) of the Corporate Governance Code). This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- VIII. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions of other positions in the Group;
- IX. to ensure that no Director or any of his associates is involved in deciding his own remuneration; and
- X. other duties provided under applicable regulatory rules and other matters authorised by the Board.

The Remuneration and Appraisal Committee may seek professional advice when necessary. No Director or any member of the senior management shall be involved in deciding his or her own remuneration. The main purpose of the remuneration policies formulated by the Remuneration and Appraisal Committee is to attract and retain Directors and senior management who faithfully and diligently discharge their duties, and who help the Company in its successful operation and the remuneration policies are therefore important to the Company. Details of the remuneration policies of the Company are set out on page 75 of this annual report.

The Remuneration and Appraisal Committee of the Board held seven meetings during the Reporting Period. The attendance record of the members of the Remuneration and Appraisal Committee is set out below:

Attendance of the meeting of the Remuneration and Appraisal Committee of the Board by the committee members

Name	Number of meeting which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Mr. Li Zhi Gang	7	7	0	100%
Mr. Jia Shao Qian	7	7	0	100%
Mr. Yu Zhi Tao	7	7	0	100%
Mr. Tsoi Wing Sing <i>(Note 1)</i>	4	4	0	100%
Mr. Xu Guo Jun <i>(Note 2)</i>	2	2	0	100%
Mr. Zhong Geng Shen <i>(Note 3)</i>	3	3	0	100%
Mr. Cheung Sai Kit <i>(Note 4)</i>	5	5	0	100%

Notes:

1. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
2. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
3. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
4. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

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During the Reporting Period, the Remuneration and Appraisal Committee considered and approved:

1. Resolution on the 2024 A Share Employee Stock Ownership Plan (Draft) of the Company and its summary;
2. Resolution on the Administrative Measures for the 2024 A Share Employee Stock Ownership Plan of the Company;
3. Resolution on the repurchase and cancellation of certain restricted A Shares;
4. Resolution on the annual remuneration policy of the senior management of the Company;
5. Resolution on the annual remuneration of the chairman and senior management of the Company for the annual results of 2023;
6. Resolution on the basic annual remuneration of the senior management of the Company;
7. Resolution on the determination of the remuneration of non-independent Director candidates for the twelfth session of the Board;
8. Resolution on the determination of the remuneration of independent Director candidates for the twelfth session of the Board;
9. Resolution on the basic annual remuneration of the Chairman of the Company;
10. Resolution on the expiration of the first lock-up period and the fulfillment of the unlock conditions of the 2022 A Share Employee Stock Ownership Plan;
11. Resolution on the fulfillment of the conditions for the release of restrictions during the first release period of the 2022 A-share Restricted Stock Incentive Scheme;
12. Resolution on the election of Mr. Li Zhi Gang as the chairman of the twelfth session of the Remuneration and Appraisal Committee of the Board;
13. Resolution on allocation of reserved shares under the 2022 A Share Employee Stock Ownership Plan;
14. Resolution on remuneration of independent Directors;
15. Resolution on the election of Mr. Xu Guo Jun as the member of the twelfth session of the Remuneration and Appraisal Committee of the Company (whose term of office expires upon the expiry of the twelfth session of the Board); and
16. Resolution on adjustment of repurchase price under the 2022 A Share Restricted Stock Incentive Scheme;

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Members of the Remuneration and Appraisal Committee confirmed that the remuneration of the Directors, supervisors and senior management during the Reporting Period is in line with the remuneration appraisal system set up by the Company and the remuneration policies have been strictly implemented. Details of the remuneration of the Directors, the supervisors and the senior management of the Company for the year ended 31 December 2024 are set out on pages 101 to 103 of this annual report.

Nomination Committee

The Board has established the Nomination Committee with specific written terms of reference. During the Reporting Period, the Nomination Committee comprised executive Directors, namely, Mr. Dai Hui Zhong, Mr. Jia Shao Qian and three independent non-executive Directors, namely, Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun. Mr. Tsoi Wing Sing acted as the chairman of the committee.

The major duties and authority of the Nomination Committee are:

- I. to study and formulate criteria and procedures for the selection of Directors and senior management, to select and review the candidates of Directors and senior management and their qualifications for appointment, and to make recommendations to the Board on the following matters:
 1. nomination or removal of Directors;
 2. appointment or dismissal of senior management;
 3. other matters stipulated by laws, regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.
- II. to select the qualified Director candidates and senior management candidates according to the Company's business model and its specific needs, taking comprehensive consideration of factors such as age, gender, educational background, skills, professional knowledge, experience, etc. and to set up measurable goals to ensure the diversity of the Board members;
- III. to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies;
- IV. to assess the independence of the independent non-executive Directors;
- V. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the President; and
- VI. other matters authorized by the Board.

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During the Reporting Period, the Nomination Committee comprised five Directors, including three independent non-executive Directors, and the members of the Nomination Committee are nominated by the Chairman of the Board, one-half or more of the independent non-executive Directors or one-third or more of Directors, and are elected by the Board. The Nomination Committee shall have one chairman (convener) who should be an independent non-executive Director responsible for presiding over the work of the committee. The convener shall be elected among the committee members and shall be reported to the Board for approval. The term of office of each member of the Nomination Committee is consistent with the term he or she serves in the Board. During the term of office, if any member of the committee ceases to be a Director, he or she shall be disqualified as a member of the committee accordingly, and the vacancy should be filled by the person elected by the Board in accordance with the requirements. The human resources department of the Company will assist the Nomination Committee in carrying out its daily work such as selection and nomination of suitable candidates.

The Nomination Committee of the Board held five meetings during the Reporting Period, and the attendance record of the members of the Nomination Committee is set out below:

Attendance of the meetings of the Nomination Committee of the Board by the committee members				
Name	Number of meeting which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Mr. Tsoi Wing Sing <i>(Note 1)</i>	4	4	0	100%
Mr. Dai Hui Zhong	5	5	0	100%
Mr. Jia Shao Qian	5	5	0	100%
Mr. Li Zhi Gang	5	5	0	100%
Mr. Xu Guo Jun <i>(Note 2)</i>	2	2	0	100%
Mr. Zhong Geng Shen <i>(Note 3)</i>	1	1	0	100%
Mr. Cheung Sai Kit <i>(Note 4)</i>	3	3	0	100%

Notes:

1. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
2. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
3. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
4. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

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During the Reporting Period, the Nomination Committee considered and approved:

1. Resolution on the nomination of candidates for non-independent Directors for the twelfth session of the Board of the Company;
2. Resolution on the nomination of candidates for independent Directors for the twelfth session of the Board of the Company;
3. Resolution on the election of Mr. Tsoi Wing Sing as the chairman of the twelfth session of the Nomination Committee of the Board;
4. Resolution on the nomination of Mr. Hu Jian Yong as a candidate for president of the Company;
5. Resolution on the nomination of Ms. Gao Yu Ling as a candidate for head of finance of the Company and as the chief accountant of the Company;
6. Resolution on the nomination of Ms. Zhang Yu Xin as a candidate for secretary of the Board of the Company;
7. Resolution on the nomination of Ms. Wong Tak Fong as a candidate for company secretary of the Company;
8. Resolution on the nomination of Mr. Xu Guo Jun as a candidate for independent Director of the twelfth session of the Board of the Company;
9. Resolution on the election of Mr. Xu Guo Jun as a member of the Nomination Committee of the twelfth session of the Board of the Company (the term of office will expire upon the expiration of the twelfth session of the Board of the Company);
10. Resolution on the nomination of Ms. Gao Yu Ling as the chairperson of the twelfth session of the Board of the Company (the term of office is from the date of this resolution of the Board to the expiry of the twelfth session of the Board); and
11. Resolution on the nomination of Mr. Sun Chang Chun as the head of finance of the Company (the term of office will expire upon the expiration of the twelfth session of the Board of the Company).

The Nomination Committee conducts extensive searches for candidates of Directors or senior management within the Company and in the open market, etc. after considering the Company's requirements for new Directors or senior management. With the consent to nomination from the candidates, the Nomination Committee will convene the Nomination Committee meeting in accordance with relevant laws and regulations, the Articles of Association and the Terms of Reference for Nomination Committee taking into account the Company's actual situation, examine the qualifications of the initial nominees according to the requirements for the position of Directors or senior management and form a resolution which would be recorded and submitted to the Board for its consideration. In respect of the nomination of senior management, the Nomination Committee shall provide the Board with candidates for the position of its recommendation together with relevant materials one (1) month before the nomination. During the Reporting Period, the Nomination Committee strictly implemented the nomination procedures and recommendation criteria in accordance with the nomination policy enacted.

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Strategic Committee

The Board has established the Strategic Committee with specific written terms of reference. During the Reporting Period, the Strategic Committee of the twelfth session of the Board comprised the executive Directors, namely, Ms. Gao Yu Ling, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong and Mr. Dai Hui Zhong. Ms. Gao Yu Ling acted as the chairperson of the committee.

The Strategic Committee of the Board is a specialised working organisation under the Board, primarily responsible for studying and making recommendations on the long-term development strategies and the decision-making on significant investments of the Company.

During the Reporting Period, the Strategic Committee comprised members who are nominated by the Chairman of the Board, one-half or more of the independent non-executive Directors or one-third or more of all the Directors and are elected by the Board. The committee shall have one chairman (convener), who shall be the Chairman of the Board. The term of office of each member of the Strategic Committee shall be consistent with his or her term of office with the Board, and members of the committee can be re-elected upon his or her retirement. During the term of office, if any member of the committee ceases to be a Director, he or she shall be disqualified as a member of the committee accordingly, and the vacancy should be filled by the person elected by the committee in accordance with the requirements.

The Strategic Committee of the Board held four meetings during the Reporting Period and the attendance record of the members of the Strategic Committee is set out below:

Attendance of the meetings of the Strategic Committee of the Board by the committee members				
Name	Number of meeting which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Ms. Gao Yu Ling <i>(Note 1)</i>	1	1	0	100%
Mr. Dai Hui Zhong <i>(Note 2)</i>	4	4	0	100%
Mr. Jia Shao Qian	4	4	0	100%
Mr. Yu Zhi Tao	4	4	0	100%
Mr. Hu Jian Yong	4	4	0	100%
Mr. Zhu Dan <i>(Note 3)</i>	1	1	0	100%
Mr. Xia Zhang Zhua <i>(Note 4)</i>	2	2	0	100%

Notes:

1. Ms. Gao Yu Ling has been appointed as a member and the chairperson of the Strategic Committee since 21 November 2024;
2. Mr. Dai Hui Zhong has ceased to be the chairman of the Strategic Committee since 21 November 2024;
3. Mr. Zhu Dan has been an executive Director of the Company since 24 June 2024; and
4. Mr. Xia Zhang Zhua has ceased to be an executive Director of the Company with effect from 24 June 2024.

Corporate Governance Report

During the Reporting Period, the Strategic Committee considered and approved:

1. Resolution on connected transaction on joint capital increase with a related party;
2. Resolution on participation in the establishment of an industrial fund and connected transaction;
3. Resolution on the election of Mr. Dai Hui Zhong as chairman of the Strategy Committee of the twelfth session of the Board; and
4. Resolution on the election of Ms. Gao Yu Ling as a member and chairperson of the Strategy Committee of the twelfth session of the Board (the term of office will expire upon the expiration of the twelfth session of the Board).

Audit Committee

The Board takes ultimate responsibility for the Company's internal control and risk management systems. To achieve the best corporate governance practices, the Company has set up the Audit Committee to review the efficiency of the relevant systems. The Audit Committee is a specialised working organisation under the Board with specific written terms of reference, and is responsible for the communication, supervision and inspection of the internal and external audit work of the Company. The Audit Committee reports to the Board and its proposals shall be submitted to the Board for approval.

The major duties and authority of the Audit Committee are:

- I. to supervise and assess external audits, and to make recommendations on the appointment or change of external auditing body; to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditing body, and to approve the remuneration and terms of engagement of the external auditing body, and any questions of its resignation or dismissal;
- II. to review and monitor the independence and objectivity of the external auditing body and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditing body the nature and scope of the audit and reporting obligations before the audit commences;
- III. to develop and implement policy on engaging an external auditing body to supply non-audit services. For this purpose, "external auditing body" includes any entity that is under common control, ownership or management with the auditing body or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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- IV. To review and express an opinion on the Company's financial statements. To review the Company's financial accounting reports and express an opinion on the truthfulness, accuracy and completeness of the financial accounting reports, focusing on significant accounting and auditing issues in the Company's financial accounting reports, with particular attention to the possibility of fraud, fraudulent acts and material misstatements related to the financial accounting reports, and to oversee the rectification of problems in the financial accounting reports. The Audit Committee shall urge the external audit institutions to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions. In reviewing these reports before submission to the Board, the committee should focus particularly on:
1. any changes in accounting policies and practices;
 2. major judgmental areas;
 3. significant adjustments resulting from the audit;
 4. the going concern assumptions and any qualifications;
 5. compliance with accounting standards; and
 6. compliance with the listing rules of the stock exchange where the shares are listed and legal requirements in relation to financial reporting;
- V. Regarding item (4) above:
1. members of the committee should liaise with the Board and senior management; and
 2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditing body.
- VI. to supervise and assess the Company's internal control; to review the Company's financial controls, risk management and internal control systems;
- VII. to discuss risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems. This discussion should include the adequacy of resources, staff qualifications, experience and training programmes, and relevant budget of the Company's accounting and financial reporting function;
- VIII. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

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- IX. to supervise and assess internal audits, to be responsible for the co-ordination between internal audits and external audits, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- X. to examine and review the Company's financial, accounting policies and practices;
- XI. to review the management letter provided to the management by the external auditing body, any material queries raised by the auditing body to management about the accounting records, financial accounts or systems of control and management's response;
- XII. to ensure that the Board will provide a timely response to the issues raised in the management letter provided to the management by the external auditing body;
- XIII. to urge the external auditors to be honest, trustworthy and diligent, to strictly comply with the business rules and industry self-regulatory norms, to strictly implement the internal control system, to verify and validate the financial accounting reports of the Company, to perform special attention obligations and to express professional opinions prudently.
- XIV. to report to the Board on the matters in these terms of reference;
- XV. to examine and review the following arrangements: employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the Company to conduct fair and independent investigation of these matters and for appropriate follow-up action;
- XVI. to act as the key representative body for overseeing the Company's relationship with the external auditing body;
- XVII. to establish anti-corruption and whistle-blowing mechanism to follow, pay attention to and openly handle the questions and complaints made by the staff, customers, suppliers and investors of the Company and social media on the truthfulness, accuracy and completeness of financial information;
- XVIII. to make recommendations regarding the establishment and modification of corporate governance mechanism and to provide effective supervision over the implementation of resolutions of the Board by senior management of the Company; and
- XIX. to be responsible for matters pursuant to the laws, regulations, Articles of Association and such other matters as the Board may authorize.

All members of the Audit Committee are independent non-executive Directors. During the Reporting Period, the Audit Committee consisted of Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun. Mr. Xu Guo Jun acted as the chairman of the committee.

Corporate Governance Report

The Audit Committee held nine meetings during the Reporting Period, and the attendance record of the members of the Audit Committee is set out below. All matters considered and approved at such meetings were recorded in accordance with the relevant requirements and filed for record after being reviewed and signed by all members of the Audit Committee.

Attendance of the meetings of the Audit Committee of the Board by the committee members				
Name	Number of meeting which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Mr. Xu Guo Jun <i>(Note 1)</i>	4	4	0	100%
Mr. Tsoi Wing Sing <i>(Note 2)</i>	5	5	0	100%
Mr. Li Zhi Gang	9	9	0	100%
Mr. Zhong Geng Shen <i>(Note 3)</i>	4	4	0	100%
Mr. Cheung Sai Kit <i>(Note 4)</i>	5	5	0	100%

Notes:

1. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
2. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
3. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024; and
4. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024.

In 2024, the Audit Committee accomplished the following major tasks:

1. having reviewed the annual, interim and quarterly financial results and reports of the Company;
2. having considered and approved the report on internal control for the year of 2023 and the final report for the audit work conducted by the auditing body for the year of 2023;
3. having considered and approved the resolution on the re-appointment of ShineWing Certified Public Accountants LLP as the auditor of the Company for the year of 2024;
4. having reviewed the connected transactions of the Company to ensure that the connected transactions were in compliance with the principles of fairness, impartiality and transparency with sufficient protection of the medium and minority shareholders' interests;
5. having reviewed the effectiveness of the Company's risk management and internal control systems; and
6. having made suggestions regarding significant matters of the Company and reminded the management of the relevant risks.

Corporate Governance Report

ESG Committee

The Board has established the ESG Committee with specific written terms of reference. During the Reporting Period, the ESG Committee of the twelfth session of the Board comprised the executive Directors, namely, Ms. Gao Yu Ling, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong and Mr. Dai Hui Zhong. Ms. Gao Yu Ling acted as the chairman of the committee.

The ESG Committee of the Board is a specialised working organisation under the Board, primarily responsible for studying and making recommendations on the environmental, social and corporate governance work of the Group.

During the Reporting Period, the ESG Committee comprised members who are nominated by the Chairman of the Board, one-half or more of the independent non-executive Directors or one-third or more of all the Directors and are elected by the Board. The committee shall have one chairman (convener), who shall be the Chairman of the Board. The term of office of each member of the ESG Committee shall be consistent with his or her term of office with the Board, and members of the committee can be re-elected upon his or her retirement. During the term of office, if any member of the committee ceases to be a Director, he or she shall be disqualified as a member of the committee accordingly, and the vacancy should be filled by the person elected by the committee in accordance with the requirements.

The ESG Committee of the Board held three meetings during the Reporting Period and the attendance record of the members of the Strategic Committee is set out below:

Attendance of the meetings of the ESG Committee of the Board by the committee members				
Name	Number of meeting which should be attended for the year	Number of attendance in person	Number of attendance by proxy	Attendance rate for the year
Ms. Gao Yu Ling <i>(Note 1)</i>	3	3	0	100%
Mr. Jia Shao Qian	3	3	0	100%
Mr. Yu Zhi Tao	3	3	0	100%
Mr. Hu Jian Yong	3	3	0	100%
Mr. Dai Hui Zhong <i>(Note 2)</i>	3	3	0	100%

Notes:

1. Ms. Gao Yu Ling has been appointed as the chairperson of the ESG Committee since 21 November 2024; and
2. Mr. Dai Hui Zhong has ceased to be the chairman of the ESG Committee since 21 November 2024.

Corporate Governance Report

During the Reporting Period, the ESG Committee considered and approved:

1. 2023 Environmental, Social and Governance Report;
2. Resolution on the election of Mr. Dai Hui Zhong as chairman of the ESG Committee of the twelfth session of the Board; and
3. Resolution on the election of Ms. Gao Yu Ling as the chairperson of the ESG Committee of the twelfth session of the Board (the term of office will expire upon the expiration of the twelfth session of the Board of the Company).

(c) Supervisory Committee

The Supervisory Committee was established in accordance with the PRC laws. It independently performs its supervisory duties to protect the legal interests of shareholders, the Company and its staff from infringements. It also reviews the Company's financial positions in accordance with the relevant requirements of the Articles of Association, and oversees the discharge of duties of the Directors and the senior management of the Company.

During the Reporting Period, the Supervisory Committee comprised two shareholders representative supervisors, namely Mr. Liu Zhen Shun and Ms. Sun Jia Hui and one employee representative supervisor, Mr. Bao Yi, with Mr. Liu Zhen Shun acting as the chairman of the Supervisory Committee.

Please also refer to the profiles of the Supervisory Committee set out on page 68 of this annual report.

(II) COMPLIANCE WITH THE CG 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.

Directors' Training

In order to enhance the level of corporate governance of the Directors, the secretary of the Board continuously follows the latest regulatory requirements set out by the securities regulatory institutions, and delivers such requirements and information to the Directors, supervisors and senior management of the Company in a timely manner. At the same time, the Company has also arranged training programs for the relevant Directors, supervisors and senior management, which includes specific training sessions held by the Shenzhen Stock Exchange and China Securities Regulatory Commission Guangdong Bureau, to assist the Directors in participating in continuous professional development.

Corporate Governance Report

The Board secretary maintains records of training attended by the Directors. The training attended by each current Director during the Reporting Period is tabulated as follows:

Name	Types of training (Note)
Ms. Gao Yu Ling	b
Mr. Jia Shao Qian	b
Mr. Yu Zhi Tao	b
Mr. Hu Jian Yong	b
Mr. Zhu Dan	a, b
Mr. Dai Hui Zhong	b
Mr. Li Zhi Gang	b
Mr. Tsoi Wing Sing	a, b
Mr. Xu Guo Jun	a, b

Notes:

- a. attending seminar(s) or training session(s)
- b. reading newspapers, journals and updates relating to the Company's business or directors' duties and responsibilities etc.

Chairman and President

The Chairman of the Board and the President of the Company are appointed by the Board. The persons who were appointed as the Chairman and the President of the Company during the Reporting Period and up to the date of this report are as follows:

Position	Former Chairman	Chairperson	President
Name	Mr. Dai Hui Zhong	Ms. Gao Yu Ling	Mr. Hu Jian Yong
Term of office	28 October 2021 to 21 November 2024	21 November 2024 to present	28 February 2023 to present

The Chairman shall be responsible for presiding over the general meetings, convening and presiding over the Board meetings, ensuring that the Board is in effective proper operation to review and discuss all the significant issues in a timely and effective manner, reviewing the implementation of the Board's resolutions as well as discharging his duties as the legal representative of the Company. The President shall be in charge of the management of the production and operation of the Company, and is responsible for organising the implementation of the Board's resolutions and the Company's annual operational and investment plans and making decisions on other issues within the scope of the delegation by the Board. During the Reporting Period, the Chairman held at least one meeting with the independent non-executive Directors without the presence of the executive Directors.

Since 21 November 2024, Mr. Dai Hui Zhong has ceased to serve as the Chairman of the Company and the position of the Chairperson has been held by Ms. Gao Yu Ling.

Corporate Governance Report

Internal Control

During the Reporting Period, pursuant to the provisions and requirements of the “Basic Norms for Enterprise Internal Control” and its ancillary guidelines, with the objectives of enhancing the level of corporate operation and management and risk prevention ability, as well as reasonably ensuring the compliance of the Company’s operation with laws and regulations, the safety of assets, the truthfulness and completeness of the financial reports and relevant information, optimising the efficiency and efficacy of operation and promoting the implementation of strategies for sustainable development by the Company, and taking into account the Company’s internal control and risk management systems and assessment method and on the basis of daily supervision and specific supervision of internal control and risk management, the Company has determined the scope of assessment in internal control and risk management that puts emphasis on the areas of organisational structure, development strategies, human resources, social responsibility, corporate culture, funding activities, procurement business, asset management, sales business, research and development, engineering project, outsourcing of business, financial reporting, comprehensive budgeting, contract management, internal information transmission and information system, and other compliance and risk management matters and has carried out assessment on the effectiveness of the Company’s internal control and risk management systems in 2024. Conclusions were drawn in respect of the effectiveness of the internal control and risk management systems: during the Reporting Period, the Company has established internal control and risk management mechanisms for all businesses and matters included in the scope of assessment, and the internal control and risk management systems have been effectively executed to achieve the objectives of the Company’s internal control and risk management systems without significant defect.

During the Reporting Period, the internal audit department of the Group has assessed the effectiveness of the risk management and internal control systems of the Group and the assessment result was positive.

The Board has conducted an annual review of the effectiveness of the internal control and risk management systems of the Company during the Reporting Period. During the course of the review, the Board considered that the Company had established an appropriate internal control and risk management systems for the Company based on the actual situation and was not aware of any significant defect in the internal control and risk management systems of the Company. In addition, the Company has engaged ShineWing Certified Public Accountants LLP to perform independent audit on the effectiveness of the Company’s internal control and risk management systems and an audit report has been issued. The auditor is of the view that as at 31 December 2024, the Company has maintained effective internal control and risk management systems related to financial reporting in accordance with the “Basic Norms for Enterprise Internal Control” and the relevant requirements in all material respects.

As at the date of this report, members of the twelfth session of the Board considered that there is no major uncertain event or circumstance which may materially affect the Company’s ability to continue as a going concern.

The Board is responsible for the internal control and risk management systems of the Group, including reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Corporate Governance Report

The Group's internal control and risk management systems have been developed by the Board with the following features and processes:

1. the management, with the assistance of the Group's front-line personnel, identifies risks that may affect the Group's business and operations;
2. the management assesses the risks identified by considering their impacts on the business and the likelihood of occurrence of the adverse events associated with the risks;
3. the management prioritises the risks based on their probability and the severity of impact on the business;
4. the management reports regularly to the Board for the Board's formulation of the risk management strategies and internal control processes to prevent, avoid and mitigate the risks;
5. the management performs ongoing and periodic monitoring of the risks to ensure that appropriate internal control processes are in place and material internal control defects can be resolved and reports its findings and results to the Board regularly; and
6. the Board, with the assistance of the Audit Committee and the management, reviews the risk management strategies and internal control processes on a regularly basis.

Inside Information

The Company has formulated a policy on disclosure of inside information to ensure that inside information is handled and disseminated properly and in accordance with the applicable laws and regulations. The business departments and the department heads within the Group are responsible for monitoring any changes and developments and reporting any potential or suspected inside information events to the Board. Based on the information reported and obtained, the Board assesses whether any of the information constitutes inside information which needs to be released to the public with the advice of the internal legal team of the Group. Should public disclosure be required, the Board will determine the scope of information to be disclosed and the timing of disclosure. If and when appropriate, the Board may seek independent professional advice to ensure that the Company complies with the disclosure requirements. The Company discloses information to the public through channels including websites of its own and the Hong Kong Stock Exchange, with an aim to achieve fair and timely disclosure of information.

(III) SECURITIES TRANSACTIONS BY DIRECTORS

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 transactions by the Directors. After making specific enquiries to the Directors, they all confirmed that they had complied with the Model Code during their term of office.

Corporate Governance Report

(IV) AUDITOR

On 24 June 2024, as considered and approved at the shareholders' general meeting, the Company re-appointed ShineWing Certified Public Accountants LLP as the auditor of the Company for the year of 2024, and the Board was authorised to fix their remuneration.

The Company has agreed to pay a remuneration of approximately RMB2,100,000 and RMB900,000 to the auditors for the provision of audit services for financial reporting and internal control respectively for the year ended 31 December 2024 and bear the corresponding travel expenses. During the Reporting Period, no non-audit service was provided by the auditors to the Group.

The Directors acknowledged their responsibility for preparing the accounts that give a true and fair view of the Group's financial position on a going-concern basis and other financial disclosures. A statement by the auditors of the Company in respect of their reporting responsibilities is set out in the Auditor's Report section contained in this annual report.

(V) COMPANY SECRETARY

Ms. Wong Tak Fong has been the company secretary of the Company to assist the Company in dealing with the Hong Kong Listing Rules compliance matters. Ms Wong Tak Fong is the Company's external personnel. She can contact and communicate with the Board secretary of the Company, Ms. Zhang Yu Xin, in her day-to-day work. According to Rule 3.29 of the Hong Kong Listing Rules, Ms. Wong Tak Fong has taken no less than 15 hours of relevant professional training during the Reporting Period.

Profiles of Directors, Supervisors and Members of the Senior Management

Incumbent Directors

Ms. Gao Yu Ling, aged 43, Master of Management, served successively as the deputy director of finance center of Hisense Visual, the chief financial officer and the chief accountant of the Company, the general manager and the deputy chief accountant of financial and operation management department of Hisense Group, the supervisor of Hisense Air-Conditioning. Ms. Gao serves as the director of Sanden Company and the Chairperson of the Company.

Mr. Jia Shao Qian, aged 52, Doctor of Economics, served successively as the legal advisor of legal affairs department and the director of the president's office of Hisense Company Limited, the supervisor of Hisense Visual, the vice president and president of the Company, the general manager of Hisense (Shandong) Refrigerator Co., the executive vice president of Hisense Company Limited, and the president of Hisense Group. Mr. Jia serves as the chairman of Hisense Group, the director of Hisense Visual and a Director of the Company.

Mr. Yu Zhi Tao, aged 48, Bachelor's degree, served successively as a research & development ("R&D") engineer of Hisense Company Limited, the deputy general manager of Qingdao Hisense Mobile Technology Company Ltd.* (青島海信移動通信技術有限公司), the general manager of software R&D department and overseas R&D department and the deputy general manager and the president of R&D center of Hisense Visual, the deputy general manager and the general manager of Qingdao Hisense Media Network Technology Company Ltd.* (青島海信傳媒網絡技術有限公司), the general manager of VIDAA Technology Co., Ltd.* (聚好看科技股份有限公司), the executive vice president and president of Hisense Company, and the president of Hisense Visual. Mr. Yu serves as the director and chief executive officer of Hisense Group, the chairman of Hisense Visual, the director of Sanden Company and a Director of the Company.

Mr. Hu Jian Yong, aged 51, Bachelor's degree, served successively as an assistant general manager, the deputy general manager and the general manager of Hisense Visual, an assistant general manager and the vice president of Hisense Management, the director of Hisense Air-Conditioning. Mr. Hu serves as a Director and the President of the Company.

Mr. Zhu Dan, aged 50, Master's degree, served successively as the general manager for the Middle East and Africa, general manager for the Americas, and general manager for Europe at Hisense International, as well as the president and the chairman of Hisense International. Mr. Zhu serves as a director of Hisense Visual, and a director of Sanden Company and a Director of the Company.

Mr. Dai Hui Zhong, aged 59, Bachelor's degree, served successively as the vice-general manager of Qingdao Hisense Mould Co., Ltd., the director and the general manager of Hisense Visual, the president and the chairman of Hisense Broadband Multimedia Technology (BVI) Inc., the president and the chairman of the Company and the vice president and the senior vice president of Hisense Company Limited. Mr. Dai serves as a consultant of Hisense Group and a Director of the Company.

Mr. Li Zhi Gang, aged 49, Doctor of Management of Nankai University, served as an associate professor at the School of Management of Ocean University of China. Mr. Li serves as a professor at the School of Management of Ocean University of China, an independent director of Qingdao Thunderobot Technology Co., Ltd.* (青島雷神科技股份有限公司), and an independent non-executive Director of the Company.

Profiles of Directors, Supervisors and Members of the Senior Management

Mr. Tsoi Wing Sing, aged 62, an Honorary Doctorate from California International University, served as a director of Calson Industrial International Company Limited and Calson Investment Limited. Mr. Tsoi serves as an executive director of Changzhou Qifa Footwear Co., Ltd.* (常州啟發鞋業有限公司) and Changzhou Qichen Investment Co., Ltd.* (常州啟辰投資有限公司), the chairman and executive director of Star Shine Holdings Group Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1440), a director of Hope Faith Limited, a supervisor of Putian Qiming Footwear Co., Ltd.* (莆田啟明鞋業有限公司) and an independent non-executive Director of the Company.

Mr. Xu Guo Jun, aged 62, Doctor of Economics (Accounting) of Renmin University of China and a Non-practicing Certified Public Accountant, served as the chief accountant, deputy general manager, general manager and the director of Qingdao Guoxin Development (Group) Co., Ltd.* (青島國信發展(集團)有限責任公司), a professor of accounting and a PhD supervisor at Ocean University of China, the director of the Institute of Human Value Management of Ocean University of China* (中國海洋大學人本價值管理研究所) (retired), an independent director of Qingdao Doublestar Co., Ltd.* (青島雙星股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 000599), an independent director of Ceyear Technologies Co., Ltd.* (中電科思儀科技股份有限公司), an outside director of Qingdao Qingtie Jinhui Holdings Limited* (青島青鐵金匯控股有限公司), as well as an independent director of Impulse (Qingdao) Health Tech Co., Ltd.* (青島英派斯健康科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002899). Mr. Xu serves as an independent director of Baiyang Investment Group, INC.* (百洋產業投資集團股份有限公司) (since August 2020, a company listed on the Shenzhen Stock Exchange with stock code: 002696), and an independent director of Qingdao Pangu Intelligent Manufacturing Co., Ltd.* (青島盤古智能製造股份有限公司) (since October 2020, a company listed on the Shenzhen Stock Exchange with stock code: 301456) and an independent non-executive Director of the Company.

Incumbent Supervisors

Mr. Liu Zhen Shun, aged 55, Bachelor's degree, served successively as the head of the legal affairs department, the general manager of legal and intellectual properties department, and the deputy secretary of the discipline committee of Hisense Company Limited, the secretary of the discipline committee of Hisense Group. He serves as the deputy secretary of the Party Committee, the chairman of the Supervisory Committee, chief compliance officer, and the general manager of legal and intellectual properties department of the Hisense Group, and the chairman of the Supervisory Committee of the Company.

Ms. Sun Jia Hui, aged 36, Master of Management of Shandong University, served successively as the head of audit of audit department, the head of business analysis of finance and operation management department of Hisense Company Limited, the vice-general manager of finance and operation management department of Hisense Visual, and the head of operation management department under the finance and operation management department of Hisense Company Limited, and the vice-general manager of financial and operation management department of Hisense Group. She serves as the chief financial management office of financial and operation management department of Hisense Group, a supervisor of Hisense Visual, a supervisor of Hisense Air-Conditioning, a supervisor of Sanden Company, and a supervisor of the Company.

Mr. Bao Yi, aged 44, Master's degree, served as the head of general manager's office, general manager of overseas business department, and vice president of Hisense Hitachi. Mr. Bao serves as the deputy secretary of the Party Committee and chairman of the Labor Union and a supervisor of the Company.

Profiles of Directors, Supervisors and Members of the Senior Management

Incumbent Senior Management Members

Mr. Hu Jian Yong, aged 51, Bachelor's degree, served successively as an assistant general manager, the deputy general manager and the general manager of Hisense Visual, an assistant general manager and the vice president of Hisense Management, the director of Hisense Air-Conditioning. Mr. Hu serves as a Director and the President of the Company.

Mr. Sun Chang Chun, aged 41, Bachelor's degree and senior accountant, served successively as a director of the finance department of Hisense (Shandong) Air Conditioning Company Limited, the chief financial officer of Hisense International Marketing Europe Holding Co., the general manager of the financial and operation management department of Hisense Air-Conditioning and the deputy chief accountant of Hisense Hitachi. Mr. Sun serves as the chief financial officer and the chief accountant of the Company.

Ms. Zhang Yu Xin, aged 38, holds a Bachelor's degree and a Master's degree in law from Tsinghua University and a Master's degree in Public Administration from Cornell University, worked for Roland Berger Strategy Consultants Ltd, Swiss Bank and Haier Smart Home Co., Ltd. She serves as the Secretary of the Board of the Company.

Ms. Wong Tak Fong, aged 58, Master of Business Administration from the University of Bradford in the United Kingdom, is a fellow member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries and a fellow member of the Taxation Institute of Hong Kong. She acted as the managing director of General Bright Consultants Ltd., and a joint company secretary of the Company. She serves as the company secretary of the Company.

Note: Hisense Group and Hisense Air-Conditioning mentioned in the above profiles are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

As at the date of this report, Mr. Jia Shao Qian is the chairman of Hisense Group. Hisense Group was deemed to have interest in the shares of the Company, which would fall to be disclosed 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").

As at the date of this report, Mr. Yu Zhi Tao is the director of Hisense Group. Hisense Group was deemed to have interest in the shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the date of this report, Mr. Zhu Dan is the director of Hisense Visual. Hisense Group was deemed to have interest in the shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

BOARD COMPOSITION

As at the date of this annual report, the Board comprised six executive Directors, being Ms. Gao Yu Ling, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Mr. Hu Jian Yong, Mr. Zhu Dan and Mr. Dai Hui Zhong, and three independent non-executive Directors, being Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun.

During the Reporting Period, the changes in the Directors are as follows:

Executive Directors

Ms. Gao Yu Ling
Mr. Jia Shao Qian
Mr. Yu Zhi Tao
Mr. Hu Jian Yong
Mr. Zhu Dan ^{Note 1}
Mr. Dai Hui Zhong
Mr. Xia Zhang Zhua ^{Note 2}

Independent Non-executive Directors

Mr. Li Zhi Gang
Mr. Tsoi Wing Sing ^{Note 3}
Mr. Xu Guo Jun ^{Note 4}
Mr. Zhong Geng Shen ^{Note 5}
Mr. Cheung Sai Kit ^{Note 6}

Notes:

1. Mr. Zhu Dan has been an executive Director of the Company since 24 June 2024;
2. Mr. Xia Zhang Zhua has ceased to be an executive Director of the Company with effect from 24 June 2024 due to the expiry of his term of office;
3. Mr. Tsoi Wing Sing has been an independent non-executive Director of the Company since 24 June 2024;
4. Mr. Xu Guo Jun has been an independent non-executive Director of the Company since 2 August 2024;
5. Mr. Zhong Geng Shen has ceased to be an independent non-executive Director of the Company with effect from 24 June 2024 due to the expiry of his term of office; and
6. Mr. Cheung Sai Kit has ceased to be an independent non-executive Director of the Company with effect from 2 August 2024 due to the expiry of his term of office.

Report of the Directors

PRINCIPAL BUSINESSES

The Group is mainly engaged in the R&D, manufacturing and marketing of refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances and other electrical products, as well as of moulds, automotive air conditioner compressors and integrated thermal management systems, and provides full-scenario smart home solutions centered on intelligent upgrading of household appliances.

BUSINESS REVIEW

A fair review of the business of the Company and further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the risks faced by the Group, important events affecting the Group that have occurred since the end of the Reporting Period, and an indication of the likely future developments of the Group's business, can be found in the Chairman's Statement, the Management Discussion and Analysis and the Corporate Governance Report in this annual report.

In addition, the Group's environmental, employee, customer and supplier matters and compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Management Discussion and Analysis and the Corporate Governance Report in this annual report, and the 2024 Environmental, Social and Governance Report of the Company published on 28 April 2025, respectively.

These discussions form part of this Report of the Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group closely integrated its energy conservation and emissions reduction efforts with its corporate operational strategy. This was done in full compliance with the laws, regulations and requirements of relevant systems of the Company for the purposes of further improving the environmental management system, specifying job responsibilities and detailed appraisal rules, strengthening supervision and management over the operation of environmental protection facilities and regulated environmental protection work. The Group's environmental protection work is always unremitting. The Company passed the recertification audit of ISO14001 environmental management system by the certification authority, and the certification certificate continues to be valid.

The Group maintains a refined system of occupational health and safety management. Its production safety management systems are developed at headquarters level in accordance with national laws and regulations. Corresponding rules for safe operation are also in place regarding the equipment and facilities of the Group's subordinate factories.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business is mainly carried out by its subsidiaries in mainland China, and the Company is dually listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Accordingly, the operations of the Group should comply with the relevant laws and regulations of mainland China and Hong Kong. During the Reporting Period, to the best knowledge of the Company, the Group has complied with the relevant laws and regulations of mainland China and Hong Kong which have significant impacts on the business and operations of the Group. There was no material breach of, or non-compliance with, the applicable laws and regulations which have significant impacts on the business and operations of the Group.

Report of the Directors

RELATIONSHIPS WITH STAFF, CUSTOMERS, SUPPLIERS AND OTHER PERSONS

The Group continuously improves its vocational education and training system, creates equal opportunities for employees, and regards training as a driving force for enhancing employees' quality and promoting career development. The Group cares about the lives of employees and has facilities such as employee apartments, canteens, outpatient departments, etc., which are managed by specialized institutions within the Group, providing employees with enthusiastic and considerate logistics and health services.

The Group has always prioritized customer needs by creating valuable products and improving services. The Company has increased customer satisfaction and offered the ideal experience for customers by improving its customer service system and putting policies in place to protect their rights and interests.

The Group has established close and stable relationships with several major suppliers, and past records of the Group showed that no significant shortages or delays were experienced when the Group received supplies or services from the suppliers. During the Reporting Period, there was no major or significant dispute between the Group and its suppliers.

The Group has always adhered to the concept of honest operation. All employees of the Group strictly implement the "Code of Integrity" and strictly abide by the code of conduct for integrity that should be observed with multiple stakeholders such as shareholders, customers, partners, the government, and society.

Further discussions on the Group's environmental policies and performance, compliance with laws and regulations, and relationships with key stakeholders are also contained in the 2024 Environmental, Social and Governance Report of the Company published on 28 April 2025.

PROFIT DISTRIBUTION POLICIES

According to the Articles of Association, the profit distribution policy of the Company is as follows:

1. The profit distribution of the Company shall focus on giving reasonable investment return to its investors. The profit distribution policies shall maintain continuity and stability, and shall not be adjusted at will to lower the level of return to shareholders once such policies have been confirmed.
2. Form, condition and proportion of profit distribution of the Company:
 - (1) The Company may distribute dividends by distributing dividends in form of cash, shares or a combination of both cash and shares and distribution of profits by cash dividends shall be a prioritized means. When the conditions for profit distribution by cash dividends are met, profit distribution by cash dividends shall be adopted. Share repurchase by means of offering or centralized bidding in consideration of cash shall be deemed as cash dividend and included in the percentage of cash dividend.

Report of the Directors

- (2) In distributing dividends in cash, the Company shall also meet the following conditions:
 - (i) the distributable profits of the Company for the year (i.e. the profits after tax of the Company after making up for losses and making allocations to the statutory common reserve fund) shall be a positive figure;
 - (ii) the auditor shall issue a standard unqualified audit report on the financial report of the Company for the year;
 - (iii) the cash flows of the Company shall meet the normal operation and long-term development of the Company.
 - (3) In principle, the dividends distributed by the Company in cash in the year shall not be less than 10% of the distributable profits realized in the year, and the accumulated profits distributed by the Company in cash in the last three years shall not be less than thirty (30) percent of the average annual distributable profits realized in the last three years. The remaining distributable profits shall be used to support the sustainable development of the Company.
 - (4) Conditions for distributing dividends in shares: Under the pre-requisite of ensuring reasonable share capital size and shareholding structure, the Company may distribute dividends in shares when the valuation of its shares is within a reasonable range, in order to provide return to its shareholders and share its corporate value.
 - (5) The profits distributed by the Company shall not exceed the accumulated distributable profits.
3. In the event that the Company realizes distributable profits, the Company may distribute interim cash dividends or distribute dividends in shares based on its profitability and capital requirements.
4. Adjustment process of profit distribution policies:
- (1) If the Company needs to adjust its profit distribution policies due to significant changes in external operating environment or its own operation, it shall consider from the perspective of the protection of shareholders' interests, discuss in details and explain the reasons therefor. The Board shall put forward a proposal for adjusting the profit distribution policies based on actual situation, and the independent non-executive Directors and the Supervisory Committee shall issue examination opinions in this regard. The proposal shall be submitted to the shareholders' general meeting for the passing by the shareholders (including proxies) with voting rights representing two-thirds or more of the voting rights present at the meeting.
 - (2) The opinions of the independent non-executive Directors and the shareholders shall be given due consideration in the course of discussion, formulation and amendment to the profit distribution policies of the Company. The Company shall hear the opinions of the shareholders on its profit distribution policies through investor telephone consultation, on-site survey and investor interactive platform, etc.

Report of the Directors

The Company strictly executes the profit distribution policies and establishes the profit distribution proposal in accordance with its Articles of Association. The cash dividend policy of the Company is established and executed in accordance with relevant requirements under the Articles of Association of the Company and the requirements at the shareholder's general meeting. The distribution standards and proportions are clearly stated and the relevant decision making procedures systems of the profit distribution policies are complete, and the independent non-executive Directors have issued independent opinion in respect of the proposed profit distribution policy of the Company for the year, and diligently served their obligations and properly exercised their role.

Please refer to the circular of the Company dated 27 May 2022 for further details on the Shareholders' Return Plan for the Next Three Years (2022-2024) of the Company, which has been approved by the shareholders of the Company at the 2021 annual general meeting held by the Company on 24 June 2022.

FINAL DIVIDEND

The Board proposes to distribute a cash dividend of RMB12.30 (tax inclusive) for every 10 shares to all shareholders (the **"Proposed Dividend"**) on the basis of the total share capital of the Company of 1,385,264,498 shares which represents the total share capital of 1,386,010,405 shares deducting the repurchased shares from the repurchase account as at the date of this announcement (as at 28 March 2025, the Company has repurchased 745,907 shares in total), without bonus issue and issue of shares by way of conversion of capital reserve. (For the year ended 31 December 2023, a cash dividend of RMB10.13 (tax inclusive) per 10 shares was paid to all shareholders on the basis of the total share capital of 1,385,264,498 shares of the Company actually participating in the distribution.)

The Proposed Dividend is subject to approval by the shareholders at the 2024 annual general meeting. Subject to the approval of the Proposed Dividend by the shareholders, the Proposed Dividend is expected to be paid on or about 15 August 2025. The total amount of profits to be distributed is expected to be RMB1,703,875,332.54. Details of the payment of the Proposed Dividend will be announced after the conclusion of the 2024 Annual General Meeting.

RESERVES

Movements in the reserves of the Group during the Reporting Period are set out in note V. (42-48) to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2024 are set out in note V.(48) and note XV to the financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2024, net cash generated from operating activities of the Group amounted to approximately RMB5,132 million (2023: net cash generated from operating activities amounted to approximately RMB10,612 million).

As at 31 December 2024, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balance) amounting to approximately RMB4,398 million (2023: RMB4,939 million), of which more than RMB3,434 million are denominated in Renminbi (2023: RMB3,926 million), and loans amounting to RMB3,715 million (2023: RMB3,301 million).

Report of the Directors

Total capital expenditures of the Group for the year ended 31 December 2024 amounted to approximately RMB1,394 million (2023: RMB985 million).

As at 31 December 2024, the Group's current liabilities amounted to RMB47,919 million, non-current liabilities amounted to RMB2,408 million, and shareholders' equity attributable to the shareholders of the Company amounted to RMB15,456 million.

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

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2024, the Group had 55,670 employees, of which the number of female employees was 19,110, representing approximately 34.33% of the total number of all employees, and the number of male employees was 36,560, representing approximately 65.67% of the total number of all employees. Among them, 10,610 were technical staff, 11,388 were sales staff, 506 were finance staff, 1,343 were administrative staff and 31,823 were production staff. The Group had 84 employees with a doctorate degree, 2,707 with a master's degree and 52,879 with a bachelor's degree or below. For the year ended 31 December 2024, the Group's staff payroll amounted to RMB9,220 million (2023: RMB8,470 million).

The Company emphasizes gender diversity among its employees. As the Company belongs to the home appliance manufacturing industry, it attracts a higher proportion of male employees due to objective factors such as physical fitness and working environment. However, the Company adheres to the principle of equal employment, respecting and treating employees of different genders in a fair manner, and providing equal opportunities to all employees in terms of wages, promotion, incentives and access to training. Further discussion on the Group's employee diversity compliance is contained in the 2024 Environmental, Social and Governance Report of the Company published on 28 April 2025.

EMPLOYEES' TRAINING AND REMUNERATION POLICY

The Company has a complete talent development system to support the development of employees and facilitate their growth. The talent development system is based on the job qualification standards, which serve as a reference for employees' development. In 2024, the Company updated the job qualification standards. The new job qualification standards interpret the original "competency requirements" as the underlying "key business activities", which can better guide employees' actual work operations and help them improve their capabilities in specific business practice activities. Every year, the Company organizes employees to participate in job qualification certifications to assess their capabilities, enabling employees to clearly understand their development status and continuously make improvements. Employees who pass the certification can be promoted to a higher job qualification level. In addition, the Company also conducts a routine talent inventory every year to clarify the talent distribution and capabilities within the organization, identify high-potential talents, and make effective combinations. This provides input for arranging resources to achieve business success and supports the achievement of business objectives.

The Company provides both management and professional channels for employees, supporting their dual-channel development. In order to support the development of staff, the Company has a comprehensive talent development system, implementing leadership development programs for the management echelon and reserves, and relying on learning maps, professional training and development programs for the professional echelon to enhance their abilities. For employees who are interested in overseas development, the Company has a comprehensive globalization pool of reserve talent selection and training programs to support employees to seek greater development overseas.

Report of the Directors

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.

The Company actively launched various employee training activities, including the “Cornerstone Leadership” training program for its cadre team, the mentor-mentee approach for school recruits, and targeted training for current employees based on departmental performance shortcomings and areas of weakness. During the reporting period, the Company provided 53.4 hours of training per capita, covering employees of different job types and at different levels, such as management, professional and technical staff, frontline production and sales and marketing staff, thereby contributing to the continuous enhancement of the quality and capability of the employees. Further discussion on the Group’s employees’ training and remuneration policies is also contained in the 2024 Environmental, Social and Governance Report of the Company published on 28 April 2025.

CHARGE ON THE GROUP’S ASSETS

As at 31 December 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: no major) which were pledged as security for the Group’s borrowings.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note V.(15-16) to the financial statements.

PENSION SCHEMES

Details of the Group’s pension schemes for the Reporting Period are set out in note XII to the financial statements.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and the majority of the 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 purpose.

PUBLIC FLOAT

The Directors confirm that as at 28 March 2025, based on publicly available information and to the best of their knowledge, 25% or above of the total issued share capital of the Company were held by the public. Therefore, the public float of the Company satisfies the requirement stipulated under the Hong Kong Listing Rules.

AUDIT COMMITTEE

The twelfth session of the audit committee of the Company has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the financial results of the Group for the year ended 31 December 2024.

Report of the Directors

CAPITAL EXPENDITURE

The capital expenditure of the group for 2024 was RMB1,394 million. The Group has sufficient funds to meet the funding requirement for purposes such as capital expenditure plans and daily operations.

TRUST DEPOSITS

As at 31 December 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.

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio (calculated according to the formula: total liabilities/total assets) was 72.20% (2023: 70.59%).

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received a written confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the requirements provided under Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all the independent non-executive Directors of the twelfth session of the Board meet the relevant requirements under Rule 3.13 of the Hong Kong Listing Rules and considers them to be independent.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors and the supervisors of the Company has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No significant contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Hong Kong Listing Rules) had any interest in a business that competed or might compete with the businesses of the Company and its subsidiaries.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

The Directors of the twelfth session of the Board and the supervisors of the Company do not and did not directly or indirectly hold any material interests in any transaction, arrangement or contract of significance of the Company or its subsidiaries subsisting during or at the end of the Reporting Period.

Report of the Directors

THE COMPANY AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the transactions contemplated under the agreements mentioned in the section headed “Particulars of Material Connected Transactions of the Company during the Reporting Period” below, no contract of significance or contract of significance for the provision of services (as defined under note 15.2 of Appendix D2 to the Hong Kong Listing Rules) to which the Company and the controlling shareholders nor any of their subsidiaries was a party and in which a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the twelfth session of the Board have reviewed the continuing connected transactions of the Group for the Reporting Period, and confirmed that these transactions were conducted in the ordinary and usual course of business of the Company in accordance with the relevant agreements governing them and on normal commercial terms or better which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

After auditing the continuing connected transactions of the Group, the auditor of the Company confirmed that nothing has come to its attention that causes it to believe that (i) the relevant continuing connected transactions of the Group have not been approved by the Board; (ii) the transactions involving the provision of goods or services by the Group were not, in all material respects, carried out in accordance with the pricing policies of the Company; (iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) the aggregate amount of each of the disclosed continuing connected transactions has exceeded the maximum aggregate annual caps disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its code for securities transaction by Directors and Supervisors. After having made specific enquiries to the Directors and the Supervisors, all Directors and Supervisors confirmed that they had acted in full compliance with the Model Code during their term of office.

SHARE CAPITAL STRUCTURE

As at 31 December 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	926,420,597	66.84%
H shares	459,589,808	33.16%
Total	1,386,010,405	100.00%

Report of the Directors

TOP TEN SHAREHOLDERS

As at 31 December 2024, there were 35,702 (A shares: 35,668) 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 general legal person	516,758,670	37.28%	55.78%	0
HKSCC Nominees Limited ^{Note1}	Foreign legal person	458,962,527	33.11%	99.86%	0
The Hong Kong Securities Clearing Company (HKSCC) ^{Note2}	Foreign legal person	39,609,769	2.86%	4.28%	0
National Social Security Fund Portfolio No.101* (全國社保基金一零一組合)	Other	13,590,932	0.98%	1.47%	0
Hisense Home Appliances Group Co., Ltd. – the 2024 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司 – 2024年A股員工持股計劃)	Other	13,180,050	0.95%	1.42%	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	7,478,140	0.54%	0.81%	0
National Social Security Fund Portfolio No.103* (全國社保基金一零三組合)	Other	7,000,000	0.51%	0.76%	0

Report of the Directors

Name of Shareholder	Nature of Shareholder	Number of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	Number of shares held subject to trading moratorium
Agricultural Bank of China 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	6,501,113	0.47%	0.70%	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

Notes:

1. HKSCC Nominees Limited is the nominal shareholder of the Company's non-registered shareholders in H shares. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, Hisense Hong Kong, a party acting in concert with the controlling shareholder of the Company. By the end of this reporting period, Hisense (Hong Kong) Company Limited held a total of 124,452,000 H shares of the Company as at representing 8.98% of the total number of shares of the Company.
2. HKSCC is the nominal shareholder of the Company's non-registered shareholders in A shares through Shenzhen Connect. The shares held by HKSCC are held on behalf of a number of its account participant.

Save as disclosed above, the Company is not aware of whether any shareholders is connected with each other or any of them is a party acting in concert with any of the other within the meaning of Administrative Measures for the Takeover of Listed Companies.

Report of the Directors

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	458,962,527	Overseas listed foreign shares
HKSCC	39,609,769	RMB ordinary shares
National Social Security Fund Portfolio No.101* (全國社保基金一零一組合)	13,590,932	RMB ordinary shares
Hisense Home Appliances Group Co., Ltd. – the 2024 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司－2024年A股員工持股計劃)	13,180,050	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)	7,478,140	RMB ordinary shares
National Social Security Fund Portfolio No.103* (全國社保基金一零三組合)	7,000,000	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)	6,501,113	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

* For identification purposes only

Report of the Directors

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

So far as is known to the Directors, supervisors and the chief executives of the Company, as at 31 December 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 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:

Interests or short position in the shares of the Company

Name of Shareholder	Capacity	Type of shares	Number of shares held	Percentage of the total number of shares in issue	Percentage of the respective types of shares
Hisense Air-conditioning ^{Note}	Beneficial owner	A shares	516,758,670(L)	37.28%	55.78%
Hisense Group ^{Note}	Interest of controlled corporation	A shares	516,758,670(L)	37.28%	55.78%
Hisense Hong Kong ^{Note}	Beneficial owner	H shares	124,452,000(L)	8.98%	27.08%
Hisense Group	Interest of controlled corporation	H shares	124,452,000(L)	8.98%	27.08%

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

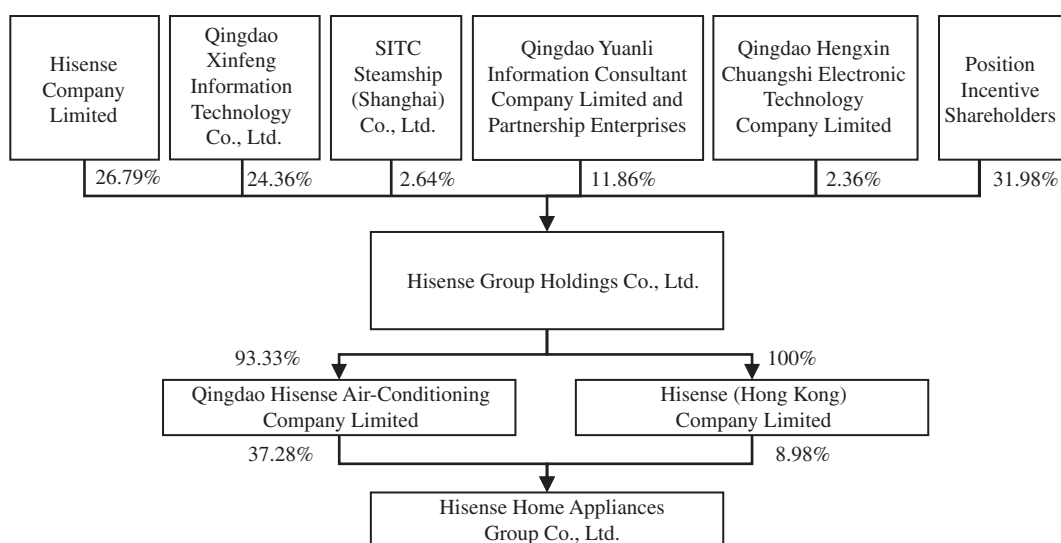
Note: Hisense Air-conditioning is a company 93.33% directly owned by Hisense Group, whereas Hisense Hong Kong is a company directly wholly-owned by Hisense Group. By virtue of the SFO, Hisense Group was deemed to be interested in the same parcel of A shares of which Hisense Air-conditioning was interested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

Save as disclosed above, as at 31 December 2024, in so far as the Directors, supervisors and the 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.

Report of the Directors

PARTICULARS OF THE CONTROLLING SHAREHOLDERS OF THE COMPANY

1. Qingdao Hisense Air-Conditioning Company Limited, the controlling shareholder of the Company, was incorporated on 17 November 1995. Its registered address is at Changsha Road, Hi-tech Industrial Zone, Qingdao, the PRC, its legal representative is Mr. Duan Yue Bin and its registered capital is RMB674.79 million. Its business scope includes the development and manufacture of air-conditioning products and injection moulds and the provision of after-sale repairing services for its products (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).
2. The Company has no actual controller.
3. Diagram of property rights and control relationships of the Company;



Note: Due to rounding, the sum of the equity ratios in the above chart has a trailing difference.

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

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

As at 31 December 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.

Report of the Directors

Long position in the shares of the Company

Name of Director	Nature of interest	Number of A shares	Percentage to the issued A shares of the Company	Percentage to the total issued shares of the Company
Mr. Jia Shao Qian	Beneficial owner	404,360	0.04%	0.03%

SALES TO MAJOR CUSTOMERS AND MAJOR SUPPLIERS

Sales to major customers of the Company

Total sales to top 5 customers (RMB)	31,104,351,110.04
Total sales to top 5 customers as a percentage of the total sales for the year (%)	33.53
Total sales to top 5 customers which are related parties as a percentage of the total sales for the year (%)	23.64

Information on top 5 customers of the Company

No.	Name of customer	Sales (RMB)	As a percentage of the total sales for the year (%)
1	The first	16,928,751,878.63	18.25
2	The second	6,688,699,729.08	7.21
3	The third	2,873,999,524.69	3.10
4	The fourth	2,484,967,669.10	2.68
5	The fifth	2,127,932,308.54	2.29

Explanation on the other situation of major customers

✓Applicable ☐ Not applicable

Among the top 5 customers, the first, third, fourth and fifth customers are controlled by Hisense Group and have connected relationship with the Company. Except for this, other customers have no connected relationship with the Company.

Major suppliers of the Company

Total purchases from top 5 suppliers (RMB)	6,378,618,562.69
Total purchases from top 5 suppliers as a percentage of the total purchases for the year (%)	8.69
Total purchases from top 5 suppliers which are related parties as a percentage of the total purchases for the year (%)	1.44

Report of the Directors

Information on top 5 suppliers of the Company

No.	Name of suppliers	Purchases (RMB)	As a percentage of the total purchases for the year (%)
1	The first	2,619,157,932.38	3.56
2	The second	1,056,280,465.71	1.44
3	The third	1,025,774,605.25	1.40
4	The fourth	850,180,325.84	1.16
5	The fifth	827,225,233.51	1.13

Explanation on the other situation of major suppliers

☒ Applicable ☐ Not applicable

Among the top 5 suppliers, the second supplier and the Company are controlled by Hisense Group and have connected relationship with the Company. Except for this, other suppliers have no connected relationship with the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

On 8 January 2024, the Company convened the 1st extraordinary meeting of the eleventh session of the Board, in which the resolution relating to the plan of the repurchase of A Shares of the Company through centralized bidding trading (the “**2024 A Share Repurchase Plan**”) was considered and approved. The 2024 A Shares repurchased under the 2024 A Share Repurchase Plan are intended to be used for the 2024 A Share Employee Stock Ownership Plan.

From 17 January 2024 to 23 July 2024, the Company repurchased 13,915,968 A Shares of the Company through centralized bidding trading at a total transaction amount of RMB343,418,332.75 (excluding transaction fees). As at the date of this announcement, the repurchase of A shares under the 2024 A Share Repurchase Plan has been completed.

The monthly report on the repurchase of A Shares by the Company in 2024 is as follows:

Month	Number of repurchases (shares)	Maximum purchase price per share (RMB/share)	Minimum purchase price per share (RMB/share)	Total funds used (RMB, excluding transaction costs)
January 2024	11,100,077	25.83	23.33	273,006,014
February 2024	2,515,391	25.5	24.28	62,313,583
July 2024	300,500	27	26.88	8,098,736

Report of the Directors

AUDITOR

On 24 June 2024, as considered and approved at the shareholders' general meeting, the Company agreed to re-appoint ShineWing Certified Public Accountants LLP as the auditor of the Company for the year 2024, and the Board was authorised to fix their remuneration. There have been no changes of auditors of the Company in the preceding three years.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the relevant PRC laws.

TAXATION

Pursuant to the relevant tax regulations, the Company is required to withhold and pay corporate income tax at the rate of 10% when distributing dividends to non-resident enterprise shareholders whose names appear on the register of members of the Company in respect of its H shares.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2024, the Group did not have any significant investment or future plans for material investments or capital assets.

As at 31 December 2024, the Group did not have detailed future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group was involved, as defendant, in litigations with amount of RMB24,567,425.60, and recognized projected liabilities of RMB7,629,490.41 had been made.

Save as disclosed above, the Company did not have any significant contingent liabilities.

PERMITTED INDEMNITY

A Directors' and officers' liability insurance is in place to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such directors and officers may be held liable.

DONATIONS

The Group's external charitable donations for the Reporting Period amounted to approximately RMB7.88 million.

Report of the Directors

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES IN OR DEBENTURES OF THE COMPANY

At no time during the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

On 28 February 2023, the Company adopted the 2022 Restricted A Share Incentive Scheme and the 2022 A Share Employee Stock Ownership Plan. For details, please refer to the announcement dated 2 January 2023 and the circular dated 13 February 2023.

On 22 February 2024, the Company adopted the 2024 A Share Employee Stock Ownership Plan. For details, please refer to the announcement dated 8 January 2024 and the circular dated 5 February 2024.

THE RESTRICTED SHARE INCENTIVE SCHEME AND EMPLOYEE STOCK OWNERSHIP PLAN

On 28 February 2023, the Company adopted the 2022 Restricted A Share Incentive Scheme (the “**2022 Incentive Scheme**”) on the 2023 second extraordinary general meeting, the 2023 first A Share class meeting and the 2023 first H Share class meeting, and adopted the 2022 A Share Employee Stock Ownership Plan (the “**2022 Stock Ownership Plan**”) on the 2023 second extraordinary general meeting.

On 22 February 2024, the Company adopted the 2024 A Share Employee Stock Ownership Plan (the “**2024 Stock Ownership Plan**”) on the 2024 second extraordinary general meeting.

A summary of the 2022 Incentive Scheme

1. Purpose of the Incentive Scheme

The purposes of the Incentive Scheme are to further establish and improve the Company's long-term incentive mechanism, attract and retain excellent talents, fully mobilize the enthusiasm of the mid-level management and key staff of the Company, effectively align the interests of the Shareholders, the Company and individuals of the core team to focus on the long-term development of the Company.

2. Participants of the Incentive Scheme

There are 596 participants (subsequently adjusted to 511 Participants) to be granted under the Incentive Scheme, who are mid-level management and key staff of the Company. All of the participants must be employed by the Company and enter into labour contracts or employment agreement with his/her employment unit at the time of the grant of Restricted Shares by the Company and during the appraisal period specified in the Incentive Scheme.

Report of the Directors

The participants granted under the Incentive Scheme include certain expatriate employees. The expatriate employees, who are the Participants, are in the core key positions of the Company and play an important role in the future operation and development of the Company. The implementation of the Incentive Scheme can better stabilize and attract foreign top talents to join the Company. All participants are the mid-level management and key staff of the Company, who are the pillar of achieving the strategic targets of the Company. The attraction, retention and the active mobility of such pillar are of utmost importance to the development of the Company. The Incentive Scheme will further facilitate the construction and stability of the core talent team of the Company, thus contributing to the long-term development of the Company.

The participants under the Incentive Scheme do not include the independent Directors, supervisors of the Company, Shareholders individually or in aggregate holding more than 5% of the Shares or the de facto controllers and their spouses, parents or children.

3. *Total number of shares available for issue under the Incentive Scheme and percentage of issued shares that it represents as at the date of the annual report*

The Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 25,422,000 Shares, the underlying Shares of which are RMB ordinary A Shares. As at the date of this annual report, there is no Restricted Shares available for future grant under the Incentive Scheme.

4. *Maximum entitlements of each participant under the Incentive Scheme*

The total number of Shares granted under all incentive schemes of the Company to any Participant shall not exceed 1% of the total share capital of the Company.

5. *Basis of determination of the grant price*

The Grant Price of the Restricted Shares under the Incentive Scheme shall not be lower than the nominal value of the shares and not be lower than 50% of the higher of the followings:

- a) the average trading price of the Shares for the last trading day preceding the Announcement Date (total trading amount for the last trading day/total trading volume for the last trading day) of RMB13.28 per Share;
- b) the average trading price of the Shares for the last 60 trading days preceding the Announcement Date (total trading amount of the Shares for the last 60 trading days/total trading volume of the Shares for the last 60 trading days) of RMB12.07 per Share.

6. *Remaining validity period of the Incentive Scheme*

The Validity Period of the Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all Restricted Shares granted to Participants are unlocked or repurchased, and shall not exceed 48 months. The grant of all the Restricted Shares under the Incentive Scheme was made on 28 February 2023, the registration of which was completed on 23 May 2023. The validity term is from 23 May 2023 to 23 May 2026.

Report of the Directors

The following table sets out the details of grant of the Restricted Shares under the Incentive Scheme during the Reporting Period:

Grantee	Unlocking period ⁽¹⁾	Grant price	Unvested as at 1 January 2024 ⁽²⁾	Granted during the Reporting Period	Vested during the Reporting Period ⁽³⁾	Cancelled during the Reporting Period ⁽⁴⁾	Lapsed during the Reporting Period	Unvested as at 31 December 2024
Participants who are mid-level management and key staff of the Company (including its controlled subsidiaries)	The lock-up period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares of the Participants, respectively.	RMB6.64 per A Share	25,210,000	–	8,999,035	2,318,565	–	13,892,400

Notes:

- (1) The unlocking period, unlocking schedule and ratio of the Restricted Shares under the Incentive Scheme are set out in the table below:

Unlocking arrangement	Unlocking period	Unlocking ratio
First unlocking period	Commencing from the first trading day after the expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	40%
Second unlocking period	Commencing from the first trading day after the expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third unlocking period	Commencing from the first trading day after the expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	30%

- (2) In view of the adjustment of the duties of the five Participants, a meeting of the Board held on 8 June 2023 considered and approved the repurchase and cancellation of 212,000 shares of restricted stock by the Company.
- (3) On 3 June 2024, a meeting of the Board was convened to consider and approve the “proposal regarding the achievement of the conditions for the release of restricted shares during the first unlocking period of the 2022 Restricted A Share Incentive Scheme”. The Board considered that the conditions for the release of restricted shares during the first unlocking period of the Company’s the 2022 Restricted A Share Incentive Scheme had been fulfilled, and that there were 485 Participants who met the conditions for the release of restricted shares, corresponding to 8,999,035 shares that could be released from restriction, and agreed that the Company should handle the corresponding release of restricted shares related matters for those Participants who met the conditions for the release of restricted shares in accordance with the regulations.

Report of the Directors

- (4) On 8 January 2024, the Company convened a meeting of the Board to consider and approve the “proposal on the repurchase and cancellation of certain restricted shares of A shares”, in which it was agreed to repurchase and cancel 768,000 shares of restricted shares granted but not yet released from restriction of sale to 21 Participants.

On 3 June 2024, the Company convened a meeting of the Board to consider and approve the “proposal on the repurchase and cancellation of certain restricted shares of A shares”. In view of the departure of 2 Participants, the adjustment of duties of 16 Participants and the partial achievement/non-achievement of performance appraisal of 89 Participants under the Company’s 2022 Restricted A Share Incentive Scheme, it was agreed to repurchase and cancel 1,156,965 restricted shares which had been granted to the aforesaid 107 Participants but had not yet been released from restriction on sale.

On 13 December 2024, the Company convened a meeting of the Board to consider and approve the “proposal on the repurchase and cancellation of certain restricted shares of A shares”, in which it was agreed to repurchase and cancel 393,600 shares of restricted shares granted but not yet released from restriction of sale to 17 Participants. After this deliberation, 13,892,400 shares of the Company’s 2022 Restricted A Share Incentive Scheme were not released from restricted sale.

A summary of the 2022 Stock Ownership Plan and the 2024 Stock Ownership Plan

1. *Purposes of the Stock Ownership Plan*

The purposes of the Stock Ownership Plan are to establish and improve the mechanism for sharing benefits between employees and shareholders, attract, motivate and retain core talents, improve corporate governance standards, increase the cohesion of employees and competitiveness of the Company, raise the enthusiasm and creativity of employees, and promote the long-term, sustainable and healthy development of the Company.

2. *Participants of the Stock Ownership Plan*

The Participants of the 2022 Stock Ownership Plan are Directors (excluding independent Directors), supervisors, senior management and other 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 and other core employees of the Company participating in the Stock Ownership Plan shall not exceed 59 for the first grant, including 7 Directors, supervisor and senior management. The relationship between such personnel and the Stock Ownership Plan does not constitute acting-in-concert relationship.

The Participants of the 2024 Stock Ownership Plan are Directors (excluding independent Directors), supervisors, senior management, core management and core employees of the Company, who 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 Share Ownership Plan shall not exceed 279, including 8 Directors, supervisors and senior management. The relationship between such personnel and the Stock Ownership Plan does not constitute acting-in-concert relationship.

Report of the Directors

3. *Total number of shares under the Stock Ownership Plan and percentage of issued shares that it represents as at the date of the annual report*

The underlying Shares under the 2022 Stock Ownership Plan will not exceed 11,700,000 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 underlying Shares under the 2024 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. As at the date of this annual report, there are 745,907 A Shares available for future grant under the Stock Ownership Plan, representing approximately 0.08% of the Company's total ordinary A Shares of 926,420,597 and 0.05% of the Company's total share capital of 1,386,010,405 Shares.

4. *Maximum entitlements of each participant under the Stock Ownership Plan*

The number of the underlying Shares corresponding to the units of Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company (excluding the Shares acquired by the Holder before the Company's initial public offering for listing, the Shares purchased by the Holder through the secondary market and the Shares acquired through equity incentives).

5. *Purchase price and pricing basis of the Stock Ownership Plan*

The purchase price of the Shares held in the Company's designated securities repurchase account under the 2022 Stock Ownership Plan shall be RMB6.64 per Share, being 50% of the average price of the Shares traded on the last trading day preceding the Announcement Date.

The purchase price of the Shares held in the Company's designated securities repurchase account under the 2024 Stock Ownership Plan shall be RMB10.78 per Share, being 50% of the average price of the Shares traded on the last trading day preceding the Announcement Date.

6. *Remaining validity period of the Stock Ownership Plan*

The term of the Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the transfer of the last tranche of underlying Shares for the first grant to the Stock Ownership Plan. If not extended, the Stock Ownership Plan will be terminated automatically upon the expiry of its term. Upon expiry of the lock-up period of the Stock Ownership Plan and if all the underlying Shares held under the Stock Ownership Plan are sold or transferred to the unit holders and liquidated and distributed in accordance with the regulations, the Stock Ownership Plan may be terminated prior to the expiry upon consideration and approval by the holders' meeting. The validity term of the 2022 Stock Ownership Plan is from 1 June 2023 to 1 June 2026, and the validity term of the 2024 Stock Ownership Plan is from 10 July 2024 to 10 July 2027.

Report of the Directors

The following table sets out the details of grant of Shares under the Stock Ownership Plan during the Reporting Period:

the 2022 Stock Ownership Plan

Grantee	Date of grant ⁽¹⁾	Unlocking period	Unvested as at 1 January 2024	Granted during the Reporting Period	Vested during the Reporting Period ⁽²⁾	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 31 December 2024
Gao Yu Ling (Chairperson)			550,000	–	220,000	–	–	330,000
Jia Shao Qian (Executive Director)			550,000	–	220,000	–	–	330,000
Hu Jian Yong (Executive Director and President)			660,000	–	264,000	–	–	396,000
Dai Hui Zhong (Executive Director)	1 June 2023	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.	900,000	–	360,000	–	–	540,000
Bao Yi (Supervisor)			250,000	–	100,000	–	–	150,000
Zhang Yu Xin (Secretary of the Board)			180,000	–	72,000	–	–	108,000
Sub-total			3,090,000	–	1,236,000	–	–	1,854,000
Other core employees			7,720,000	–	2,095,860	–	–	5,624,140
Total			10,810,000	–	3,331,860	–	–	7,478,140

the 2024 Stock Ownership Plan

Grantee	Date of grant ⁽³⁾	Unlocking period	Unvested as at 1 January 2024	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 31 December 2024
Gao Yu Ling (Chairperson)			–	200,000	–	–	–	200,000
Jia Shao Qian (Executive Director)			–	200,000	–	–	–	200,000
Hu Jian Yong (Executive Director and President)			–	330,000	–	–	–	330,000
Dai Hui Zhong (Executive Director)	10 July 2024	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.	–	330,000	–	–	–	330,000
Bao Yi (Supervisor)			–	110,000	–	–	–	110,000
Zhang Yu Xin (Secretary of the Board)			–	60,000	–	–	–	60,000
Sub-total			–	1,230,000	–	–	–	1,230,000
Other core employees			–	11,950,050	–	–	–	11,950,050
Total			–	13,180,050	–	–	–	13,180,050

Report of the Directors

Notes:

- (1) Please refer to the announcement of the Company dated 2 June 2023 in relation to the completion of non-transactional transfers under the 2022 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) Please refer to the announcement of the Company dated 12 July 2024 in relation to the completion of non-transactional transfers under the 2024 Stock Ownership Plan.

EQUITY-LINKED AGREEMENT

To the best knowledge of the Directors, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the period ended 31 December 2024.

Report of the Directors

PARTICULARS OF MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

Connected transactions during the Reporting Period

- (I) On 28 November 2023, the Company entered into (i) a business co-operation framework agreement, and (ii) a financial services agreement with Hisense Group and Hisense Finance respectively. On 25 January 2024, the Company entered into a business co-operation agreement with Johnson Hitachi, Sanden Company, a non-wholly owned subsidiary of the Company entered into the Business Co-operation Agreement with HASCO Sanden.

Hisense Air-conditioning is a connected person of the Company by virtue of it being a substantial shareholder of the Company, holding approximately 37.28% of the issued shares of the Company. Hisense Hong Kong holds approximately 8.98% of the issued shares of the Company. Hisense Group and its subsidiaries (including but not limited to Hisense Finance) are connected persons of the Company pursuant to the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, Johnson Hitachi, being the holding company of two substantial shareholders of Hisense Hitachi (namely Johnson Controls – Hitachi Air Conditioning Trading (Hong Kong) Limited and Johnson Controls – Hitachi Air Conditioning Taiwan Co., Ltd), becomes a connected person of the Company at subsidiary level.

Pursuant to the Hong Kong Listing Rules, Suzhou Sanden Precision Parts Co., Ltd. is a subsidiary of Sanden Company; and HASCO Sanden is a substantial shareholder of Suzhou Sanden Precision Parts Co., Ltd., HASCO Sanden is connected person of the Company at the subsidiary level.

Details of the business co-operation framework agreement with Hisense Group, and the financial services agreement with Hisense Finance can be found in the announcement and the circular published on the website of the Hong Kong Stock Exchange on 28 November 2023 and 3 January 2024. Details of the business co-operation agreement, with Johnson Hitachi and with HASCO Sanden, can be found in the announcement published on the website of the Hong Kong Stock Exchange on 25 January 2024.

The above transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules for the relevant connected transactions.

Report of the Directors

The particulars of the business co-operation framework agreement and the financial services agreement are as follows:

1. *Business co-operation framework agreement with Hisense Group*

On one hand, the supply of home electrical appliances, raw materials and parts and components, equipment and moulds by the Group to Hisense Group can help lower the production costs of the Group as a result of the increase in production level, which, in turn, enhances the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. The Group can also increase market share by selling products through the online platform of Hisense Group which reduces the product circulation links. Provision of services to Hisense Group will increase the income of the Group. On the other hand, taking into account the product quality, prices and services provided by Hisense Group, purchases of home electrical appliances, equipment, raw materials and parts and components from Hisense Group and engagement of their services can meet the manufacture needs of the Company and the development of related business, and can also help reduce costs. As such, the Company entered into the business co-operation framework agreement with Hisense Group on 28 November 2023, the principal terms of which are as follows:

- (1) The business co-operation framework agreement shall commence from 25 January 2024, being the date on which the agreement was approved by the shareholders of the Company at the first 2024 extraordinary general meeting of the Company, until 31 December 2026, which can be terminated before its expiration by mutual agreement of the parties.
- (2) Pricing for the mutual purchase of home electrical appliances between the Group on the one hand and Hisense Group on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar home electrical appliances. Pricing for the mutual purchase of raw materials and parts and components between the Group on the one hand and Hisense Group on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar raw materials, parts and components. Pricing for the sales of equipment by the Group to Hisense Group is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness with reference to the market price of similar equipment. Pricing for the sales of moulds by the Group to Hisense Group is determined by the open bidding process. Pricing for the mutual provision of services between the Group on the one hand and Hisense Group on the other hand is determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services in the industry.

Report of the Directors

- (3) The annual caps under the business co-operation framework agreement are shown in the table below:

Unit: RMB'0000 (exclusive of value-added tax)

Types of connected		Connected person	2024 Annual cap	2025 Annual cap	2026 Annual cap
Supply of products	the Group will supply moulds and electrical appliances, raw materials, parts and components and provide services to Hisense Group as it may require from time to time	Hisense Group	3,085,222	4,033,405	4,7652,24
Purchases of products	the Group will purchase from Hisense Group, electrical appliances, raw materials, parts and components, and engage Hisense Group for the provision of services as the Group may require from time to time	Hisense Group	552,632	692,175	849,596

2. *Financial services agreement with Hisense Finance*

The Group is expected to benefit from the rates on loans and deposits offered by Hisense Finance to the Group, which will be equal to or more favourable than those offered by the PRC commercial banks, and, at the same time, Hisense Finance's better understanding of the operations of the Group should allow the provision of more expedient and efficient services than those offered by the PRC commercial banks. On the other hand, Hisense Finance is regulated by National Financial Regulatory Administration and complies with the regulations and operation requirements issued by the relevant regulatory authorities in its provision of financial services. The primary customers of Hisense Finance are the companies within Hisense Group. In general, as the risks exposed to Hisense Finance are less than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard the customers' funds more effectively. As such, the Company entered into the financial services agreement with Hisense Finance on 28 November 2023, the principal terms of which are as follows:

- (1) The term of the financial services agreement shall commence from 25 January 2024, being the date on which the agreement was approved by the independent shareholders of the Company at the first 2024 extraordinary general meeting of the Company, until 31 December 2026, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.
- (2) The services to be provided by Hisense Finance to the Group include deposit services, loan and electronic finance company acceptance bill services (貸款及電子財務公司承兌匯票服務), draft discount services (票據貼現服務), settlement and sale of foreign exchange services (結售匯服務) and agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務).

Report of the Directors

(3) The annual caps under the financial services agreement are shown in the table below:

Types of connected		Connected person	2024 Annual cap	2025 Annual cap	2026 Annual cap
Deposit services	Maximum daily closing balance (inclusive of interest) (RMB)	Hisense Finance	27,000,000,000	27,000,000,000	27,000,000,000
Loan and electronic finance company acceptance bill services	Maximum daily closing balance (inclusive of interest and service fees) (RMB)	Hisense Finance	5,000,000,000	5,000,000,000	5,000,000,000
Draft discount services	Annual discount interest (RMB)	Hisense Finance	50,000,000	50,000,000	50,000,000
Settlement and sale of foreign exchange services	Annual amount (US\$)	Hisense Finance	300,000,000	300,000,000	300,000,000
Agency services such as settlement services for receipt and payment of funds	Annual amount (RMB)	Hisense Finance	3,000,000	3,000,000	3,000,000

Report of the Directors

- (II) Connected transactions conducted in the ordinary course of operation during the Reporting Period, details of which are as follows:

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Purchase	Finished goods	Agreed price by reference to market price	38,414.44	0.52
Hisense Group	Purchase	Materials	Agreed price by reference to market price	210,272.15	2.86
Hisense Group	Receipt of services	Receipt of services	Agreed price by reference to market price	176,477.41	2.40
Johnson Hitachi	Purchase	products	Agreed price by reference to market price	93,239.49	1.27
HASCO Sanden	Purchase	products	Agreed price by reference to market price	8,945.89	0.12
Hisense Group	Sale	Finished goods	Agreed price by reference to market price	2,924,148.60	31.53
Hisense Group	Sale	Materials	Agreed price by reference to market price	76,986.54	0.84
Hisense Group	Sale	Moulds	Market price	7,149.12	0.08
Hisense Group	Provision of services	Provision of services	Agreed price by reference to market price	7,207.53	0.08
Johnson Hitachi	Sale	products	Agreed price by reference to market price	37,769.10	0.41
HASCO Sanden	Sale	products	Agreed price by reference to market price	95,349.05	1.03

As of the end of the Reporting Period, the Group had the balance of deposit of RMB12.100 billion, recognised interest income of RMB0.353 billion, the actual balance of loan of RMB 0.475 billion, recognised loan interest of RMB1.1724 million, the balance of electronic bank acceptance bill of RMB1.169 billion, the handling fee for opening accounts for electronic bank acceptance bill of RMB1.6284 million. For the Reporting Period, the actual amount of discounted interest for the provision of draft discount services was RMB0.0684million, the actual amount involved in the provision of settlement and sale of foreign exchange services was USD16.1052 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB0.7879 million.

Report of the Directors

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	Qingdao Hisense Intelligent Electronic Technology Co., Ltd	technical research and development, technical consulting, technical services in the field of electronic technology, software development, network technology development and consulting	RMB 1,163,921,324元	124,823.63	120,538.49	1,334.01
Progress of significant ongoing projects of the investee (if any)		N/A					

Please refer to the announcement of the Company dated 29 March 2024 published on the website of the Hong Kong Stock Exchange for details of the above transactions.

CONNECTED CREDITOR'S RIGHTS AND LIABILITIES

During the reporting period, the Company's related credit and debt transactions were mainly transactions arising from the sale of goods, purchase of goods, provision of services and acceptance of services, and the Company did not have any non-operational connected creditor's rights and liabilities.

OTHER MAJOR CONNECTED TRANSACTIONS

☐ Applicable ☒ Not applicable

RELATED PARTY TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the Reporting Period in the ordinary course of business are set out in note XII.3 to the financial statements. Save as disclosed in the paragraphs headed "Particulars of Material Connected Transactions of the Company During the Reporting Period" and "Other Connected Transactions" in this annual report, related party transactions as disclosed in note XII.3 to the financial statements are not deemed as connected transactions under Chapter 14A of the Hong Kong Listing Rules, but are exempt from the reporting, announcement and shareholders' approval requirements under the Hong Kong Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules.

Report of the Directors

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.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This annual report, containing all information as required by Appendix D2 to the Hong Kong Listing Rules, has been published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (hxjd.hisense.cn).

NOTE: SUPPLEMENTARY INFORMATION AS REQUIRED BY THE HONG KONG STOCK EXCHANGE IN RELATION TO THE COMPANY'S A SHARE ANNUAL RESULTS ANNOUNCEMENT

I. PARTICULARS OF THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

Unit: RMB ten thousand

Name	Position	Gender	Age	Status	Total amount of remuneration before tax received from the Company	Whether remuneration was received from connected party of the Company
Gao Yu Ling	Chairperson	Female	43	Current	235.66 ^{Note 1}	No
Jia Shao Qian	Executive Director	Male	52	Current	0.00	Yes
Yu Zhi Tao	Executive Director	Male	48	Current	0.00	Yes
Hu Jian Yong	Executive Director, President	Male	51	Current	406.13 ^{Note 2}	No
Zhu Dan	Executive Director	Male	50	Current	0.00	Yes
Dai Hui Zhong	Executive Director	Male	59	Current	477.45 ^{Note 3}	No
Li Zhi Gang	Independent non-executive Director	Male	49	Current	14.00	No
Tsoi Wing Sing	Independent non-executive Director	Male	62	Current	9.38	No

Report of the Directors

Name	Position	Gender	Age	Status	Total amount of remuneration before tax received from the Company	Whether remuneration was received from connected party of the Company
Xu Guo Jun	Independent non-executive Director	Male	62	Current	7.43	No
Liu Zhen Shun	Chairman of Supervisory Committee	Male	55	Current	0.00	Yes
Sun Jia Hui	Supervisor	Female	36	Current	0.00	Yes
Bao Yi	Supervisor	Male	44	Current	150.31 ^{Note 4}	No
Sun Chang Chun	Chief Financial Officer	Male	41	Current	118.84	No
Zhang Yu Xin	Secretary of the Board	Female	38	Current	84.85	No
Wong Tak Fong	Company Secretary	Female	58	Current	18.46	No
Xia Zhang Zhua	Former Executive Director	Male	46	Resigned	209.37 ^{Note 5}	No
Zhong Geng Shen	Former Independent non-executive Director	Male	64	Resigned	6.77	No
Cheung Sai Kit	Former Independent non-executive Director	Male	53	Resigned	14.09	No
Yin Zhi Xin	Former Supervisor	Male	36	Resigned	216.05 ^{Note 6}	No
Total	–	–	–	–	1,968.80	–

Report of the Directors

Notes:

1. The executive Directors do not receive remuneration as directors. The above remuneration was received by Ms. Gao Yu Ling as the Chairperson and the chief financial officer of the Company during the Reporting Period;
2. The executive Directors do not receive remuneration as directors. The above remuneration was received by Mr. Hu Jian Yong as the President of the Company during the Reporting Period;
3. The executive Directors do not receive remuneration as directors. The above remuneration was received by Mr. Dai Hui Zhong as the Chairman of the Company during the Reporting Period;
4. The Supervisors do not receive remuneration as supervisors. The above remuneration was received by Mr. Bao Yi as the chairman of the trade union of the Company during the Reporting Period;
5. The executive Directors do not receive remuneration as directors. The above remuneration was received by Mr. Xia Zhang Zhua as the general manager of the Company's home appliance research and development center during the Reporting Period; and
6. The Supervisors do not receive remuneration as supervisors. The above remuneration was received by Mr. Yin Zhi Xin as the vice president of the Company's subsidiary during the Reporting Period.

II. THE DECISION-MAKING PROCEDURES AND BASIS OF DETERMINATION OF THE REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors is determined based on the recommendation made to the Board by the remuneration and appraisal committee of the Board on the basis of the duties of the Directors and the remuneration level of other listed companies in the same industry, and is subject to consideration and approval by the Board and the shareholders at general meetings.

The remuneration of the supervisors is determined based on the recommendation made by the supervisory committee on the basis of the duties of the supervisors and the remuneration level of other listed companies in the same industry and is subject to consideration and approval by the Board and the shareholders at general meetings.

The remuneration and appraisal committee of the Board makes remuneration recommendation to the Board based on the senior management's experience, responsibilities, risk and pressure undertaken for operation under his/her management and his/her contribution to the Company. The said remuneration recommendation is determined and approved by the Board. The final remuneration received by the senior management is also linked with his/her annual performance review.

The Company determines and pays the remuneration of the Directors, supervisors and senior management in accordance with the above requirements and procedures.

III. MATERIAL LITIGATION OR ARBITRATION OF THE COMPANY

There was no progress in the material litigation and arbitration of the Company during the Reporting Period.

Report of the Directors

IV. GUARANTEE ITEMS

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 to	
			guarantee	guarantee						Whether the performance completed	guarantee for related parties
N/A											
Total amount of external guarantees approved during the Reporting Period (A1)			0	Total actual amount of external guarantees incurred during the Reporting Period (A2)						0	
Total amount of approved external guarantees at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)						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 to	
			guarantee	guarantee						Whether the performance completed	guarantee for related parties
SANDEN CORPORATION			22 December 2022	RMB0.385 billion	Joint and several liability guarantee				22 December 2022-3 January 2025	No	No
SANDEN CORPORATION			7 February 2023	5 billion yen (equivalent to RMB 0.231 billion)	Joint and several liability guarantee				7 February 2023-31 January 2024	Yes	No
SANDEN CORPORATION			10 February 2023	4 billion yen (equivalent to RMB 0.185 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 RMB 0.048 billion)	Joint and several liability guarantee				22 February 2023-31 January 2024	Yes	No
SANDEN CORPORATION	28 November 2023	RMB7.9 billion	24 March 2023	3.09 billion yen (equivalent to RMB 0.143 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 RMB 0.548 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 RMB 0.024 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 RMB 1.178 billion)	Joint and several liability guarantee				31 January 2024-30 August 2024	Yes	No
SANDEN CORPORATION			4 April 2023	RMB 0.145 billion	Joint and several liability guarantee				4 April 2023-5 April 2024	Yes	No

Report of the Directors

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			18 April 2023	RMB0.093 billion	Joint and several liability guarantee			18 April 2023- 30 April 2024	Yes	No
SANDEN CORPORATION			21 April 2023	RMB 0.185 billion	Joint and several liability guarantee			21 April 2023- 8 May 2025	No	No
SANDEN CORPORATION			21 July 2023	RMB 0.114 billion	Joint and several liability guarantee			21 July 2023- 5 August 2024	Yes	No
SANDEN CORPORATION			22 September 2023	RMB0.165 billion	Joint and several liability guarantee			22 September 2023- 30 September 2024	Yes	No
SANDEN CORPORATION			21 June 2024	RMB 0.031 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 RMB 0.102 billion)	Joint and several liability guarantee			21 November 2023- 20 November 2024	Yes	No
SANDEN CORPORATION	28 November 2023	RMB7.9 billion	19 December 2023	2.5 billion yen (equivalent to RMB 0.116 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 RMB 0.046 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 RMB 0.129 billion)	Joint and several liability guarantee			28 March 2024- 28 March 2025	No	No
SANDEN CORPORATION			30 June 2024	N/A	General guarantee			N/A	No	No
SANDEN CORPORATION			1 July 2024	N/A	General guarantee			N/A	No	No
SANDEN CORPORATION			26 August 2024	N/A	General guarantee			N/A	No	No
SANDEN CORPORATION			26 November 2024	N/A	General guarantee			N/A	No	No
SANDEN CORPORATION			23 July 2024	RMB 0.070 billion	Joint and several liability guarantee			23 July 2024- 24 July 2025	No	No
SANDEN CORPORATION			23 July 2024	RMB 0.1 billion	Joint and several liability guarantee			23 July 2024- 24 July 2025	No	No

Report of the Directors

Company's guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee	Guarantee quota	Actual date of occurrence		Type of guarantee	Collateral (if any)	Counter- guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			(date of guarantee agreement)	Actual guarantee amount						
SANDEN CORPORATION			29 July 2024	5.15 billion yen (equivalent to RMB 0.238 billion)	Joint and several liability guarantee			29 July 2024- 10 February 2025	No	No
SANDEN CORPORATION			21 August 2024	RMB 0.039 billion	Joint and several liability guarantee			21 August 2024- 22 August 2025	No	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB 0.238 billion)	Joint and several liability guarantee			23 August 2024- 10 February 2025	No	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB 0.238 billion)	Joint and several liability guarantee			23 August 2024- 8 May 2025	No	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB 0.238 billion)	Joint and several liability guarantee			23 August 2024- 4 June 2025	No	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB 0.238 billion)	Joint and several liability guarantee			23 August 2024- 4 July 2025	No	No
SANDEN CORPORATION	28 November 2023	RMB7.9 billion	13 September 2024	3.0 billion yen (equivalent to RMB 0.139 billion)	Joint and several liability guarantee			13 September 2024- 12 September 2025	No	No
SANDEN CORPORATION			23 September 2024	RMB 0.165 billion	Joint and several liability guarantee			23 September 2024- 19 September 2025	No	No
Guangdong Hisense Refrigerator Marketing Co.			21 November 2024	RMB 0.178 billion	Joint and several liability guarantee			21 November 2024- 29 November 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			28 August 2023	RMB 0.120 billion	Joint and several liability guarantee			28 August 2023- 28 February 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			26 September 2023	RMB 0.064 billion	Joint and several liability guarantee			26 September 2023- 26 March 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			27 November 2023	RMB 0.062 billion	Joint and several liability guarantee			27 November 2023- 27 May 2024	Yes	No
Hisense (Guangdong) Air Conditioning Co.			29 January 2024	RMB 0.08 billion	Joint and several liability guarantee			29 January 2024- 29 July 2024	Yes	No

Report of the Directors

Company's guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee		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 to
	amount	quota	guarantee	guarantee						Whether the performance completed
Total amount of guarantees to subsidiaries approved during the Reporting Period (B1)			RMB7.9 billion	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (B2)						RMB5.897 billion
Total amount of guarantees to subsidiaries approved at the end of the Reporting Period (B3)			RMB7.9 billion	Total actual guarantee balances to subsidiaries at the end of the Reporting Period (B4)						RMB2.189 billion
Subsidiaries' guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee		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 to
	amount	amount	guarantee	guarantee						Whether the performance completed
Hisense (Guangdong) Kitchen & Bath System Co.	30 November 2022	RMB12,200,000	30 November 2022	RMB 0	Joint and several liability guarantee	–	–	–	30 November 2022- 20 May 2025	Yes No
Total amount of guarantees to subsidiaries approved during the Reporting Period (C1)			0	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (C2)						0
Total amount of guarantees to subsidiaries approved at the end of the Reporting Period (C3)			RMB12,200,000	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 amount 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)						RMB5.897 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)						RMB2.189 billion
Total actual guarantees (i.e.A4+B4+C4) as a percentage of the company's net assets Among them:										14.16%
Balance of guarantees provided to shareholders, beneficial owners and their related parties (D)										0
Balance of debt guarantees provided directly or indirectly for the guaranteed objects with a gearing ratio exceeding 70% (E)										RMB2.189 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)										RMB2.189billion
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

Report of the Directors

V. PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB ten thousand

Product Type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 31 December 2024	Amount of undue principal and return as at 31 December 2024	Amounts overdue for recovery as at 31 December 2024	Impairment of amounts overdue for recovery as at 31 December 2024
Wealth management products of banks	Self-owned funds	1,751,300.00	1,599,829.89	0.00	0.00
Total		1,751,300.00	1,599,829.89	0.00	0.00

During the Reporting Period, the Company did not have a high-risk entrusted wealth management product which has a significant individual amount, or low security, poor liquidity or no assurance on investment principal, 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.

VI. FINANCIAL ASSETS INVESTMENT

1. Securities investment

Securities species	Securities code	Abbreviation of securities	Initial investment cost	Accounting measurement model	Opening book value	Gains or losses on changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount for the period	Amount sold during the period	Profit and loss for the Reporting Period	Other changes	Closing book value	Accounting accounts	Fund source
Equity	7267	Honda Motor Co., Ltd. (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	14,976,321.30		684,206.45	1,118,091.16			-1,224,457.38	15,554,161.53	Other equity instruments	Own funds
Equity	8795	T&D Holdings (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	20.09						-1.60	18.49	Other equity instruments	Own funds
Equity	PRU	Prudential (Listed on the New York Stock Exchange)	-	Fair value measurement	1,702,084.58	238,753.56		199,652.72			-144,004.75	1,996,486.11	Trading financial assets	Own funds
Equity	000980	ZOTYE AUTOMOBILE (10757)		Fair value measurement	32,079.74	-6,361.14					-2,410.71	23,307.89	Trading financial assets	Own funds
Equity	601777	Lifan Technology (4452)		Fair value measurement	195,083.41	196,764.56					-19,545.79	372,302.18	Trading financial assets	Own funds
Other securities investments held at the end of the period			-	-									-	-
Total			-	-	16,905,589.12	429,156.98	684,206.45	1,317,743.88			-1,390,420.23	17,946,276.20	-	-
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

Report of the Directors

2. *Derivatives investment*

☒ Applicable ☐ Not applicable

The Company's derivative investments are mainly in foreign exchange derivatives such as forward settlement/purchase of foreign exchange.

VII. DESCRIPTION OF CHANGES IN SCOPE OF CONSOLIDATION AS COMPARED TO FINANCIAL REPORT LAST YEAR

☒ Applicable ☐ Not applicable

Details of the changes in scope of consolidation of the Company during the Reporting Period are set out in Note 7.

VIII. REASON FOR CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING TREATMENT AS COMPARED TO THE FINANCIAL REPORT FOR THE PRIOR YEAR

☐ Applicable ☒ Not applicable

Report of the Supervisory Committee

During the reporting period, the Supervisory Committee of the Company has strictly adhered to the relevant provisions of the Company Law, the Stock Listing Rules of the Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the Articles of Association. It has fulfilled its duties with due diligence and faithfully safeguarded the legitimate rights and interests of the Company, all employees, and shareholders. In accordance with the Articles of Association, the Supervisory Committee hereby reports to all shareholders on its work in 2024:

I. MEETINGS OF THE SUPERVISORY COMMITTEE IN 2024

During the Reporting Period, the Supervisory Committee held a total of 8 meetings, The brief details are as follows:

1. The eleventh session of the Supervisory Committee held its first meeting of 2024 on 8 January 2024, considering and approving matters relating to the 2024 A Share Employee Stock Ownership Plan, and the repurchase and cancellation of certain A Share of Restricted Stock.
2. The eleventh session of the Supervisory Committee held its second meeting of 2024 on 29 March 2024, considering and approving the Company's 2023 Annual Report and related matters.
3. The eleventh session of the Supervisory Committee held its third meeting of 2024 on 24 April 2024, considering and approving the Company's 2024 First Quarterly Report.
4. The eleventh session of the Supervisory Committee held its fourth meeting of 2024 on 3 June 2024, considering and approving re-election of Supervisory Committee and election of candidate supervisors, expiration of the first lock-up period and fulfillment of unlocking conditions for the 2022 A Share Employee Stock Ownership Plan, fulfillment of conditions for the first release of restricted shares under the 2022 Restricted A Share Incentive Scheme, and the repurchase and cancellation of certain A Share of Restricted Stock.
5. The twelfth session of the Supervisory Committee held its first meeting of 2024 on 24 June 2024, considering and approving the election of Mr. Liu Zhen Shun as the chairman of the twelfth session of the Supervisory Committee of the Company.
6. The twelfth session of the Supervisory Committee held its second meeting of 2024 on 30 August 2024, considering and approving the Company's 2024 Interim Report and related proposals.
7. The twelfth session of the Supervisory Committee held its third meeting of 2024 on 30 October 2024, considering and approving the Company's 2024 Third Quarterly Report.
8. The twelfth session of the Supervisory Committee held its fourth meeting of 2024 on 13 December 2024, considering and approving the adjustment of the repurchase price under the 2022 Restricted A Share Incentive Scheme, and the repurchase and cancellation of certain A Share of Restricted Stock.

II. THE REVIEW OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2024

1. The Company's Compliance with Laws and Regulations. During the Reporting Period, the Company continued to improve its management systems. The Company's decision – making procedures were legal and compliant. The convening procedures, proposals, and voting procedures for the shareholders' general meeting and the Board, all complied with laws, regulations, and the Articles of Association. The Directors and senior management were diligent and responsible in implementing resolutions of the general meeting and the Board, and no violations of laws, regulations, the Articles of Association, or actions detrimental to the Company's interests were observed.
2. The Company's Financial Report. ShineWing Certified Public Accountants LLP has audited the Company's financial statements for the year 2024 and issued an auditor's report with standard unqualified opinion. The Supervisory Committee is of the view that the opinion expressed in the auditor's report was fair and objective and the current financial statements have truthfully and fairly reflected the financial condition and operating results of the Company.
3. During the Reporting Period, the Company had no fund-raising investment projects.
4. During the Reporting Period, the Company did not have any major asset sales.
5. During the Reporting Period, transactions with related parties were fair and reasonable, with pricing aligned with market standards, which did not harm the interests of non-related shareholders or the Company.
6. Opinions on the Company's Internal Control Evaluation Report.

After reviewing the Company's 2024 Internal Control Evaluation Report, the Company's Supervisory Committee is of the view that: with reference to the relevant requirements of the Basic Norms for Enterprise Internal Control and the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Listed Companies, the Company's existing internal control and risk management systems are basically sound and cover all levels and segments of the Company's operation, are in compliance with the requirements of the relevant laws and regulations, and suit the actual needs of the Company's operating activities. Each of the internal control and risk management systems is able to exert relatively effective control of the different segments in the Company's operation, and is capable of preventing, timely discovering and rectifying possible errors in the Company's operation process, controlling the relevant risks, protecting the safety and completeness of the Company's assets, ensuring the truthfulness, accuracy and timeliness of the accounting records and accounting information. The Company's 2024 Internal Control Evaluation Report has fully, objectively and truly reflected the actual internal control and risk management situation of the Company. The Supervisory Committee agrees to the issue of the 2024 Internal Control Evaluation Report by the Board.

Report of the Supervisory Committee

7. Opinions on the 2024 A Share Employee Stock Ownership Plan

- (1) The participants of the allocation of reserved shares under the 2024 A Share Employee Stock Ownership Plan meet the relevant provisions of the laws and regulations, departmental rules and regulations and regulatory documents, and meet the scope of the provisions of the 2024 A Share Employee Stock Ownership Plan, and the Administrative Measures for the 2024 A Share Employee Stock Ownership Plan of the Company. The eligibility of the Participants as reserved shares holders under the 2024 A Share Employee Stock Ownership Plan is legal and valid.
- (2) The decision-making procedures in respect of the allocation of reserved shares under the 2024 A Share Employee Stock Ownership Plan of the Company are lawful and effective, and the connected Directors have abstained from voting. There are no circumstances that are detrimental to the interests of the Company and shareholders. The allocation of the reserved shares was participated by the employees in accordance with principles of legal compliance, voluntary participation and voluntary risk assumption, and there are no circumstances that the Company forced employees to participate in the allocation of reserved shares under the Employee Share Ownership Plan by means such as apportionment and mandatory distribution. There are no circumstances that the Company provided financial assistance such as advances, guarantees and loans or other financial assistance to the Participants of the reserved shares under the Employee Share Ownership Plan.
- (3) The implementation of the allocation of reserved shares under the 2024 A Share Employee Stock Ownership Plan of the Company is conducive to establishing and improving the mechanism for sharing benefits between employees and holders, enabling a closer integration of the interests of relevant employees with the long-term development of the company. It is also beneficial for meeting the Company's needs for sustainable development, continuously attracting and retaining outstanding talents, and enhancing the cohesion and competitiveness of employees.

Auditor's Report



信永中和會計師事務所

ShineWing

certified public accountants

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XYZH/2025QDAA4B0004

Hisense Home Appliances Group Co., Ltd.

To the shareholders of Hisense Home Appliances Group Co., Ltd.,

I. AUDIT OPINION

We have audited the financial statements of Hisense Home Appliances Group Co., Ltd. (the “Company” or “Hisense Appliances”), which comprise the consolidated and the Parent Company’s balance sheets as at 31 December 2024, the consolidated and the Parent Company’s income statements, the consolidated and the Parent Company’s cash flow statements, the consolidated and the Parent Company’s statements of changes in equity for 2024 and the notes to the financial statements.

In our opinion, the accompanying financial statements of Hisense Appliances present fairly, in all material aspects, the consolidated and the Parent Company’s financial position as at 31 December 2024, and the consolidated and the Parent Company’s results of operations and cash flows for the year 2024 of Hisense Appliances in accordance with the Accounting Standards for Business Enterprises.

II. BASIS OF AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of Hisense Appliances in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Report

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Provision for declines in value of finished goods

Key audit matters	Audit response
As stated in note III. 12. "Inventories" of the financial statement, the finished goods of Hisense Appliances are measured at the lower of cost and net realizable value. As stated in note V. 9. "Inventories", as at 31 December 2024, the balance of finished goods was RMB5,647,835,914.41; the provision for declines in value of finished goods was RMB62,959,633.32; and the carrying amount of finished goods was RMB5,584,876,281.09. The sufficiency of provision for declines in value of finished goods has a material impact on the financial statements.	(1) Evaluated and tested key internal controls relating to the provision for declines in value of finished goods;
Hisense Appliances determines the net realizable value of finished goods based on the estimated selling price of finished goods less the estimated sales expenses and related taxes.	(2) Carried out stock counting procedures for the finished goods of Hisense Appliances, checked the quantity and condition of finished goods;
The management estimates the expected selling price of finished goods based on their conditions, and the management is required to make significant judgments in the estimation process.	(3) Obtained the calculation table of provision for declines in value of finished goods of Hisense Appliances, selected certain product models on a sampling basis and compared their records and ageing in the table against the results of our stock counting;
In view of the large amount involved in the matter and the need for management to make significant judgments, we treat the provision for declines in value of finished goods as a key audit matter.	(4) By comparing historical selling prices of similar products and reviewing the trend in future selling prices of products based on seasonal and cyclical characteristics, we assessed the selling prices estimated by the management and checked the same against the actual selling prices subsequent to the balance sheet date;
	(5) By comparing historical selling expenses and relevant taxation and fees of similar products, we assessed the selling expenses and relevant taxation and fees estimated by the management and checked the same against the actual amount incurred subsequent to the balance sheet date;
	(6) Selected certain finished goods and re-calculated their recoverable amount and the balance of provision for declines in value of finished goods as at the end of the period.

Auditor's Report

2. Sales to and receivables from related party

Key audit matters	Audit response
As described in “XII. 2.2 Related Party Transactions and 3.1 Balances of the Related Party Transactions to the Financial Statements”, Hisense Appliances has a relatively large amount of sales to related parties, and as of 31 December 2024, it had account receivables from related party of RMB6,565,252,523.58. In view of the large amount of related party transactions and receivables from related party, whether it actually occurred or existed has a material impact on financial statements, therefore, we take related party transactions and receivables from related party as the key audit matters.	<p>(1) assessed and tested the effectiveness of management's design and operation of internal controls relating to related party transactions and receivables from related party;</p> <p>(2) obtained a list of related parties compiled by the management and checked it with information obtained from other public sources;</p> <p>(3) Obtained the details of related transactions and receivables from related parties prepared by the management to understand the business reasons for the related transactions and verify the fairness of the related transactions;</p> <p>(4) Inspected relevant information such as contracts or agreements, invoices, declarations and other related information of related transactions, and performed correspondence verification procedures for significant related transactions and accounts receivable from related parties;</p> <p>(5) Checked repayment of receivable after the period;</p> <p>(6) Obtained an understanding of the authorization and approval process of related transactions and reviewed the presentation and disclosure of the related contents in the financial statements.</p>

IV. OTHER INFORMATION

The management of Hisense Appliances (the “management”) is responsible for the other information. The other information comprises the information included in the 2024 annual report of Hisense Appliances, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Report

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprises, to guarantee the fairness of financial statements, and designing, implementing and maintaining the necessary internal control to avoid the material misstatement of financial statements which is due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Hisense Appliances's sustainable business capacity, disclosing matters (if applicable) in relation to the going concern, and using the going concern assumption unless the management either intend to liquidate Hisense Appliances or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hisense Appliances's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Hisense Appliances's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Hisense Appliances to cease to continue as a going concern.

Auditor's Report

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Hisense Appliances to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ShineWing Certified Public Accountants

Chinese Certified Public Accountants: Xu Zhi Yang
(engagement partner)

Chinese Certified Public Accountants: Zhang Shi Bing

Beijing, PRC

28 March 2025

Financial Statements

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

1. CONSOLIDATED BALANCE SHEETS

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

Unit: RMB

31 December 2024

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	V.1	4,397,693,443.73	4,939,273,198.62
Balances with clearing companies			
Lending capital			
Transactional financial assets	V.2	16,209,276,762.85	13,192,025,535.87
Derivative financial assets			
Notes receivable	V.3	459,013,499.65	741,622,573.50
Accounts receivable	V.4	10,480,609,898.16	9,225,321,882.07
Factoring of accounts receivables	V.6	6,000,519,893.99	4,643,427,583.77
Prepayments	V.8	524,090,978.17	389,066,274.16
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	V.7	242,816,255.92	145,804,125.45
Including: Interest receivable			
Dividends receivable			89,630.21
Financial assets purchased under agreements to resell			
Inventories	V.9	7,566,932,954.39	6,774,603,438.00
Of which: data resources			
Contract assets	V.5	56,210,047.88	35,878,308.82
Assets held for sale			
Non-current assets due within one year	V.10	4,883,695,277.78	3,641,708,361.11
Other current assets	V.11	1,687,051,443.98	1,411,188,199.90
Total current assets		52,507,910,456.50	45,139,919,481.27
Non-current assets:			
Disbursement of loans and advances			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments	V.12	1,764,936,952.09	1,671,365,117.46
Other equity investment	V.13	42,364,813.88	40,244,766.96
Other non-current financial assets	V.14	21,332,417.54	27,197,809.69
Investment properties	V.15	253,998,555.64	177,982,723.30
Fixed assets	V.16	5,648,643,079.56	5,662,912,502.03
Construction in progress	V.17	674,456,905.57	443,523,694.21
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.18	163,180,643.61	169,378,820.87
Intangible assets	V.19	1,406,841,869.56	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	44,778,274.65	40,734,232.78
Deferred tax assets	V.22	1,087,501,760.54	1,125,596,510.74
Other non-current assets	V.23	5,859,585,210.43	9,879,375,091.45
Total non-current assets		17,194,029,360.83	20,806,576,074.40
Total assets		69,701,939,817.33	65,946,495,555.67

Financial Statements

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

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	V.25	2,708,715,351.46	2,502,318,314.58
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	V.26	3,552,841.18	54,355,584.93
Derivative financial liabilities			
Notes payable	V.27	16,132,766,497.33	14,608,429,378.74
Accounts payable	V.28	12,848,289,233.62	12,049,877,232.20
Advances from customers	V.29	2,745,211.29	3,833,256.75
Contract liability	V.30	1,838,591,086.05	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	1,441,919,470.92	1,373,816,151.59
Taxes payable	V.32	537,713,772.43	774,372,089.67
Other payables	V.33	5,389,842,305.97	4,670,674,014.20
Including: Interest payable			
Dividends payable		89,718,011.42	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	101,928,336.06	121,677,937.29
Other current liabilities	V.35	6,913,302,837.03	6,442,483,786.34
Total current liabilities		47,919,366,943.34	44,042,092,245.86

Financial Statements

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

Item	Note	Closing balance	Opening balance
Non-current liabilities:			
Reserves for reinsurance contract			
Long-term borrowings	V.36	49,371,196.64	42,956,652.46
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities	V.37	161,471,272.87	208,946,083.77
Long-term payables			
Long-term employee remunerations payable	V.38	77,923,347.90	105,961,766.83
Provisions	V.39	1,102,337,190.50	1,229,967,589.74
Deferred income	V.40	334,592,888.16	149,189,343.53
Deferred tax liabilities	V.22	148,942,326.29	158,435,374.83
Other non-current liabilities	V.41	533,409,940.50	612,887,372.01
Total non-current liabilities		2,408,048,162.86	2,508,344,183.17
Total liabilities		50,327,415,106.20	46,550,436,429.03
Shareholders' equity:			
Share capital	V.42	1,386,010,405.00	1,387,935,370.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	V.43	2,099,080,199.65	2,115,407,718.05
Less: treasury shares	V.44	264,243,096.35	236,626,482.61
Other comprehensive income	V.45	200,747,044.66	226,997,819.74
Special reserves	V.46	9,282,792.01	6,319,636.53
Surplus reserves	V.47	724,682,309.99	724,682,309.99
General risk provisions			
Undistributed profit	V.48	11,300,066,951.67	9,355,458,114.25
Total equity attributable to shareholders of the parent		15,455,626,606.63	13,580,174,485.95
Minority interests		3,918,898,104.50	5,815,884,640.69
Total shareholders' equity		19,374,524,711.13	19,396,059,126.64
Total liabilities and shareholders' equity		69,701,939,817.33	65,946,495,555.67

Legal representative: **Gao Yuling** Chief financial officer: **Sun Changchun** Accounting supervisor: **Zhou Shan**

Financial Statements

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

2. BALANCE SHEETS OF PARENT COMPANY

Unit: RMB

Item	Note	Opening balance	Closing balance
Current assets:			
Cash at bank and on hand		83,431,684.91	78,796,769.09
Transactional financial assets		2,335,470,084.17	1,326,115,505.29
Derivative financial assets			
Notes receivable			749,731.29
Accounts receivable	XVII.1	603,535,442.54	618,381,907.19
Factoring of accounts receivables		36,727,135.61	26,311,535.56
Prepayment		38,299,611.93	21,670,721.68
Other receivables	XVII.2	1,167,291,561.49	1,255,850,852.04
Including: Interest receivable			
Dividends receivable		71,598,383.60	68,351,678.85
Inventories		9,524,489.02	4,042,505.04
Of which: data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		58,094,649.76	97,352,470.53
Total current assets		4,332,374,659.43	3,429,271,997.71
Non-current assets:			
Investments in debt			
Other investments in debt			
Long-term receivables		1,131,550,066.93	1,182,103,450.53
Long-term equity investments	XVII.3	6,763,469,751.87	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		40,158,494.35	32,456,914.98
Construction in progress		4,689,141.59	295,088.50
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		157,986,067.36	160,458,676.30
Of which: data resources			
Development costs			
Of which: data resources			
Goodwill			
Long-term prepaid expenses		130,347.10	164,213.60
Deferred tax assets			
Other non-current assets		92,682.50	2,453,747.08
Total non-current assets		8,100,167,671.70	7,315,366,982.40
Total assets		12,432,542,331.13	10,744,638,980.11

Financial Statements

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

Item	Note	Opening balance	Closing balance
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		45,208,805.22	36,610,973.32
Accounts payable		63,192,120.14	42,353,376.00
Advances from customers			
Contract liability		1,499,899.68	3,175,690.52
Employee remunerations payable		25,996,886.40	41,599,867.10
Taxes payable		6,074,332.78	2,592,997.56
Other payables		975,680,870.90	800,818,012.63
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		144,509,951.60	93,285,809.09
Total Current Liabilities		1,262,162,866.72	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		240,589,748.09	209,867,477.18
Deferred income		24,406,184.40	23,941,659.62
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		264,995,932.49	233,809,136.80
Total liabilities		1,527,158,799.21	1,254,245,863.02
Shareholders' equity:			
Share capital		1,386,010,405.00	1,387,935,370.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		2,387,231,218.73	2,352,730,955.68
Less: Treasury shares		264,243,096.35	236,626,482.61
Other comprehensive income		-30,344,604.64	1,507,133.78
Special reserves			
Surplus reserves		694,073,685.00	694,073,685.00
Undistributed profit		6,732,655,924.18	5,290,772,455.24
Total shareholders' equity		10,905,383,531.92	9,490,393,117.09
Total liabilities and shareholders' equity		12,432,542,331.13	10,744,638,980.11

Financial Statements

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

3. CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	Note	2024	2023
I. Total operating revenue		92,745,611,109.52	85,600,189,224.06
Including: Operating revenue	V.49	92,745,611,109.52	85,600,189,224.06
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		88,811,666,955.56	81,457,336,033.74
Including: Operating costs	V.49	73,476,062,734.50	67,451,367,706.02
Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance contract reserves provided			
Policyholder dividend expenses			
Reinsurance premium expenses			
Taxes and surcharges	V.50	424,352,075.52	579,207,000.98
Sales expenses	V.51	9,001,915,472.95	8,555,775,713.18
Management expenses	V.52	2,499,492,962.69	2,296,063,851.05
Research and development expenses	V.53	3,446,746,374.31	2,779,508,194.39
Financial expenses	V.54	-36,902,664.41	-204,586,431.88
Including: Interest expense		149,842,418.36	144,388,196.47
Interest income		64,767,054.70	56,918,785.34
Add: Other income	V.55	718,383,267.87	598,955,858.57
Investment gain (loss expressed with "-")	V.56	905,644,417.61	719,432,575.42
Including: Share of profit of associates and joint ventures		319,799,112.07	343,907,407.14
Income from derecognition of financial assets at amortised cost		-1,505,664.12	-1,048,232.87
Foreign exchange gains (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")			
Gain from changes in fair values (loss expressed with "-")	V.57	253,160,531.67	14,926,269.81
Impairment losses on credit (loss expressed with "-")	V.58	44,200,668.57	-43,203,421.13
Impairment losses on assets (loss expressed with "-")	V.59	-180,162,809.58	-190,783,091.93
Gains on disposal of asset (loss expressed with "-")	V.60	3,972,039.23	5,835,013.43
III. Operating profits (loss expressed with "-")		5,679,142,269.33	5,248,016,394.49
Add: Non-operating incomes	V.61	348,947,831.46	498,281,308.38
Less: Non-operating expenses	V.62	61,701,076.90	61,740,282.05
IV. Total profit (total loss expressed with "-")		5,966,389,023.89	5,684,557,420.82
Less: Income tax expenses	V.63	840,236,049.65	893,067,496.90
V. Net profits (net loss expressed with "-")		5,126,152,974.24	4,791,489,923.92
(1) Classified on a going concern basis			
1. Net profit from continuing operations (net loss expressed with "-")		5,126,152,974.24	4,791,489,923.92
2. Net profit from discontinued operations (net loss expressed with "-")			
(2) Classified by ownership of equity			
1. Net profit attributable to shareholders of the parent		3,347,881,773.89	2,837,322,754.58
2. Profit and loss of minority interests		1,778,271,200.35	1,954,167,169.34

Financial Statements

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

Item	Note	2024	2023
VI. Other comprehensive income after tax, net		-10,567,861.70	107,901,029.90
Other comprehensive income after tax attributable to owners of the parent, net		-26,250,775.08	105,730,374.24
(1) Items not to be reclassified into profit or loss		23,649,623.70	-3,821,920.55
1. Changes arising from remeasurement of defined benefit plan		23,068,284.31	-6,252,650.20
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		581,339.39	2,430,729.65
4. Changes in the fair value of the company's own credit risk			
5. Others			
(2) Items to be reclassified into profit or loss		-49,900,398.78	109,552,294.79
1. Other comprehensive income that is convertible into gains and losses under the equity method		-31,695,535.18	3,579,459.96
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		-18,204,863.60	105,972,834.83
7. Others			
Other comprehensive income after tax attributable to minority interests, net		15,682,913.38	2,170,655.66
VII. Total comprehensive income		5,115,585,112.54	4,899,390,953.82
Total comprehensive income attributable to shareholders of the parent		3,321,630,998.81	2,943,053,128.82
Total comprehensive income attributable to minority interests		1,793,954,113.73	1,956,337,825.00
VIII. Earnings per share:			
(1) Basic earnings per share		2.46	2.08
(2) Diluted earnings per share		2.46	2.08

Legal representative: **Gao Yuling** Chief financial officer: **Sun Changchun** Accounting supervisor: **Zhou Shan**

Financial Statements

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

4. INCOME STATEMENT OF PARENT COMPANY

Unit: RMB

Item	Note	2024	2023
I. Total operating revenue	XVII.4	5,690,120,355.19	5,743,034,442.57
Less: Operating costs	XVII.4	5,348,628,310.54	5,237,346,344.11
Taxes and surcharges		8,818,827.29	8,629,217.39
Sales expenses		303,588,141.94	227,868,941.33
Management expenses		112,180,152.77	146,632,178.94
Research and development expenses		165,017,898.34	157,519,925.93
Financial expenses		-64,471,063.42	-52,151,596.98
Including: Interest expense			
Interest income		1,920,112.77	51,740,903.61
Add: Other income		2,347,859.95	6,542,533.50
Investment gain (loss expressed with "-")	XVII.5	3,011,496,629.21	1,020,279,707.63
Including: Share of profit of associates and joint ventures		96,750,756.12	123,053,319.33
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 "-")		11,504,031.59	5,024,236.99
Impairment losses on credit (loss expressed with "-")		-248,119.42	-2,274,833.76
Impairment losses on assets (loss expressed with "-")		-296,058.37	
Gains on disposal of asset (loss expressed with "-")		12,821.20	2,641,007.36
II. Operating profits (loss expressed with "-")		2,841,175,251.89	1,049,402,083.57
Add: Non-operating incomes		6,117,175.33	3,477,602.20
Less: Non-operating expenses		-477,100.39	2,270,585.36
III. Total profit (total loss expressed with "-")		2,847,769,527.61	1,050,609,100.41
Less: Income tax expenses		2,613,122.20	15,966,734.52
IV. Net profits (net loss expressed with "-")		2,845,156,405.41	1,034,642,365.89
(1) Net profit from continuing operations (net loss expressed with "-")		2,845,156,405.41	1,034,642,365.89
(2) Net profit from discontinued operations (net loss expressed with "-")			
V. Other comprehensive income after tax, net		-31,851,738.42	3,206,758.01
(1) Items not to be reclassified into 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) Items to be reclassified into profit or loss		-31,851,738.42	3,206,758.01
1. Other comprehensive income that is convertible into gains and losses under the equity method		-31,851,738.42	3,206,758.01
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		2,813,304,666.99	1,037,849,123.90
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Financial Statements

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

5. CONSOLIDATED CASH FLOW STATEMENT

Unit: RMB

Item	Note	2024	2023
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		76,577,033,223.57	72,865,336,513.72
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		3,516,048,170.30	2,980,874,916.21
Cash received relating to other operating activities	V.65	1,332,901,940.81	969,432,311.07
Subtotal of cash inflows from operating activities		81,425,983,334.68	76,815,643,741.00
Cash paid for purchases of commodities and receipt of services		53,813,631,103.79	44,352,349,811.68
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		9,219,713,292.09	8,470,053,926.86
Cash paid for taxes and surcharges		3,481,226,990.40	3,850,636,539.31
Cash paid relating to other operating activities	V.65	9,779,247,007.16	9,530,745,871.80
Subtotal of cash outflows from operating activities		76,293,818,393.44	66,203,786,149.65
Net cash flows from operating activities		5,132,164,941.24	10,611,857,591.35
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		1,078,028,635.37	647,703,705.24
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		9,383,381.79	12,399,066.62
Net cash received from disposal of subsidiaries and other operation units			
Cash received relating to other investing activities	V.65	36,488,772,661.40	20,246,695,732.29
Subtotal of cash inflows from investing activities		37,576,184,678.56	20,906,798,504.15
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,393,936,596.83	985,119,113.16
Cash paid for investments		147,000,000.00	159,150,000.00
Net increase in pledged loans			
Cash paid for acquiring subsidiaries and other operation units			
Cash paid relating to other investing activities	V.65	36,654,685,169.84	29,319,972,967.96
Subtotal of cash outflows from investing activities		38,195,621,766.67	30,464,242,081.12
Net cash flows from investing activities		-619,437,088.11	-9,557,443,576.97

Financial Statements

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

Item	Note	2024	2023
III. Cash flows from financing activities:			
Cash received from capital contribution		5,000,000.00	228,142,805.62
Including: Cash contribution to subsidiaries from minority shareholders' investment		5,000,000.00	59,340,725.62
Cash received from borrowings		2,218,102,177.76	2,705,953,052.26
Cash received relating to other financing activities	V.65	2,703,497,913.70	1,624,669,033.53
Subtotal of cash inflows from financing activities		4,926,600,091.46	4,558,764,891.41
Cash paid for repayment of borrowings		1,762,522,177.20	1,607,840,828.46
Cash paid for distribution of dividends, profit or payment of interest expenses		4,389,960,761.14	1,913,395,751.24
Including: Dividend and profit paid to minority shareholders by subsidiaries		2,894,496,152.89	1,099,839,572.98
Cash paid relating to other financing activities	V.65	3,895,437,279.21	1,658,667,022.92
Subtotal of cash outflows from financing activities		10,047,920,217.55	5,179,903,602.62
Net cash flows from financing activities		-5,121,320,126.09	-621,138,711.21
IV. Effects of foreign exchange rate changes on cash and cash equivalents		-77,279,521.03	-34,480,978.03
V. Net increase in cash and cash equivalents		-685,871,793.99	398,794,325.14
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		2,191,268,606.55	2,877,140,400.54

Financial Statements

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

6. CASH FLOW STATEMENT OF PARENT COMPANY

Unit: RMB

Item	Note	2024	2023
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		4,211,123,563.02	1,197,739,510.98
Tax rebates received		27,690.77	260,000.00
Cash received relating to other operating activities		728,761,661.03	206,860,819.88
Subtotal of cash inflows from operating activities		4,939,912,914.82	1,404,860,330.86
Cash paid for purchases of commodities and receipt of labor services		3,287,617,324.61	557,455,615.24
Cash paid to and for employees		310,923,213.98	277,737,144.41
Cash paid for taxes and surcharges		13,969,058.80	37,411,493.59
Cash paid relating to other operating activities		1,151,720,937.89	748,451,940.71
Subtotal of cash outflow from operating activities		4,764,230,535.28	1,621,056,193.95
Net cash flows from operating activities		175,682,379.54	-216,195,863.09
II. Cash flow from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		3,139,761,736.37	1,078,375,158.59
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		13,897.70	6,041,886.71
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities		4,050,485,625.23	3,107,437,816.68
Subtotal of cash inflows from investing activities		7,190,261,259.30	4,191,854,861.98
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		21,457,933.47	17,991,407.29
Cash paid for investments		711,821,117.29	199,150,000.00
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		5,046,966,052.52	3,079,091,268.27
Subtotal of cash outflows from investing activities		5,780,245,103.28	3,296,232,675.56
Net cash flows from investing activities		1,410,016,156.02	895,622,186.42
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		155,555,939.00	77,368,590.43
Subtotal of cash inflows from financing activities		155,555,939.00	246,170,670.43
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses		1,403,272,936.47	717,394,351.60
Cash paid relating to other financing activities		356,972,836.25	214,206,611.75
Subtotal of cash outflows from financing activities		1,760,245,772.72	931,600,963.35
Net cash flows from financing activities		-1,604,689,833.72	-685,430,292.92
IV. Effects of foreign exchange rate changes on cash and cash equivalents		-736,869.69	490,815.77
V. Net increase in cash and cash equivalents		-19,728,167.85	-5,513,153.82
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		59,068,601.24	78,796,769.09

Financial Statements

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

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amount for current period

Unit: RMB

Item	2024														
	Attributable to the owners of the parent														
	Other equity instruments				Less: comprehensive income				General risk provisions	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity	
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Special reserves	Surplus reserves							
I. Closing balance of 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	19,396,059,126.64
Add: Changes in accounting policies															
Correction for error in previous period															
Business combination involving entities under common control															
Others															
II. Opening balance for the year	1,387,935,370.00				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
III. Movements in the current period															
(Decreases expressed with "-")	-1,924,965.00				-16,327,518.40	27,616,613.74	-26,250,775.08	2,963,155.48			1,944,608,837.42		1,875,452,120.68	-1,896,986,536.19	-21,534,415.51
(1) Total comprehensive income							-26,250,775.08				3,347,881,773.89		3,321,630,998.81	1,793,954,113.73	5,115,585,112.54
(2) Owners' contributions and capital reductions	-1,924,965.00				-23,422,371.87	27,616,613.74							-52,963,950.61	-850,650,713.16	-903,614,663.77
1. Ordinary shares contributed by shareholders	-1,924,965.00				-9,861,342.75								-11,786,307.75	-910,690,125.76	-922,476,433.51
2. Capital contributions by holders of other equity instruments															
3. Amount of share-based payment included in shareholders' equity					195,669,559.97								195,669,559.97	38,682,800.25	234,352,360.22
4. Others					-209,230,589.09	27,616,613.74							-236,847,202.83	21,356,612.35	-215,490,590.48
(3) Profit Distribution											-1,403,272,936.47		-1,403,272,936.47	-2,844,053,083.10	-4,247,328,019.57
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)											-1,403,272,936.47		-1,403,272,936.47	-2,844,053,083.10	-4,247,328,019.57
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								2,963,155.48					2,963,155.48	811,995.90	3,775,151.38
1. Provided during the period								86,854,043.85					86,854,043.85	11,900,486.24	98,754,530.09
2. Used during the period								83,890,888.37					83,890,888.37	11,088,490.34	94,979,378.71
(6) Others					7,094,853.47								7,094,853.47	2,953,150.44	10,048,003.91
IV. Closing balance for the period	1,386,010,405.00				2,099,080,199.65	264,243,096.35	200,747,044.66	9,282,792.01	724,682,309.99		11,300,066,951.67		15,455,626,606.63	3,918,898,104.50	19,374,524,711.13

Financial Statements

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

Amount for previous period

Unit: RMB

Item	2023														Minority interests	Total owners' equity
	Attributable to the owners of the parent															
	Other equity instruments				Less: Other comprehensive income				General risk provisions	Undistributed profits	Others	Subtotal				
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Special reserves	Surplus reserves								
I. Closing balance for 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																
Business combination involving entities under common control																
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																
(Decreases expressed with "-")	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
(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 reduction	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	35,709,603.15	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

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

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

Amount for current period

Unit: RMB

Item	Share capital	Other equity instruments			2024							Total Others owners' equity	
		Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other			Undistributed profits		
								Special reserves	Surplus reserves				
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													
(Decreases expressed with "-")	-1,924,965.00				34,500,263.05	27,616,613.74	-31,851,738.42			1,441,883,468.94			1,414,990,414.83
(1) Total comprehensive income							-31,851,738.42			2,845,156,405.41			2,813,304,666.99
(2) Owners' contributions and capital reductions	-1,924,965.00				36,617,040.73	27,616,613.74							7,075,461.99
1. Ordinary shares contributed by owners	-1,924,965.00				-9,861,342.75								-11,786,307.75
2. Capital contributions by holders of other equity instruments					0.00								0.00
3. Amount of share-based payment included in shareholders' equity					234,352,360.22								234,352,360.22
4. Others					-187,873,976.74	27,616,613.74							-215,490,590.48
(3) Profit Distribution										-1,403,272,936.47			-1,403,272,936.47
1. Appropriations to surplus reserve													
2. Distribution to owners (shareholders)										-1,403,272,936.47			-1,403,272,936.47
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					-2,116,777.68								-2,116,777.68
IV. Closing balance for the period	1,386,010,405.00				2,387,231,218.73	264,243,096.35	-30,344,604.64			694,073,685.00	6,732,655,924.18		10,905,383,531.92

Financial Statements

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

Amount for previous period

Unit: RMB

Item	Share capital	Other equity instruments			2023		Other			Undistributed profits	Total	
		Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves		Others	owners' equity
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												
(Decreases expressed with "-")	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
(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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 28 March 2025.

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 31 December 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 31 December 2024, operation results, cash flows and other information for 2024 of the Company and the Group in accordance with the Accounting Standards for Business Enterprises.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

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 of significance during the Year	V. 4. (4); V. 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. (2); V. 30. (2); V. 33.2. (2)	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Significant cash received/paid in relation to investing activities	V. 65. (2)	Individual amount accounts for 5% of cash inflow/outflow from/to investing activities of listed companies
Important overseas business entities	V. 67. (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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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., the financial assets previously recognised to be written off from its 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Classification and measurement of financial assets (continued)

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.

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 judge whether there is a significant difference compared to the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to judge 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; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. 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; 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. 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Classification and measurement of financial assets (continued)

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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(3) Classification, recognition and measurement of financial liabilities (continued)

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.

1) Measurement of the expected credit losses

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.

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

For accounts receivable, notes receivable, receivables financing, contract assets, other receivables, etc. that do not contain a significant financing component and are generated from ordinary operating activities, such as sales of goods and rendering of services, the Company applies a simplified measurement methodology to measure the provision for losses at an amount equal to the expected credit losses over the entire duration.

For lease receivables, receivables and contract assets with significant financing components, the Company elects to apply a simplified measurement methodology to measure the provision for losses at an amount equal to the expected credit losses over the entire duration.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Impairment of financial instruments *(continued)*

1) Measurement of the expected credit losses *(continued)*

Except for financial assets that adopt simplified measurement methods as mentioned above (such as debt investments, other debt investments and other receivables), 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. 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.

When assessing the impairment of financial instruments and contract assets using the expected credit loss model, 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.

2) Combination categories and determination criteria for impairment provision based on credit risk characteristics

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Impairment of financial instruments (continued)

2) Combination categories and determination criteria for impairment provision based on credit risk characteristics *(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 group	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 receivables	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)

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Impairment of financial instruments (continued)

- 2) Combination categories and determination criteria for impairment provision based on credit risk characteristics *(continued)*

③ Grouping of other receivables and basis of determination

The Group's other receivables mainly include deposits and guarantee deposits receivable, amounts due from related parties. Based on the nature of receivables and the credit risk characteristics of different counterparties, other than other receivables which are individually assessed for credit risk, they are categorised into different portfolios based on their credit risk characteristics:

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

- 3) Criteria for judging individual provision for bad debt impairment provision

If a customer's credit risk features are significantly different from others in the portfolio or have significantly changed, for example, the customer is in severe financial difficulty, the expected credit loss rate of the receivables from the customer has been significantly higher than the expected credit loss rate of the customer's ageing and overdue ranges, etc., the Group makes a provision for loss on the basis of a single loss provision for the receivables from the customer.

- 4) Write-off of impairment provision

When the Group no longer has a reasonable expectation that it will be able to recover, in whole or in part, the contractual cash flows from a financial asset, the Group directly writes down the carrying amount of the financial asset. If the written-down financial asset is subsequently recovered, the reversal of the impairment loss is recognised in profit or loss in the period in which it is recovered.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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. 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) Contract 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.

Contract assets and contract liabilities under the same contract are shown on a net basis.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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.

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. After the provision for impairment is made, if the factors of impairment in previous periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and included in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment being made.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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, unless there is clear evidence that the Group cannot participate in the production and operation decisions of the investee or form control over the investee. For voting rights less than 20% in the investee, the Group considers that the board or representative in similar authority in the investee/the implementation processes of financial and operation policies of investee which have also been taken into account/significant transaction with the investee/management personnel sent to the investee/significant technology information provided to the investee has significant influence to the investee.

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;

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

15. Long-term equity investments *(continued)*

(2) Accounting treatment method (continued)

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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

17. Fixed assets

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

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

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

No.	Category	Useful life (year)	Estimated 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 equipment	5-20	3-10	4.5-19.4
4	Electronic equipment, appliances and furniture	3-10	0-10	9-33.33
5	Transportation equipment	5-10	3-10	9-19.4

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

18. Construction in progress

The cost of construction in progress is determined based on actual project expenses, including necessary project expenses and other related expenses incurred during the construction period.

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

Construction in progress is transferred to fixed assets when it reaches its intended usable state, with the following standards:

Item	Standards for transferring to fixed assets
Houses and buildings	Completion acceptance/actual start of use (Whichever is earlier)
Machinery and equipment	Completion of installation, debugging and acceptance

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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. The assets eligible for capitalisation as determined by the Group include borrowing costs for fixed assets, investment properties and inventories that require more than one year of construction or production activities to reach their intended usable or saleable condition. Capitalisation starts when the assets expenses and borrowing costs have been incurred and the construction or production activities for making the assets reach their intended usable or saleable condition have started; capitalisation stops when the constructed or produced assets eligible for capitalisation conditions have reached their intended usable or saleable condition. Borrowing costs incurred afterwards are included into the profit or loss for current period. If assets eligible for capitalisation conditions interrupt abnormally during construction or production progress, and such interruption lasts for more than three consecutive months, capitalisation of borrowing costs shall be suspended until construction of assets or production activities resume.

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

20. Intangible asset

The Group's intangible assets include land use right, trademark right, patented technology, 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. 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 and measured at fair value on initial recognition.

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

Land use rights are evenly amortised over their lease terms from the date of transfer. 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 useful lives of the Group's intangible assets with limited useful lives are as follows:

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20. Intangible asset *(continued)*

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

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

Explanation: The useful life of land use right is recognized according to the term of the transfer.

The amount amortised is charged to the cost of the related assets and to current profit or loss on the basis of the beneficiary of the assets. The estimated useful lives and amortisation methods of intangible assets with finite useful lives are reviewed at the end of each year, and any changes are treated as changes in accounting estimates.

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

(2) Scope of R&D expenditure collection and related accounting treatment methods

The scope of R&D expenditures of the Group cover employee salaries of R&D personnel, direct investment expenses, depreciation and deferred expenses, other expenses, etc.

The Group classifies the expenditures on internal research and development projects into expenditure at the research phase and expenditure at the development phase based on the nature of the expenditures and whether there is great uncertainty for the research and development activities to ultimately form into intangible assets. Expenditure at the research phase is recognised in profit or loss for the period when it is incurred. Expenditure at the development phase is capitalised when all of the following conditions are satisfied at the same time: As assessed by the Group, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group intends to complete and use or sell the intangible asset; the intangible asset is expected to bring economic benefits to the Group; the Group has adequate technical, financial and other resources to complete the development and has the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset at its development phase can be reliably measured. Expenditure at the development phase that fails to meet the conditions for capitalisation is recognised in the profit or loss when incurred.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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-of-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, 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 (excluding 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 agreed price for the sales of a similar asset in an orderly transaction occurring at the measurement date 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 determines the present value based on the expected future cash flows to be generated from the continued use of the asset and its eventual disposal and select an appropriate discount rate to determine the present value of future cash flows. Please refer to Note V. 19 for details.

(2) Impairment of goodwill

The Group shall amortise the book value of the goodwill formed by the merger of enterprises to the relevant asset groups in a reasonable manner from the date of purchase. If it is difficult to amortise to the relevant asset groups, it shall be amortised to the relevant asset group combinations. When conducting impairment tests on asset groups or asset group combinations related to goodwill, if there are signs of impairment in the asset groups or asset group combinations related to goodwill, the Group shall first conduct impairment tests on the asset groups or asset group combinations that do not contain goodwill, calculate the recoverable amount, compare it with the relevant book value, and recognise the corresponding impairment losses. Then the Group shall conduct impairment tests on asset groups or asset group combinations containing goodwill, comparing the book value with the recoverable amount. If the recoverable amount is lower than the book value, the impairment loss amount is first offset against the book value of goodwill amortised to the asset group or asset group combination. Then, based on the proportion of the book value of assets other than goodwill in the asset group or asset group combination, the book value of other assets is proportionally offset.

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 accounting period.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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

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. Net interest is calculated by multiplying the net amount of liabilities or assets under the defined benefit scheme by the discount rate. The Group recognises in profit or loss the following changes in the net obligations under the defined benefit scheme: service costs, including current service cost, past service cost and settlement gains or losses; and net interest, including interest income on assets under the scheme, interest expenses on obligations under the scheme and interest affected by asset ceiling.

Dismissal benefits arise from the Company's decision to terminate the employment relationship with employees before the expiration of labour contracts or offer compensation to encourage employees to voluntarily accept layoffs. When the Company is unable to unilaterally withdraw the dismissal benefits provided due to termination of the employment relationship or the proposal for layoffs, or when the Company recognises the costs or expenses related to the restructuring involving the payment of dismissal benefits, whichever is earlier, an employee compensation liability arising from dismissal benefits shall be recognised and included in the current profit or loss. The compensation payments made for more than one year shall be included in the current profit or loss after discounted at an appropriate discount rate.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Accrued liabilities

The Group recognises it as a liability when an obligation pertinent to contingencies such as pending litigation or arbitration, product quality assurance on guaranteed products, 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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Recognition and measurement of revenue

(1) General principles

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.

A performance obligation is a contractual commitment by the Group to transfer clearly distinguishable goods to a customer. The Group’s performance obligations are fulfilled within a certain period of time if one of the following conditions is met; otherwise, they are fulfilled at a certain point in time: ① the customer acquires and consumes the economic benefits arising from the Group’s performance at the same time as the Group’s performance; ② the customer can control the goods that are under progress in the course of the Group’s performance; ③ the goods that are produced in the course of the Group’s performance have irreplaceable usages and the Group is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period.

The Group recognises the revenue on the basis of the progress of performance of a contractual obligation that is to be performed within a certain period of time. When the progress of performance is not reasonably certain, the Group recognises the revenue at the amount of costs incurred until such time as the progress of performance is reasonably certain, provided that the costs incurred are expected to be reimbursed.

For performance obligations fulfilled at a point in time, the Group recognises revenue at the point in time when the customer obtains control of the relevant goods. In determining whether the customer has obtained control of the goods, the Group takes into account the following indications: ① the Group has a present right to receive payment for the goods, i.e. the customer has a present obligation to pay for the goods; ② the Group has transferred the legal ownership of the goods to the customer, i.e. the customer has legal ownership to the goods; ③ the Group has physically transferred the goods to the customer, i.e. the customer has physical possession of the goods; ④ the Group has transferred to the customer the principal risks and rewards of ownership of the goods, i.e. the customer has acquired the principal risks and rewards of ownership of the goods; ⑤ the customer has accepted the goods; and ⑥ other indications that the customer has acquired control of the goods.

When a contract has two or more performance obligations, the Group allocates the transaction price to each one based on the relative standalone selling prices of the promised goods or services on the commencement date of contract. Revenue is then recognized using this allocated transaction price for each obligation.

The transaction price is the amount of consideration that the Group is expected to be entitled to receive due to the transfer of goods or services to customers, excluding payments received on behalf of third parties and amounts expected to be refunded to the customer. In determining the transaction price, the Group considers the impact of variable consideration, the existence of significant financing elements in the contract and other factors.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Recognition and measurement of revenue *(continued)*

(1) General principles (continued)

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either the expected value method or the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At each balance sheet date, the Group updates the estimated transaction price.

The Group determines whether its identity at the time of performing a transaction is that of a principal or an agent based on whether it has control over the goods prior to transferring the goods to the customer. If the Group is able to control the goods before transferring them to the customer, the Group is a principal and recognizes revenue based on the total amount of consideration received or receivable; otherwise, the Group, as an agent, recognizes revenue based on the amount of commissions or handling fees to which it is expected to be entitled, which shall be determined based on either the net amount of the total consideration received or receivable less the price payable to other related parties or the established commission amount or proportion.

Based on contractual agreements, legal provisions, etc., the Group provides quality assurance for goods sold, which is a guarantee-type quality assurance to assure customers that the goods sold meet the established standards, and the Group accounts for it in accordance with Note III.24. Accrued liabilities.

(2) Specific methods

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 as mention in (1) above, and revenue is recognised at the point of delivery and acceptance of the goods by the customer and the transaction price is determined based on the total amount of consideration expected to be entitled, in accordance with the sales contracts entered into between the Group and the customer. 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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. Government grants that are non-monetary assets shall be measured at fair value or, at a nominal amount (RMB1) if their fair value cannot be reliably obtained.

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.

Where the Group obtains subsidised interest rates for policy concessionary loans, the Group distinguishes between the disbursement of the subsidised interest rate funds by the finance department to the lending bank and the disbursement of the subsidised interest rate funds by the finance department directly to the Group, and carries out the accounting treatment according to the following principles, respectively: (1) Where the finance department disburses the subsidised funds to the lending bank, and the lending bank provides the Group with a loan at a policy preferential interest rate, the Group takes the actual loan amount received as the entry value of the loan and calculates the related borrowing costs according to the principal amount of the loan and the policy preferential interest rate (or takes the fair value of the loan as the entry value of the loan and calculates the borrowing costs using the effective interest rate method, with the difference between the actual amount received and the fair value of the loan being recognised as deferred income. Deferred income is amortised over the duration of the loan using the effective interest rate method, and used to offset 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Deferred income tax assets and deferred income 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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Lease *(continued)*

(2) *The Group as a lessee (continued)*

1) Lease recognition *(continued)*

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.

(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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Lease *(continued)*

(3) *The Group as a lessor (continued)*

2) Operating lease

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

The initial direct costs incurred by the Group in relation to the operating leases shall be capitalised as the costs of the subject leased asset, apportioned on the same basis as the rental income recognition during the lease term, and included in profit or loss for the period. The variable lease payments received by the Group that are not included in the lease receivables related to the operating leases are recognised in profit or loss for the period in which they are actually incurred.

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

30. Discontinued operation

Discontinued operation refers to a component of the Group that meets one of the following conditions, that can be separately distinguishable, and that has been disposed of or classified as held for sale: (1) the component represents a separate principal business or a separate principal operating area; (2) the component is part of a related plan for the proposed disposal of a separate principal business or a separate principal operating area; and (3) the component is a subsidiary that has been acquired exclusively for the purpose of resale.

In the income statement, the Group has added the items of “net profit from continuing operations” and “net profit from discontinued operations” under the item of “net profit” in the income statement to reflect the profit or loss from continuing operations and profit or loss from discontinued operations, respectively, on a net after-tax basis. Profit or loss from discontinued operations shall be presented as profit or loss from discontinued operations, and the profit or loss from discontinued operations shall be presented for the entire reporting period, not only for the reporting period after being recognised as discontinued operations.

31. Fair value measurement

The Group measures investment properties, derivative financial instruments and equity instrument investments at fair value on each balance sheet date. Fair value refers to the price that a market participant would receive from selling an asset or pay for transferring a liability in an orderly transaction occurring on the measurement date.

Assets and liabilities that are measured or disclosed at fair value in the financial statements are identified within the fair value levels based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities that are available on the measurement date. Level 2 inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3 inputs are unobservable inputs to the related assets or liabilities.

At each balance sheet date, the Group reassesses assets and liabilities measured at fair value on an ongoing basis recognised in the financial statements to determine whether the level of fair value measurement should be changed.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

32. Changes in critical accounting policies and estimates

(1) Changes in critical accounting policies

- 1) The Ministry of Finance issued the “Interpretation No. 17 of the Accounting Standards for Enterprises” (hereinafter referred to as “Interpretation No. 17”) on 25th October, 2023, the particulars under “Division between Current Liabilities and Non-current Liabilities”, “Disclosure of Supplier Financing Arrangements”, “Accounting Treatment for Sale and Leaseback Transactions” were in force from 1 January 2024. In accordance with the relevant requirements, the Group changed its accounting policies accordingly. The changes in accounting policies did not have any significant impact on the Group’s financial indicators such as total assets, total liabilities, net assets and net profit.
- 2) The Ministry of Finance issued the “Interpretation No. 18 of Accounting Standards for Enterprises” on 6 December 2024. It stipulates that for the estimated liabilities arising from guarantee-type quality guarantees that are not single performance obligations, the determined amounts should be recorded in the “main operating costs” and “other operating costs”, and should no longer be recorded in the “sales expense”. In accordance with the provisions of the above accounting interpretation, our group has made corresponding changes to the original accounting policies and made retrospective adjustments to the statement items such as “operating costs” and “sales expenses”.
- ① The impacts of the above changes in accounting policies on each item of the income statement for 2024 are summarised below:

Items	Amount of increase/(decrease) in line items under the financial statement as a result of the adoption of the changed accounting policies
Operating costs	544,399,170.47
Sales expenses	-544,399,170.47

- ② The impacts of the above changes in accounting policies on each item under the income statement for 2023 are summarised below:

Items	Before adjustment	Adjustment	After adjustment
Operating costs	66,696,116,231.21	755,251,474.81	67,451,367,706.02
Sales expenses	9,311,027,187.99	-755,251,474.81	8,555,775,713.18

(2) Changes in critical accounting estimates

None.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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% and 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 to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

IV. TAXATION (continued)

1. The main types and rates of taxes (continued)

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense 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 Rongsheng Plastic Co., Ltd.	15.00%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	15.00%
Foshan Hisense Property Service 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 (Guangdong) Air-Conditioner Company Limited	15.00%
Hisense (Shandong) Kitchen and Bath Co., Ltd.	15.00%
Qingdao Yiyang Venture Capital Management Co., Ltd.	20.00%
Kelon International Incorporation (KII)	8.25%/16.5%
Pearl River Electric Refrigerator Co., Ltd.	16.50%
Kelon Development Co., Ltd.	16.50%
Hisense (Hong Kong) America Manufacturing Co., Ltd.	16.50%
Hisense Mould (Deutschland) GmbH	15.00%
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	30.00%
Hisense Monterrey Property Management, S.de R.L. de C.V.	30.00%
HSHA (Singapore) Co., Ltd.	17.00%
HHA (Thailand) Co., Ltd.	20.00%
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%

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

IV. TAXATION (continued)

2. Tax preferences (continued)

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.

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.

On 20 December 2021, Hisense Ronshen (Guangdong) Freezer Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202144001612, 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 2021, 2022 and 2023.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

IV. TAXATION (continued)

2. Tax preferences (continued)

On 19 November 2024, Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202437101032, with an effective period of three years), which was jointly issued by Qingdao Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao 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 2024, 2025 and 2026.

On 19 November 2024, Qingdao Hisense Commercial Cold Chain Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202437100719, with an effective period of three years), which was jointly issued by Qingdao Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao 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 2024, 2025 and 2026.

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.

On 29 December 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 Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao 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 2024, 2025 and 2026.

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.

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

Qingdao Yiyang Venture Capital Management Co., Ltd., a subsidiary of the Company, met the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2023] No. 12, pursuant to which, the taxable income was calculated at the rate of 25%, and the enterprise income tax was paid at the rate of 20% in 2024.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

IV. TAXATION (continued)

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 data, unless otherwise noted, “Opening Balance” refers to the balance as at 1 January 2024; and “Closing Balance” refers to the balance as at 31 December 2024. “Current Year” refers to the period from 1 January to 31 December 2024; “Last Year” refers to the period from 1 January to 31 December 2023. The currency is denominated in RMB.

1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	116,974.19	151,362.17
Bank deposits	876,524,372.96	1,242,044,709.82
Other cash at bank and on hand	1,971,151,786.40	1,749,212,727.81
Deposit in financial company	1,549,900,310.18	1,947,864,398.82
Including: Bank deposits	1,301,400,309.75	1,612,090,951.28
Other cash at bank and on hand	248,500,000.43	335,773,447.54

Total	4,397,693,443.73	4,939,273,198.62
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Including: Total amount deposited overseas	667,561,849.36	937,552,504.07
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Breakdown of restricted cash at bank and on hand are listed as follows:

Item	Closing balance	Opening balance
Security deposit for setting up bank acceptance notes	2,131,097,996.59	2,011,488,962.44
Other security deposit	75,326,840.59	50,643,835.64

Total	2,206,424,837.18	2,062,132,798.08
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2. Transactional financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	16,209,276,762.85	13,192,025,535.87
Including: Derivative financial instruments	48,959,296.04	4,285,180.76
Wealth management products	16,160,317,466.81	13,187,740,355.11

Total	16,209,276,762.85	13,192,025,535.87
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Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Notes receivable

(1) As shown by classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	6,497,691.77	165,995,198.60
Commercial acceptance notes	452,515,807.88	575,627,374.90
Total	459,013,499.65	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	Book value		Closing balance		Carrying amount
	Amount	%	Amount	%	
Separate provision for bad debts					
Provision for bad debts on a group basis	459,014,384.40	100.00	884.75	0.00	459,013,499.65
Including:					
Bank acceptance notes	6,497,691.77	1.42			6,497,691.77
Commercial acceptance notes	452,516,692.63	98.58	884.75	0.00	452,515,807.88
Total	459,014,384.40	100.00	884.75	0.00	459,013,499.65

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 debts					
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 commercial acceptance notes

Item	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a related party company	451,842,350.94		
Acceptor being other types of company	674,341.69	884.75	0.13
Total	452,516,692.63	884.75	–

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year

Category	Opening balance	Changes during the year			Closing balance
		Provision	Recoveries or reversal	Write-off	
Commercial acceptance notes	500,764.27	-499,879.52			884.75
Total	500,764.27	-499,879.52			884.75

(4) Notes receivable pledged as at the end of the year

Item	Pledged amount at the end of the year
Bank acceptance notes	6,497,691.77
Total	6,497,691.77

Note: For details of pledges, please refer to Note V. 24. Assets with restrictions on ownership or right of use.

(5) Notes receivables endorsed or discounted as at the end of the year but not mature at the balance sheet date

Item	Amount derecognised at the end of the year	Amount not derecognised at the end of the year
Commercial acceptance notes		160,571,283.76
Total		160,571,283.76

(6) Notes receivable written-off during the year

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year	Book value as at the beginning of the year
Within three months	9,636,006,962.35	8,330,628,047.85
Over three months but within six months	439,426,145.09	433,307,441.27
Over six months but within one year	160,377,425.51	246,354,515.38
Over one year	554,775,266.31	527,815,292.00
Total	10,790,585,799.26	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	133,785,840.82	1.24	102,295,699.38	76.46	31,490,141.44
Accounts receivable for which provision for bad debts is made on a group basis	10,656,799,958.44	98.76	207,680,201.72	1.95	10,449,119,756.72
Including:					
Aging analysis method	1,713,156,715.42	15.88	130,957,148.52	7.64	1,582,199,566.90
Receivables from related parties	6,565,282,860.41	60.84	11,726,653.49	0.18	6,553,556,206.92
Other amount	2,378,360,382.61	22.04	64,996,399.71	2.73	2,313,363,982.90
Total	10,790,585,799.26	100.00	309,975,901.10	2.87	10,480,609,898.16

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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)

(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:					
Aging 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 amount	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

1) Accounts receivable subject to separate provision for bad debts

	Opening balance		Closing balance			
Item	Book value	Provision for	Book value	Provision for	%	Reasons for provision
		bad debts		bad debts		
Domestic customers	97,304,043.14	97,304,043.14	133,785,840.82	102,295,699.38	76.46	Expected to be difficult to recover in full
Total	97,304,043.14	97,304,043.14	133,785,840.82	102,295,699.38	76.46	-

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

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within three months	1,550,266,809.05	3,100,533.55	0.2
Over three months but within six months	36,759,206.96	3,675,920.70	10.00
Over six months but within one year	3,900,010.30	1,950,005.16	50.00
Over one year	122,230,689.11	122,230,689.11	100.00
Total	1,713,156,715.42	130,957,148.52	7.64

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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)

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

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within one year	6,553,556,206.92		
Over one year	11,726,653.49	11,726,653.49	100.00
Total	6,565,282,860.41	11,726,653.49	0.18

- 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 amount	2,378,360,382.61	64,996,399.71	2.73
Total	2,378,360,382.61	64,996,399.71	2.73

(3) Provision for bad debts of accounts receivable that are accrued, recovered or reversed in the current year

Category	Opening balance	Changes during the year				Closing balance
		Provision	Recoveries or reversals	Write-off	Exchange rate changes	
Separate provision	97,304,043.14	4,991,656.24				102,295,699.38
Aging analysis method	132,000,437.65	304,248.87		-1,347,538.00		130,957,148.52
Receivables from related parties	21,281,661.78	-9,499,655.35			-55,352.94	11,726,653.49
Other amount	62,197,271.86	-924,624.01	170,980.00		3,552,771.86	64,996,399.71
Total	312,783,414.43	-5,128,374.25	170,980.00	-1,347,538.00	3,497,418.92	309,975,901.10

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(4) Accounts receivable written-off during the year

Item	Written-off amount
Accounts receivable written-off	1,347,538.00

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

The total top five accounts receivable by closing balance of debtors amounted to RMB6,276,022,170.62, accounting for 58.16% of the closing balance of accounts receivable. A provision for bad debts of RMB13,549,949.81 in total was made as at the end of the year.

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	66,062,456.97	9,852,409.09	56,210,047.88	41,049,130.53	5,170,821.71	35,878,308.82
Total	66,062,456.97	9,852,409.09	56,210,047.88	41,049,130.53	5,170,821.71	35,878,308.82

(2) Contract assets by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	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	66,062,456.97	100	9,852,409.09	14.91	56,210,047.88
Including:					
Guarantee	66,062,456.97	100	9,852,409.09	14.91	56,210,047.88
Total	66,062,456.97	100	9,852,409.09	14.91	56,210,047.88

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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)

(continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	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

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

Item	Closing balance		
	Book value	Provision for bad debts	%
Guarantee	66,062,456.97	9,852,409.09	14.91
Total	66,062,456.97	9,852,409.09	–

(3) Provision for bad debts of contract assets that are accrued, recovered or reversed in the current year

Item	Opening balance	Changes during the year			Closing balance	Reason
		Provision during the year	Recoveries or reversal during the year	Write-off during the year		
Guarantee	5,170,821.71	4,681,587.38			9,852,409.09	
Total	5,170,821.71	4,681,587.38			9,852,409.09	–

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Contract assets (continued)

(4) Contract assets written-off for the year

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

6. Factoring of accounts receivable

(1) Factoring of accounts receivable by category

Item	Closing balance	Opening balance
Bank acceptance notes	6,000,519,893.99	4,643,427,583.77
Total	6,000,519,893.99	4,643,427,583.77

Note: For details on the fair value, please refer to Note 11. (1) Fair value of assets and liabilities measured at fair value as at the end of the year.

(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	6,000,519,893.99	100.00			6,000,519,893.99
Including:					
Bank acceptance notes	6,000,519,893.99	100.00			6,000,519,893.99
Total	6,000,519,893.99	100.00			6,000,519,893.99

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Factoring of accounts receivable (continued)

(2) Factoring of accounts receivable by provision for bad debts (continued)

(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 year

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

(4) Notes receivable endorsed or discounted as at the end of the year but not mature at the balance sheet date

Item	Amount derecognised at the end of the year	Amount not derecognised at the end of the year
Bank acceptance notes	7,454,328,495.53	
Total	7,454,328,495.53	

(5) Factoring of accounts receivable written-off for the year

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable		89,630.21
Other receivables	242,816,255.92	145,714,495.24
Total	242,816,255.92	145,804,125.45

7.1 Dividends receivable

(1) Classification of dividends receivable

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

- (2) At the end of the year, 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 year	Book value as at the beginning of the year
Security deposit	87,597,261.60	92,707,932.31
Refund of tax for exports	13,599,113.05	6,920,930.95
Other current account	227,362,892.71	181,056,905.05
Total	328,559,267.36	280,685,768.31

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7.2 Other receivables (continued)

(2) Other receivables by ageing

Ageing	Book value as at the end of the year
Within three months	159,695,097.95
Over three months but within six months	12,319,229.96
Over six months but within one year	33,720,720.11
Over one year	122,824,219.34
Total	328,559,267.36

(3) Provision for bad debts for other receivables

	First stage	Second stage	Third stage	
	Expected credit loss in the next 12 months	Expected credit loss in the lifetime (without credit impairment)	Expected credit loss in the lifetime (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 year, the book balance of other receivables as at 1 January 2024	-	-	-	-
- transferred to second stage				
- transferred to third stage		-3,388,659.17	3,388,659.17	
- reversed to second stage				
- reversed to first stage				
Provision for the year	780,770.74	-39,353,185.54		-38,572,414.80
Reversal for the year				
Written-off for the year				
Charge off for the year		-46,082.34		-46,082.34
Other changes	-211,296.17	-10,398,468.32		-10,609,764.49
Balance as at 31 December 2024	2,145,922.18	69,039,068.77	14,558,020.49	85,743,011.44

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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7.2 Other receivables (continued)

(4) Provision for bad debts of other receivables that are accrued, recovered or reversed in the current year

Category	Opening balance	Changes during the year				Closing balance
		Provision	Recoveries or reversals	Write-off	Exchange rate changes	
Separate provision						
Aging analysis method	89,113,107.02	-14,292,232.58		-46,082.34	-211,296.17	74,563,495.93
Receivables from related parties	23,555,199.92	-14,204,293.27			-5,944,231.19	3,406,675.46
Other amount	22,302,966.13	-10,075,888.95			-4,454,237.13	7,772,840.05
Total	134,971,273.07	-38,572,414.80		-46,082.34	-10,609,764.49	85,743,011.44

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

(5) Other receivables written-off during the year

Item	Written-off amount
Other receivables written-off	46,082.34

(6) Top five other receivables by balance of debtors as at the end of the year

No.	Nature of the amount	Closing balance	Ageing	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
No. 1	Security deposit	25,000,000.00	Over one year	7.61	25,000,000.00
No. 2	Refund of tax for exports	13,599,113.05	Within one year	4.14	27,198.23
No. 3	Other current accounts	7,500,000.00	Over one year	2.28	7,500,000.00
No. 4	Security deposit	4,700,000.00	Within one year	1.43	9,400.00
No. 5	Other current accounts	4,228,562.49	Within one year, over one year	1.29	396,502.28
Total	-	55,027,675.54	-	16.75	32,933,100.51

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Prepayments

(1) Ageing of prepayments

Item	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	521,439,148.61	99.49	386,713,010.82	99.40
Over one year	2,651,829.56	0.51	2,353,263.34	0.60
Total	524,090,978.17	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

During the Year, the total top five prepayments by supplier based on closing balance amounted to RMB315,223,728.19, accounting for 60.15% 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	1,289,564,874.18	60,245,563.60	1,229,319,310.58
Works in progress	759,151,168.44	6,413,805.72	752,737,362.72
Finished goods	5,647,835,914.41	62,959,633.32	5,584,876,281.09
Total	7,696,551,957.03	129,619,002.64	7,566,932,954.39

(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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 for the year		Decrease for the year		Closing balance
		Provision	Others	Reversed or written-off	Exchange rate changes	
Raw materials	32,551,279.20	35,894,417.29		9,333,620.07	-1,133,487.18	60,245,563.60
Works in progress	6,035,772.16	6,459,994.04		5,877,431.89	204,528.59	6,413,805.72
Finished goods	55,315,902.93	84,680,653.32		76,011,773.19	1,025,149.74	62,959,633.32
Total	93,902,954.29	127,035,064.65		91,222,825.15	96,191.15	129,619,002.64

(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 year
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 due within one year	4,883,695,277.78	3,641,708,361.11
Total	4,883,695,277.78	3,641,708,361.11

11. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	631,618,371.84	428,942,015.90
Prepaid tax and tax deductible	858,852,366.02	773,825,888.41
Prepaid expenses and others	196,580,706.12	208,420,295.59
Total	1,687,051,443.98	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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

Investee	Opening balance (Carrying amount)	Opening balance of provision for impairment	Change for the year								Closing balance (Carrying amount)	Closing balance of provision for impairment
			Additional investment	Decrease in investment	Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Exchange rate changes		
I. Joint ventures												
Hisense Marketing Management Co., Ltd.	49,708,956.80				588,945.89							50,297,902.69
Qingdao Hisense Global Asia Holding Co., Ltd.	24,044,123.64				-16,920,479.66	2,079,692.32	-3,858,335.43					5,345,000.87
Subtotal	73,753,080.44				-16,331,533.77	2,079,692.32	-3,858,335.43					55,642,903.56
II. Associates												
Qingdao Hisense Jinlong Holdings Co., Ltd.	406,595,770.08				22,080,932.20			13,935,119.89				414,741,582.39
Hisense International Co., Ltd.	192,692,420.64				66,363,530.70	-33,931,430.74	1,741,557.75	106,976,308.00				119,889,770.35
Qingdao Hisense Intelligent Electronic Technology Co., Ltd	998,323,846.30		4,656,996.90	204,723.80	223,578,888.42	208,409.93		198,942,057.17		-909,609.05		1,026,711,751.53
Associates of Sanden Corporation			147,000,000.00		950,944.26							147,950,944.26
Subtotal	1,597,612,037.02		151,656,996.90	204,723.80	312,974,295.58	-33,723,020.81	1,741,557.75	319,853,485.06		-909,609.05		1,709,294,048.53
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	151,656,996.90	204,723.80	296,642,761.81	-31,643,328.49	-2,116,777.68	319,853,485.06		-909,609.05	1,764,936,952.09	11,000,000.00

- Notes: (1) As Jiangxi Kelon Combine Electrical Appliances Co., Ltd., a subsidiary of the Company, has been declared in liquidation, it has not been included in the consolidated financial statements and impairment has been fully provided for the investment cost.
- (2) Qingdao Hisense Jinlong Holdings Co., Ltd. (formerly Qingdao Hisense Financial Holdings Co., Ltd.) is hereinafter referred to as “Hisense Jinlong Holdings”.
- (3) Qingdao Hisense Global Asia Holding Co., Ltd. is hereinafter referred to as “Hisense Global Asia Holding”.
- (4) Hisense Marketing Management Co., Ltd. is hereinafter referred to as “Hisense Marketing Management”.
- (5) Hisense International Co., Ltd. is hereinafter referred to as “Hisense International”.
- (6) Qingdao Hisense Intelligent Electronic Technology Co., Ltd is hereinafter referred to as “Hisense Intelligent Electronic”.
- (7) 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	1,764,936,952.09	1,671,365,117.46
Including: Joint ventures	55,642,903.56	73,753,080.44
Associates	1,709,294,048.53	1,597,612,037.02
Total	1,764,936,952.09	1,671,365,117.46

13. Other equity investment

Item	Closing balance	Opening balance
Non-trading equity investments	42,364,813.88	40,244,766.96
Total	42,364,813.88	40,244,766.96

14. Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	21,332,417.54	27,197,809.69
Total	21,332,417.54	27,197,809.69

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Lands	Total
I. Original carrying amount			
1. Opening balance	269,143,187.31	37,924,071.00	307,067,258.31
2. Increase for the year	115,565,368.22		115,565,368.22
(1) Acquisition	5,895,740.68		5,895,740.68
(2) Transfer from construction under progress	109,669,627.54		109,669,627.54
3. Decrease for the year	9,997,693.90	10,229,709.26	20,227,403.16
(1) Exchange rate changes	9,997,693.90	10,229,709.26	20,227,403.16
4. Closing balance	374,710,861.63	27,694,361.74	402,405,223.37
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	128,402,894.01	681,641.00	129,084,535.01
2. Increase for the year	23,135,916.22	36,497.00	23,172,413.22
(1) Provision or amortisation	23,135,916.22	36,497.00	23,172,413.22
(2) Transfer from intangible assets			
3. Decrease for the year	3,850,280.50		3,850,280.50
(1) Exchange rate changes	3,850,280.50		3,850,280.50
4. Closing balance	147,688,529.73	718,138.00	148,406,667.73
III. Provision for impairment			
1. Opening balance			
2. Increase for the year			
3. Decrease for the year			
4. Closing balance			
IV. Carrying amount			
1. Carrying amount as at the end of the year	227,022,331.90	26,976,223.74	253,998,555.64
2. Carrying amount as at the beginning of the year	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
A commercial apartment located at No. 7 Liaoyang Road	46,919,164.01	in the process of property rights application

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Fixed assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	5,648,279,219.22	5,662,566,792.19
Disposal of fixed assets	363,860.34	345,709.84
Total	5,648,643,079.56	5,662,912,502.03

16.1 Fixed assets

(1) Particulars of fixed assets

Item	Lands	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 year	1,036,030.53	112,984,501.89	784,073,403.56	195,566,907.17	20,900,535.86	1,114,561,379.01
(1) Additions		33,852,093.82	302,689,649.05	144,192,966.85	17,896,439.99	498,631,149.71
(2) Transfer from construction in progress		79,132,408.07	481,383,754.51	51,373,940.32	3,004,095.87	614,894,198.77
(3) Exchange rate changes	1,036,030.53					1,036,030.53
3. Decrease for the year	541,104.75	112,814,434.15	328,342,901.22	230,643,174.23	19,921,105.19	692,262,719.54
(1) Disposal or retirement	541,104.75	22,559,724.11	247,115,491.43	210,792,947.48	18,586,417.13	499,595,684.90
(2) Exchange rate changes		90,254,710.04	81,227,409.79	19,850,226.75	1,334,688.06	192,667,034.64
4. Closing balance	327,628,813.86	3,990,324,424.45	6,025,347,154.72	3,461,596,771.60	79,111,731.55	13,884,008,896.18
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 year		179,528,485.20	493,641,537.45	175,307,382.19	10,924,000.68	859,401,405.52
(1) Provision		179,528,485.20	493,641,537.45	175,307,382.19	10,924,000.68	859,401,405.52
3. Decrease for the year		28,583,272.76	210,821,996.02	192,843,676.23	3,417,778.12	435,666,723.13
(1) Disposal or retirement		12,746,735.68	210,271,275.36	184,204,368.11	2,836,793.50	410,059,172.65
(2) Exchange rate changes		15,836,537.08	550,720.66	8,639,308.12	580,984.62	25,607,550.48
4. Closing balance		1,864,433,282.64	3,262,909,057.72	2,769,938,939.41	42,352,675.88	7,939,633,955.65
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 year			28,246,298.03	5,096,428.01	84,261.29	33,426,987.33
(1) Provision			28,246,298.03	5,096,428.01	84,261.29	33,426,987.33
3. Decrease for the year		278,282.45	12,898,357.46	7,366,870.23	31,927.14	20,575,437.28
(1) Disposal or retirement		278,282.45	4,850,633.79	283,603.99	1,190.00	5,413,710.23
(2) Exchange rate changes			8,047,723.67	7,083,266.24	30,737.14	15,161,727.05
4. Closing balance		8,797,986.81	197,010,417.35	89,843,081.23	444,235.92	296,095,721.31
IV. Carrying amount						
1. Carrying amount as at the end of the year	327,628,813.86	2,117,093,155.00	2,565,427,679.65	601,814,750.96	36,314,819.75	5,648,279,219.22
2. Carrying amount as at the beginning of the year	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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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
Buildings and structures	371,520,728.14
Machinery and equipments, etc.	4,682,468.66
Transportation equipment	347,172.13
Total	376,550,368.93

(3) Fixed assets without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	269,177,952.62	Transferred to fixed assets on achieving scheduled availability and in the process of application for ownership certificates

(4) Impairment test of fixed assets

The recoverable amount is determined as the net of fair value less disposal costs

Item	Carrying amount	Recoverable amount	Impairment amount
Machinery and equipments	86,955,766.65	58,709,468.62	28,246,298.03
Electronic equipment, appliances and furniture	16,132,955.48	11,036,527.47	5,096,428.01
Transportation equipment	156,640.14	72,378.85	84,261.29
Total	103,245,362.27	69,818,374.94	33,426,987.33

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Fixed assets (continued)

16.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	363,860.34	345,709.84
Total	363,860.34	345,709.84

17. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	674,456,905.57	443,523,694.21
Total	674,456,905.57	443,523,694.21

(1) Breakdown of construction in progress

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Refrigerator production line project	25,576,269.40		25,576,269.40	3,076,052.62		3,076,052.62
A dormitory building in Pingdu Industrial Park	121,253,940.32		121,253,940.32	1,727,884.83		1,727,884.83
GENS electric press production line	229,713,759.38		229,713,759.38	42,901,352.99		42,901,352.99
Staff apartment project				103,176,525.50		103,176,525.50
Refrigerator production line expansion project				11,766,283.11		11,766,283.11
Others	343,781,192.61	45,868,256.14	297,912,936.47	328,806,100.92	47,930,505.76	280,875,595.16
Total	720,325,161.71	45,868,256.14	674,456,905.57	491,454,199.97	47,930,505.76	443,523,694.21

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Construction in progress (continued)

(2) Changes in construction in progress during the year

Name of construction	Opening balance	Increase for the year	Decrease for the year		Closing balance	Budget	Accumulative contribution in budget (%)	Progress	Source of funding
			Transferred to fixed assets	Other decrease					
Refrigerator production line project	3,076,052.62	33,141,564.32	10,641,347.54		25,576,269.40	767,677,318.00	92.67	92.67	Self funding
A dormitory building in Pingdu Industrial Park	1,727,884.83	119,526,055.49			121,253,940.32	158,814,287.00	76.35	76.35	Self funding
GEN5 electric press production line	42,901,352.99	193,909,925.57		7,097,519.18	229,713,759.38	349,000,000.00	65.82	65.82	Self funding
Staff apartment project	103,176,525.50	382,502.68		103,559,028.18					
Refrigerator production line expansion project	11,766,283.11	15,926,637.16	27,692,920.27						
Others	328,806,100.92	599,850,488.62	576,559,930.96	8,315,465.97	343,781,192.61				
Total	491,454,199.97	962,737,173.84	614,894,198.77	118,972,013.33	720,325,161.71				

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

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

Item	Provision for the year	Reason for provision
Other projects	2,691,503.90	Recoverable amount is less than carrying amount
Total	2,691,503.90	—

(4) Impairment testing of construction in progress

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

Item	Carrying amount	Recoverable amount	Impairment amount
Other product line related assets	3,668,593.08	977,089.18	2,691,503.90
Total	3,668,593.08	977,089.18	2,691,503.90

The Group measures impairment by estimating the recoverable amount of construction in progress 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year	70,545,168.65	12,835,625.16	83,380,793.81
(1) Rental	70,545,168.65	12,835,625.16	83,380,793.81
3. Decrease for the year	43,336,827.55	7,941,850.84	51,278,678.39
(1) Disposal	39,000,391.79	6,151,885.69	45,152,277.48
(2) Exchange rate changes	4,336,435.76	1,789,965.15	6,126,400.91
4. Closing balance	327,192,806.68	52,020,012.88	379,212,819.56
II. Accumulated depreciation			
1. Opening balance	154,515,053.62	22,943,140.68	177,458,194.30
2. Increase for the year	73,102,969.42	8,581,122.53	81,684,091.95
(1) Provision	73,102,969.42	8,581,122.53	81,684,091.95
3. Decrease for the year	40,628,816.59	2,733,289.45	43,362,106.04
(1) Disposal	32,257,553.08	848,665.37	33,106,218.45
(2) Exchange rate changes	8,371,263.51	1,884,624.08	10,255,887.59
4. Closing balance	186,989,206.45	28,790,973.76	215,780,180.21
III. Provision for impairment			
1. Opening balance	49,158.53	224,530.44	273,688.97
2. Increase for the year			
3. Decrease for the year	3,896.42	17,796.81	21,693.23
(1) Exchange rate changes	3,896.42	17,796.81	21,693.23
4. Closing balance	45,262.11	206,733.63	251,995.74
IV. Carrying amount			
1. Carrying amount as at the end of the year	140,158,338.12	23,022,305.49	163,180,643.61
2. Carrying amount as at the beginning of the year	145,420,253.43	23,958,567.44	169,378,820.87

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year	167,750,029.78				96,151,920.98	263,901,950.76
(1) Additions	163,789,540.00				96,151,920.98	259,941,460.98
(2) Exchange rate changes	3,960,489.78					3,960,489.78
3. Decrease for the year			6,610,534.03		25,491,804.64	32,102,338.67
(1) Disposal			6,541,445.91		17,013,113.35	23,554,559.26
(2) Exchange rate changes			69,088.12		8,478,691.29	8,547,779.41
4. Closing balance	1,233,528,763.84	660,643,862.44	84,536,836.52	794,759,590.57	586,306,281.87	3,359,775,335.24
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 year	23,688,739.69	1,300,000.00	4,546,202.79	96,040,565.98	50,634,336.76	176,209,845.22
(1) Provision	23,688,739.69	1,300,000.00	4,546,202.79	96,040,565.98	50,634,336.76	176,209,845.22
3. Decrease for the year	89,291.18		5,172,286.54		15,613,616.58	20,875,194.30
(1) Disposal			5,103,042.62		13,993,938.04	19,096,980.66
(2) Exchange rate changes	89,291.18		69,243.92		1,619,678.54	1,778,213.64
4. Closing balance	362,946,955.91	264,574,752.40	55,154,393.29	501,879,638.06	396,961,210.73	1,581,516,950.39
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 year					13,585,844.60	13,585,844.60
(1) Provision					13,585,844.60	13,585,844.60
3. Decrease for the year					2,106,825.84	2,106,825.84
(1) Exchange rate changes					2,106,825.84	2,106,825.84
4. Closing balance	50,012,843.19	286,061,116.40			35,342,555.70	371,416,515.29
IV. Carrying amount						
1. Carrying amount as at the end of the year	820,568,964.74	110,007,993.64	29,382,443.23	292,879,952.51	154,002,515.44	1,406,841,869.56
2. Carrying amount as at the beginning of the year	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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 Year*

(3) Impairment testing of intangible assets

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

In 2024, the Group made an impairment provision of RMB13,585,844.60 for other categories of intangible assets, corresponding to a carrying amount of RMB13,585,844.60, mainly due to the full amount of impairment provision for software and other assets without any disposal value.

2) Determination of recoverable amount according to the present value of the expected future cash flows

Item	Carrying amount	Recoverable amount	Impairment amount	Number of years in the forecast period	Key parameters for the forecast period	Key parameters for the stabilisation period	Basis for determining key parameters for the stabilisation period
Trademarks with uncertain useful life	101,666,327.00	1,276,461,702.94		5 years	Income growth rate: 0%; Sales commission rate: 1.73%; Discount rate: 19.30%	Income growth rate, sales commission rate, discount rate	The income growth rate during the stabilisation period is 0%; Sales commission rate and discount rate are consistent with those for the last year in the forecast period.
Total	101,666,327.00	1,276,461,702.94		-	-	-	-

Note: The Company commissioned an independent and specific third party to appraise the value of our “Kelon” and “Rongshen” brands in 2005. According to the “Asset Appraisal Report on the Verification Project of the Value of Trademarks and Intangible Assets of Guangdong Kelon Electric Appliances Co., Ltd.” issued by the third party, the appraised value of the “Rongshen” and “Kelon” brands was RMB118,378,600.00, of which the appraised value of “Rongshen” brand was RMB79,905,500.00, the appraised value of “Kelon” brand was RMB38,473,100.00, and the appraisal impairment was RMB286,061,116.40 as at 31 December 2005.

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 as at the end of the Year and no provision for impairment was made.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 for the Year	Decrease for the Year	Closing balance
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	132,571,746.36			132,571,746.36
Sanden Holdings Corporation	93,837,131.40			93,837,131.40
Total	226,408,877.76			226,408,877.76

(2) Relevant information on the asset group or portfolio to which goodwill belongs

Name	Composition and basis of the asset group or portfolio to which it belongs	Business segment and basis	Whether keeping consistent with previous years
Qingdao Hisense Hitachi Air- Conditioning Systems Co., Ltd.	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.	For internal management purposes, this asset group belongs to the air-conditioning segment	Consistent
Sanden Holdings Corporation	The goodwill formed by the Company's acquisition of Sanden Holdings Corporation is reflected in the related business asset group of automotive air-conditioning compressors and integrated thermal management systems on the acquisition date. Since it can generate cash flow independently, the Company regards development, design, manufacturing and sales of automotive air-conditioning compressors and integrated thermal management systems of the Company as an asset group and allocated the goodwill of RMB93,837,131.40 to the asset group.	For internal management purposes, this asset group belongs to other segments	Consistent

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Goodwill (continued)

(3) Determination of recoverable amount according to the present value of the expected future cash flows

Items	Carrying amount of an asset group or portfolio of asset groups containing full goodwill	Recoverable amount	Impairment amount	Number of years in the forecast period	Key parameters for the forecast period	Basis for determining key parameters for the forecast period	Key parameters for the stabilisation period	Basis for determining key parameters for the stabilisation period
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	1,796,721,191.46	27,267,087,283.09		5 years	Income growth rate, profit margin, discount rate	Income growth rate: 2.50%-6.54%; Profit margin: 14.23%-15.19% Discount rate: 12.44%	Income growth rate, profit margin, discount rate	The income growth rate during the stabilisation period is 0%; Profit margin and discount rate are consistent with those for the last year in the forecast period
Sanden Holdings Corporation	2,417,445,376.12	2,435,190,553.29		6 years	Income growth rate, profit margin, discount rate	Income growth rate: 5.56%-18.45%; Profit margin: -2.00%-4.40% Discount rate: 11.94%	Income growth rate, profit margin, discount rate	The income growth rate during the stabilisation period is 0%; Profit margin and discount rate are consistent with those for the last year in the forecast period

Note: Based on the principle of prudence, the key parameters for the forecast period do not constitute a commitment to future performance.

21. Long-term prepaid expenses

Item	Opening balance	Increase for the year	Amortization for the year	Other deductions for the year	Closing balance
Long-term prepaid expenses	40,734,232.78	30,039,401.34	25,097,954.57	897,404.90	44,778,274.65
Total	40,734,232.78	30,039,401.34	25,097,954.57	897,404.90	44,778,274.65

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	349,912,211.76	70,404,861.31	334,544,586.58	69,407,745.06
Accrued expenses	5,089,400,871.39	890,759,146.82	5,213,201,415.36	952,917,557.88
Others	1,173,270,578.22	250,129,955.49	1,042,708,500.77	204,484,349.27
Total	6,612,583,661.37	1,211,293,963.62	6,590,454,502.71	1,226,809,652.21

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred tax assets and deferred tax liabilities (continued)

(2) Undeducted deferred tax liabilities

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	569,998,193.49	92,067,949.54	508,897,224.91	80,973,714.15
Transactional financial assets	105,861,885.51	26,400,191.38	69,225,594.91	17,181,198.73
Asset appraisal appreciation due to business combination involving entities not under common control	226,552,008.79	43,936,083.21	253,062,239.80	49,463,778.67
Others	378,114,288.20	110,330,305.24	384,983,049.80	112,029,824.75
Total	1,280,526,375.99	272,734,529.37	1,216,168,109.42	259,648,516.30

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

Item	Deferred tax assets and liabilities offset amounts at the end of the year	Closing balance of deferred tax assets and liabilities after offsetting	Deferred tax assets and liabilities offset amounts at the beginning of the year	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	123,792,203.08	1,087,501,760.54	101,213,141.47	1,125,596,510.74
Deferred tax liabilities	123,792,203.08	148,942,326.29	101,213,141.47	158,435,374.83

(4) Breakdown of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	2,938,607,530.24	1,828,139,962.25
Deductible tax loss	3,906,398,730.09	3,180,838,738.98
Total	6,845,006,260.33	5,008,978,701.23

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Deferred tax assets and deferred tax liabilities (continued)

(5) The deductible tax losses for unrecognized deferred tax assets will expire in following timeframe

Year	Closing balance	Opening balance	Remark
2024		11,347,033.31	
2025	73,589,281.73	78,313,089.48	
2026	85,524,950.29	126,754,665.56	
2027	21,995,779.17	202,115,127.12	
2028	40,657,883.30	191,510,291.65	
2029 (Opening balance at 2029 and afterwards))	804,004,546.01	2,570,798,531.86	
2030 and afterwards	2,880,626,289.59		
Total	3,906,398,730.09	3,180,838,738.98	

23. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	5,629,989,722.22	9,750,910,000.02
Others	229,595,488.21	128,465,091.43
Total	5,859,585,210.43	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

Items	As at the end of the Year			
	Book balance	Carrying amount	Type of restrictions	Restrictions
Monetary funds	2,206,424,837.18	2,206,424,837.18	Deposit	Deposit for issuing bank acceptance bills
Notes receivable	6,497,691.77	6,497,691.77	Pledge	Pledge to issue bank acceptance bills
Fixed assets	254,449,370.44	153,196,051.63	Mortgage	For a loan
Inventories	290,934,953.05	164,024,890.93	Mortgage	For a loan
Accounts receivable	168,924,449.74	168,924,449.74	Pledge	For a loan
Construction in progress	15,674,615.33	15,674,615.33	Mortgage	For a loan
Total	2,942,905,917.51	2,714,742,536.58	—	—

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Short-term borrowings

(1) Classification of short-term borrowings

Categories of borrowings	Closing balance	Opening balance
Credit borrowings	874,565,707.16	121,475,530.12
Guarantee borrowings	1,759,923,593.80	2,358,953,905.88
Mortgage borrowings	74,226,050.50	21,888,878.58
Total	2,708,715,351.46	2,502,318,314.58

(2) There are no overdue short-term borrowings as at the end of the year.

26. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	3,552,841.18	54,355,584.93
Including: Derivative financial liabilities	3,552,841.18	54,355,584.93
Total	3,552,841.18	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 year.

27. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	10,364,589,342.06	9,101,350,361.29
Commercial acceptance notes	5,768,177,155.27	5,507,079,017.45
Total	16,132,766,497.33	14,608,429,378.74

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Accounts payable

(1) Accounts payable

Ageing	Closing balance	Opening balance
Within one year	12,809,375,585.21	12,007,211,767.15
Over one year	38,913,648.41	42,665,465.05
Total	12,848,289,233.62	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 year*

29. Advances from customers

Category	Closing balance	Opening balance
Rent received in advance	2,745,211.29	3,833,256.75
Total	2,745,211.29	3,833,256.75

30. Contract liability

(1) Contract liability

Item	Closing balance	Opening balance
Advance on sales	1,838,591,086.05	1,440,254,499.57
Total	1,838,591,086.05	1,440,254,499.57

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 for the year	Decrease for the year	Closing balance
Short-term remuneration	1,371,370,657.43	8,605,025,652.54	8,627,336,195.01	1,349,060,114.96
Post-employment benefits – defined contribution plans	1,968,535.48	530,208,201.07	526,247,718.85	5,929,017.70
Others	476,958.68	139,610,720.48	53,157,340.90	86,930,338.26
Total	1,373,816,151.59	9,274,844,574.09	9,206,741,254.76	1,441,919,470.92

(2) Short-term remuneration

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Salaries, bonuses, allowances and subsidies	1,324,851,984.81	7,450,513,038.47	7,482,415,628.31	1,292,949,394.97
Staff welfare	33,064,127.93	369,540,170.31	365,243,453.81	37,360,844.43
Social insurance	7,210,567.49	474,074,178.54	473,372,164.12	7,912,581.91
Including: Medical insurance	5,799,422.25	446,128,693.83	445,723,385.46	6,204,730.62
Work-related injury insurance	1,382,276.73	27,820,184.45	27,496,677.46	1,705,783.72
Maternity insurance	28,868.51	125,300.26	152,101.20	2,067.57
Housing provident funds	3,352,735.86	255,238,195.59	253,131,903.78	5,459,027.67
Labour union funds and employee education funds	2,891,241.34	55,660,069.63	53,173,044.99	5,378,265.98
Total	1,371,370,657.43	8,605,025,652.54	8,627,336,195.01	1,349,060,114.96

(3) Defined contribution plans

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic pension insurance	1,904,658.85	475,725,526.85	472,422,350.12	5,207,835.58
Unemployment insurance	63,876.63	54,482,674.22	53,825,368.73	721,182.12
Total	1,968,535.48	530,208,201.07	526,247,718.85	5,929,017.70

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	150,597,669.85	129,595,207.99
Enterprise income tax	282,501,871.55	508,299,564.69
Individual income tax	31,208,415.17	34,956,876.42
City maintenance and construction tax	11,659,225.61	9,577,038.52
Real estate tax	12,661,448.19	12,538,017.12
Land use tax	15,606,494.32	14,665,398.83
Educational surcharges	9,151,514.80	7,080,939.51
Others	24,327,132.94	57,659,046.59
Total	537,713,772.43	774,372,089.67

33. Other payables

Item	Closing balance	Opening balance
Dividends payable	89,718,011.42	70,574,497.68
Other payables	5,300,124,294.55	4,600,099,516.52
Total	5,389,842,305.97	4,670,674,014.20

33.1 Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	89,718,011.42	70,574,497.68
Total	89,718,011.42	70,574,497.68

33.2 Other payables

(1) Other payables by nature

Item	Closing balance	Opening balance
Current account	3,486,473,609.03	3,089,481,175.74
Deposit and margin	1,337,665,250.46	1,167,578,825.36
Payment for project and equipment	475,985,435.06	343,039,515.42
Total	5,300,124,294.55	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 year.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	17,839,924.01	15,204,736.26
Lease liabilities due within one year	84,088,412.05	106,473,201.03
Total	101,928,336.06	121,677,937.29

35. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	1,259,073,694.44	1,268,994,692.74	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	3,637,183,331.89	3,491,257,535.59	Incurred but not yet settled
Others	2,017,045,810.70	1,682,231,558.01	Incurred but not yet settled
Total	6,913,302,837.03	6,442,483,786.34	

36. Long-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	61,260,113.84	56,720,490.51
Credit borrowings	5,951,006.81	1,440,898.21
Less: Long-term borrowings due within one year	17,839,924.01	15,204,736.26
Total	49,371,196.64	42,956,652.46

37. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	161,471,272.87	208,946,083.77
Total	161,471,272.87	208,946,083.77

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Long-term employee remunerations payable

Item	Closing balance	Opening balance
Post-employment benefits – Net liability for defined benefit plans	77,923,347.90	105,961,766.83
Total	77,923,347.90	105,961,766.83

39. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	7,629,490.41	115,479,065.21	Estimated litigation compensation
Provision for warranties	996,029,125.88	1,017,020,555.28	Estimated quality guarantee of products
Others	98,678,574.21	97,467,969.25	Estimated other expenditures
Total	1,102,337,190.50	1,229,967,589.74	–

40. Deferred income

(1) Classification of deferred income

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance	Reason for occurrence
Government grants	149,189,343.53	242,396,606.79	56,993,062.16	334,592,888.16	Amortization of government grants
Total	149,189,343.53	242,396,606.79	56,993,062.16	334,592,888.16	–

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

40. Deferred income (continued)

(2) Government grants

Government grants	Opening balance	New grants received during the year	Amount included in other income during the year	Exchange rate changes	Closing balance	Related to assets/income
Industrial design development promotion grant	5,000,000.00		5,000,000.00			Related to assets
Technological transformation project	8,454,736.78	47,829,100.00	25,565,472.76		30,718,364.02	Related to assets
Transformation project on system integration technology of green supply chain of freezers	6,225,419.78		1,381,194.84		4,844,224.94	Related to assets
Government subsidy from the management committee of the Ningxiang Economic and Technical Development Zone		156,940,000.00			156,940,000.00	Related to assets
Other related to income	400,000.00	409,500.00			809,500.00	Related to income
Other related to assets	107,659,186.97	16,485,140.00	23,295,335.08	7,660,213.12	108,509,205.01	Related to assets
Funds from the state debenture projects for enterprise technical advancement and industry upgrade	21,450,000.00	13,072,653.67	1,751,059.48		32,771,594.19	Related to assets
Total	149,189,343.53	234,736,393.67	56,993,062.16	7,660,213.12	334,592,888.16	

41. Other non-current liabilities

Item	Closing balance	Opening balance
Long-term dividends payable	523,425,922.76	597,352,709.07
Others	9,984,017.74	15,534,662.94
Total	533,409,940.50	612,887,372.01

42. Share capital

Item	Opening balance	Change for the year (+,-)				Closing balance
		Issue of new shares	Bonus issue	Conversion from reserve	Repurchase and cancellation	
Total shares	1,387,935,370.00				-1,924,965.00	1,386,010,405.00

Note: During the Year, the Company repurchased and cancelled 1,924,965.00 restricted shares that had been granted but not unlocked.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Capital reserve

Item	Opening balance	Increase for the Year	Decrease for the Year	Closing balance
Share premium	1,938,965,438.87	166,628,006.71	257,774,732.09	1,847,818,713.49
Other capital reserve	176,442,279.18	243,563,991.37	168,744,784.39	251,261,486.16
Total	2,115,407,718.05	410,191,998.08	426,519,516.48	2,099,080,199.65

Notes:

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

The difference between the repurchase price and the grant price of the Employee Stock Ownership Plan reduced the equity premium by RMB187,728,372.62.

Equity incentive expenses borne in proportion to the shareholdings of minority shareholders of the subsidiaries decreased by RMB38,682,800.25 in equity premium;

The equity premium was reduced by RMB21,356,612.35 from equity transactions of subsidiaries;

The handling fee for repurchase of treasury shares reduced the capital premium by RMB145,604.12.

The lapse and repurchase of restricted shares reduced equity premium by RMB9,861,342.75.

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus increased the capital premium by RMB166,628,006.71.

② The change in other capital reserve is mainly due to:

Costs and expenses recognised in equity-settled share-based payment for the period increased other capital reserve by RMB234,352,360.22.

Increase in other capital reserve by RMB9,211,631.15 for deferred income tax assets recognised in the current period for share-based payment;

The equity method of accounting for other changes in the Company's equity decreased other capital reserve by RMB2,116,777.68;

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus decreased other capital reserve by RMB166,628,006.71.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Treasury shares

Item	Opening balance	Increase for the Year	Decrease for the Year	Closing balance
Treasury shares for share-based payment incentive scheme	236,626,482.61	496,186,420.61	468,569,806.87	264,243,096.35
Total	236,626,482.61	496,186,420.61	468,569,806.87	264,243,096.35

45. Other comprehensive income

Item	Opening balance	Amount incurred in the Year						Closing balance
		Amount before income tax for the Year	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	Attributable to minority interest after tax	
1. Other comprehensive income that would not be reclassified to profit or loss	30,599,299.53	31,553,867.51				23,649,623.70	7,904,243.81	54,248,923.23
Including: Changes arising from re-measurement of defined benefit plan	28,795,291.03	30,778,231.23				23,068,284.31	7,709,946.92	51,863,575.34
Changes in the fair value of other equity instruments investment	1,804,008.50	775,636.28				581,339.39	194,296.89	2,385,347.89
2. Other comprehensive income that would be reclassified to profit or loss	196,398,520.21	-42,121,729.21				-49,900,398.78	7,778,669.57	146,498,121.43
Including: Other comprehensive income that would be reclassified into profit or loss under equity method	1,979,835.73	-31,643,328.49				-31,695,535.18	52,206.69	-29,715,699.45
Difference arising from translation of financial statements presented in foreign currency	194,418,684.48	-10,478,400.72				-18,204,863.60	7,726,462.88	176,213,820.88
Total other comprehensive income	226,997,819.74	-10,567,861.70				-26,250,775.08	15,682,913.38	200,747,044.66

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Special reserves

Item	Opening balance	Increase for the Year	Decrease for the Year	Closing balance
Safety production fee	6,319,636.53	86,854,043.85	83,890,888.37	9,282,792.01
Total	6,319,636.53	86,854,043.85	83,890,888.37	9,282,792.01

47. Surplus reserve

Item	Opening balance	Increase for the Year	Decrease for the Year	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	Amount for the Year	Amount for the previous year
Balances at the end of the previous year	9,355,458,114.25	7,248,124,550.56
Adjustment of total undistributed profits at the beginning of the Year (increase +, decrease -)		116,160.71
Including: Retroactive adjustment of "Business Accounting Standards" and related new regulations		116,160.71
Balances at the beginning of the Year	9,355,458,114.25	7,248,240,711.27
Plus: Net profits attributable to owners of the parent company for the Year	3,347,881,773.89	2,837,322,754.58
Less: Appropriation of statutory surplus reserve		12,711,000.00
Dividends payable on ordinary shares	1,403,272,936.47	717,394,351.60
Balances at the end of the Year	11,300,066,951.67	9,355,458,114.25

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year		Amount for previous year	
	Revenue	Costs	Revenue	Costs
Principal operations	83,623,219,672.09	64,819,490,898.10	76,959,191,272.42	59,221,076,872.75
Other operations	9,122,391,437.43	8,656,571,836.40	8,640,997,951.64	8,230,290,833.27
Total	92,745,611,109.52	73,476,062,734.50	85,600,189,224.06	67,451,367,706.02

(2) Principal operation revenue generated from contracts

Categories of contract	Amount for the year	
	Revenue	Costs
Categories of product:		
Air-conditioners	40,283,913,190.36	28,784,059,348.72
Refrigerators and washing machines	30,839,154,917.48	25,423,481,668.92
Others	12,500,151,564.25	10,611,949,880.46
By operating regions:		
Domestic	47,993,733,054.87	33,244,159,644.85
Overseas	35,629,486,617.22	31,575,331,253.25
Total	83,623,219,672.09	64,819,490,898.10

50. Tax and surcharges

Item	Amount for the year	Amount for previous year
City maintenance and construction tax	146,372,225.35	155,209,529.48
Education surcharges	105,235,620.16	111,883,083.11
Others	172,744,230.01	312,114,388.39
Total	424,352,075.52	579,207,000.98

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Sales expenses

Item	Amount for the year	Amount for previous year
Sales expenses	9,001,915,472.95	8,555,775,713.18
Total	9,001,915,472.95	8,555,775,713.18

Note: In 2024, sales expenses mainly included employee compensation, publicity and promotion expenses, logistics expenses, service charges, with the percentage to the total sales expenses over 80% (2023: over 80%).

52. Management expenses

Item	Amount for the year	Amount for previous year
Management expenses	2,499,492,962.69	2,296,063,851.05
Total	2,499,492,962.69	2,296,063,851.05

Note: In 2024, management expenses mainly include employee compensation, depreciation and amortization, and executive office fee, with the percentage to the total management expenses over 80% (2023: over 80%).

53. Research and development expenses

Item	Amount for the year	Amount for previous year
Research and development expenses	3,446,746,374.31	2,779,508,194.39
Total	3,446,746,374.31	2,779,508,194.39

Note: In 2024, research and development expenses mainly include employee compensation, depreciation and amortization, and direct expenses, with the percentage to the total research and development expenses over 80% (2023: over 80%).

54. Financial expenses

Item	Amount for the year	Amount for previous year
Interest expenses	149,842,418.36	144,388,196.47
Less: Interest income	64,767,054.70	56,918,785.34
Add: Exchange loss	-135,907,347.90	-304,993,741.48
Other expenses	13,929,319.83	12,937,898.47
Total	-36,902,664.41	-204,586,431.88

Note: Interest expenses for 2024 include interest expenses of lease liabilities of RMB9,434,205.17 (2023: RMB11,217,592.95). Other interest expenses for 2024 and 2023 were wholly interests on bank borrowings, of which the last term of repayment is within five years.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Other income

Sources of other income	Amount for the year	Amount for previous year
Immediate refund of value-added tax	428,962,692.97	419,824,595.82
Other government subsidies related to general activities	142,788,700.30	120,113,100.68
Others	146,631,874.60	59,018,162.07
Total	718,383,267.87	598,955,858.57

56. Investment gain

Item	Amount for the year	Amount for previous year
Gain from long-term equity investment by the equity method	319,799,112.07	343,907,407.14
Investment gain from disposal of transactional financial assets	198,067,369.02	-49,009,326.89
Interest income from time deposits	332,556,270.62	304,935,738.87
Others	55,221,665.90	119,598,756.30
Total	905,644,417.61	719,432,575.42

Gain from long-term equity investments by the equity method

Investee	Amount for the year	Amount for previous year
Hisense Jinlong Holdings	22,080,932.20	15,082,906.79
Hisense Marketing Management	588,945.89	-2,028,893.94
Hisense Global Asia Holding	-3,668,421.46	-194,362.50
Hisense Intelligent Electronic	76,798,355.23	110,193,668.98
Hisense International	950,944.26	
Associates of Sanden Company	223,048,355.95	220,854,087.81
Total	319,799,112.07	343,907,407.14

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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year	Amount for previous year
Transactional financial assets	206,870,651.35	71,638,607.72
Including: Gain from changes in fair value of derivative financial instruments	43,951,283.69	-14,128,779.40
Transactional financial liabilities	46,289,880.32	-56,712,337.91
Including: Gain from changes in fair value of derivative financial instruments	46,289,880.32	-56,712,337.91
Total	253,160,531.67	14,926,269.81

58. Impairment loss on credit

Item	Amount for the year	Amount for previous year
Loss of bad debts of notes receivable	499,879.52	-8,109.00
Loss of bad debts of accounts receivable	5,128,374.25	4,974,405.07
Loss of bad debts of other receivables	38,572,414.80	-48,169,717.20
Total	44,200,668.57	-43,203,421.13

59. Impairment losses on assets

Item	Amount for the year	Amount for previous year
Loss on decline in value of inventories	-125,776,886.37	-65,160,380.88
Impairment loss on fixed assets	-33,426,987.33	-92,734,039.39
Impairment loss on contractual assets	-4,681,587.38	-1,359,996.35
Impairment loss on construction in progress	-2,691,503.90	-14,384,623.14
Impairment loss on intangible assets	-13,585,844.60	-16,921,315.86
Impairment loss on right-of-use assets		-222,736.31
Total	-180,162,809.58	-190,783,091.93

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

60. Gains on disposal of assets (loss expressed with “-”)

Item	Amount for the year	Amount for previous year
Gains on disposal of non-current assets	3,972,039.23	5,835,013.43
Including: Gains on disposal of non-current assets which are not classified as held for sale	3,972,039.23	5,835,013.43
Including: Gains on disposal of fixed assets	3,480,151.92	2,876,181.04
Gains on disposal of intangible assets		2,637,179.25
Total	3,972,039.23	5,835,013.43

61. Non-operating income

Item	Amount for the year	Amount for previous year	Amount included in non-recurring profit or loss of the current year
Gain from scrapping of non-current assets	10,585,370.81	5,834,881.32	10,585,370.81
Government grants	104,380,000.00	75,026,671.90	104,380,000.00
Others	233,982,460.65	417,419,755.16	233,982,460.65
Total	348,947,831.46	498,281,308.38	348,947,831.46

62. Non-operating expenses

Item	Amount for the year	Amount for previous year	Amount included in non-recurring profit or loss of the current year
Loss on scrapping of non-current assets	20,251,352.00	15,336,547.47	20,251,352.00
Others	41,449,724.90	46,403,734.58	41,449,724.90
Total	61,701,076.90	61,740,282.05	61,701,076.90

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

63. Income tax expense

(1) Income tax expense

Item	Amount for the year	Amount for previous year
Current income tax expenses	789,083,862.05	1,030,925,303.34
Including: PRC enterprise income tax	735,335,554.93	1,031,179,157.46
Hong Kong profit tax	151,998.67	784,538.52
Deferred income tax expenses	51,152,187.60	-137,857,806.44
Total	840,236,049.65	893,067,496.90

(2) Reconciliation of accounting profit and income tax expenses

Item	Amount for the year
Total profits	5,966,389,023.89
Income tax expense calculated at statutory (or applicable) tax rates	1,491,597,255.97
Effect of application of different tax rate to certain subsidiaries	-517,633,944.90
Adjustment to income tax in previous periods	50,133,270.92
Effect of non-taxable income	-32,131,986.85
Effect of non-deductible cost, expense and loss	109,475,003.31
Effect of utilization of deductible losses and deductible difference of unrecognized deferred tax assets in previous period	-187,770,141.76
Effect of deductible temporary difference or deductible loss of unrecognized deferred tax assets in current period	242,506,835.37
Effect of super deduction of research and development expense	-267,129,889.46
Effect of tax differences on equity-settled share-based payments	-43,783,172.40
Others	-5,027,180.55
Income tax expense	840,236,049.65

64. Other comprehensive income

Please see note 5(45) for details.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year	Amount for previous year
Interest income	52,757,222.12	51,743,856.01
Government grants	422,199,378.14	173,566,433.79
Security deposit and others	857,945,340.55	744,122,021.27
Total	1,332,901,940.81	969,432,311.07

2) Cash paid relating to other operating activities

Item	Amount for the year	Amount for previous year
Cash payments for management expenses (including R&D expenses)	1,294,548,584.04	1,380,346,587.87
Cash payments for sales expenses	6,994,008,866.46	6,992,030,847.84
Bank charges	13,519,102.52	10,739,569.21
Security deposit and others	1,477,170,454.14	1,147,628,866.88
Total	9,779,247,007.16	9,530,745,871.80

(2) Cash relating to investing activities

1) Significant cash received relating to investing activities

Item	Amount for the year	Amount for previous year
Recovery of wealth management products of banks	31,566,970,144.02	16,684,190,615.84
Recovery of time deposits upon maturity	4,905,490,613.05	3,562,505,116.45

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 (continued)

2) Significant cash paid relating to investing activities

Item	Amount for the year	Amount for previous year
Acquisition of wealth management products of banks	34,428,221,153.48	23,064,972,967.96
Placement of time deposits	2,218,915,010.60	6,255,000,000.00

3) Cash received relating to other investing activities

Item	Amount for the year	Amount for previous year
Disposal of wealth management products and time deposits upon maturity	36,472,460,757.07	20,246,695,732.29
Others	16,311,904.33	
Total	36,488,772,661.40	20,246,695,732.29

4) Cash paid relating to other investing activities

Item	Amount for the year	Amount for previous year
Acquisition of wealth management products and time deposits	36,647,136,164.08	29,319,972,967.96
Others	7,549,005.76	
Total	36,654,685,169.84	29,319,972,967.96

(3) Cash relating to financing activities

1) Cash received relating to other financing activities

Item	Amount for the year	Amount for previous year
Security deposit		1,460,991,001.06
Others	2,703,497,913.70	163,678,032.47
Total	2,703,497,913.70	1,624,669,033.53

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 (continued)

2) Cash paid relating to other financing activities

Item	Amount for the year	Amount for previous year
Security deposit	109,463,151.25	
Payment of the principal and interest on lease liabilities	124,946,841.53	150,896,204.18
Others	3,661,027,286.43	1,507,770,818.74
Total	3,895,437,279.21	1,658,667,022.92

3) Changes in liabilities arising from financing activities

Item	Opening balance	Increase for the Year		Decrease for the Year		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	2,502,318,314.58	2,190,427,226.01	5,248,735.11	1,797,927,407.10	191,351,517.14	2,708,715,351.46
Long-term borrowings (including borrowings due within one year)	58,161,388.72	27,674,951.75	375,596.89	13,325,087.31	5,675,729.40	67,211,120.65
Lease liabilities (including leases due within one year)	315,419,284.80		67,952,986.89	124,946,841.53	12,865,745.24	245,559,684.92
Other payables – Borrowings from affiliated companies	741,012,162.47	2,543,091,368.06	97,135,820.65	2,442,361,635.49		938,877,715.69
Other payables – Restricted shares	154,357,517.41			26,258,025.75	55,099,908.83	72,999,582.83
Other payables – Employee Stock Ownership Plan repayment obligations	64,727,409.57	155,555,939.00		22,547,836.07	25,788,665.34	171,946,847.16
Total	3,835,996,077.55	4,916,749,484.82	170,713,139.54	4,427,366,833.25	290,781,565.95	4,205,310,302.71

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Supplementary information to consolidated cash flows statement

(1) Supplementary information to cash flows statement

Item	Amount for the year	Amount for previous year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	5,126,152,974.24	4,791,489,923.92
Add: Impairment provision for assets	180,162,809.58	190,783,091.93
Impairment loss on credit	-44,200,668.57	43,203,421.13
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	882,573,818.74	977,660,324.91
Depreciation of right-of-use assets	81,684,091.95	70,052,241.64
Amortization of intangible assets	176,209,845.22	163,327,686.36
Amortization of long-term prepaid expenses	25,097,954.57	15,168,588.18
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-3,972,039.23	-5,835,013.43
Loss on retirement of fixed assets (Gain expressed with "-")	9,665,981.19	9,501,666.15
Loss on change in fair value (Gain expressed with "-")	-253,160,531.67	-14,926,269.81
Financial expenses (Gain expressed with "-")	-13,935,070.46	-160,605,545.01
Investment loss (Gain expressed with "-")	-905,644,417.61	-719,432,575.42
Decrease in deferred tax assets (Increase expressed with "-")	60,645,236.14	-128,113,219.33
Increase in deferred tax liabilities (Decrease expressed with "-")	-9,493,048.54	-9,744,587.11
Decrease in inventories (Increase expressed with "-")	-828,045,564.74	-200,738,889.61
Decrease in operating receivables (Increase expressed with "-")	-2,599,731,927.63	-1,837,172,947.31
Increase in operating payables (Decrease expressed with "-")	3,248,155,498.06	7,427,239,694.16
Others		
Net cash flows from operating activities	5,132,164,941.24	10,611,857,591.35
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 at the end of the year	2,191,268,606.55	2,877,140,400.54
Less: Cash at the beginning of the year	2,877,140,400.54	2,478,346,075.40
Add: Cash equivalents at the end of the year		
Less: Cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-685,871,793.99	398,794,325.14

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Supplementary information to consolidated cash flows statement (continued)

(2) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	2,191,268,606.55	2,877,140,400.54
Including: Cash on hand	116,974.19	151,362.17
Bank deposits that are readily available for payment	2,177,924,682.71	2,854,135,661.10
Other cash at bank and on hand that are readily available for payment	13,226,949.65	22,853,377.27
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents as at the end of the year	2,191,268,606.55	2,877,140,400.54
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

67. 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: HKD	1,443,335.83	0.92604	1,336,586.71
USD	33,393,885.25	7.1884	240,048,604.73
JPY	2,689,166,083.00	0.046233	124,328,215.52
EUR	17,465,527.78	7.5257	131,440,322.41
INR	4,831,142.24	0.085377	412,468.43
Accounts receivable	—	—	—
Including: HKD	—	0.92604	—
USD	99,334,989.62	7.1884	714,059,639.38
JPY	5,851,464,650.00	0.046233	270,530,765.16
EUR	68,444,106.84	7.5257	515,089,814.85
INR	1,939,857,930.00	0.085377	165,619,250.49
Other receivables	—	—	—
Including: HKD	5,750.00	0.92604	5,324.73
USD	1,309,894.06	7.1884	9,416,042.46
JPY	1,896,502,000.00	0.046233	87,680,976.97
EUR	5,118,836.74	7.5257	38,522,829.65
INR	336,441,760.00	0.085377	28,724,388.14
Short-term borrowings	—	—	—
Including: JPY	46,392,588,081.00	0.046233	2,144,868,543.95
INR	901,180,710.67	0.085377	77,495,575.62
EUR	1,273,000.00	7.5257	9,706,302.11

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

67. Monetary items in foreign currencies (continued)

(1) Major monetary items in foreign currencies (continued)

Item	Closing balance of foreign currency	Translation rate	Closing balance denominated in RMB
Accounts payable	—	—	—
Including: HKD	410,279.94	0.92604	379,935.64
USD	54,173,881.14	7.1884	389,423,527.19
JPY	13,581,471,409.89	0.046233	627,912,167.69
EUR	21,705,834.58	7.5257	163,351,599.30
INR	1,459,259,079.08	0.085377	124,587,162.39
Other payables	—	—	—
Including: USD	124,157,328.73	7.1884	892,492,541.84
JPY	6,250,711,970.10	0.046233	288,989,166.51
EUR	29,554,140.03	7.5257	222,415,591.62
INR	152,590,316.53	0.085377	13,027,703.45
Non-current liabilities due within one year	—	—	—
Including: Long-term borrowings due within one year	207,457,215.27	0.085377	17,839,924.01
Including: INR	207,457,215.27	0.085377	17,839,924.01
Long-term borrowings	—	—	—
Including: INR	575,720,233.75	0.085377	49,371,196.64

(2) Major overseas operating entities

Company name	Principal place of business	Functional currency	Whether there is change of 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 (海信日本汽車空調系統合同會社)	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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

68. Leases

(1) The Group as a lessee

Item	Amount for the Year	Amount for the previous year
Interest expenses on lease liabilities	9,434,205.17	11,217,592.95
Short-term lease expenses recognised in profit or loss using simplified treatment	135,277,494.96	97,439,574.37
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	252,583,041.45	246,923,029.67
Related gain or loss arising from sale and leaseback transactions		
Cash inflows from sale and leaseback transactions		
Cash outflows from sale and leaseback transactions		

(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
Buildings and structures	63,904,676.96	
Machinery and equipment	3,782,645.38	
Transportation equipment	102,654.88	
Land	1,135,655.72	
Total	68,925,632.94	

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

69. 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 the year	Air-conditioners	Refrigerators and washing machines	Others	Inter-segment elimination	Total
I. Revenue from external sales	40,283,913,190.36	30,839,154,917.48	12,500,151,564.25		83,623,219,672.09
II. Revenue from inter-segment transactions	525,205.36	25,260,176.63	3,164,256,687.51	-3,190,042,069.50	
III. Gain from investment in associates and joint ventures	-1,539,737.79	-1,539,737.79	322,878,587.64		319,799,112.07
IV. Depreciation and amortization	473,886,018.20	296,051,172.01	395,628,520.27		1,165,565,710.48
V. Gain arising from changes in fair value	44,063,734.23	104,661,137.52	104,435,659.92		253,160,531.67
VI. Impairment losses on credits and assets	-6,726,813.15	-89,376,474.43	-39,858,853.43		-135,962,141.01
VII. Total profits (losses)	4,895,050,717.65	1,118,961,336.57	-47,623,030.33		5,966,389,023.89
VIII. Total assets	39,117,340,985.04	38,085,702,479.99	16,072,863,567.48	-23,573,967,215.18	69,701,939,817.33
IX. Total liabilities	27,005,227,803.09	25,367,727,048.87	11,518,074,101.79	-13,563,613,847.55	50,327,415,106.20
X. Additions to other non-current assets other than long-term equity investments	-3,845,197,375.25	36,594,271.23	102,484,555.82		-3,706,118,548.20

Continued from above table

Amount for previous year	Air-conditioners	Refrigerators and washing machines	Others	Inter-segment elimination	Total
I. Revenue from external sales	38,652,244,832.54	26,070,166,905.77	12,236,779,534.11		76,959,191,272.42
II. Revenue from inter-segment transactions	715,130.91	18,525,397.50	2,923,068,294.16	-2,942,308,822.57	
III. Gain from investment in associates and joint ventures	-1,014,446.97	-1,014,446.97	345,936,301.08		343,907,407.14
IV. Depreciation and amortization	492,716,306.72	348,074,753.86	385,417,780.51		1,226,208,841.09
V. Gain arising from changes in fair value	14,287,476.99	68,782,493.59	-68,143,700.77		14,926,269.81
VI. Impairment losses on credits and assets	-64,147,315.49	-34,316,884.06	-135,522,313.51		-233,986,513.06
VII. Total profits (losses)	4,894,033,212.74	967,687,795.47	-177,163,587.39		5,684,557,420.82
VIII. Total assets	37,150,119,357.79	43,212,073,454.51	15,618,116,396.53	-30,033,813,653.16	65,946,495,555.67
IX. Total liabilities	24,473,385,908.89	32,006,871,299.96	11,096,684,769.39	-21,026,505,549.21	46,550,436,429.03
X. Additions to other non-current assets other than long-term equity investments	1,669,601,574.03	-22,436,407.92	259,707,741.15		1,906,872,907.26

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

V. NOTES TO THE KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

69. Segment reporting (continued)

(2) Geographic information

Region	Amount for the year/closing balance	Amount for previous year/ opening balance
Revenue from domestic transactions	47,993,733,054.87	49,035,166,343.99
Revenue from overseas transactions	35,629,486,617.22	27,924,024,928.43
Total	83,623,219,672.09	76,959,191,272.42
Non-current assets – Domestic	13,130,098,726.61	16,928,683,438.39
Non-current assets – Overseas	4,063,930,634.22	3,877,892,636.01
Total	17,194,029,360.83	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.

VI. R&D EXPENDITURE

Item	Amount for the Year	Amount for the previous year
R&D expenses	3,446,746,374.31	2,779,508,194.39
Total	3,446,746,374.31	2,779,508,194.39
Including: Expensed R&D expenditure	3,446,746,374.31	2,779,508,194.39
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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

VII. CHANGE IN SCOPE OF CONSOLIDATION

1. Changes in scope of consolidation

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 RMB400 million, of which the Company has contributed RMB400 million, with a paid-in capital of RMB200 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.

Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd, a subsidiary of the Company invested in the establishment of Hisense Hitachi Air-conditioning (Hunan) Co., Ltd. on 28 May 2024, with a registered capital of RMB200 million, of which Hisense Hitachi has contributed RMB200 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.

On 15 August 2024, the Company invested in the establishment of HSHA (Singapore) Co., Ltd. with a registered capital of USD108.915 million, of which the Company has contributed USD108.915 million, with a paid-in capital of USD29.193 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 15 August 2024.

Kelon International Incorporation, a subsidiary of the Company, invested in the establishment of HHA (Thailand) Co., Ltd. on 12 July 2024, and HSHA (Singapore) Co., Ltd. increased its capital at a later stage. As at 31 December 2024, HHA (Thailand) Co., Ltd. had a registered capital of THB1,002,340,600, of which HSHA (Singapore) Co., Ltd. contributed THB998,340,800 with paid-in capital of THB748,755,000, and Kelon International Incorporation contributed THB3.9998 million and paid-in capital of THB3.9998 million. The aggregated contribution of both parties was 100% of the registered capital. HSHA (Singapore) Co., Ltd. has control over the subsidiary, which was included in the scope of consolidation with effect from 12 July 2024.

On 30 August 2024, Guangdong Hisense Refrigerator Marketing Co., Ltd., a subsidiary of the Company invested in the establishment of Qingdao Hisense Refrigerator Marketing Co., Ltd. with a registered capital of RMB1 million, of which Guangdong Hisense Refrigerator Marketing Co., Ltd. has contributed RMB1 million, with a paid-in capital of RMB1 million, representing 100% of the registered capital. Guangdong Hisense Refrigerator Marketing Co., Ltd. has control over the subsidiary, which was included in the scope of consolidation with effect from 30 August 2024.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 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 Rongsheng 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 million	Chengdu	Chengdu	Manufacturing		100.00	Establishment
Hisense Refrigerator Co., Ltd.	Shandong Refrigerator	RMB275 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		100.00	Establishment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	RMB200 million	Jiangmen	Jiangmen	Manufacturing		100.00	Establishment
Hisense Air-Conditioning Co. Ltd.	Shandong Air-conditioning	RMB500 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 million	Huzhou	Huzhou	Manufacturing		100.00	Business combination not under common control
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50 million	Qingdao	Qingdao	Manufacturing		100.00	Establishment
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	Hisense Hitachi	USD150 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		100.00	Business combination not under common control
Qingdao Johnson Controls Air-Conditioning Co., Ltd.	Johnson Controls	RMB400 million	Qingdao	Qingdao	Trading		100.00	Business combination not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	RMB600 million	Qingdao	Qingdao	Manufacturing		100.00	Business combination not under common control

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 (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
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 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 million	Qingdao	Qingdao	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 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 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

1. Interests in subsidiaries *(continued)*

(2) Principal non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest	Gain or loss attributable to minority interests for the year	Dividends paid to minority interests for the year	Closing balance of minority interests
Hisense Hitachi	50.80%	1,778,968,722.86	2,811,210,498.34	3,272,123,481.00

(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	1,035,187.30	810,569.57	1,845,756.87	1,063,134.84	138,503.24	1,201,638.08

(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 year				Amount for previous year			
	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	2,074,427.24	348,577.13	348,577.13	277,912.89	2,216,676.14	324,371.23	324,371.23	522,993.90

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

VIII. INTERESTS IN OTHER ENTITIES *(continued)*

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

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

- 1) In May and June 2024, the Company repurchased the minority interests in Hisense Mould, its subsidiary. Upon completion of 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 minority interests in Refrigerator Marketing, a subsidiary of Shandong Refrigerator, and Shandong Refrigerator's shareholding in Refrigerator Marketing changed from 78.82% to 100% upon completion of the repurchase, and the Company still has control over Shandong Refrigerator.
- 3) In June 2024, Shandong Refrigerator, a subsidiary of the Company, repurchased the minority interests in Commercial Cold Chain, a subsidiary of Shandong Refrigerator and Shandong Refrigerator's shareholding in Commercial Cold Chain changed from 70% to 100% upon completion of the repurchase, and the Company still exercises control over Shandong Refrigerator.
- 4) In May, June and November 2024, Hisense Hitachi, a subsidiary of the Company, repurchased the minority interests in Hitachi Marketing, a subsidiary of Hisense Hitachi. Upon completion of the repurchase, Hisense Hitachi's shareholding in Hitachi Marketing changed from 70% to 100%, and the Company still has control over Hisense Hitachi.
- 5) In July and December 2024, Hisense Air- Conditioning, a subsidiary of the Company, repurchased the minority interests in Air-conditioning Marketing, a subsidiary of Hisense Air- Conditioning. Upon completion of the repurchase, Hisense Air- Conditioning's shareholding in Air-conditioning Marketing changed from 75.57% to 100%, and the Company still exercises control over Hisense Air- Conditioning.
- 6) In May 2024, Sanden Holdings, a subsidiary of the Company, repurchased the minority interests in Thailand Sanden, a subsidiary of Sanden Holdings, and Sanden Holdings' shareholding in Thailand Sanden changed from 95.00% to 99.80% upon completion of the repurchase, and the Company still exercises control over Sanden Holdings.

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

- ① Repurchase of equity interests of minority shareholders of Hisense Mould

Item	Hisense Mould
Cash	149,821,117.29
Total cost of purchase	149,821,117.29
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	157,025,202.15
Difference	-7,204,084.86
Including: Adjustment to capital reserves	7,204,084.86

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 equity interests of minority shareholders of Refrigerator Marketing

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

③ Repurchase of equity interests of minority shareholders of Commercial Cold Chain

Item	Commercial cooling chain
Cash	74,400,000.00
Total cost of purchase	74,400,000.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	72,784,277.93
Difference	1,615,722.07
Including: Adjustment to capital reserves	-1,615,722.07

④ Repurchase of equity interests of minority shareholders of Hitachi Marketing

Item	Hitachi Marketing
Cash	592,418,246.40
Total cost of purchase	592,418,246.40
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	604,786,952.16
Difference	-12,368,705.76
Including: Adjustment to capital reserves	12,368,705.76

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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)*

⑤ Repurchase of equity interests of minority shareholders of Air-conditioner Marketing

Item	Air-conditioner Marketing
Cash	33,294,145.69
Total cost of purchase	33,294,145.69
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	3,224,112.48
Difference	30,070,033.21
Including: Adjustment to capital reserves	-30,070,033.21

⑥ Repurchase of equity interests of minority shareholders of Thailand Sanden

Item	Thailand Sanden
Cash	1,942,116.38
Total cost of purchase	1,942,116.38
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	-5,410,063.65
Difference	7,352,180.03
Including: Adjustment to capital reserves	-7,352,180.03

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 year	Opening balance/ Amount for previous year
Joint ventures	—	—
Total carrying amount of investments	5,564.29	7,375.31
Amounts in aggregate in proportion to the shareholdings	—	—
– Net profit	-1,633.15	-222.33
– Other comprehensive income	207.97	-13.45
– Total comprehensive income	-1,425.18	-235.78
Associates	—	—
Total carrying amount of investments	170,929.40	159,761.20
Amounts in aggregate in proportion to the shareholdings	—	—
– Net profit	31,297.43	32,594.45
– Other comprehensive income	-3,372.30	383.85
– Total comprehensive income	27,925.13	32,978.30

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

IX. GOVERNMENT GRANTS

1. Government grants recognised based on the amount receivable at the end of the Year

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

2. Liability items involving government grants

Government grant items	Opening balance	Amount of new grants for the year	Amount included in other income for the year	Changes in exchange rate	Closing balance	Asset-related/ income-related
Deferred income	148,789,343.53	234,326,893.67	56,993,062.16	7,660,213.12	333,783,388.16	Asset-related
Deferred income	400,000.00	409,500.00			809,500.00	Income-related
Total	149,189,343.53	234,736,393.67	56,993,062.16	7,660,213.12	334,592,888.16	

3. Government grants included in profit or loss

Accounting items	Amount for the Year	Amount for the previous year
Other income	571,751,393.27	539,937,696.50
Non-operating income	104,380,000.00	75,026,671.90

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

X. RISKS RELATING TO FINANCIAL INSTRUMENTS *(continued)*

1. Various risk management objectives and policies *(continued)*

(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	963,524,286.57	1,281,916,069.03	567,555,388.91	846,039,195.00
EUR	685,052,966.91	395,473,493.03	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	For the Year	For the Previous Year
	Increase/Decrease in profit after taxation	Increase/Decrease in profit after taxation
USD to RMB		
Appreciates by 5%	-11,939,691.84	-10,443,142.73
Depreciates by 5%	11,939,691.84	10,443,142.73
EUR to RMB		
Appreciates by 5%	10,859,230.27	4,390,547.40
Depreciates by 5%	-10,859,230.27	-4,390,547.40

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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 31 December 2024, the Group's interest-bearing debts mainly consisted of fixed-rate loan contracts denominated in Japanese Yen, totalling to RMB2,640,440,307.78 and the floating-rate contracts denominated in Japanese Yen, totalling to RMB135,486,164.33.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

X. RISKS RELATING TO FINANCIAL INSTRUMENTS *(continued)*

1. Various risk management objectives and policies *(continued)*

(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.

The Group will also consider extending the payment period by using supplier financing arrangements by negotiations with suppliers and financial institutions.

1) the undiscounted contractual cash flows of financial assets and financial liabilities of the Group based on maturity date were as follows:

31 December 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	4,397,693,443.73				4,397,693,443.73
Transactional financial assets	16,209,276,762.85				16,209,276,762.85
Notes receivable	459,013,499.65				459,013,499.65
Accounts receivable	10,480,609,898.16				10,480,609,898.16
Accounts receivable financing	6,000,519,893.99				6,000,519,893.99
Other receivables	242,816,255.92				242,816,255.92
Other current assets	631,618,371.84				631,618,371.84
Non-current assets due within one year	4,883,695,277.78				4,883,695,277.78
Other non-current financial assets				21,332,417.54	21,332,417.54
Other non-current assets		5,225,785,277.78	404,204,444.44		5,629,989,722.22
Total	43,305,243,403.92	5,225,785,277.78	404,204,444.44	21,332,417.54	48,956,565,543.68
Financial liabilities					
Short-term borrowings	2,708,715,351.46				2,708,715,351.46
Transactional financial liabilities	3,552,841.18				3,552,841.18
Notes payable	16,132,766,497.33				16,132,766,497.33
Accounts payable	12,848,289,233.62				12,848,289,233.62
Other payables	5,389,842,305.97				5,389,842,305.97
Other current liabilities	6,913,302,837.03				6,913,302,837.03
Non-current liabilities due within one year	107,586,373.00				107,586,373.00
Lease liabilities		67,815,662.36	90,765,474.28	18,453,261.32	177,034,397.96
Long-term borrowings			68,751,987.49		68,751,987.49
Total	44,104,055,439.59	67,815,662.36	159,517,461.77	18,453,261.32	44,349,841,825.04

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

X. RISKS RELATING TO FINANCIAL INSTRUMENTS *(continued)*

1. Various risk management objectives and policies *(continued)*

(3) Liquidity risk (continued)

31 December 2023

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
Accounts receivable 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	160,571,283.76	Not derecognised	Almost all of its risks and rewards have been retained, including the related default risk.
Endorsement or discounting of notes	Receivables financing	7,454,328,495.53	Derecognised	Almost all of its risks and rewards have been transferred.
Total		7,614,899,779.29		

(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	7,454,328,495.53	-3,783,147.00
Total		7,454,328,495.53	-3,783,147.00

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XI. DISCLOSURE OF FAIR VALUE

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

Item	Fair value as at the end of the Year			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis	–	–	–	–
(i) Transactional financial assets	2,392,096.41	46,567,199.63	16,160,317,466.81	16,209,276,762.85
1. Financial assets at fair value through profit or loss	2,392,096.41	46,567,199.63	16,160,317,466.81	16,209,276,762.85
(1) Wealth management products			16,160,317,466.81	16,160,317,466.81
(2) Derivative financial assets		46,567,199.63		46,567,199.63
(3) Stocks, bonds, funds	2,392,096.41			2,392,096.41
(ii) Other debt investments			6,000,519,893.99	6,000,519,893.99
1. Receivables financing			6,000,519,893.99	6,000,519,893.99
(iii) Other equity instrument investments	15,554,161.53		26,810,652.35	42,364,813.88
(iv) Other non-current financial assets	21,332,417.54			21,332,417.54
Total assets measured at fair value on a recurring basis	39,278,675.48	46,567,199.63	22,187,648,013.15	22,273,493,888.26
(v) Transactional financial liabilities		3,552,841.18		3,552,841.18
1. Financial liabilities at fair value through profit or loss		3,552,841.18		3,552,841.18
(1) Derivative financial liabilities		3,552,841.18		3,552,841.18
Total liabilities measured at fair value on a recurring basis		3,552,841.18		3,552,841.18

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.

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XI. DISCLOSURE OF FAIR VALUE (continued)

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, other investments in equity instruments, and other non-current financial assets. 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 RMB162,278,809.71 was recognised in respect of the wealth management products of banks during the year. Changes in the unobservable input (expected rate of return) do not result in significant changes in fair value. At the end of the year, 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 (RMB0'000)	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	37.28	37.28

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

(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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

1. Relationship with related parties *(continued)*

(3) Joint ventures and associates of the Company

Other joint ventures or associates that had related party transactions with the Company during the Year, 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 Huanya Holdings	Joint venture
Hisense International Marketing	Associate
Hisense Intelligent Electronic	Associate
Associate 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 Holdings 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Amount for the year		Approved transaction limit (if applicable)	Whether the transaction limit is exceeded (if applicable)	Amount for the previous year	
		Amount	Percentage of the amount of similar transactions (%)			Amount	Percentage of the amount of similar transactions (%)
Hisense Holdings and its subsidiaries	Finished goods	364,094,200.13	0.50			390,215,371.17	0.59
Hisense Holdings and its subsidiaries	Materials	1,914,458,727.46	2.61	5,190,000,000.00	No	1,710,332,860.33	2.56
Hisense Holdings and its subsidiaries	Rendering of Service	1,648,215,361.68	2.24			1,234,452,379.55	1.85
Hisense Holdings and its subsidiaries	Equipment	24,063,207.54	0.03	N/A	N/A	17,488,068.11	0.03
Subtotal purchase of Hisense Holdings and its subsidiaries		3,950,831,496.81	5.38			3,352,488,679.16	5.03
Hisense Visual and its subsidiaries	Finished goods	20,050,168.50	0.03			4,754,693.25	0.01
Hisense Visual and its subsidiaries	Materials	188,262,652.97	0.26	340,000,000.00	No	272,396,030.79	0.41
Hisense Visual and its subsidiaries	Rendering of service	116,558,683.57	0.16			61,839,849.68	0.09
Hisense Visual and its subsidiaries	Equipment					818,722.83	0.00
Subtotal purchase of Hisense Visual and its subsidiaries		324,871,505.04	0.44			339,809,296.55	0.51
Johnson Hitachi and its subsidiaries	Finished goods	61,339,893.96	0.08			103,503,403.90	0.16
Johnson Hitachi and its subsidiaries	Materials	856,590,046.24	1.17	1,415,860,000.00	No	774,886,175.51	1.16
Johnson Hitachi and its subsidiaries	Rendering of service	14,465,010.53	0.02			15,204,771.67	0.02
Subtotal purchase of Johnson Hitachi and its subsidiaries		932,394,950.73	1.27			893,594,351.08	1.34
Hisense Group and its subsidiaries	Materials	6,256.30	0.00				0.00
Hisense Group and its subsidiaries	Rendering of service	11,938,557.87	0.02	N/A	N/A	11,559,970.60	0.02
SITC Group	Finished goods	96,237.16	0.00				0.00
SITC Group	Rendering of service	533,649.68	0.00			186,050.41	0.00
Associates of Sanden Company	Finished goods	405,757,131.03	0.55			41,087,438.64	0.06
Associates of Sanden Company	Materials					364,902,747.82	0.55
Associates of Sanden Company	Rendering of service					4,054,442.98	0.01
Xuehua Group	Rendering of service					411,376.81	0.00
Subtotal		418,331,832.04	0.57			422,202,027.26	0.63

Note: The lease payment amounted to RMB74,779,200 recognised by the Company as a lessee was included in the “receipt of services” under related party transactions during the Year.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(1) Purchase of goods/receipt of services (continued)

The above agreements were considered and approved at the eighth interim meeting of the Company's eleventh session of the Board in 2023 convened on 28 November 2023, the first special meeting of independent directors of the Company's eleventh session of the Board in 2024 convened on 22 January 2024, the second interim meeting of the Company's eleventh session of the Board in 2024 convened on 25 January 2024, and the first extraordinary general meeting in 2024 convened on 25 January 2024, respectively.

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

Other than the above transactions and those referred in "1) under (5) Other connected transactions", other connected transactions conducted in 2024 as disclosed in note 12 of the financial statements in the 2024 annual report do not constitute connected transactions under Chapter 14A of the Listing Rules.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Amount for the year		Approved transaction limit (if applicable)	Whether the transaction limit is exceeded (if applicable)	Amount for the previous year	
		Amount	Percentage of the amount of similar transactions (%)			Amount	Percentage of the amount of similar transactions (%)
Hisense Holdings and its subsidiaries	Finished goods	28,567,069,554.81	30.80	29,810,000,000.00	No	21,158,664,710.68	24.72
Hisense Holdings and its subsidiaries	Materials	633,332,220.10	0.68			498,524,878.22	0.58
Hisense Holdings and its subsidiaries	Moulds	35,238,250.06	0.04			27,131,077.02	0.03
Hisense Holdings and its subsidiaries	Rendering of service	63,645,456.00	0.07			58,333,275.40	0.07
Hisense Holdings and its subsidiaries	Equipment	96,919.97	0.00	N/A	N/A	889,453.90	0.00
Subtotal of Hisense Holdings and its subsidiaries		29,299,382,400.94	31.59			21,743,543,395.22	25.40
Hisense Visual and its subsidiaries	Finished goods	674,416,417.76	0.73	1,040,000,000.00	No	763,090.09	0.00
Hisense Visual and its subsidiaries	Materials	136,533,121.45	0.15			767,388,506.27	0.9
Hisense Visual and its subsidiaries	Moulds	36,252,890.71	0.04			40,445,176.14	0.05
Hisense Visual and its subsidiaries	Rendering of service	8,429,916.24	0.01			6,129,338.71	0.01
Hisense Visual and its subsidiaries	Equipment	24,103.65	0.00	N/A	N/A		
Subtotal of Hisense Visual and its subsidiaries		855,656,449.81	0.93			814,726,111.21	0.95
Johnson Hitachi and its subsidiaries	Finished goods	363,015,195.17	0.39	415,030,000.00	No	252,439,156.76	0.29
Johnson Hitachi and its subsidiaries	Materials	9,118,573.58	0.01			5,377,684.80	0.01
Johnson Hitachi and its subsidiaries	Moulds	2,565,656.33	0.00			9,851,989.56	0.01
Johnson Hitachi and its subsidiaries	Rendering of service	2,991,543.21	0.00				
Subtotal of Johnson Hitachi and its subsidiaries		377,690,968.29	0.40			267,668,831.12	0.31
Hisense Group and its subsidiaries	Finished goods	104,867.27	0.00	N/A	N/A		0.00
Hisense Group and its subsidiaries	Rendering of service	51,856.56	0.00			85,313.34	0.00
Xuehua Group	Rendering of service	235,008.72	0.00				0.00
Associates of Sanden Company	Finished goods	994,302,757.41	1.07			1,407,127,497.78	1.64
Subtotal		994,694,489.96	1.07			1,407,212,811.12	1.64

Note: The lease revenue amounted to RMB12,217,500 recognised by the Company as a lessor was included in the “rendering of services” under related party transactions during the Year.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

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

The above agreements were considered and approved at the eighth interim meeting of the Company's eleventh session of the Board in 2023 convened on 28 November 2023, the first special meeting of independent directors of the Company's eleventh session of the Board in 2024 convened on 22 January 2024, the second interim meeting of the Company's eleventh session of the Board in 2024 convened on 25 January 2024, and the first extraordinary general meeting in 2024 convened on 25 January 2024, respectively.

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

Other than the above transactions and those referred in "1) under (5) Other connected transactions", other connected transactions conducted in 2024 as disclosed in note 12 of the financial statements in the 2024 annual report do not constitute connected transactions under Chapter 14A of the Listing Rules.

(3) Related guarantees

1) As a guarantor

None.

2) 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Closing balance	Remarks
Placements					
Hisense Group Holdings and its subsidiaries	287,346,000.00	2023-4-28	2024-4-26		Repaid, an interest expense of RMB7,249,718.49 was paid during the year
Hisense Group Holdings and its subsidiaries	294,882,400.00	2024-4-26	2025-4-25	294,882,400.00	An interest expense of RMB13,327,372.25 was paid during the year
Hisense Group Holdings and its subsidiaries	393,993,600.00	2023-5-19	2024-5-17		Repaid, an interest expense of RMB11,399,921.04 was paid during the year
Hisense Group Holdings and its subsidiaries	397,852,000.00	2024-5-17	2025-5-16	397,852,000.00	An interest expense of RMB16,372,098.50 was paid during the year
Hisense Group Holdings and its subsidiaries	28,327,200.00	2023-5-30	2024-5-29		Repaid, an interest expense of RMB880,124.93 was paid during the year
Hisense Group Holdings and its subsidiaries	28,442,400.00	2024-5-29	2025-5-29	28,442,400.00	An interest expense of RMB1,103,769.93 was paid during the year
Hisense Group Holdings and its subsidiaries	7,661,940.00	2023-5-15	2024-5-14		Repaid, an interest expense of RMB219,400.18 was paid during the year
Hisense Group Holdings and its subsidiaries	7,815,830.00	2024-5-14	2025-5-14	7,815,830.00	An interest expense of RMB326,065.47 was paid during the year
Hisense Group Holdings and its subsidiaries	12,776,760.00	2023-12-19	2024-12-19		Repaid, an interest expense of RMB883,774.57 was paid during the year
Hisense Group Holdings and its subsidiaries	12,943,980.00	2024-12-19	2025-12-19	12,943,980.00	An interest expense of RMB8,585.70 was paid during the year
Hisense Group Holdings and its subsidiaries	239,599,000.00	2024-2-28	2024-3-28		Repaid, an interest expense of RMB1,539,662.89 was paid during the year
Hisense Group Holdings and its subsidiaries	13,132,225.00	2024-3-19	2025-3-19	13,132,225.00	An interest expense of RMB690,853.77 was paid during the year
Hisense Group Holdings and its subsidiaries	7,105,800.00	2024-4-25	2025-4-25	7,105,800.00	An interest expense of RMB322,503.51 was paid during the year
Hisense Group Holdings and its subsidiaries	416,169,000.00	2024-5-16	2024-6-17		Repaid, an interest expense of RMB433,675.20 was paid during the year
Hisense Group Holdings and its subsidiaries	6,407,280.00	2024-6-20	2025-6-20	6,407,280.00	An interest expense of RMB221,107.13 was paid during the year
Hisense Group Holdings and its subsidiaries	55,000,000.00	2024-7-15	2025-7-15		Repaid, an interest expense of RMB748,901.57 was paid during the year
Hisense Group Holdings and its subsidiaries	891,450,000.00	2024-7-29	2024-8-26		Repaid, an interest expense of RMB4,030,280.03 was paid during the year
Hisense Group Holdings and its subsidiaries	13,699,719.00	2024-9-19	2025-9-19	13,699,719.00	An interest expense of RMB233,244.70 was paid during the year
Hisense Group Holdings and its subsidiaries	12,224,870.00	2024-12-19	2025-12-19	12,224,870.00	An interest expense of RMB8,108.73 was paid during the year

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(5) Other connected transactions

- 1) As at 31 December 2024, the Group had balance of bank deposit of RMB12,099,900,300 (listed 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), net deposit and withdrawal of RMB-3,237,964,100, and balance of notes payable of RMB1,169,196,200 with Hisense Finance. The Group recognised the loan amount of Hisense Finance of RMB475,000,000, the amount of loan interest of RMB1,172,400, the amount of discounted interest paid for notes of RMB68,400, the amount of handling fees paid for electronic bank acceptance notes of RMB1,628,400, and the amount of handling fees for settlement services paid for receipt and payment of funds of RMB787,900. Interest income from bank deposits of RMB352,666,200 was recognised for Hisense Finance. During the Year, the amount involved for the provision of settlement and sale of foreign exchange services provided by Hisense Finance to the Group was RMB116,174,900, and the amount for provision of discounted notes was RMB49,812,100.
- 2) 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.
- 3) During the reporting period, the Company and Hisense Visual Technology Co., Ltd. (hereinafter referred to as “Hisense Visual”) entered into the “Capital Increase Agreement of Qingdao Hisense Intelligent Electronic Technology Co., Ltd” on 29 March 2024, pursuant to which, based on the appraised value of assets as the pricing basis, the Company and Hisense Visual jointly increased their capital in Qingdao Hisense Intelligent Electronic Technology Co., Ltd (hereinafter referred to as “Intelligent Electronic”) (hereinafter referred to as “Intelligent Electronic”), a subsidiary of Hisense Visual Company, in which the Company invested RMB147 million from its own funds to hold 12.14% of the shares in Intelligent Electronic and Hisense Visual invested RMB153 million to hold 12.64% of the shares in Intelligent Electronic. Upon completion of the transaction, the Company held 12.14% of the equity interests in Intelligent Electronic and Hisense Visual held 87.86% of the equity interests in Intelligent Electronic.
- 4) The Company held the 2021 Second Interim Meeting of the Eleventh Session of the Board on 15 October 2021, which considered and approved the “Framework Contract for Purchase of Part of the Houses at No. 7 Hisense Liaoyang Road” entered into by the Company and Qingdao Hisense Real Estate Company Limited as well as the connected transactions proposed to be carried out under this Contract. The Company agreed to subscribe for part of the houses from the 14th floor to the 21st floor of Building No. 2, Hisense-Liaoyang Road No. 7 Project (the “Project”) located at No. 567 Liaoyang West Road, Shibei District, Qingdao City, Shandong Province (the “Subject House”) with a total planned floor area of 5,141.14 square meters (subject to the final measured area determined by relevant government departments) at a consideration of not exceeding RMB117 million, which will be used as staff apartments of the Company. The transaction price was determined on the principles of fairness and reasonableness through negotiation between both parties to the transaction based on a comparison with comparable properties in the market and the public sale price of Hisense Real Estate. The transaction amount incurred during the Year was RMB5 million (excluding VAT).

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 value	Provision for bad debts	Book value	Provision for bad debts
Receivables Financing	Hisense Visual and its subsidiaries	10,588,453.47		12,428,611.93	
Receivables Financing	Hisense Group Holdings and its subsidiaries	164,553,211.50		81,566,277.21	
Subtotal		175,141,664.97		93,994,889.14	
Notes receivable	Hisense Visual and its subsidiaries	292,454,447.58		319,007,723.28	
Notes receivable	Hisense Group Holdings and its subsidiaries	159,387,903.36		226,887,871.53	
Subtotal		451,842,350.94		545,895,594.81	
Interest receivable	Hisense Finance	466,057,623.62		426,261,929.09	
Subtotal		466,057,623.62		426,261,929.09	
Accounts receivable	Hisense Visual and its subsidiaries	97,931,519.34	113,650.00	96,504,120.74	
Accounts receivable	Hisense Group and its subsidiaries			708,092.53	708,092.53
Accounts receivable	Hisense Group Holdings and its subsidiaries	6,225,859,286.42	9,827,845.46	5,197,036,356.39	20,130,123.69
Accounts receivable	Johnson Hitachi and its subsidiaries	75,247,912.85	34,360.55	68,933,497.31	
Accounts receivable	Associates of Sanden Company	166,213,804.97	1,750,797.48	319,759,158.27	443,445.56
Subtotal		6,565,252,523.58	11,726,653.49	5,682,941,225.24	21,281,661.78
Contract assets	Hisense Holdings and its subsidiaries	1,720,210.00			
Subtotal		1,720,210.00			
Other receivables	Hisense Visual and its subsidiaries	197,248.50	18,000.00	190,548.80	18,000.00
Other receivables	Hisense Group Holdings and its subsidiaries	9,435,029.58	533,787.71	2,106,607.85	392,320.98
Other receivables	Associates of Sanden Company	3,838,023.43	2,854,887.75	23,908,679.93	23,144,878.94
Other receivables	Johnson Hitachi and its subsidiaries	163,187.90			
Subtotal		13,633,489.41	3,406,675.46	26,205,836.58	23,555,199.92

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS (continued)

3. Receivables from and payables to related parties (continued)

(1) Receivables from related parties (continued)

Item	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Dividends receivable	Associates of Sanden Company			89,630.21	
Subtotal				89,630.21	
Prepayments	Hisense Visual and its subsidiaries	137,868.00		411,109.28	
Prepayments	Hisense Group Holdings and its subsidiaries	281,709,404.04		87,637,498.40	
Subtotal		281,847,272.04		88,048,607.68	
Other non-current assets	Hisense Group Holdings and its subsidiaries	4,561,076.85		6,384,738.43	
Subtotal		4,561,076.85		6,384,738.43	

Note: Interest receivable in the above table 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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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
Note payable	Hisense Visual and its subsidiaries	12,700,039.71	4,638,174.56
Note payable	Hisense Group Holdings and its subsidiaries	93,448,068.28	68,374,144.06
Note payable	Johnson Hitachi and its subsidiaries	350,014,323.36	279,435,254.04
Note payable	Associates of Sanden Company		1,402,649.94
Subtotal		456,162,431.35	353,850,222.60
Accounts payable	Hisense Visual and its subsidiaries	6,516,580.55	1,885,200.49
Accounts payable	Hisense Group Holdings and its subsidiaries	305,072,883.75	251,028,022.33
Accounts payable	Johnson Hitachi and its subsidiaries	50,548,531.17	43,155,749.32
Accounts payable	Associates of Sanden Company	22,541,397.42	40,136,801.48
Accounts payable	Xuehua Group	235,008.72	
Subtotal		384,914,401.61	336,205,773.62
Dividends payable	Johnson Hitachi and its subsidiaries	71,307,333.26	68,073,826.50
Subtotal		71,307,333.26	68,073,826.50
Other payables	Hisense Visual and its subsidiaries	228,267.68	406,339.02
Other payables	Hisense Group and its subsidiaries		50,983.14
Other payables	Hisense Group Holdings and its subsidiaries	1,145,640,491.41	818,587,876.17
Other payables	Johnson Hitachi and its subsidiaries	631,190.00	200,000.00
Other payables	Xuehua Group	102,463.80	100,859.00
Other payables	Associates of Sanden Company	78,260,924.05	37,781,629.00
Subtotal		1,224,863,336.94	857,127,686.33
Advances	Hisense Visual and its subsidiaries		160,022.73
Subtotal			160,022.73
Contractual liabilities	Hisense Visual and its subsidiaries	41,057.78	12,939.87
Contractual liabilities	Hisense Group Holdings and its subsidiaries	246,810,029.13	102,170,950.58
Contractual liabilities	Johnson Hitachi and its subsidiaries	121,863.74	21,851.62
Subtotal		246,972,950.65	102,205,742.07
Other non-current liabilities	Johnson Hitachi and its subsidiaries	504,879,334.95	576,186,668.20
Subtotal		504,879,334.95	576,186,668.20

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS (continued)

4. Emoluments of Directors, Supervisors and Employees

(1) The emoluments of our directors and supervisors are as follows:

As at 31 December 2024

Unit: (RMB0'000)

Names	Positions	Status of office	Emoluments of independent directors	Salaries and allowances	Pension scheme contributions	Share-based payments	Total
Executive Directors							
Gao Yu Ling	Chairperson, executive Director	Incumbent		231.23	4.42	351.70	587.35
Jia Shao Qian	Executive Director	Incumbent				351.70	351.70
Yu Zhi Tao	Executive Director	Incumbent				136.30	136.30
Hu Jian Yong	Executive Director, President	Incumbent		401.70	4.42	685.19	1,091.31
Zhu Dan	Executive Director	Incumbent					
Dai Hui Zhong	Executive Director	Incumbent		473.03	4.42	577.37	1,054.82
Xia Zhang Zhua	Executive Director	Former		204.95	4.42	300.91	510.28
Independent non-executive Directors							
Li Zhi Gang	Independent non-executive Director	Incumbent	14.00				14.00
Tsoi Wing Sing	Independent non-executive Director	Incumbent	9.38				9.38
Xu Guo Jun	Independent non-executive Director	Incumbent	7.43				7.43
Zhong Geng Shen	Independent non-executive Director	Former	6.77				6.77
Cheung Sai Kit	Independent non-executive Director	Former	14.09				14.09
Supervisors							
Liu Zhen Shun	Chairman of Supervisory Committee	Incumbent					
Sun Jia Hui	Supervisor	Incumbent					
Bao Yi	Supervisor	Incumbent		145.89	4.42	172.87	323.18
Yin Zhi Xin	Supervisor	Former		211.63	4.42	174.75	390.80
Total			51.67	1,668.43	26.52	2,750.79	4,497.41

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

4. Emoluments of Directors, Supervisors and Employees *(continued)*

(1) The emoluments of our directors and supervisors are as follows: (continued)

- ① Note: During the Year, no emoluments were paid by the Company to any director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during the Year.
- ② Ms. Gao Yu Ling was appointed as the Chairperson of the Company on 21 November 2024 and ceased to be the Chief Financial Officer of the Company on the same date.
- ③ Mr. Zhu Dan was appointed as a Director of the Company on 24 June 2024.
- ④ Mr Xia Zhang Zhua left the Company on 24 June 2024 and ceased to be a Director of the Company.
- ⑤ Mr. Tsoi Wing Sing was appointed as an independent non-executive Director of the Company on 24 June 2024.
- ⑥ Mr. Xu Guo Jun was appointed as an independent non-executive Director of the Company on 2 August 2024.
- ⑦ Mr. Zhong Geng Shen left the Company on 24 June 2024 and ceased to be an independent non-executive Director of the Company.
- ⑧ Mr. Cheung Sai Kit left the Company on 2 August 2024 and ceased to be an independent non-executive Director of the Company.
- ⑨ Mr. Bao Yi was appointed as a Supervisor of the Company on 24 June 2024
- ⑩ Mr. Yin Zhi Xin left the Company on 24 June 2024 and ceased to be a Supervisor of the Company

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS (continued)

4. Emoluments of Directors, Supervisors and Employees (continued)

(1) The emoluments of our directors and supervisors are as follows: (continued)

As at 31 December 2023

Unit: (RMB0'000)

Names	Positions	Emoluments of independent directors	Salaries and allowances	Pension scheme contributions	Share-based payments	Total
Executive Directors						
Dai Hui Zhong	Chairman		637.82	4.28	446.47	1,088.57
Jia Shao Qian	Director				272.84	272.84
Yu Zhi Tao	Director					
Hu Jian Yong	Director, President		725.22	4.27	474.14	1,203.63
Xia Zhang Zhua	Director		309.82	4.33	223.24	537.39
Gao Yu Ling	Director, Chief Financial Officer		329.80	4.33	272.84	606.97
Lin Lan	Former Director					
Fei Li Cheng	Former Director		111.94	4.31		116.25
Independent non- executive Directors						
Zhong Geng Shen	Independent non-executive Director	14.00				14.00
Cheung Sai Kit	Independent non-executive Director	24.00				24.00
Li Zhi Gang	Independent non-executive Director	13.68				13.68
Ma Jin Quan	Former Independent non- executive Director	0.32				0.32
Supervisors						
Liu Zhen Shun	Chairman of Supervisory Committee					
Sun Jia Hui	Supervisor					
Yin Zhi Xin	Supervisor		221.77	4.25	109.14	335.16
Total		52.00	2,336.37	25.77	1,798.67	4,212.81

① Note: During the Year, no emoluments were paid by the Company to any director as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived or agreed to waive any emoluments during the Year.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

4. Emoluments of Directors, Supervisors and Employees *(continued)*

(2) Five highest paid individuals

In 2024, two (2023: two) of the five highest paid individuals of the Company were the Directors of the Company. The aggregate of the emoluments in respect of the other three individuals (2023: three) were as follows (in respect of the range of emoluments for 2024, emoluments of three individuals exceeded RMB2,500,000 and were below RMB3,000,000; in respect of the range of emoluments for 2023, emoluments of one individual exceeded RMB4,500,000 and were below RMB5,000,000, and that of one individual exceeded RMB4,000,000 and were below RMB4,500,000, and that of one individual exceeded RMB3,500,000 and were below RMB4,000,000):

Unit: (RMB0'000)

Item	Amount for the Year	Amount for the Previous Year
Salaries and allowances	781.13	1,310.88
Pension scheme contributions	13.27	8.53
Total	794.40	1,319.41

(3) Emoluments of key management personnel

Unit: (RMB0'000)

Item	Amount for the Year	Amount for the Previous Year
Directors and supervisors		
Emoluments, salaries and allowances of independent directors	1,720.10	2,388.38
Pension scheme contributions	26.54	25.76
Share-based payments	2,750.80	1,798.67
Emoluments of other key management personnel		
Salaries and allowances	213.37	116.90
Pension scheme contributions	8.79	4.25
Share-based payments	158.69	89.29
Total	4,878.29	4,423.25

Note: Key management personnel refer to the senior management who has the authority and responsibility for planning, directing and controlling the corporate activities.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

5. 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.

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.

The changes in the 2022 Restricted A Share Incentive Scheme during the year were as follows:

Categories of participants	Granted during the year		Exercised during the year		Unlocked during the year		Lapsed during the year	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Senior management and core personnel					8,999,035.00	59,753,592.40	1,924,965.00	12,781,767.60
Total					8,999,035.00	59,753,592.40	1,924,965.00	12,781,767.60

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XIII. SHARE-BASED PAYMENTS *(continued)*

1. General information about share-based payments *(continued)*

(2) Overview on Employee Stock Ownership Plan

1) 2022 A Share 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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XIII. SHARE-BASED PAYMENTS *(continued)*

1. General information about share-based payments *(continued)*

(2) Overview on Employee Stock Ownership Plan *(continued)*

2) 2024 A Share Employee Stock Ownership Plan

The Company held the 2024 first interim meeting of the eleventh session of the Board and the 2024 first meeting of the eleventh session of the Supervisory Committee on 8 January 2024, and the 2024 second extraordinary general meeting and the 2024 first A Share class meeting and the 2024 first H Share class meeting on 22 February 2024, which considered and approved relevant resolutions, such as the Resolution on the 2024 A Shares Employee Stock Ownership Plan (Draft) and its Summary”, while agreeing to implement the 2024 A Shares Employee Stock Ownership Plan and authorising the Board to handle the matters in relation to the 2024 A Shares Employee Stock Ownership Plan of the Company. The total number of the shares granted in this Stock Ownership Plan was no more than 13,916,000 shares, with the total number of participants in this Employee Stock Ownership Plan not exceeding 279 employees. The grant price was RMB10.78 per share and the total number of shares granted was no more than 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.

The changes in the Employee Stock Ownership Plan during the year were as follows:

Category of grant targets	Granted during the Year		Exercised during the Year		Unlocked during the Year		Expired during the Year	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Senior management and core personnel	14,060,050.00	152,768,087.86			4,211,860.00	27,966,750.40		
Total	14,060,050.00	152,768,087.86			4,211,860.00	27,966,750.40		

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XIII. SHARE-BASED PAYMENTS *(continued)*

1. General information about share-based payments *(continued)*

(2) Overview on Employee Stock Ownership Plan *(continued)*

2) 2024 A Share Employee Stock Ownership Plan *(continued)*

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

Category of grant targets	Other equity instruments issued as at the end of the Year	
	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	During the Year
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 year and the previous year	N/A
Accumulated amount of equity-settled share-based payment included in the capital surplus	195,669,559.97

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XIII. SHARE-BASED PAYMENTS *(continued)*

3. Share-based payment expenses during the Year

Category of grant targets	Equity settled share-based payment expenses
Senior management and core personnel	234,352,360.22
Total	234,352,360.22

XIV. COMMITMENTS AND CONTINGENCIES

1. Important commitments

Unit: (RMB0'000)

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	43,106.80	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 31 December 2024, the Group was involved, as defendant, in litigations with amount of RMB24,567,425.60, and expected liabilities of RMB7,629,490.41 was recognised.

XV. SUBSEQUENT EVENTS

1. Profit distribution

On 29 March 2024, the Proposed Profit Distribution Plan for 2024 was considered and approved at the first meeting of 2025 of the twelfth session of the Board of the Company: Based on the total share capital of 1,386,010,405 shares of the Company as of the date of disclosure of the annual report 2024, deducting the total share capital of 1,385,264,498 shares repurchased from the repurchase account (as of the date of disclosure of this report, there were 745,907 shares in the repurchase account of the Company), a cash dividend of RMB12.30 (tax inclusive) was to be paid to all shareholders for every 10 shares held. There will be no issue of bonus share and no transfer of reserve to share capital during the year. If the total share capital of the Company changed during the period between the approval of the Profit Distribution Plan by the Board the Company and the implementation of the Profit Distribution Plan, the Company will re-determine the total amount of the dividend based on the latest total share capital in accordance with the principle of “the amount of the dividend per share remaining unchanged”. Such resolution was subject to the approval at general meeting of the Company.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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.

The Group was not subject to externally mandatory capital requirements and monitored its capital structure using the gearing ratio (total liabilities divided by total assets).

As at 31 December 2024 and 31 December 2023, the gearing ratios of the Group were set out as follows:

Item	End of the year	Beginning of the year
Total liabilities	50,327,415,106.20	46,550,436,429.03
Total assets	69,701,939,817.33	65,946,495,555.67
Gearing ratio	72.20%	70.59%

2. 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	48,718.77	31,660.82
Land use rights	105.23	108.88
Machinery and equipment, etc.	468.25	469.51
Transportation equipment	34.72	14.57
Total	49,326.97	32,253.78

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XVI. OTHER SIGNIFICANT EVENTS *(continued)*

2. Leases *(continued)*

(2) *The Group as lessor under operating lease*

The Group's investment properties are also leased to a number of tenants for different terms. The rental income for 2023 amounted to RMB68.9256 million (2023: RMB37.9862 million). The minimum lease payments receivable under non-cancellable operating leases at the end of reporting period are as follows:

Unit: RMB'0000

Item	Amount for the year	Amount for previous year
Within one year	5,107.91	5,875.12
Over one year but within five years	13,232.69	16,220.10
Over five years	3.14	55.70
Total	18,343.74	22,150.92

(3) *The Group as lessee under operating lease*

The Group leases certain leasehold building or structure and others under operating leases with lease terms ranging from one to five years. The operating lease payments for the year ended 31 December 2024 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the year	Amount for previous year
Building or structures	17,574.96	15,359.31
Others	7,683.35	9,332.99
Total	25,258.31	24,692.30

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.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XVI. OTHER SIGNIFICANT EVENTS *(continued)*

2. Leases *(continued)*

- (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 year	Amount for previous year
Within one year	11,767.02	14,658.48
Over one year but within five years	15,891.16	19,499.65
Over five years	1,879.60	3,893.29
Total	29,537.78	38,051.42

3. Auditors' remuneration

In 2024, as considered and approved at the shareholders' general meeting, the Company agreed to reappoint Shine Wing Certified Public Accountants as the auditor of the Company for the year of 2024, and the Board was authorized to fix their remuneration. The Company agreed to pay a remuneration of approximately RMB2,100,000 and RMB900,000 to the auditors for the provision of audit services for financial reporting and internal control respectively for the year ended 31 December 2024 and bear the corresponding travel expenses.

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	574,773,952.12	617,522,768.99
Over three months but within six months	2,437,960.37	860,204.88
Over six months but within one year	7,238,081.31	
Over one year	126,167,140.90	107,107,551.47
Total	710,617,134.70	725,490,525.34

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	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	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54
Including:					
Aging analysis method	108,092,297.83	15.21	107,081,692.16	99.07	1,010,605.67
Receivables from related parties	602,524,836.87	84.79			602,524,836.87
Total	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54

(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					
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:					
Aging 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 value	Provision for bad debts	%
Including: Within three months	1,012,630.93	2,025.26	0.20
Over one year	107,079,666.90	107,079,666.90	100.00
Total	108,092,297.83	107,081,692.16	

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

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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)*

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

Ageing	Closing balance		%
	Book value	Provision for bad debts	
Within one year	602,524,836.87		
Total	602,524,836.87		

(3) *Provision for bad debts for accounts receivable for the year*

Category	Opening balance	Changes during the year			Closing balance
		Provision	Recoveries or reversals	Write-off	
Aging analysis method	107,108,618.15	-26,925.99			107,081,692.16
Total	107,108,618.15	-26,925.99			107,081,692.16

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

During the year, the parent had no accounts receivable written-off.

(5) *Top five accounts receivable by debtor as at the end of the year*

The total top five accounts receivable by debtor as at the end of the year amounted to RMB581,049,813.83, accounting for 81.77% 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 year.

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XVII. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT *(continued)*

2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	71,598,383.60	68,351,678.85
Other receivables	1,095,693,177.89	1,187,499,173.19
Total	1,167,291,561.49	1,255,850,852.04

2.1 Dividends receivable

(1) Classification of dividends receivable

Item (or investee)	Closing balance	Opening balance
Hisense Hitachi	71,598,383.60	68,351,678.85
Total	71,598,383.60	68,351,678.85

2.2 Other receivables

(1) Classification of other receivables by nature

Nature of the amount	Closing book value	Beginning book value
Other current account	1,110,783,600.02	1,202,314,549.91
Total	1,110,783,600.02	1,202,314,549.91

(2) Other receivables by ageing

Ageing	Closing book value
Within three months	182,270,181.53
Over three months but within six months	97,983.59
Over six months but within one year	5,792,909.10
Over one year	922,622,525.80
Total	1,110,783,600.02

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
Separate provision for bad debt					
Provision for bad debts on a group basis	1,110,783,600.02	100.00	15,090,422.13	1.36	1,095,693,177.89
Including:					
Ageing analysis method	15,601,556.09	1.40	15,090,422.13	96.72	511,133.96
Receivables from related parties	1,095,182,043.93	98.60			1,095,182,043.93
Other account payments					
Total	1,110,783,600.02	100.00	15,090,422.13	1.36	1,095,693,177.89

(continued)

Category	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	Percentage (%)	Amount	Percentage (%)	
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 for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Percentage (%)
Including: Within three months	509,207.85	1,018.42	0.20
Over six months but within one year	5,889.07	2,944.54	50.00
Over one year	15,086,459.17	15,086,459.17	100.00
Total	15,601,556.09	15,090,422.13	

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	Percentage (%)
Related parties within the scope of consolidation	1,095,182,043.93		
Total	1,095,182,043.93		

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 year, the balance of other receivables as at 1 January 2024	–	–	–	–
– transferred to second stage				
– transferred to third stage		-3,388,659.17	3,388,659.17	
– reversed to second stage				
– reversed to first stage				
Provision for the year	-9,924.17	284,969.58		275,045.41
Reversal for the year				
Written-off for the year				
Charge-off for the year				
year				
Balance as at 31 December 2024	3,962.96	528,438.68	14,558,020.49	15,090,422.13

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 Year			Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	
Ageing analysis method	14,815,376.72	275,045.41			15,090,422.13
Total	14,815,376.72	275,045.41			15,090,422.13

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 Year

During the year, the parent had no other receivables written-off.

(7) Top five other receivables by debtor in terms of balances as at the end of the year

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)	Provision for bad debts Closing balance
Top 1	Inter-group current account payments	372,699,354.39	Over one year	33.55	
Top 2	Inter-group current account payments	224,236,133.33	Within one year, over one year	20.19	
Top 3	Inter-group current account payments	182,039,435.32	Within one year, over one year	16.39	
Top 4	Inter-group current account payments	99,104,362.50	Within one year, over one year	8.92	
Top 5	Inter-group current account payments	96,234,162.39	Over one year	8.66	
Total	–	974,313,447.93	–	87.71	

3. Long-term equity investments

(1) Breakdown of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Investments in subsidiaries	6,036,704,138.92	59,381,641.00	5,977,322,497.92	5,297,448,970.59	59,381,641.00	5,238,067,329.59
Investments in associates and joint ventures	786,147,253.95		786,147,253.95	697,276,441.82		697,276,441.82
Total	6,822,851,392.87	59,381,641.00	6,763,469,751.87	5,994,725,412.41	59,381,641.00	5,935,343,771.41

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Increase or decrease for the Year			Closing balance (carrying amount)	Provision for impairment Closing balance
			Increase in investment	Decrease in investment	Increase in share-based payments		
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	5,227,619.58				3,955,776.09	9,183,395.67	
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				1,530,810.56	2,789,577.09	
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	2,285,200.95				2,783,248.03	5,068,448.98	
Foshan Shunde Rongshen Plastic Co., Ltd.	54,285,499.65				1,169,758.42	55,455,258.07	
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				1,843,971.32	3,505,103.22	
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				89,528.20	202,930.60	
Hisense (Beijing) Electric Appliances Co., Ltd.	92,101,178.17					92,101,178.17	
Hisense Air-Conditioning Co., Ltd.	587,104,019.88				23,483,598.43	610,587,618.31	
Qingdao Hisense Mould Co., Ltd.	208,396,930.42		149,821,117.29		1,076,456.69	359,294,504.40	
Hisense Refrigerator Co., Ltd.	775,730,414.11				36,438,079.57	812,168,493.68	
Foshan Hisense Kelon Property Development Co., Ltd.	5,008,411.99				720,236.71	5,728,648.70	

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Increase or decrease for the Year		Increase in share-based payments	Closing balance (carrying amount)	Provision for impairment Closing balance
			Increase in investment	Decrease in investment			
Qingdao Hisense Hitachi Air- Conditioning Systems Co., Ltd.	2,590,877,442.55				28,620,265.51	2,619,497,708.06	
Qingdao Gorenje Electrical Co., Ltd.	16,840,534.29				3,004,685.94	19,845,220.23	
Hisense (Shandong) Kitchen and Bath Co., Ltd.	3,016,863.30				2,954,362.36	5,971,225.66	
Qingdao Hisense Commercial Cold Chain Co., Ltd.	5,334,046.68				6,780,696.53	12,114,743.21	
Guangdong Hisense Refrigerator Marketing Co., Ltd.	15,207,676.59				16,708,705.02	31,916,381.61	
Hisense (Zhejiang) Air-Conditioner Co., Ltd.	476,290.07				293,728.07	770,018.14	
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	16,574,088.62				21,224,642.96	37,798,731.58	
Guangdong Kelon Mould Co., Ltd.	433,324.37				502,829.97	936,154.34	
Jiangmen Hisense Home Appliances Co., Ltd.	1,166,103.75				1,441,033.78	2,607,137.53	
Qingdao Hisense Hitach Air-conditioner Marketing Co., Ltd.	17,844,908.20				21,440,943.72	39,285,851.92	
Qingdao Johnson Controls Air- Conditioning Co., Ltd.					245,336.14	245,336.14	
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd					3,964,727.61	3,964,727.61	
Hisense (Guangdong) Air-Conditioner Company Limited	5,839,370.59				-5,839,370.59		
Qingdao Yiyang Entrepreneurship Investment Management Co., Ltd.			5,000,000.00			5,000,000.00	
Hisense Home Appliances (Hunan) Co., Ltd.			200,000,000.00			200,000,000.00	
HSHA (SINGAPORE) PTE. LTD.			210,000,000.00			210,000,000.00	
Total	5,238,067,329.59	59,381,641.00	564,821,117.29		174,434,051.04	5,977,322,497.92	59,381,641.00

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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	Increase in investment	Decrease in investment	Increase or decrease for the Year						Closing balance (carrying amount)	Provision for impairment Closing balance
					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				588,945.89						50,297,902.69	
Qingdao Hisense Huanya Holdings Co., Ltd.	24,044,123.64				-3,668,421.46	2,079,692.32	-3,858,335.43				18,597,059.07	
Subtotal	73,753,080.44				-3,079,475.57	2,079,692.32	-3,858,335.43				68,894,961.76	
II. Associates												
Qingdao Hisense Jinlong Holdings Co., Ltd.	406,595,770.08				22,080,932.20			13,935,119.89			414,741,582.39	
Qingdao Hisense International Marketing Co., Ltd.	216,927,591.30				76,798,355.23	-33,931,430.74	1,741,557.75	106,976,308.00			154,559,765.54	
Qingdao Hisense Intelligent Electronic Technology Co., Ltd.			147,000,000.00		950,944.26						147,950,944.26	
Subtotal	623,523,361.38		147,000,000.00		99,830,231.69	-33,931,430.74	1,741,557.75	120,911,427.89			717,252,292.19	
Total	697,276,441.82		147,000,000.00		96,750,756.12	-31,851,738.42	-2,116,777.68	120,911,427.89			786,147,253.95	

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

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 Year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Principal operations	5,423,973,112.75	5,127,825,844.71	5,497,951,954.67	5,025,949,456.75
Other operations	266,147,242.44	220,802,465.83	245,082,487.90	211,396,887.36
Total	5,690,120,355.19	5,348,628,310.54	5,743,034,442.57	5,237,346,344.11

5. Investment gain

Item	Amount for the Year	Amount for the previous year
Gain from long-term equity investment under the cost method	2,885,482,947.19	851,575,300.95
Gain from long-term equity investment under the equity method	96,750,756.12	123,053,319.33
Gain from disposal of transactional financial assets	29,262,925.90	69,651,087.35
Gain from disposal of long-term equity investment		-24,000,000.00
Total	3,011,496,629.21	1,020,279,707.63

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

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

Item	Amount for the year	Notes
Gain or loss from disposal of non-current assets (Including the offsetting part of the provision for impairment of assets already provisioned)	-5,693,941.96	
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)	247,168,700.30	
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	135,123,664.04	
Gain or loss arising from entrusted investment or entrusted asset management	361,802,134.90	
Gain or loss arising from debt restructuring	9,564,354.65	
Other non-operating income and expense other than the aforementioned items	179,094,875.47	
Subtotal	927,059,787.40	
Less: Effect of income tax	141,971,316.85	
Effect of minority interests (after tax)	43,055,596.74	
Total	742,032,873.81	

2. Return on net asset and earnings per share

Profit for the reporting period	Weighted average return on net assets	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent	23.27%	2.46	2.46
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	18.11%	1.91	1.91

Notes to the Financial Statements for 2024

(Unless otherwise expressly stated, amounts are denominated in RMB)

XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(continued)*

3. Five-year financial summary

Unit: RMB'0000

Statement item	2024	2023	2022	2021	2020
Total operating revenue	9,274,561.11	8,560,018.92	7,411,515.10	6,756,260.37	4,839,287.07
Total profits	596,638.90	568,455.74	382,380.97	291,653.70	348,513.00
Income tax	84,023.60	89,306.75	75,440.07	57,359.32	63,909.53
Net profit	512,615.30	479,148.99	306,940.91	234,294.38	284,603.46
Net profit attributable to owners of the parent	334,788.18	283,732.28	143,496.82	97,263.38	157,888.27
Profit and loss of minority interests	177,827.12	195,416.72	163,444.08	137,031.00	126,715.19

Continued from above table

Statement item	31 December 2024	31 December 2023	31 December 2022	31 December 2021	31 December 2020
Total assets	6,970,367.77	6,594,649.56	5,537,586.84	5,594,869.23	4,181,163.58
Total liabilities	5,032,741.51	4,655,043.64	3,909,678.58	4,035,729.83	2,740,511.68
Net assets	1,937,626.26	1,939,605.91	1,627,908.26	1,559,139.40	1,440,651.90
Total equity attributable to owners of the parent	1,545,562.66	1,358,017.45	1,151,837.34	1,034,240.75	977,911.56
Minority interests	391,889.81	581,588.46	476,070.92	524,898.66	462,740.35
Total equity	1,937,452.47	1,939,605.91	1,627,908.26	1,559,139.40	1,440,651.90

Hisense Home Appliances Group Co., Ltd.
28 March 2025