

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)

2025 ANNUAL REPORT

Hisense



2026世界杯™全球官方赞助商



Contents

Definitions	2
Chairman's Statement	5
Corporate Information	10
Management Discussion and Analysis	11
Corporate Governance Report	48
Profiles of Directors and Members of Senior Management	70
Report of the Directors	72
Auditor's Report	116
Financial Statements	121

Definitions

In this annual 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
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“Company,” “We,” “Hisense Home Appliances”	Hisense Home Appliances Group Co., Ltd.* (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“ESG Committee”	the environmental, social and governance committee of the Board
“Group”	the Company and its subsidiaries
“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 a subsidiary of Hisense Group, which holds approximately 37.31% of the Company’s issued Shares
“Hisense Communications”	Qingdao Hisense Communications Co., Ltd.* (青島海信通信有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group, which holds approximately 2.00% of the Company’s issued Shares
“Hisense Electronics”	Guangdong Hisense Electric Co., Ltd.* (廣東海信電子有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Visual
“Hisense Finance”	Hisense Finance Co., Ltd.* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Group”	Hisense Group Holdings Co., Ltd.* (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability
“Hisense (Guangdong) Mould”	Hisense (Guangdong) Mould Company Co., Ltd.* (海信(廣東)模塑有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“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

Definitions

“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 Kitchen & Bathroom”	Hisense (Guangdong) Kitchen & Bathroom System* (海信(廣東)廚衛系統股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Hisense Mould”	Qingdao Hisense Mould Co., Ltd.* (青島海信模具有限公司), a company incorporated in the PRC with limited liability and a subsidiary of 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
“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.* (華域三電汽車空調有限公司), a company incorporated in the PRC with limited liability
“Nomination Committee”	the nomination committee of the Board
“PRC”	the People’s Republic of China
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Reporting Period”	the year ended 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Rongshen Plastic”	Foshan Shunde Rongshen Plastic Co., Ltd* (佛山市順德區容聲塑膠有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“R&D”	research and development
“Sanden Company”	Sanden Corporation, a Japanese listed company and 73.16% owned by the Company

Definitions

“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Shareholder(s)”	holder(s) of the Shares
“Strategic Committee”	the strategic committee of the Board
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“USD”	United States dollars, the lawful currency of the United States of America
“Yen”	Japanese Yen, the lawful currency of Japan
“%”	percent

* *For identification purposes only*

Chairman's Statement

Dear investors,

The year 2025 was marked by both challenges and opportunities, as the global home appliance industry underwent significant transformation against a complex and rapidly changing landscape. Throughout the year, escalating international trade barriers, a persistently subdued property market, pronounced divergence in consumer demand, and steadily rising raw material costs created considerable headwinds for corporate development. In response, Hisense Home Appliances continued to drive its strategic transformation, confronting difficulties head on while remaining firmly committed to a user centric approach. Guided by its “technology driven” philosophy, the Company pursued bold innovation and consolidated high quality development against the prevailing market pressures. At the same time, we remain fully cognisant of the need to address our existing weaknesses.

Upon a thorough review of the past year's performance, we have clearly identified our own shortcomings and the challenges we face. Our ability to respond with sufficient agility to fluctuations in tariff policies and the continued rise in copper prices has proven inadequate, and this warrants focused attention going forward. Looking ahead, we will deepen global resource integration and capability synergies, strive to build a more resilient overseas regional production and supply chain system, and strengthen region specific management capabilities. To enhance organisational effectiveness rapidly, we have advanced organisational reforms and digital and intelligent transformation. Although the Company has experienced certain short term operational challenges in the course of these changes, they are fully aligned with the requirements of high quality development and will lay a solid foundation for building long term organisational capabilities and improving operational efficiency. In responding to rapidly diversifying market demands, we see clear room to accelerate the pace of product iteration and innovation. We will focus closely on evolving market needs, particularly the preferences of younger consumer groups, increase technology reserves and product innovation, and enhance our product competitiveness. We will accelerate our strategic expansion into emerging business areas including liquid cooling and heat pumps.

Notwithstanding the challenges and ongoing transformation, the Company's operational fundamentals have remained stable and sound. During the Reporting Period, the Company achieved operating revenue of RMB87.928 billion, net profit attributable to the parent company of RMB3.187 billion, and cash flow from operating activities of RMB5.796 billion. These results not only demonstrate the Group's operational resilience in a complex market environment, but also reflect the dedication and efforts of all Hisense employees. We hereby extend our sincere gratitude to our Shareholders for their long-standing trust in Hisense Home Appliances. Your support and confidence have been a constant source of motivation and strength as we continue to move forward.

Chairman's Statement

I. NAVIGATING CYCLES THROUGH A TECHNOLOGY-BASED FOUNDATION AND DRIVING PRODUCT UPGRADES THROUGH INNOVATION

Technological innovation is the core driving force of corporate development, and we have always regarded it as a key tool for making breakthroughs. Over the past year, we have achieved remarkable innovative results in various fields.

Steady progress in HVAC

In the domestic market, our market share in multiple lines exceeds 23%, firmly maintaining a leading position in the industry. The launch of Hitachi's "home-feel 3.0" system has redefined the standards for high-end air experiences. The system precisely perceives changes in indoor and outdoor environments and automatically adjusts temperature, humidity, air cleanliness and freshness, delivering a fully comfortable and healthy air environment for users. Hisense 5G Central Air-Conditioner ranked first in the industry in terms of user satisfaction with its excellent performance and high-quality service. The Hisense Hercules U6 Air Conditioner, launched during the "FIFA World Cup Trophy" exhibition in China, is the world's first fresh air air-conditioners equipped with NearLink SLP Human Sensing 2.0 technology, featuring more precise intelligent perception, and was awarded one of the "2025 Top Ten Innovative Products of the Chinese Air Conditioning Industry". In addition, our heat pump business experienced explosive growth. The Red Flame III series, by virtue of its high efficiency, energy-saving, and stable reliability, won the China Heat Pump Exhibition Gold Award, further enhancing the Company's technological strength and market influence in the heat pump field.

Strong breakthroughs in the refrigerator and washing machine sector

Ronshen WILL Fresh Preservation Technology effectively extends the shelf life of fruits and vegetables by simulating natural lighting, moisture and temperature environments, driving an increase of 2.1 percentage points in the market share of mid-to-high-end refrigerators. Hisense vacuum refrigerators have maintained their position as the top-selling vacuum freshness preservation models with 440 patented technologies. Their unique vacuum freshness preservation technology retains the nutrition and texture of food to the greatest extent, satisfying consumers' pursuit of high-quality life. In the washing machine sector, the growth rates of both domestic and export revenues significantly outperformed the industry. The launch of the Cotton Candy Ultra Family Drum has pioneered a new era of heat pump washing and drying. The product integrates multiple functions such as washing, drying and garment care, and adopts advanced heat pump technology, which is energy-saving and efficient, and causes minimal damage to clothing. Within only half a year of its launch, sales volume exceeded 100,000 units, making it a popular product in the market.

Orderly implementation of AI

With the rapid development of AI technology, we have comprehensively applied AI to our home appliance products. The introduction of the Xinghai large model has increased device response speed by 40%, significantly enhancing the user experience. The three major intelligent agents—Air, Gourmet, and Laundry & Care—were awarded the "Annual Home Appliance Intelligent Agent Innovation Case" by virtue of their innovation and practicality. These intelligent agents are capable of automatically adjusting the operating modes of devices based on user habits and environmental changes, allowing technology to truly integrate into daily life and providing users with more convenient and intelligent life services.

II. IN-DEPTH ADVANCEMENT OF GLOBAL LAYOUT WITH INDEPENDENT BRANDS ACHIEVING GROWTH AGAINST THE TREND

In the face of volatility and uncertainty in overseas markets, we have actively adjusted our strategy, building competitive barriers through localized operations in seven major overseas regions, thereby achieving growth for our own brands against the trend.

Europe Region

In the European market, we adhere to a user-centric approach, gaining a deep understanding of the needs and preferences of European consumers, continuously optimizing product design and functionality, and launching a series of products that align with local market characteristics, thereby increasing the brand's market share and visibility. Revenue from white goods increased by 22% year-on-year, and the market share of refrigerators increased to 11.4%.

North America Region

Relying on the localization advantages of the Monterrey factory in North America, the Company has fully leveraged the benefits of local production and sales, thereby reducing production and logistics costs, and enhancing the market competitiveness of its products. Revenue from refrigerators grew by 19%, and revenue from the commercial freezer business surged by 86%, becoming a new growth driver for the Company's overseas business.

ASEAN Region

In the ASEAN market, we have intensified our brand promotion and marketing efforts, enhancing our brand awareness and reputation. At the same time, we strengthened cooperation with local suppliers and established a localized supply chain system, ensuring the timely supply and stable quality of products. Revenue from our own brands grew by 23.5%, and our market share of household air-conditioners in Malaysia ranked first for the first time.

Deepening our global sports marketing presence

Sports marketing is one of the key drivers of enhancing our brand influence. In 2025, we sponsored the FIFA Club World Cup and once again officially announced our status as a global official partner of the World Cup 2026. Through cooperation with these top-tier international sporting events, our brand gained broader global exposure and recognition, with our brand equity index increasing by 4% year-on-year during the year. The passion, vitality, and team spirit embodied in sports events resonate with our brand philosophy, which has captured greater attention and affinity from consumers around the world.

Chairman's Statement

III. DUAL-DRIVE OF GREEN MANUFACTURING AND SUPPLY CHAIN RESILIENCE

While pursuing corporate development, we also attach great importance to green manufacturing and the construction of supply chain resilience, and are committed to achieving sustainable development.

Manufacturing upgrade

The Huangdao factory of Hisense Hitachi has achieved a major breakthrough in green manufacturing, becoming the first factory in the global air-conditioning industry to receive “Sustainable Lighthouse Factory” certification, which represents a high level of recognition for our efforts in areas such as energy conservation and emission reduction, as well as resource recycling and utilization. We continuously deepened the “AI-empowered advanced manufacturing” strategy, comprehensively promoted the integrated application of advanced technologies such as big data analysis, AI, digital twins, and 5G to optimize production processes, and implemented them across our global factories to achieve green manufacturing and efficiency improvements.

Supply chain transformation

We actively promoted digital intelligence operations and supply chain transformation, and optimized supply chain management processes, achieving a 22% improvement in the order fulfillment cycle. The commencement of production at the Thailand intelligent manufacturing base further improved our global manufacturing network, enhanced the flexibility and response speed of the supply chain, and laid a solid foundation for globalized operations.

Green commitment

We actively promoted carbon neutrality in the supply chain and reduced the carbon emissions of the supply chain by cooperating with suppliers to promote the concepts of green procurement and green production. Our ESG practices gained recognition from international authoritative institutions, demonstrating our proactive efforts and achievements in environmental protection, social responsibility, and corporate governance.

IV. BALANCING CORPORATE VALUE AND SHAREHOLDER RETURNS

We always firmly believe that shareholders are the strong backbone of the Company. Therefore, we attach great importance to delivering returns to shareholders and continuously strive to create greater value for shareholders.

We are deeply aware of the support and trust of our shareholders in the Company. Through active dividend distributions and share repurchases, we have consistently enhanced shareholder returns. Over the past decade, Hisense Home Appliances has distributed cumulative dividends exceeding RMB5.6 billion. For 2025, the Board has proposed to distribute a cash dividend of RMB12.65 for every 10 Shares, further increasing the dividend amount per share. We aim to enable shareholders to share the fruits of the Company's development and enhance their confidence in the Company through a reasonable dividend policy.

Chairman's Statement

OUTLOOK FOR 2026: FORGING AHEAD TO CREATE THE FUTURE TOGETHER

Global industrial transformation and the wave of AI are restructuring the home appliance industry ecosystem at an unprecedented speed. Facing new opportunities and challenges, Hisense Home Appliances will adhere to its three core strategies, forge ahead with determination, and work together with all stakeholders to build a brighter future.

Driving independent innovation in products and technology through a user-centric approach

We embed the “customer first” philosophy across all aspects of our business operations, establish a user journey value stream, and reshape our organization and mindset to shift from operating products to managing user relationships. Meanwhile, we will maintain the rhythm of “pre-feasibility study, project pipeline and development”, continue to deepen independent technological innovation centered around user needs, and collaborate with the upstream and downstream of the industrial chain to break through technical bottlenecks, leading the revolution in smart living scenarios. We will build user products and a technical architecture oriented towards AI to propel an industrial upgrade from smart devices to intelligent companions.

Unswervingly pursue the path of globalization

We will unswervingly pursue the path of global development, enhance our global brand influence, and deepen the “the world managing the world” model to strengthen our localization and penetration in emerging markets. We will reinforce our global footprint by crafting well-targeted marketing strategies tailored to the market characteristics and cultural nuances of different regions. We will also strengthen cooperation with local partners and establish localized R&D, production, supply chain, sales and service teams, so as to enhance our competitiveness and market share in emerging markets.

Digital and intelligent transformation for quality improvement and efficiency enhancement

We will harness digital and intelligent transformation as a core driving force, utilizing AI to deeply empower the organization and reshape our growth engines: on the one hand, we will enhance the efficiency of key functions such as R&D and marketing, fully implement the user-centric IPD development process, and focus on the organizational transformation of retail and marketing; on the other hand, we will build an end-to-end digital supply chain and extensively apply industrial AI technologies to achieve full-process visualization and intelligent management of the supply chain and manufacturing, significantly improving efficiency, flexibility, and anti-cyclical capabilities. By fostering new quality productive forces, we will create more world class manufacturing benchmarks and deliver comprehensive improvements in both quality and efficiency.

Storms temper our resolve; resilience keeps us moving forward. In the days ahead, we will continue to uphold the corporate spirit of “honesty, integrity, pragmatism, and innovation”, forging irreplaceable competitive edge amidst the evolving global industrial landscape. We believe that, with the joint efforts of all Hisense staff and the enduring support and trust of our shareholders, Hisense Home Appliances will create a brighter future and deliver sustainable value returns for our shareholders!

Once again, we would like to thank all investors for their support and trust in Hisense Home Appliances!

Corporate Information

REGISTERED OFFICE IN PRC

No.88, Hong Kong East Road, Laoshan District,
Qingdao City, Shandong Province, PRC

HONG KONG OFFICE

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

SECRETARY FOR THE BOARD OF DIRECTORS & COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Ms. Gao Yu Ling
Mr. Yin Bi Tong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

TELEPHONE

(852) 2593 5622
(86-757) 2836 2866

FAX

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

EMAIL ADDRESS

hxjdzqb@hisense.com

COMPANY WEBSITE

hxjd.hisense.cn

AUDITOR

ShineWing Certified Public Accountants
9/F, Tower A, Fuhua Tower, No. 8, North Chaoyangmen
Street, Dongcheng District, Beijing, PRC

Management Discussion and Analysis

I. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

Hisense Home Appliances is principally engaged in the R&D, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc., as well as moulds, automotive air-conditioner compressors and integrated thermal management systems, and provides full-scenario smart home solutions centered on the intelligent upgrade of home appliances. Leveraging its diversified and internationalized brand matrix comprising eight major brands, namely “Hisense”, “Ronshen”, “KELON”, “HITACHI”, “YORK”, “gorenje”, “ASKO” and “SANDEN”, the Company enjoys a solid market foundation and excellent brand reputation. Focusing on long-term capacity building and fully acting on the requirements for transformation and upgrading toward high-quality development, the Company adheres to a user-centric approach, continuously deepening its global layout across R&D, production and sales channels while strengthening the synergistic efficiency of R&D, production and marketing. Meanwhile, the Company actively expands its global customer and channel networks and deeply applies AI technology to empower product innovation. By continuously launching high-end, product suite, intelligent and home-integrated product portfolios, the Company has significantly enhanced its market competitiveness, committing to creating a comfortable, smart and sustainable life for global users and building a diversified and steadily growing global business footprint.

1. Heating, Ventilation and Air-conditioning (“HVAC”) Business

(1) *Central Air-Conditioner Business*

In 2025, facing the dual challenges of the persistent downturn in the real estate market and the contraction of public construction projects, the Company actively responded to the country’s call for carbon neutrality. Adhering to a market orientation centered on user demand, the Company accurately deployed segmented industries and led the HVAC industry towards intelligence and integration. During the Reporting Period, the market share of domestic multi-connected machine exceeded 23%, continuing to lead the industry’s progress.

- (i) **In terms of home fit-out business, the Company remained user-centric and focused on the three major directions of “functional integration, intelligent interaction, and energy efficiency,” tailoring technology to meet human living requirements.**

Currently, users demand for a “comprehensive air experience” that is healthy, comfortable and intelligent is continuously upgrading. Hitachi’s home fit-out business continued to lead the trend of systematization and integration, revolutionary launching the “Home-feel 3.0” smart air customization system. Based on the synergy of top-freon and floor-water systems, this solution achieves deep integration across six dimensions, including temperature, humidity and oxygen content, striving to create an ultimate “regionally customized optimal air” experience for users. Meanwhile, Hitachi strengthened its high-end positioning through new product series such as Total-Effect II and Water Comfort. Leveraging brand activities such as partner conferences and nationwide investment roadshows, 252 new large-scale stores were established, further enhancing its high-end image. In 2025, the service NPS reached 96.0%, and the brand was recognized as the “Preferred Brand for Multi-connected Machine User Coverage” and retained the title of “Preferred Supplier in the Supply Chain,” maintaining its top position in the heat pump dual-supply market, with its high-end recognition and market status further enhanced.

Management Discussion and Analysis

Hisense's home fit-out multi-connected machine continued to optimize the smart and healthy air experience, launching the "ThinkAir Active Health Management System" centered on 5G+ Honor Home, setting a new benchmark for smart air management. According to the *White Paper on the Development of 5G Central Air-conditioning Industry* published by All View Cloud, Hisense 5G Central Air-Conditioners ranked first in the industry with a user satisfaction score of 9.0. Furthermore, Hisense actively developed its heat pump business to build a "second growth curve" for its brand business. Its popular Red Flame III series achieved Class-1 energy efficiency across the entire range and realized powerful heating at -35℃, winning the "Gold Award" for Innovative Products at the 2025 HPE China Heat Pump Exhibition, establishing a high-end brand benchmark for Hisense in the heat pump industry.

York VRF pioneered the elevation of the industry's broad recognition of "Five-constant" to a top-tier standard of "Six-dimensional Nine-constant," and launched the Six-dimensional Nine-constant Full-Air System. This system provides integrated premium air ecosystem solutions for high-end households, achieving technological leadership and value positioning in the high-end market. Leveraging the launch of Six-dimensional Nine-constant Full Air System, York VRF's high-end dual-fan product scale grew by nearly 20% in 2025, significantly enhancing its influence in the high-end market.

- (ii) **In terms of engineering business, the Company actively deployed segmented industries, with commercial multi-connected machine product technology continuing to lead the industry, while deeply cultivating the water chiller business to create a new benchmark for intelligent water chiller manufacturing.**

Targeting the high-value engineering market, Hitachi adhered to the dual-wheel drive of technological innovation and scenario-based cultivation, achieving continuous breakthroughs in key areas such as high-end buildings, medical clean environments and renewal and renovation, creating a series of landmark exemplary projects. For renewal and building renovation scenarios, the Company launched the SET-FREE RIII series refresh machines with a 25% energy efficiency improvement, alongside a series of high-efficiency products and solutions such as water-source multi-connected machine systems for existing water chiller projects. The SET-FREE RIII series refresh machines leverage innovative piping self-adaptation + pressure self-adaptation technologies to achieve reuse of old pipes and a 50% reduction in construction time, leading renovation projects with a high APF of 6.1 and winning the Innovation Product Award at the 2025 Refrigeration Exhibition. During the Reporting Period, the industry's first dual-layer 360° airflow 4-way cassette indoor unit was launched, providing breeze-free cooling comfort and efficient floor-level heating, comprehensively enhancing spatial comfort. In the property fitting-out furnishing market industry, the Hitachi brand reached a market share of 30.2%, ranking first in the industry.

Management Discussion and Analysis

Hisense focused on segmented industries, with commercial multi-connected machine products continuing to lead the technological frontier. Its representative M3 series realized operation across an ultra-wide temperature range from -30°C to 58°C , adapting to extreme environments. This series of commercial multi-connected machines was applied in a new campus of a Grade-A tertiary hospital, leveraging its wide temperature range operation capability to ensure year-round uninterrupted temperature control for critical areas such as operating rooms and ICUs, earning the evaluation of “Guardian of Medical Environment Stability” from the hospital. At the same time, the Company deepened the application of “photovoltaic-storage-direct current-flexible” technology. In a low-carbon demonstration park project in the Yangtze River Delta, Hisense’s “photovoltaic-storage-direct current-flexible” integrated technology solution achieved a 40% reduction in building energy consumption and was awarded the National Three-star Green Building Certification, promoting the development of green buildings and demonstrating industry leadership.

York deeply focused on full-scenario engineering demands, tailoring efficient heating and cooling solutions for eight major fields: healthcare, smart campuses, smart catering, green industry, high-end offices, star-rated hotels, comfort renovation and elderly care. During the Reporting Period, the Company launched the YES-superIII series, YES-YZM series and other products, with APF values reaching up to 6.45, ranking as the industry’s top 1 energy efficiency.

- (iii) **In terms of new business areas, the Company focused on expanding key segmented industries. Water chiller products continued to build advantages on the positive-pressure, liquid-floating, oil-free platform, while the Smart HVAC ECO-B 2.0 System won wide industry recognition for its efficient full-category HVAC management capabilities.**

During the Reporting Period, the ECO-B 2.0 local industrial computer was successfully implemented in over 30 projects throughout the year, with its remote version significantly improving operation and maintenance efficiency by 40%. The multi-connected machine energy consumption commitment management platform has been launched, supporting energy consumption betting models with deviation controlled within 10%. The water chiller operation and maintenance platform effectively reduced unplanned downtime by 30% through a three-level diagnosis mechanism. Furthermore, an energy management solution for third-party air-conditioners was officially released, achieving centralized management of three mainstream brands, with the development of fault pre-diagnosis models significantly exceeding the target by 280%.

Management Discussion and Analysis

In the water chiller segment, the Company gained high recognition from customers in segmented industries through its self-developed permanent magnet direct-drive variable-frequency centrifugal technology and the industry's first 10kV high-voltage positive-pressure, liquid-floating, oil-free variable-frequency centrifugal technology. Focusing on the "4+2" key segmented industries, the Company leveraged the synergy of water and fluorine systems to utilize the advantages of different products in various scenarios, completing the delivery and implementation of landmark projects such as the Foxconn Central China Zone 5 Industrial Park, Weichai FinDreams Battery and the Sinosteel low-carbon metallurgy high-temperature heat pump project. During the Reporting Period, Hisense water chillers achieved a year-on-year revenue growth of 69% in the data center industry and 15% in the industrial sector, serving numerous industry clients such as Foxconn Industrial Internet, BYD and China Resources Gas.

(2) *Household Air-Conditioner Business*

Taking "reshaping air value with leading technology and providing trustworthy full-scenario air solutions for global users" as the mission in the household air-conditioner business, the Company focused on upgrading the technologies and products of Hisense and Kelon. According to the production and sales data from Industry Online, the Company's domestic sales volume of household air-conditioners increased by 9.6% year-on-year in 2025, which was 8.9 percentage points higher than the industry growth rate.

- (i) **Hisense Air-Conditioner is committed to building a "smart home air management hub," leveraging breakthroughs in core technologies such as bidirectional fresh air and edge-cloud AI to empower a healthy and comfortable life with cutting-edge technology.**

Hisense Air-Conditioner strengthened breakthroughs in core technologies for fresh air intelligent air-conditioners, accelerated the construction and industrialization of edge-cloud collaborative AI control systems, and overcame key technologies such as simultaneous detection of multiple pollutants, magnetic levitation motors, bidirectional fresh air, and water ions. It launched a fresh air product matrix including the X3Pro, X5, X7Pro, and TRÉSOR U6, taking the lead in upgrading traditional air-conditioners into a "smart home air management hub." According to monitoring data from AVC, Hisense's brand index reached 106.4 in 2025, up 2.9 points year-on-year, with its fresh air air-conditioner retail sales share reaching 44.5%, achieving a rapid year-on-year growth of 11.0% and solidifying its position as "Number 1 in Fresh Air Sales in 2025." Meanwhile, Hisense released the Inverter S Architecture (with core chips, semiconductor devices, and inverter algorithms all being self-developed). The Deep Sleep X3Pro, equipped with this architecture, was honored with the "Annual Innovative Product Achievement" by the China Household Electric Appliance Research Institute for its effect of "quiet operation with oxygenation, an extra hour of sleeping with deep sleeping one night." The X7Pro won the 2025 AWE Innovation Award and the "Nanshan Award" for Technological Innovation Product, leveraging the industry's first bidirectional fresh air exchange

Management Discussion and Analysis

technology (simultaneous air intake and exhaust without expanding holes) and multiple purification technologies certified under maternal and infant-grade cleanliness standards. On the occasion of the first exhibition of the genuine FIFA World Cup™ Trophy in China after more than 10 years, the globally debuted Hisense TRÉSOR Air-Conditioner U6 became the world's first fresh air air-conditioner equipped with Near Link SLP human-sensing 2.0 technology. It ranked among the offline sales top 20 in its first month of launch and was recognized as one of the “Top Ten Innovative Products of the Year in China's Air-conditioning Industry 2025.”

- (ii) **Kelon Air-Conditioner consolidated its 42-year dual-high efficiency product heritage, incorporating magnetic levitation technology to enhance energy-saving, quiet operation, and durability, improving the sleep and comfort experience of the younger generation through ultimate product strength.**

Kelon Air-Conditioner focused on magnetic levitation technology to comprehensively enhance the quiet experience and durability of its products. The energy efficiency ratio of the “quiet operation and energy-saving max” and Ultra series exceeded 6.26, with performance reaching the industry's peak level, earning the “ultra-high energy efficiency” certification from the China Household Electric Appliance Research Institute and the title of “Leading Brand in Quiet and Energy-saving” at the China Air Conditioning Industry Summit Forum. In the multi-brand cross-testing initiated by the China Academy of Building Research (CABR), the Yunduomao (雲朵貓) Ultra achieved stable cooling in the extreme environment of the flaming mountains with a surface temperature of 80° C, passing the certification as a “Supporting Unit for Research on the Adaptability of Air-Conditioners and Heat Pumps in Harsh Natural Environments (嚴酷自然環境空調熱泵適應性研究支撐單位).” Following a comprehensive review by multiple departments including the NDRC, the Ministry of Commerce, and the MIIT, Kelon was selected for the “2025 China Consumer Famous Brands – Products of the Era (2025年度中國消費名品時代優品).” Based on product strength and through integrated full-chain operation both on and off the platform, the proportion of young purchased users aged 26-30 for Yunduomao Ultra on the JD.com channel increased to 27.76%. The annual sales volume of mid-to-high-end products reached 66,000 units, of which the sales of Max and Ultra series reached 19,900 units, with the proportion increasing by 3.1 percentage points year-on-year.

2. Refrigerator, Washing Machine and Kitchen Appliance Business

(1) Refrigerator and Freezer Business

In 2025, the refrigerator and freezer business, grounded in the dual-brand strategy of Ronshen and Hisense, focused on the core tenets of healthy freshness preservation and vacuum technology, continuously deepening technological advancements to create a user-centric product system. According to the omni-channel monitoring data from AVC, in 2025, the retail sales share of Hisense-branded refrigerators reached 17.0%, representing a year-on-year increase of 0.6 percentage points, while the market share of mid-to-high-end and high-end segments significantly increased by 2.8 percentage points year-on-year.

Management Discussion and Analysis

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

Ronshen is guided by the directions of “freshness preservation, health, and dual-system,” propelling business upgrades through product innovation and standards setting. According to monitoring data from AVC, the market share of Ronshen refrigerators in the mid-to-high-end and high-end segments increased by 2.1 percentage points year-on-year in 2025.

To address consumers’ concerns regarding the loss of nutrients in ingredients, odor cross-contamination, and the instability of the preservation environment, the Company has launched the Xiwang (曦望) 650 Freshness Preservation Refrigerator to match high-end consumer demand. Equipped with an upgraded version of the WILL Natural Fresh Preservation System, the model features a new AI Seasonal Light function, which automatically adjusts light colors according to seasonal changes to effectively enhance the retention rate of nutrients such as Vitamin C, lutein, and reducing sugar in fruits and vegetables. Combined with the smart dynamic water mist humidification system, it maintains a 70% golden humidity level. The refrigeration and freezing zones utilize independent cooling systems, fundamentally eliminating the risk of odor cross-contamination among ingredients. The innovatively equipped 3D Blue Light Ultra-clean Ice-making System can rapidly complete the ice-making process within 60 minutes while achieving -31 °C deep-freeze rapid freezing. Focusing on users’ needs regarding residual odors and health hazards from bacterial growth, two products under the brand, the Dual Clean Cube 506P60 and 516P60, are equipped with the core i-Smell Smart Sensing Dual Clean Max Technology. Leveraging the dual advantages of “intelligent odor identification + high-efficiency purification and sterilization,” these models can precisely identify over 100 types of odors in the refrigerator and actively release negative ions at a concentration of 30 million per cm³, achieving comprehensive and efficient purification and sterilization of the internal space. With its 9-in-1 core purification capability, the system fully ensures a healthy preservation environment.

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

Hisense refrigerator has spent fifteen years in the vacuum preservation field, accumulating over 440 patent technologies. The innovatively developed vacuum magnetic field preservation technology creates a constant temperature, low-pressure, and low-oxygen environment, pioneering a dual preservation mechanism of “vacuum oxidation prevention + magnetic field enzyme activity suppression,” which has strongly propelled the innovation and upgrading of vacuum preservation technology. In 2025, it achieved the top position in sales in the domestic vacuum preservation industry.

Management Discussion and Analysis

To address users' storage needs for long-term freshness of ingredients, the Company launched the 565 series Vacuum Headliner fully embedded refrigerator. With vacuum preservation 4.0 technology as its core, it captures freshness at the cellular level, reducing the oxygen content in the vacuum cabin to 15.8% (industry average >21%), effectively inhibiting enzyme activity and delaying the decay process at the molecular level, truly achieving "first-class freshness after seven-day sealed storage." Addressing the demand for differentiated temperature and humidity storage for various ingredients, the Hisense Tresor series features an innovative zoned temperature control system. The refrigeration zone, vacuum drawer, full-width variable temperature zone, and freezing chamber each have independent zoned temperature control, achieving exquisite segregated storage. The full-width variable temperature zone supports independent temperature control from 5 °C to -20 °C, allowing for seamless switching between freezing and refrigeration for flexible freshness preservation. The market share of Tresor series products has increased for six consecutive years, and the series has successively won the AWE Excellent Product Award, the China Design Red Star Award, and the iF Design Award.

(2) *Washing Machine Business*

Washing Machine Business concentrates its efforts on innovation to drive global growth. During the Reporting Period, the global main business revenue of the washing machine achieved rapid growth, and its operating quality continued to improve. In 2025, Hisense washing machines won industry awards such as "Top 10 Brands in the Washing Machine Industry," "Pioneer of Triple-drum Washing Machines," and "Leading Brand in Healthy Washing and Care." Furthermore, it was authoritatively certified by Euromonitor International as the fastest-growing company among the global top 10 over the past five years (2021-2025).

With the continuous improvement of user demand for health and quality life, partitioned washing and care has become an important trend in the home appliance market. In 2025, Hisense washing machines launched the revolutionary Cotton Candy Ultra Family Drum—the world's first 4-in-1 heat pump washer-dryer. This product adopts a forward-looking modular split design, allowing users to freely choose from various installation methods such as stacking, splitting, and embedding, to combine personalized solutions of five, seven, or even more drums. The main drum of the Hisense Family Drum is equipped with a 13kg large-capacity washing zone. Combined with Hisense's self-developed Zeus integrated heat pump drying system, it achieves 42 °C low-temperature gentle drying, caring for fabric fibers while efficiently handling large loads of laundry, with a drying effect comparable to a dedicated dryer. Since its launch, this series has won multiple heavyweight honors, including the "Annual Product Innovation Achievement Award (年度產品創新成果獎)" and "Healthy Washing and Care Pioneer Award (健康洗護先鋒獎)" from the China Household Electric Appliance Research Institute, the "2024-2025 Trend Product Yunding Award (2024-2025年度趨勢產品雲鼎獎)" from AVC, and the "Heat Pump Washing and Care Pioneer Product (熱泵洗護先鋒產品)" from the website of China Household Electrical Appliances Association (www.cheaa.com), leveraging its hardcore technological innovation. Its market performance was equally impressive, with sales exceeding 100,000 units since its launch in June 2025, achieving a historic breakthrough in sales for Hisense washing machine products in the RMB10,000+ price segment. During the Double 11 period, the Hisense Cotton Candy series ranked top 1 in the heat pump washer-dryer category on the JD.com platform and received AVC certification for "Number 1 in sales at the main offline price points for heat pump washer-dryers (熱泵洗烘一體機綫下主銷價位銷量第一)," gaining dual recognition from both the industry and the market.

Management Discussion and Analysis

To meet the increasingly refined laundry needs of consumers, Hisense washing machines have improved their product lines through a diversified product layout, steadily strengthening the brand's core competitiveness. In the field of heat pump washer-dryers, the Cotton Candy E8Q launched by Hisense washing machines was the first to achieve the standard size of 845mm (height) × 600mm (depth), supporting in-situ replacement for users, which enhances installation convenience and achieves seamless integration with the home environment. Under the industry trend of growth in the washer-dryer category and accelerated penetration of large-capacity washing machines, Hisense washing machines launched the 12kg large-capacity Cotton Candy U6Q washer-dryer and the U7S washing and drying set in the second half of the year, quickly winning market recognition and consumer popularity. In the field of intelligence, Hisense washing machine products are equipped with an AI laundry housekeeper, which can automatically generate integrated solutions covering scenarios such as “washing, drying, care, reservation, and partitioning.” Users do not need to manually adjust complex parameters; they only need to state their laundry needs to start an exclusive laundry program, easily solving laundry challenges. Through the deep integration of intelligent technology and life scenarios, Hisense AI home appliances have greatly facilitated people's lives and were awarded the “AI Agent Innovation Case of the Year (年度家電智能體創新案例)” in the 2025 Smart Life awards.

(3) *Kitchen Appliance Business*

Hisense kitchen appliance business adheres to a user-centric approach and upholds the concept of technological innovation, driven by the dual-track strategy of mid-to-high-end and innovation to steadily promote high-quality business development. In 2025, Hisense kitchen appliances' domestic revenue increased by 31% year-on-year, with offline revenue surging by 43%, demonstrating strong growth momentum.

In terms of product technology and iteration, the Company mastered large air duct technology in the range hood segment. The Wind-Eye U5 (風眼U5) quiet range hood adopts 0° sliding opening and closing technology to achieve 45dB quiet operation, passing dual Class-1 certifications for quietness and smoke purification. This drove the revenue proportion of mid-to-high-end products to 60%, successfully creating a blockbuster product in the kitchen and bathroom industry. In the dishwasher segment, the Company developed high-quality bacteria-free products such as S7 and W8 to meet household health needs, winning multiple industry honors. Core products were awarded authoritative prizes such as the iF Design Award, Red Dot Award, and AWE Innovation Award. In 2025, Hisense kitchen appliances spearheaded the formulation of the industry standard Technical Specification for Top and Side Suction Range Hoods (《頂側雙吸吸油煙機技術規範》) as the group leader, and won multiple honors including Top 10 Brands in the Kitchen and Bathroom Industry and Innovative Retail Case in China's Home Appliance Industry, with brand influence continuing to rise.

Management Discussion and Analysis

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

Sanden Company proactively adjusted its business strategy and accelerated its transition from a compressor-centric parts supplier to a comprehensive thermal management system provider for new energy vehicles. Capitalizing on the strategic opportunities brought by the comprehensive electrification and intelligent transformation of the automotive industry, it continued to provide efficient, energy-saving, intelligent and reliable thermal management solutions for global automakers.

(1) Adhering to the Product Strategy for New Energy Electrification and Expanding Integrated Thermal Management Solutions

In terms of integrated thermal management systems, Sanden Company completed the research on key technologies for the next-generation ITMS highly integrated refrigerant integration unit (CRU) platform. By deeply integrating subsystems such as refrigeration, heating (including ultra-low temperature heat pumps), and battery thermal management, it can reduce the winter range degradation of vehicles by 25%. This addresses the differentiated demand for natural refrigerants and cost issues of thermal management systems for new energy vehicles under the “dual carbon” goals and PFAS environmental regulation restrictions. In terms of electric compressors, the fifth-generation electric compressor platform adopts a modular architecture as its core. Through the collaborative design of scroll compression mechanisms, motors, and inverter systems, the development of a family-based platform was completed. Based on the modular design scheme, it achieved compatibility with multiple refrigerants such as R1234yf, CO₂ (a potential environmentally friendly refrigerant), and R290 (a hydrocarbon refrigerant), achieving a dual breakthrough in “high energy efficiency and low noise.” In terms of air handling unit technology, significant progress was made in quietness, temperature control, and energy efficiency control technologies. Meanwhile, important breakthroughs were achieved in the fields of dual-mixing small air-conditioners and comprehensive air-conditioners combining double-layer flow and zoned temperature control technologies.

(2) Being Firmly Centered on “Customer Needs” for Marketing Strategy, Consolidating Business Foundation and Expanding Key Increments

Sanden Company adhered to the strategy of “focusing on strategic customers and strengthening advantageous products”, strengthened collaboration with key global customers, highlighted the advantages of mechanical compressor products, and increased the promotion of thermal management systems and compressor products. In 2025, both the amount of new franchises and new orders increased by more than 30%: in the European market, leveraging traditional product advantages, it successfully secured large orders for mechanical compressors from core strategic customers, further expanding its leading position in mechanical compressors in the European market; In Japan, it obtained electric compressor franchises from important global automakers, laying a foundation for subsequent business expansion with Japanese automakers; in the Americas, it achieved a breakthrough by securing automotive air-conditioner orders, becoming the number one supplier for that customer’s automotive air-conditioner business; in the Chinese market, in addition to continuing to deeply cultivate the automotive air-conditioner and thermal management markets, it fully leveraged global technical synergy and supply chain cost advantages to establish an R&D center and supply chain management headquarters serving global customers.

Management Discussion and Analysis

4. Overseas Business

During the Reporting Period, Hisense sponsored the FIFA Club World Cup 2025, deepened localisation efforts, and capitalized on sports marketing, leading to the continuous improvement of the overseas popularity and influence of its self-owned brands.

(1) *Europe Region*

Hisense's Europe Region promoted brand and product operations through multi-dimensional synergy, focusing on resource investment in core markets and top channels, accelerating the upgrade of mid-to-high-end product matrix, and comprehensively driving the growth of home appliance business scale and the improvement of market share. In 2025, the revenue from Hisense's European white goods business increased by 22% year-on-year. Among which, the sales of refrigerators increased by 15% year-on-year. According to GFK data, the market share in terms of sales of Hisense-branded refrigerators reached 11.4%, representing a year-on-year increase of 1.2 percentage points; the revenue from the household air-conditioner business increased by 8% year-on-year; the washing machine business deeply cultivated strategic markets and focused on advantageous categories such as washer-dryers, achieving a 38% year-on-year revenue growth.

(2) *North America Region*

Hisense's North America Region proactively responded to tariff challenges, captured structural opportunities, dynamically optimized production capacity and supply layout, and achieved rapid scale growth by leveraging the localisation advantages of the Monterrey factory; meanwhile, it accelerated breakthroughs in key channels, improved product portfolios, and continuously promoted brand value enhancement. In 2025, the revenue from the home appliance business in the North America Region increased by 13% year-on-year, among which the refrigerator business achieved a 19% year-on-year revenue growth by focusing on core channels; the revenue from the commercial freezer business increased by 86% year-on-year; the revenue from the dishwasher business increased by 56% year-on-year.

(3) *South America Region*

In 2025, the South America Region continued to promote business localisation while accelerating product structure adjustments to achieve an improvement in the market share of the Hisense brand. In 2025, the revenue from Hisense's South American white goods business increased by 28% year-on-year, among which the refrigerator business took the core channels of South American countries as its foundation and continuously deepened the localisation level of key markets; in 2025, the revenue from refrigerators in the Central and South America Region increased by 43% year-on-year; the washing machine business achieved doubled growth in 2025 driven by the synergistic effect of multiple categories.

Management Discussion and Analysis

(4) Middle East and Africa (MEA) Region

During the period, Hisense's MEA Region shaped brand appeal through sporting event sponsorships, the "Middle East KOLs' Trip to China," and community marketing, focusing on top-end stores. Brand strength and channel efficacy consistently improved, resulting in a 9% year-on-year increase in revenue for 2025. Among which, refrigerators further deepened their layout in high-end channels such as flagship stores, with revenue increasing by 14% year-on-year. The sales volume of refrigerator and freezer products ranked first in the market for five consecutive years. Specifically, the market share of Hisense-branded refrigerators in the South African market reached 38.4%, representing a year-on-year increase of 3.6 percentage points, ranking first in the market for three consecutive years. The air-conditioner business focused on the R&D and application of technologies such as inverters, R32, and six-stage current control, with self-owned brand business revenue increasing by 16% year-on-year and revenue from core inverter categories increasing by 32% year-on-year. Revenue from washing machines increased by 21% year-on-year.

(5) Asia-Pacific Region

Hisense's Asia-Pacific Region continuously enhanced its market influence through the restructuring of brand value, strengthening of channel construction, and innovation in product technology. In 2025, the revenue from the white goods business in the Asia-Pacific Region increased by 15% year-on-year, among which dishwashers and small appliances in the Australian market achieved rapid growth, and the air-conditioner business vigorously expanded professional channels, achieving a 70% year-on-year revenue growth; the Japanese market focused on differentiation and product strength enhancement, strengthening channel synergy and terminal display. The revenue proportion of self-owned brand business increased by 8 percentage points, and profitability improved significantly. The channel acceptance and market recognition of Hisense-branded air-conditioners continued to rise. Meanwhile, localised investment was increased for potential markets such as Bangladesh, Pakistan, South Korea, and the Hong Kong, Macau, and Taiwan regions, leading to a significant improvement in operational quality.

(6) ASEAN Region

During the period, the ASEAN Region focused on breakthroughs in brand business, balanced layout across multiple categories, comprehensive entry into chain channels, and expansion of traditional channels. In 2025, revenue from self-owned brands in Hisense's ASEAN Region increased by 23.5% year-on-year. The household air-conditioner business continuously enriched its product lineup in areas such as smart connectivity and sterilization health, with its retail share in the Malaysian household air-conditioner market reaching the top for the first time, and breakthroughs were achieved in markets such as Singapore and the Philippines. The refrigerator and freezer business gained deep insights into user needs and improved product types, with self-owned brand revenue increasing by 28% and market shares in Thailand and Malaysia increasing by 1.7 percentage points and 0.6 percentage points, respectively. Among which, revenue from side-by-side refrigerators increased by 48% year-on-year, and the market share of the side-by-side category in Thailand increased by 4.8 percentage points year-on-year, with the product

Management Discussion and Analysis

structure continuously optimized. The washing machine business focused on breakthroughs in functional products such as “health” and “sterilization + high-efficiency washing,” as well as washer-dryer categories. Self-owned brand business revenue increased by 60% year-on-year, with revenue from washer-dryer products increasing by 90%. Market shares of the washer-dryer category in Thailand and Malaysia increased by 2 percentage points and 5.4 percentage points, respectively, driving continuous improvement in the sales structure.

5. Driving Consumption Upgrade and Experience Leap with Policy Dividends and Digital Technology to Build an Omni-channel Smart Service Ecosystem

(1) Seizing the Opportunities of the “Two New” Policies to Lead Industrial and Consumption Upgrades

The Company proactively responded to the government’s “trade-in” initiative by increasing R&D investment in low-carbon, green and smart products, and launching multiple products that align with policy and market demands. Concurrently, the Company actively launched joint promotional campaigns with government and channels, offering consumer benefits through subsidies and package purchase discounts. Driven by the “trade-in” and other policies, the Company has continuously achieved product mix upgrades, with trends in high-end, intelligent, and green development becoming prominent. Among which, the Cotton Candy Ultra Family Drum washing machine successively won multiple honors such as the “Best Design Award” at IFA Germany and the “Annual Product Innovation Achievement Award” from the China Household Electric Appliance Research Institute, ranking top 1 in the heat pump segment. The installation completions of fresh air-conditioner grew 49% year-on-year, and the Tresor premium product series delivered strong performance with annual revenue growing 24% year-on-year.

(2) Deepening Omni-channel Synergy to Transform Retail Model Driven by Data

The Company continued to drive innovation in its omni-channel new retail ecosystem, accelerating the integration of online and offline sales channels across its nationwide distribution network to achieve synergistic efforts across all channels and high-quality growth. Self-operated channels maintained strategic focus, focusing on the upgrade of dual-channel integration, with emphasis on enhancing capabilities in scenario-based experience, localised services, and brand trust building. The number of new specialist stores opened in 2025 reached a record high, with revenue from these stores showing steady growth. Emerging channels continued to focus on ecosystem collaboration with content-driven e-commerce platforms, integrating omni-channel traffic resources to precisely reach high-net-worth individuals, thereby achieving scaled growth and quality improvement.

In terms of digital transformation of channels, on the one hand, it integrated local lifestyle services through traffic platforms such as Douyin, Meituan, and Gaode, enabling full-chain innovation in user interaction, transactions, and fulfillment, driving rapid growth in annual sales of local lifestyle services. On the other hand, by advancing transformation initiatives in digital channels, digital stores, and digital marketing, it accelerated the implementation of AI technology applications and launched intelligent agents such as new media marketing and AI sales champion trainers, thereby expediting the evolution of its retail model and enhancing channel operational efficiency and the return on marketing investments.

Management Discussion and Analysis

(3) Deepening User Operation Transformation and Upgrading Full-scenario Intelligent Services to Create Efficient and Convenient User Experience

The Company adheres to a user-centric approach in carrying out user operation transformation and service upgrades. It launched an industry-leading intelligent agent for user voice insights, achieving full-chain integration from authentic user voices to demand mining and closed-loop experience improvement. Taking the Hisense AiHome app as the core interaction stronghold for members, the Company leveraged top sports IPs such as the Club World Cup to deeply interact with members, resulting in an 18% year-on-year increase in member scale and a 55% year-on-year increase in monthly active users. Relying on omni-channel data and AI platforms, the Company created a new generation of AI customer service that “understands, answers accurately, and serves fast,” covering four core scenarios. It has cumulatively incubated over 50 intelligent agents and 3 domain-specific large models, with hotline and text intelligent services available 24/7, significantly improving user satisfaction. The Company continued to expand the coverage of integrated delivery and installation and synchronized delivery and installation services, prioritizing the deployment of service providers localised partial renovation capabilities in core areas to meet consumers’ differentiated scenario needs. Through unified warehousing and distribution of spare parts and direct delivery to engineers, the Company met maintenance needs in advance, ensuring that maintenance services are completed in one go and comprehensively enhancing the user experience.

6. Hisense Smart Home: Building a Full-scenario Intelligent Service System with AI Technology Foundation to Achieve Industry Upgrade from Smart Devices to Smart Companions

Along with the rising demand for whole-house smart solutions, the integration of AI large models and the Internet of Things (IoT) has become the key to the intelligent upgrade of home appliances. The Company has built the Xinghai + multi-parameter specification model matrix to construct an intelligent home appliance system that can “perceive, understand, decide, and execute.” Through the Xinghai model matrix, the Company achieved three major experience upgrades: firstly, interactive response speed increased by 40%; secondly, intelligent device synergy was realized; and thirdly, the knowledge enhancement engine achieved an industry retrieval accuracy of over 95%. Based on multi-source perception fusion and driven by a unified IoT Thing model, the Company innovatively created a proactive service mode where “service finds people.” The Company implemented its core technologies in the AI Life Housekeeper system, creating three major intelligent agents—air, food, and laundry—covering core home appliances such as air-conditioners, refrigerators, and washing machines to build full-scenario smart services:

AI air housekeeper: Through the coordination of multiple sensors and large models, it senses and analyzes the whole-house environment and user behavior preferences in real-time, providing automatic regulation and proactive services in life scenarios such as sleeping, sports viewing, and removing formaldehyde to meet personalized air demands;

Management Discussion and Analysis

AI food housekeeper: It intelligently identifies over 800 types of ingredients, manages storage, and provides proactive reminders for items nearing expiration; based on over 200,000 personalized nutritional recipes, it provides customized recommendations, achieving scenario integration from storage and planning to recommendation and purchasing; and

AI laundry housekeeper: Through voice and text interaction, it identifies clothing materials and stains and intelligently recommends washing and care programs, solving users' difficulties in washing and regulation, and upgrading the smart washing and care experience for users with "instant response."

Through proactive service and scenario linkage, Hisense Smart Life transforms technology into an intuitive and convenient experience. Leveraging the innovation of the three major intelligent agents and proactive service scenarios, Hisense AI Life Housekeeper was awarded the "Annual Innovative Case of Home Appliance Agent" in the 2025 Smart Life awards by *The Beijing News*, with its industry influence and user value once again gaining recognition.

7. Hisense Global Supply Chain: Driving Efficiency Leap and Risk Control with Digital Intelligence to Build a Global Efficient Supply Chain Ecosystem

The Company is committed to building an efficient, agile, transparent and sustainable global supply chain system centered on users, deepening category management and regional integrated procurement, and continuously strengthening the competitiveness of the resource pool to lay a solid foundation for global business development. During the Reporting Period, the Company actively promoted high-quality domestic suppliers into overseas markets and enhanced the supply of overseas localised resources, forming a hierarchical overseas supply system. In 2025, the coverage rate of the overseas resource pool achieved a significant breakthrough, with the supply chain coverage rate of air-conditioners in Thailand and refrigerators in Mexico reaching over 90%, providing strong support for the increase in the proportion of localised procurement.

Concurrently, by laying out a global resource network, the Company introduced top-tier international supplier resources to multiple factories in Mexico, Europe, and Southeast Asia, effectively responding to international trade barriers; adhered to the dual-track backup strategy for chips, and continuously improved the risk prevention mechanism of the overseas supply chain; VMI supply model improved by 38% year-on-year, significantly enhancing supply chain resilience; through digital intelligence operations, the fulfillment cycle of orders improved by 22% year-on-year, achieving a significant leap in the overall fulfillment capability of the supply chain; promoted the green and sustainable development of the supply chain, collaborated with suppliers to deepen the construction of the ESG system, and built a transparent supply chain management system through digital means.

8. Hisense Advanced Manufacturing: Driving Efficiency Leap and Global Benchmark Leadership with “AI + Digital Intelligence” to Build a Resilient Supply Chain Network

In 2025, the Company continuously deepened its “AI-empowered advanced manufacturing” strategy, systematically enhancing manufacturing efficiency and sustainable development capabilities through the application of world-leading technological innovations and a highly synergistic global manufacturing layout. At the technological innovation level, the Company comprehensively promoted the integrated application of advanced technologies such as big data analysis, AI, digital twins, and 5G to reduce abnormal losses such as equipment failures and improve the first-pass yield of products, driving a 21% year-on-year increase in manufacturing efficiency across its global factories. Its outstanding manufacturing capabilities have gained international authoritative recognition. The Huangdao factory of Hisense Hitachi, following its recognition as a World Economic Forum (WEF) “Lighthouse Factory for Manufacturing Excellence” in 2024, further received the world’s first “Sustainable Lighthouse Factory” certification in the multi-connected machine air-conditioning industry during the Reporting Period, becoming the only benchmark factory in the global air-conditioning industry to simultaneously hold both “Manufacturing Excellence” and “Sustainability” lighthouse certifications. Furthermore, the Company’s intelligent manufacturing strength received national-level recognition, with 3 additional factories rated as National Level 4 Intelligent Manufacturing Factories, 1 factory rated as a National 5G Factory, and 1 factory rated as a National Excellence Factory, fully demonstrating the Company’s leading position in the field of intelligent manufacturing.

In terms of global manufacturing network construction, the Company adopted a parallel strategy of “new construction + upgrading” (new capacity + upgrading and renovation) to continuously strengthen the resilience and responsiveness of its global supply chain. In September 2025, the Thailand Intelligent Manufacturing Industrial Park, positioned as a regional intelligent manufacturing base for Southeast Asia, officially commenced construction. The first phase of the park plans to build intelligent production lines for refrigerators, washing machines, and air-conditioners, fully benchmarking against lighthouse factory standards to create advanced production lines with full-process digitalization and intelligence. In December 2025, the Changsha Home Appliance Industrial Park was completed and put into operation as scheduled, with its first-phase commercial air-conditioning intelligent manufacturing base focusing on high-end products such as water chillers and multi-connected machines. Through an efficient multi-base capacity synergy mechanism, this base has effectively enhanced the Company’s responsiveness to customer order demands. The smooth progress of project construction and operation of the two key bases in Thailand and Changsha mark the “Global 7+1” manufacturing network layout of Hisense Home Appliances (a global manufacturing system covering Asia-Pacific, ASEAN, North America, Central and South America, MEA, Europe, India, and China). This layout serves as the core pivot of the Company’s globalization strategy, effectively enhancing supply chain resilience and localised responsiveness, and providing solid capacity support for the Company’s continuous expansion in the global market.

Management Discussion and Analysis

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

1. Overview of the HVAC Market

(1) *Central Air-Conditioner Market*

According to the statistics from AICON (www.aicon.com.cn), the overall market capacity of the central air-conditioner industry decreased by 17.1% year-on-year in 2025. The industry is currently in a downward cycle, but the multi-connected machine remains the dominant product as a core category, and brand concentration continues to increase.

Affected by the sharp decline in the scale of the property fitting-out furnishing market and the postponement of large-scale public construction projects, the commercial fit-out market decreased by 16.0% year-on-year. While demand in the traditional public construction sector remained relatively weak, niche markets such as high-end property fitting-out furnishing projects, data centers, new energy, and semiconductors demonstrated strong resilience. Driven by the dual forces of the national “Dual Carbon Goals” policy and the equipment renewal cycle, the demand for energy-saving retrofitting continued to be released, making the market of existing stock a new growth engine.

Due to the sluggish real estate market, the home fit-out retail market has entered a period of deep adjustment, with the market scale declining by 20.0% year-on-year. The current trend of consumption segmentation is prominent, with demand in the mid-to-low-end segment continuing to contract, while high-end improvement demand remains resilient against the trend. The retail share of dual-supply systems rose to 11.3%, and the market share of solutions for large residential units, such as multi-constant systems, continued to increase. Energy-saving, intelligent, and comfortable products are becoming the mainstream choice for consumers who prioritize quality and brand.

(2) *Household Air-Conditioner Market*

In 2025, the household air-conditioner market exhibited a trend of “hot first and cold later.” According to the omni-channel aggregated data from AVC, in the first three quarters, sales of the air-conditioner market increased by 8.7% year-on-year, while sales in the fourth quarter fell by 33.9% year-on-year, leading to a slight decline in the annual market size. The annual retail volume of the domestic air-conditioner market increased by 4.7% year-on-year, while retail sales fell by 0.4% year-on-year.

Within the market of existing stock, household air-conditioner enterprises were deeply embroiled in price wars, and market competition was increasingly fierce. Although the market size remained flat due to the favorable impact of national subsidy policies throughout the year, the average industry price still touched a historical low for the past five years. However, products with energy-saving, comfort breeze, and healthy air as core functions are becoming important industry trends for industry structural upgrade.

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 and sales of the domestic refrigerator market decreased by 8.6% and 11.5% year-on-year respectively in 2025. Affected by factors such as the contraction of overall demand for home appliances and the phase-out of national subsidy policies, the refrigerator industry witnessed a decrease in both volume and sales, with market competition continuously intensifying at the levels of price and product performance. Along with the consumers' increasing demand for high-quality home appliances, the upgrade of refrigerator products focused on functional directions such as refined storage experience, health, and energy saving. Meanwhile, the penetration rate of AI technology in the refrigerator category is climbing rapidly.

According to the omni-channel aggregated data from AVC, the retail volume and sales of the freezer market declined by 5.7% and 6.4% year-on-year respectively in 2025. As the pull of national subsidies weakened, the freezer industry saw increases in both volume and price in the second and third quarters, but experienced a sharp decline in the fourth quarter. Meanwhile, the penetration rate of air cooling continued to rise, and energy saving has become the core driving force for the current and future development of the freezer industry.

(2) *Domestic Washing Machine Market*

According to the omni-channel aggregated data from AVC, the omni-channel sales volume of the Chinese washing machine market was 41.66 million units in 2025, representing a year-on-year decrease of 3.2%. Affected by the tightening of consumption subsidy policies in various regions, the industry exhibited a clear "policy phase-out" effect, which had a particularly significant impact on the offline mid-to-high-end drum washing machine market. Under the overall pressure on the market, product innovation has become the core engine for traversing the cycle. The industry is accelerating towards a stage of value cultivation, with partitioned washing and care, heat pump washer-dryers, and AI becoming the core directions driving the upgrade of product mix. Products are transitioning from basic functional operations to intelligent recognition, precise washing and care, and scenario-based convenient experiences.

(3) *Domestic Kitchen Appliance Market*

According to the omni-channel aggregated data from AVC, the retail sales of large kitchen and bathroom appliances decreased by 4.8% year-on-year in 2025. All categories showed a downward trend, and the industry entered a stage of cycle transition. The kitchen appliance industry is accelerating the exploration of structural breakthrough opportunities: the scale of the range hood and stove market reached its peak, and the national standards ushered in a brand-new upgrade; dishwashers' annual scale was dragged down by the decline in the fourth quarter, but there was still incremental growth in the retail lower-tier markets, and the property fitting-out furnishing rate in the engineering sector exceeded 60% and maintained high growth; embedded products' annual scale declined by 5% due to the impact of the fourth quarter, while the online penetration rate of 3-in-1 microwave combi ovens reached 52.6%, with product iteration accelerating structural upgrade; the water heater market compensated for the overdraft of demand in 2024, and electric water heaters developed steadily overall. Currently, the competition landscape of the kitchen appliance market is diversified, and leading brands have

Management Discussion and Analysis

not yet formed a monopoly. There is still room for breakthroughs in niche markets. Quality improvement in range hoods, stoves, gas water heaters, and embedded categories can be promoted through product upgrades, and the popularization of dishwashers and the expansion of electric water heaters can be accelerated with high cost-effectiveness.

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

According to the statistics from IHS (“IHS Inc.”), the cumulative production volume of compressors in the global automotive industry in 2025 was approximately 89.19 million units, representing a year-on-year growth of approximately 1.5%. Among which, the Greater China region recorded a total production volume of approximately 30.95 million units, representing a year-on-year growth of 5.6%. In 2025, new energy vehicles continued their rapid growth, with global new energy vehicle production reaching approximately 21.83 million units, representing a year-on-year growth of 20.4%. Among which, the production volume of new energy vehicles in the Greater China market was approximately 15.57 million units, representing a year-on-year growth of approximately 21.3%.

The general direction of the automotive air-conditioner compressor and integrated thermal management market continuing its transition towards new energy remains unchanged. However, the relaxation of EU carbon dioxide emission standards and the US tariff policy have, to a certain extent, changed the cost structure and competitive pattern of the global automotive industry. Policy changes in major overseas markets have significantly increased the complexity and uncertainties of the market transition.

4. Overseas Home Appliance Market

In 2025, the global home appliance market faced challenges such as geopolitical risks and rising costs. Demand weakened in the second half of the year, with divergence across different categories. According to the data from the Industry Online, in 2025, export volumes of the refrigerator industry increased by 4.8% year-on-year, with demand in European and American markets falling back, while Africa and South America experienced rapid growth. Export volumes of the air-conditioner industry decreased by 2.3% year-on-year, ending the growth of the past two years, with export volumes declining consecutively in the second half of the year. Export sales volume of the washing machine industry increased by 13.5% year-on-year.

Looking ahead to 2026, geopolitical risks such as US tariffs and local wars persist. Meanwhile, the industry faces significant pressure due to high overseas channel inventory and raw material costs remaining high. However, rising consumers’ preference for energy-efficient and smart home appliances in mature markets, coupled with the continuous increase in the penetration rate in emerging markets such as MEA, Latin America, and ASEAN, will bring new development opportunities for Chinese home appliance enterprises expanding overseas.

III. ANALYSIS OF PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) Major Accounting Data and Financial Indicators

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

Yes No

Management Discussion and Analysis

Item	2025	2024	Increase or decrease as compared to	
			last year (%)	2023
Operating revenue (RMB)	87,928,485,899.72	92,745,611,109.52	-5.19	85,600,189,224.06
Net profits attributable to shareholders of listed company (RMB)	3,186,573,917.88	3,347,881,773.89	-4.82	2,837,322,754.58
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	2,444,877,920.97	2,605,848,900.08	-6.18	2,355,069,261.87
Net cash flow from operating activities (RMB)	5,796,029,180.51	5,132,164,941.24	12.94	10,611,857,591.35
Basic earnings per Share (RMB/Share)	2.33	2.46	-5.28	2.08
Diluted earnings per Share (RMB/Share)	2.33	2.46	-5.28	2.08
Weighted average rate of return on net assets (%)	19.36	23.27	Decrease of 3.91 percentage points	22.64

Item	At the end of 2025	At the end of 2024	Increase or decrease as compared to	
			last year (%)	At the end of 2023
Total assets (RMB)	69,984,242,341.49	69,701,939,817.33	0.41	65,946,495,555.67
Net assets attributable to shareholders of listed company (RMB)	17,469,005,538.20	15,455,626,606.63	13.03	13,580,174,485.95

(II) Quarterly Major Financial Indicators

Unit: RMB

Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue	24,838,267,923.53	24,502,077,058.32	22,192,347,533.40	16,395,793,384.47
Net profits attributable to shareholders of listed company	1,127,395,765.82	949,185,592.91	735,210,961.27	374,781,597.88
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company	1,007,755,232.51	809,854,881.90	509,441,181.33	117,826,625.23
Net cash flow from operating activities	65,075,820.08	5,256,913,007.70	1,659,170,200.42	-1,185,129,847.69

Management Discussion and Analysis

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

✓ Applicable □ Not Applicable

Unit: RMB

Item	2025	2024	2023	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	27,776,445.49	-5,693,941.96	-3,666,652.72	-
Government grants recognised in profit or loss for the period (excluding those that are closely related to the Company's ordinary operating activities, comply with national policies, are granted in accordance with prescribed standards, and have a continuous impact on the Company's profit or loss)	202,755,624.01	247,168,700.30	195,139,772.58	-
Gains and losses arising from changes in the fair value of financial assets and financial liabilities held by non-financial enterprises, and gains and losses arising from the disposal of financial assets and financial liabilities, excluding effective hedging transactions in relation to the entity's ordinary operating activities	217,111,683.54	135,123,664.04	-239,068,307.45	-
Profit and losses from assets which entrust others to invest or manage	371,034,766.84	361,802,134.90	298,844,795.34	-
Gain or loss on debt restructuring	16,408,247.83	9,564,354.65	25,739,211.33	-
Other non-operating income and expenses other than the aforementioned items	114,830,847.59	179,094,875.47	371,016,020.58	-
Other profit and loss items that satisfy the definition of non-recurring profit and loss			72,041,335.03	
Less: Effect of income tax	178,140,998.95	141,971,316.85	147,009,791.45	-
Effect of minority interests (after tax)	30,080,619.44	43,055,596.74	90,782,890.53	-
Total	741,695,996.91	742,032,873.81	482,253,492.71	-

Management Discussion and Analysis

(IV) ANALYSIS OF PRINCIPAL BUSINESS

1. Composition of Operating Revenue

Unit: RMB

Item	2025		2024		Increase or decrease as compared to corresponding period of last year (%)
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	
Total of operating revenue	87,928,485,899.72		92,745,611,109.52		-5.19
By industry					
Manufacturing industry	83,334,900,120.81	94.78	83,623,219,672.09	90.16	-0.34
By product					
HVAC	38,829,431,638.39	44.16	40,283,913,190.36	43.43	-3.61
Refrigerators and washing machines	31,195,368,384.49	35.48	30,839,154,917.48	33.25	1.16
Others	13,310,100,097.93	15.14	12,500,151,564.25	13.48	6.48
By region					
Domestic	45,410,397,895.49	51.64	47,993,733,054.87	51.75	-5.38
Overseas	37,924,502,225.32	43.13	35,629,486,617.22	38.42	6.44
By sales model					
Direct sales	59,779,751,255.09	67.99	59,295,528,757.96	63.93	0.82
Distribution	23,555,148,865.72	26.79	24,327,690,914.13	26.23	-3.18

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	Revenue from major operating businesses	Costs of major operating businesses	Gross profit margin (%)	Increase or decrease in revenue from major operating businesses as compared to corresponding period of last year (%)	Increase or decrease in costs of major operating businesses as compared to corresponding period of last year (%)	Increase or decrease in gross profit margin as compared to corresponding period of last year (percentage point)
By industry						
Manufacturing industry	83,334,900,120.81	65,004,272,623.81	22.00	-0.34	0.29	-0.49
By products						
HVAC	38,829,431,638.39	28,177,530,524.14	27.43	-3.61	-2.11	-1.12
Refrigerators and washing machines	31,195,368,384.49	25,695,912,500.39	17.63	1.16	1.07	0.07
Others	13,310,100,097.93	11,130,829,599.28	16.37	6.48	4.89	1.26
By region						
Domestic	45,410,397,895.49	31,855,663,602.43	29.85	-5.38	-4.18	-0.88
Overseas	37,924,502,225.32	33,148,609,021.38	12.59	6.44	4.98	1.21
By sales model						
Direct sales	59,779,751,255.09	49,946,613,556.01	16.45	0.82	0.73	0.07
Distribution	23,555,148,865.72	15,057,659,067.80	36.07	-3.18	-1.17	-1.30

Management Discussion and Analysis

3. Whether the Company's Product Sales Revenue Exceeds its Service Revenue

Yes No

Industry category	Item	Unit	2025	2024	Increase or decrease as compared to corresponding period of last year (%)
	Sales volume	Ten thousand units	5,568	5,449	2.18
Manufacturing industry	Production volume	Ten thousand units	5,534	5,547	-0.23
	Inventory volume	Ten thousand units	492	526	-6.46

4. Composition of Operating Costs

Unit: RMB10,000

Industry category	Item	2025		2024		Increase or decrease as compared to corresponding period of last year (%)
		Amount	Weighting to operating costs (%)	Amount	Weighting to operating costs (%)	
	Raw materials	5,982,993.25	92.04	5,924,304.40	91.40	0.99
Manufacturing industry	Direct expense	317,870.89	4.89	358,457.60	5.53	-11.32
	Others	199,563.12	3.07	199,187.09	3.07	0.19

Management Discussion and Analysis

5. Expenses

Unit: RMB

Expense Item	2025	2024	Increase or decrease as compared to corresponding period of last year (%)	Reason for the significant changes
Sales expense	8,662,021,521.27	9,001,915,472.95	-3.78	–
Management expense	2,403,555,384.28	2,499,492,962.69	-3.84	–
Finance expense	205,232,131.55	-36,902,664.41	N/A	Mainly due to the impact of foreign exchange gains and losses
R&D expense	3,440,773,728.91	3,446,746,374.31	-0.17	–

6. Investment in R&D

For details of the Company's investment in R&D and product enhancement during the Reporting Period, please refer to "CORE COMPETITIVENESS ANALYSIS" in the "Management Discussion and Analysis".

Details of the Company's R&D personnel

Item	2025	2024	Change in proportion (%)
Number of R&D staff	3,323	3,563	-6.74%
Proportion of number of R&D staff (%)	8.80%	6.40%	2.40%
Academic structure of R&D staff			
Bachelor	1,561	1,772	-11.91%
Master	1,402	1,384	1.30%
Doctor	80	80	0.00%
Age composition of R&D staff			
Under 30 years old	855	908	-5.84%
30~40 years old	1,388	1,541	-9.93%
Over 40 years old	1,080	1,114	-3.05%

Management Discussion and Analysis

Details of the Company's R&D investment

Item	2025	2024	Change in proportion (%)
Amount invested in R&D (RMB)	3,442,046,105.99	3,446,746,374.31	-0.14
Proportion of R&D investment to operating revenue (%)	3.91	3.72	0.19
Amount capitalized for R&D investment (RMB)	1,272,377.08		N/A
Proportion of capitalized R&D investment to R&D investment (%)	0.04		N/A

7. Cash Flow

Unit: RMB

Item	2025	2024	Increase or decrease as compared to the corresponding period of last year (%)
Cash inflows from operating activities	84,977,429,177.78	81,425,983,334.68	4.36
Cash outflows from operating activities	79,181,399,997.27	76,293,818,393.44	3.78
Net cash flows from operating activities	5,796,029,180.51	5,132,164,941.24	12.94
Cash inflows from investing activities	46,776,511,658.56	37,576,184,678.56	24.48
Cash outflows from investing activities	50,330,657,556.56	38,195,621,766.67	31.77
Net cash flows from investing activities	-3,554,145,898.00	-619,437,088.11	N/A
Cash inflows from financing activities	4,976,574,130.85	4,926,600,091.46	1.01
Cash outflows from financing activities	6,991,614,679.80	10,047,920,217.55	-30.42
Net cash flows from financing activities	-2,015,040,548.95	-5,121,320,126.09	N/A
Net increase in cash and cash equivalents	222,297,967.29	-685,871,793.99	N/A

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 investing activities was mainly due to capital expenditure on the construction of industrial parks in Thailand and Hunan Province, as well as changes in wealth management products.

The change in net cash flows from financing activities was mainly due to dividends, share buybacks and changes in bills margin deposits.

Explanation of reasons for material differences between net cash flows from operating activities and net profit of the current year

Applicable Not Applicable

(V) ANALYSIS OF ASSETS AND LIABILITIES

1. Significant Changes in Asset Items

Unit: RMB

Item	At the end of 2025		At the beginning of 2025		Change in proportion (%)	Explanation of significant changes
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash and cash equivalents	3,496,408,124.80	5.00	4,397,693,443.73	6.31	-1.31	-
Accounts receivable	9,389,095,596.70	13.42	10,480,609,898.16	15.04	-1.62	-
Contract assets	67,667,431.89	0.10	56,210,047.88	0.08	0.02	-
Inventories	6,862,327,671.56	9.81	7,566,932,954.39	10.86	-1.05	-
Investment property	217,213,536.17	0.31	253,998,555.64	0.36	-0.05	-
Long-term equity investments	2,005,216,196.64	2.87	1,764,936,952.09	2.53	0.34	-
Fixed assets	7,160,327,070.21	10.23	5,648,643,079.56	8.10	2.13	-
Construction in progress	911,155,205.31	1.30	674,456,905.57	0.97	0.33	-
Right of use assets	201,125,032.64	0.29	163,180,643.61	0.23	0.06	-
Short-term borrowings	3,300,806,097.01	4.72	2,708,715,351.46	3.89	0.83	-
Contract liabilities	1,618,788,301.63	2.31	1,838,591,086.05	2.64	-0.33	-
Long-term borrowings	71,308,422.32	0.10	49,371,196.64	0.07	0.03	-
Leasing liabilities	163,213,430.28	0.23	161,471,272.87	0.23	0.00	-

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 the period	Disposal amount in the period	Other changes	Closing balance
Financial assets								
1. Financial assets held for trading (excluding derivative financial assets)	16,162,709,563.22	204,705,674.44			42,666,688,980.01	39,905,079,997.36	19,485.95	19,129,043,706.26
2. Derivative financial assets	46,567,199.63	26,399,748.51						26,426,742.91
3. Receivables financing	6,000,519,893.99							4,607,438,550.93
4. Investments in other equity instruments	42,364,813.88		47,095.65		649,353.19	50,080.13	-1,357,449.31	41,653,733.28
5. Other non-current financial assets	21,332,417.54	1,961,859.03	3,086,553.10				-5,838,527.41	20,542,302.26
Subtotal of financial assets	22,273,493,888.26	233,067,281.98	3,133,648.75		42,667,338,333.20	39,905,130,077.49	-7,176,490.77	23,825,105,035.64
Investment property								
Productive biological assets								
Other items								
Total	22,273,493,888.26	233,067,281.98	3,133,648.75		42,667,338,333.20	39,905,130,077.49	-7,176,490.77	23,825,105,035.64
Financial liabilities	3,552,841.18	-2,429,140.98						1,813,733.43

Management Discussion and Analysis

(VI) CORE COMPETITIVENESS ANALYSIS

1. Corporate Culture

Corporate culture is the core of the Company's firm confidence and stable navigation ability, the driving force for countless Hisense employees to forge ahead and overcome challenges, and the ultimate answer for the Company in the face of difficulties and chaos. Culture represents the core principles that differentiate the Company and underpin its sustainable growth. Recognising the irreplaceable value of culture, Hisense has taken significant steps to ensure its core values are deeply embedded across the organisation.

In order to promote the in-depth understanding and 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.

Integrity has always been the foundation of Hisense's operations. The entire team at Hisense remains unwavering in upholding the core values of honesty and integrity, fostering a corporate culture characterised by transparency, pragmatism, and ethical conduct. In 2025, Hisense introduced a cultural initiative to promote professional integrity, reinforcing a framework built on principles such as honesty, compliance with laws and regulations, clear boundaries between public and private interests, and a commitment to excellence and moral rectitude. This initiative further strengthens the Company's dedication to ethical standards and self-discipline.

Quality is at the heart of Hisense's business philosophy. The Company views superior product quality as essential for building consumer trust, driving repeat purchases, and establishing long-term brand loyalty. By maintaining an unwavering commitment to excellence, Hisense continues to strengthen its competitive position and deliver value to customers, ensuring sustainable success in an ever-evolving market landscape.

Hisense has consistently demonstrated a commitment to innovation and excellence, positioning itself as a leader in high-end transformation and sustainable development. By allocating 3% to 4% of its annual revenue to R&D, with over 30% directed towards pre-research, the Company ensures a forward-looking approach that balances immediate market needs with future technological advancements. This strategic R&D rhythm – encompassing pre-research, reserve, and market launch phases – enables Hisense to stay ahead in exploring cutting-edge technologies and expanding into emerging industries.

The Company's customer-first philosophy is deeply embedded in its operations, with a clear focus on delivering maximum value to users. Through the establishment of seven regional operation centers globally, Hisense has transitioned from a centralized model to a decentralized, multi-engine structure. This empowers local teams closest to their markets to make agile decisions, ensuring tailored responses to diverse user demands across regions.

Management Discussion and Analysis

In alignment with global ESG standards, Hisense continues to integrate sustainability into its core business strategy. By setting ambitious goals in areas such as governance, technological innovation, green manufacturing, value chain collaboration and community engagement, the Company not only enhances operational transparency but also builds long-term trust with stakeholders. These efforts underline Hisense's dedication to fostering sustainable growth and ensuring its resilience in an ever-evolving global landscape.

2. Talent Development

Hisense Home Appliances adheres to the core corporate spirit of “respecting people”, respects and safeguards the human rights and labor rights of every employee, and is committed to creating a diverse and inclusive workplace environment. Through a multi-level talent development system, it enhances employees' career development capabilities and guides them to grow together with the Company.

Diversified Talent Attraction: Hisense Home Appliances monitors talent demand dynamically in alignment with strategic and operational development goals, assessing the key talent gaps created by new market expansion, technological upgrades, or product line extensions. This ensures efficient coordination between strategy and talent. In recruitment, the Company adopts appropriate recruitment strategies based on the current human resource market conditions, utilizing a variety of channels such as campus recruitment, internal referrals, the “Freshwater Plan” and industry-academic integration to recruit professional talents. Additionally, the Company conducts an annual talent review to assess the distribution and capabilities of talent within the organization, identify high-potential individuals, and effectively allocate talent to support business success and operational goals.

Employee Pay and Benefits: Hisense Home Appliances has built a comprehensive pay system, covering base salary, performance bonuses, special rewards, long-term incentives, and equity incentives. The Company conducts internal and external salary bench-marking analysis, setting compensation levels, structures, and compositions at different levels based on performance, with the aim of stimulating organizational vitality.

Talent Development: To support employees' training and development, the Company has established a three-level training system consisting of “Group-level, Company-level, and Department-level” training. At the group level, training focuses on developing high-potential managers, newly appointed managers, outstanding reserves, and capabilities required for major project breakthroughs. At the Company level, each business unit develops and implements annual training plans based on its specific business needs. At the department level, each department conducts supplementary training plans to address employees' skill gaps. Additionally, the Company has a well-structured program for selecting and nurturing global reserve talents, providing overseas development opportunities.

Occupational Health and Safety: Hisense Home Appliances adheres to the principle of “safety first, prevention as the primary focus, and comprehensive governance,” and follows the principle of risk prevention at the source. The Company integrates safety production into all aspects of its business operations, establishing and improving a dual prevention mechanism of risk-based control and hazard investigation and management. The Company ensures the implementation of safety responsibilities, management, investment, training, and emergency rescue.

Management Discussion and Analysis

Employee Feedback and Communication : Hisense Home Appliances is dedicated to cultivating a constructive and harmonious workplace environment. By implementing a variety of communication channels and platforms, the Company actively encourages employees to express their views openly. Through attentive listening and addressing employee concerns, Hisense Home Appliances aims to strengthen their sense of belonging and foster a more inclusive corporate culture.

3. Technical Advantages

During the Reporting Period, the Company remained steadfast in its “technology-driven enterprise” philosophy, continuously advancing energy-saving innovation under its “smart life” core strategy with a focus on “intelligence, health, and energy efficiency.” Relying on the strong support of 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’s technological R&D strength has been continuously consolidated.

To accelerate the transformation of technological achievements and the enhancement of product competitiveness, the Company deeply promoted the transformation of IPD process and continuously strengthened the leading role of the Hisense Value Thinking Model in the R&D system. This effectively improved R&D efficiency and responsiveness, leading to key breakthroughs in multiple directions such as low-carbon energy-saving, comfort and quietness, formaldehyde and odor removal, full-space freshness preservation, running water washing, and next-generation ITMS. A comprehensive intelligent, low-carbon, and healthy technology system has been established, leading the industry in technological innovation and product upgrades.

(1) HVAC Business

In terms of central air-conditioner: The Company continued to invest in the three major fields of “low-carbon energy saving, health and comfort, and AI,” constantly strengthening its technological innovation capabilities and enhancing overall competitiveness. The Company overcame technologies for reducing standby energy consumption of multi-connected machines and wind energy capture power supply. Through breakthroughs in closed-loop electromagnetic heating control for compressors, circuit time-sharing power supply, and natural wind utilization for outdoor fans, the standby power consumption of multi-connected machines was significantly reduced. These technologies have been appraised as reaching the international leading level through the appraisal of scientific and technological achievements by the China National Light Industry Council. The Company mastered key technologies for the quiet operation of slim duct machines, achieving multi-dimensional breakthroughs in air supply noise reduction and refrigerant flow noise reduction, which have been appraised as reaching the international leading level through the appraisal of scientific and technological achievements by the Chinese Association of Refrigeration (CAR). The Company made breakthroughs in rapid flexible regulation technology for large-capacity DC power distribution multi-connected machines, utilizing AI technology for collaborative research on software and hardware to achieve compatible AC/DC operation and rapid power response for large-capacity multi-connected machines, which have been appraised as reaching the international leading level through the appraisal of scientific and technological achievements by the China National Light Industry Council.

In terms of household air-conditioner: Anchoring on user needs, the Company achieved precise 0.1 °C temperature control and comprehensive operational energy savings of 53.1% in the direction of intelligent collaborative control over energy efficiency and comfort, becoming the first in the industry to reach the 0-watt standby standard. The relevant technologies were evaluated by the Chinese Association of Refrigeration and the China National Light Industry Council as reaching internationally leading levels. In terms of core technological advancements, the Company pioneered high-efficiency pressure-controlled low-noise total heat fresh air technology based on rectifier topology, which reduced system resistance by 13% and increased air volume by 17m³/h. The Company developed China's first Halbach array magnetic levitation external rotor motor technology with a noise reduction – dynamic rpm compensation algorithm, boosting efficiency by up to 15% across the entire speed range while reducing noise to 13.5 dB(A). The dual-phase synergistic catalytic formaldehyde removal technology driven by fresh air uniform flow traction improved formaldehyde removal efficiency by up to 41% compared to the industry highest level, with a formaldehyde clean air delivery rate (CADR) of 53.28 m³/h. The composite dual-split wide-area long-distance air supply and micro-channel refrigerant heat dissipation technologies achieved a 75% increase in air supply angle and reliable operation at an extreme high temperature of 68 °C without shut down. The Company spearheaded the first industry standard for fresh air-conditioners in China, setting a new benchmark for the sector and advancing healthy and comfortable living environments while driving growth in the energy-saving and carbon-reduction industry.

(2) ***Refrigerator, Washing Machine and Kitchen Appliance Business***

In terms of refrigerator: Anchoring on user needs, the Company focuses on continuous innovation in core domains, leading the global refrigerator industry's technological benchmarks. Core technological achievements are remarkable, with multiple breakthroughs gaining international authoritative recognition: the “Key Technologies and Industrialization of Full-space Antibacterial and Odor-free Healthy Refrigerators (全空間抗菌淨味健康冰箱關鍵技術及產業化),” “Key Technologies and Industrialization of Rapid and Clean Ice-making for Household Refrigerators (家用電冰箱極速潔淨制冰關鍵技術及產業化),” and “Key Technologies for Intelligent Diagnosis and Proactive Maintenance of Refrigerators Based on Deep Temporal Analysis (基於深度時序分析的冰箱智能診斷與主動維護關鍵技術)” have been appraised as reaching the internationally leading level by a team of academicians from the China National Light Industry Council. The Company continues to lead in the field of healthy freshness preservation, with breakthrough R&D in multi-frequency pulsed light preservation, ultrasonic intelligent humidity control, and Nine-effect-in-one Ion Technology, pioneering and leading new global standards for healthy freshness-preserving refrigerators. In terms of energy efficiency, the innovative compound throttling and split-flow condensation technologies contribute to a 20% improvement in energy efficiency, meeting Australia's highest 9-star international standard. Ice-making technology leads the world: the self-developed direct-cooling ice-making module achieved an industry-leading rapid ice production speed of 4.3kg/24h, debuting in flagship Australian models; the multi-scenario ice-making and water dispensing system successfully entered the European market, helping the market share in Europe reach the top. Furthermore, the globally launched first dual-axis hinge system enables a 45mm ultra-slim door to open at a wide angle of 115°, which not only reshapes user experience but also takes the lead in formulating industry standards and building solid patent barriers, demonstrating the Company's core technological leadership in the global refrigerator industry.

Management Discussion and Analysis

In terms of washing machine: The Company has centered on user needs, focusing on product form innovation and key core technology R&D. The newly launched “Cotton Candy Family Drum” series of zoned washing and care products, leveraging an industry-leading washing ratio of 1.33, Zeus heat pump low-temperature gentle drying, and fresh air condensation drying technologies, has further consolidated its position in the classified washing market. In terms of key technologies: three core technologies—“Healthy, Energy-saving and High-efficiency Drying and Care Technology for Washer-dryers,” “Water Quality Activation Washing and Care Technology for Washing Machines,” and “Multi-field Coupling Energy-saving and Intelligent Sensing Technology for Heat Pump Dryers”—have all been appraised as “internationally leading.” Healthy washing and care technology achieved new breakthroughs, with a lint removal rate as high as 92.9%, enabling deep cleaning of clothes and accurately addressing the pain points of households with pets. Overseas market expansion has yielded remarkable results, with product energy efficiency continuing to lead: the energy efficiency of drum washing machines exceeded the European standard of A-65%; spray pre-mixing technology enhanced washing and rinsing performance, meeting the Australian double 5-star energy efficiency standard. For drum heat pump washer-dryers, the Company independently developed the heat pump drying system and algorithms, achieving Euro A-10% for 8kg washing and drying and Australia 8-star drying energy efficiency, and successfully entered the high-end Japanese market. The dryer became the first domestic brand to receive the “BEST BUY” rating from the European magazine *Which?*, and the American-style dryer passed UL certification, successfully expanding into the North American market. In respect of green design: the Company collaborated with SGS and TUV Rheinland to promote carbon footprint accounting and deepen product carbon reduction design, with the replacement rate of environmentally friendly recycled materials (PCR) for dryer components exceeding 30%.

In terms of kitchen appliances: The dishwasher focuses on user health, breaking through traditional sterilization technologies to create zero-bacteria dishwashers. The Company pioneered cold and hot air mixing duct condensation technology, solving the industry challenge of residual water in sinks and achieving zero bacteria and unlimited-duration storage. With an intelligent TFT large-screen appearance, it won the Red Dot Award, iF Design Award, and IFA Award. The range hood U8 series can achieve 1,500Pa static pressure for high-heat stir-frying and an airflow of 32 m³/min, reaching industry benchmark levels; equipped with a 10.11-inch smart screen, it enables interconnection and intercommunication among smart home appliances. The one-key stir-frying technology for stoves achieves instant 5.7kW power, with forced-air combustion technology improving energy efficiency by approximately 10%, and flat combustion technology achieving 75% energy efficiency, reaching industry-leading levels.

(3) *Automotive Air-Conditioner Compressor and Integrated Thermal Management System Business*

The transformation into an integrated thermal management system provider for new energy vehicles is accelerating, and prominent progress was made in core technologies in 2025. In thermal system advancements, it has completed the research on key technologies for the next-generation ITMS highly integrated refrigerant integration unit (CRU) platform. This breakthrough enables simultaneous refrigeration and ultra-low-temperature heat pump heating while improving winter driving range degradation by 25%. The solution addresses the demand for natural refrigerants and the safety and cost challenges faced by thermal management systems for new energy vehicles under the “dual carbon” goals and PFAS environmental regulation restrictions, thereby realizing environmental and social value.

The fifth-generation electric compressor platform adopts a modular architecture as its core, featuring co-designed scroll compression mechanisms, motors, and inverter systems. The development of the family-based platform has been completed. Based on the modular design, it realizes compatibility with multiple refrigerants such as R1234yf, CO₂, and R290, achieving dual breakthroughs in “high energy efficiency and low noise.” In terms of water heaters, products based on ultra-high-voltage resistance rod heating have once again secured orders from international customers. Meanwhile, the next-generation thick-film heating technology has achieved technological breakthroughs in compact design, light weighting, and cost efficiency, with the preliminary development of the platform completed. Air handling unit technology also advanced across multiple dimensions. Significant progress was made in quietness, temperature control, and energy efficiency control technologies. Breakthroughs were also achieved in the fields of dual-mixing small air-conditioners and comprehensive air-conditioners combining double-layer flow and zoned temperature control technologies, which have successively gained customer recognition and achieved mass production for multiple domestic and foreign customers.

4. **Brand Matrix**

The Company’s products cover eight brands, i.e., “Hisense”, “Ronshen”, “KELON”, “HITACHI”, “YORK”, “gorenje”, “ASKO” and “SANDEN”, with 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 various users.

During the Reporting Period, Hisense’s brand equity and awareness continued to rise. According to Ipsos 2025 survey data, there was a 4% and 2 percentage points year-on-year increase in the Hisense Brand Equity Index (HBI) and total brand awareness, respectively. Among young adults, the HBI continued to rise by 7.4% year-on-year; in new first-tier cities, the HBI grew by 7.4% year-on-year. In the BrandZ Top 50 Chinese Global Brand Builders annual list co-published by Google and Kantar, Hisense has maintained its position in the top 10 for nine consecutive years.

Management Discussion and Analysis

Along with the continuous advancement of the Company's internationalization strategy and ongoing intensification of sports marketing efforts, the overseas popularity and influence of the brand have been constantly improved. The Company has continuously sponsored top global sports events such as Euro 2016, World Cup 2018, Euro 2020, World Cup 2022, Euro 2024, and FIFA Club World Cup 2025, and has officially announced its role as a Global Official Sponsor of the 2026 FIFA World Cup. The Company will continue to engage in top international sports events to enhance its brand influence in the global market.

(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	1,778,172.30	677,428.05	1,739,115.83	352,607.62	293,252.02

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 VII to the financial statements.

IV. OUTLOOK

(I) THE COMPANY'S DEVELOPMENT STRATEGY

With the mission of "pursuing continuous, independent technological innovation centred on user needs, 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." The Company creates high-quality products with ingenuity and aims to become the most trustworthy brand in the world.

BUSINESS HIGHLIGHTS FOR 2026

The Company will adhere to its customer- and user-centred 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. In 2026, we will focus on core capacity building and strategic implementation, accelerate globalization layout and digital transformation, strengthen operational quality and risk control, and promote the Company's sustainable and high-quality development. We will expedite strategic transition from a "product-centric hardware manufacturer" to a "user-centric smart living service partner", and use AI to reshape growth engine.

Management Discussion and Analysis

The specific business highlights are as follows:

1. Deepening R&D Innovation to Lead Product Upgrades and Cost Competitiveness

The Company will adhere to the “technology-driven enterprise” philosophy, strengthen user-centric product planning and the transformation of forward-looking technology research, and promote the upgrade of products from “smart devices” to “smart companions” to continuously enhance user experience and product competitiveness, and gradually transform products into AI companion devices capable of providing emotional connection and proactive services. We will fully implement the user-centric integrated product development (“IPD”) process, accelerate R&D digital transformation, deepen IPD iteration, and deeply explore the application potential of AI in the entire R&D process to improve R&D efficiency and responsiveness. Meanwhile, the Company will promote standardization reform across the entire value chain, particularly strengthening cost control capabilities in the R&D stage to build core competitiveness in cost leadership.

2. Driving Marketing Breakthroughs and Brand Upgrades to Achieve Synergistic Growth in Domestic and Overseas Sales

The Company will accelerate the transformation of its business model from “selling products” to “managing user relationships” and adopt a service-oriented, sustained approach to user engagement. By delivering services, content and interactions covering the entire user journey and lifecycle, it seeks to establish, maintain and deepen user relationships, thereby upgrading its business model from one-off transactions to sustained value creation. In the domestic market, the Company will deeply cultivate channel upgrades and efficiency improvements, optimize the omni-channel layout of online and offline, promote the creation of benchmark stores, and improve the operational efficiency of individual stores. We will precisely gain insights into high-end user needs, improve the layout of high-end product lines, and deepen the promotion of IPMS to achieve precise reach of brand and product marketing, thereby enhancing the brand’s high-end image and market share in the mid-to-high-end segment. In terms of overseas market expansion, the Company will develop customized product lines for different regional market needs to enhance product adaptability and competitiveness overseas. Leveraging sports marketing resources, we will actively build six regional growth engines in Europe, North America, Central and South America, MEA, Asia-Pacific, and ASEAN to continuously enhance global brand influence. Concurrently, the Company will promote DTC model reform and accelerate the transformation of self-owned channels toward efficient retail to improve overall marketing efficiency.

3. Promoting Lean Procurement to Ensure Global Supply Chain Resilience and Efficiency

Drive the transformation of procurement models centered on “quality, cost, and service,” reshape the supplier value management system, and enhance supply chain responsiveness and stability; implement refined management through supplier classification and grading, optimize procurement resource allocation, and deepen category management to reduce costs and increase efficiency. Upgrade informatization platforms and strengthen supplier source management and quality capacity building. Meanwhile, align domestic and overseas procurement certification standards, complete the dual-track backup layout of global resources for key categories, strengthen global procurement synergy, optimize global supply chain costs, and enhance overall efficiency and cost competitiveness.

Management Discussion and Analysis

4. **Strengthening Intelligent Manufacturing and Global Layout to Support End-to-end Cost Optimization**

Deepen the digital transformation of the manufacturing side to support the continuous optimization of product lifecycle costs and help achieve category cost reduction targets. Accelerate the construction of the Changsha Home Appliance Industrial Park, improve the operational efficiency of the Monterrey Home Appliance Industrial Park in Mexico, and accelerate the development of Thailand Home Appliance Industrial Park to expand global capacity and strengthen efficient synergy across multiple global bases. Concurrently, actively respond to the national “dual carbon” strategy, continue to promote green manufacturing practices, strive to build industry “lighthouse factories,” and enhance sustainable development capabilities.

5. **Focusing on Operational Quality Improvement to Continuously Create Shareholder Value**

Place shareholder value creation at the core, and continuously improve the Company’s overall operating efficiency and investment return levels by enhancing operational efficiency, optimizing resource allocation, and strengthening profitability.

6. **Consolidating Organizational and Digital Guarantees to Stimulate Organizational Vitality**

Deepen data governance and knowledge management, accelerate the improvement of core business process-orientation and online rates, and empower efficient business development through digitalization. Continuously optimize talent introduction and cultivation mechanisms, stimulate organizational innovation vitality, optimize long-term incentive mechanisms, and enhance team cohesion and combat effectiveness to provide a solid organizational guarantee for strategic implementation.

(II) MAJOR RISKS TO FUTURE DEVELOPMENT

1. **Macroeconomic Fluctuation Risk**

There are increasing uncertainties in the global macroeconomy. If economic growth further slows down or a regional recession occurs, it may lead to a decline in the willingness and ability of residents to consume, which could, in turn, suppress the overall demand for durable consumer goods such as home appliances. Concurrently, adjustments in domestic and overseas macroeconomic policies or weak growth in consumer demand may also directly impact the market sales of the Company’s main products.

2. **Rising Cost Risk**

Any significant fluctuation in the prices of the Company’s main raw materials (such as copper, steel, plastic, aluminum, etc.) will directly impact the product cost structure. 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.

Management Discussion and Analysis

3. Exchange Rate Risk

Along with the continuous expansion of the Company's overseas business scale and the significant increase in the proportion of overseas revenue, if the exchange rate of RMB fluctuates significantly, it may not only affect the price competitiveness and profitability of the Company's products in overseas markets, leading to a narrowing of the profit margin of the overseas business, but also result in significant exchange losses and increase overall financial costs.

4. Market Risk Due to Trade Protectionism and Trade Barriers

Some countries or regions may protect their own economic interests through means such as increasing tariffs and imposing stricter technical barriers. These measures will 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

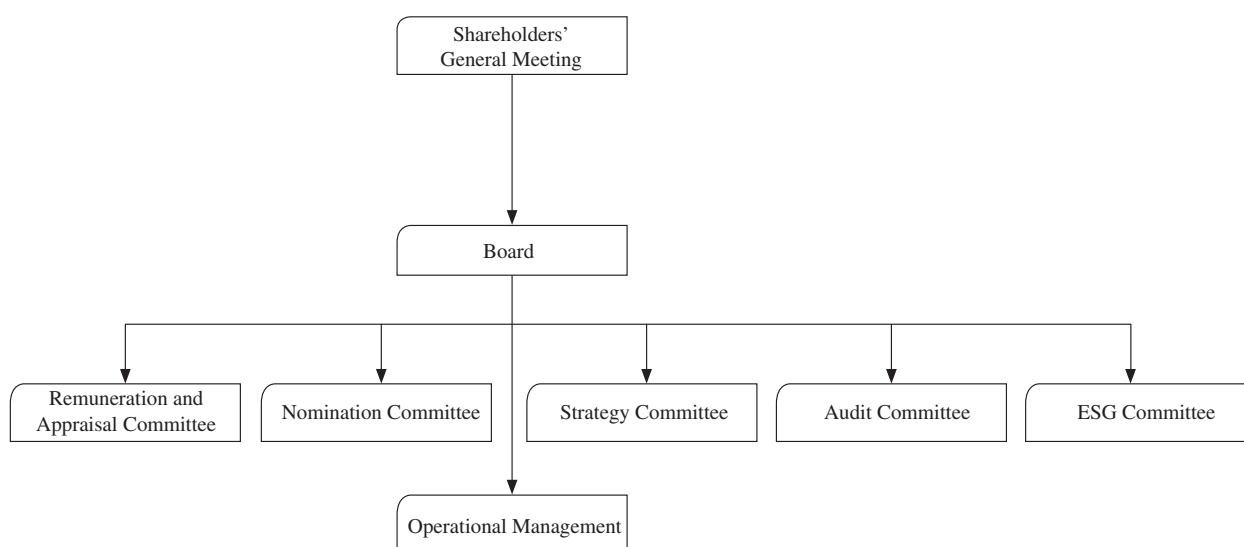
The Group is not aware of any significant events that could have a material impact on our operating and financial performance after the year ended 31 December 2025 and up to the date of this annual report.

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 and its specialized committees 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 contained in Appendix C1 to the Hong Kong Listing Rules (the “**Corporate Governance Code**”) as its own code to govern its corporate governance practices.

(I) CORPORATE GOVERNANCE STRUCTURE:



(a) The Shareholders' General Meeting:

As the highest authority of the Company, 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 2025, one annual general meeting (“**AGM**”) was held by the Company on 25 June 2025, two extraordinary general meetings (“**EGMs**”) were held by the Company on 10 March 2025 and 18 September 2025 respectively.

The attendance records of the Directors 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	3	3	0	100%
Mr. Jia Shao Qian	3	3	0	100%
Mr. Yu Zhi Tao	3	3	0	100%
Ms. Fang Xue Yu ^{Note 1}	0	0	0	–
Mr. Yin Bi Tong ^{Note 2}	1	1	0	100%
Mr. Dai Hui Zhong	3	3	0	100%
Mr. Li Zhi Gang	3	3	0	100%
Mr. Tsoi Wing Sing	3	3	0	100%
Mr. Xu Guo Jun	3	3	0	100%
Mr. Hu Jian Yong ^{Note 3}	2	2	0	100%
Mr. Zhu Dan ^{Note 4}	2	2	0	100%

Notes :

1. Ms. Fang Xue Yu has been an executive Director of the Company since 18 September 2025.
2. Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025.
3. Mr. Hu Jian Yong ceased to be an executive Director and the President of the Company since 30 July 2025.
4. Mr. Zhu Dan ceased to be an executive Director of the Company since 30 July 2025.

Corporate Governance Report

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).
- (3) 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 Audit Committee in writing.
- (4) If the Audit 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 Audit Committee fails to issue a notice of Shareholders' general meeting or class meeting within the prescribed period, the Audit 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

Shareholders requesting to inspect and reproduce relevant information of the Company shall comply with the provisions of the relevant laws and regulations. To ensure the limited and lawful use of relevant information of the Company, the following requirements should be implemented:

- (1) Except for statutory reasons such as the proposal of convening of a general meeting, access to information is limited to lawful, proper, non-commercial purposes related to corporate governance and Shareholders' rights. If a Shareholder's request for information is clearly malicious for purposes such as manipulating stock prices, malicious acquisitions, filing lawsuits against other Shareholders, recruiting employees from competitors, promoting products or services, the Company has the right to reject the request.

Corporate Governance Report

- (2) To ensure that daily operations and management of the Company are not affected, the Company shall particularly provide Shareholders who have submitted applications with the regular annual reports for inspection within fifteen (15) days after the same are published. The interval between the time a Shareholder submits a written application and the date of information inspection should be no less than fifteen (15) days. If a Shareholder authorises another person to inspect the information, a valid certificate of identity, a power of attorney, and a notarial certificate shall be provided, stating the purpose and scope of the inspection.
- (3) Shareholders should inspect and reproduce the information on-site at the office designated by the Company, and sign a confidentiality commitment for the inspected information. Among them, to prevent Shareholders from abusing their rights by repeatedly inspecting and reproducing the register of Shareholders, the Company shall only provide the register of Shareholders as at the equity registration date of the most recent general meeting.
- (4) The costs for Shareholders to inspect and reproduce information shall be borne by the Shareholders themselves.
- (5) Except for otherwise required by laws, administrative regulations, rules of stock exchanges, etc., regarding the procedures and time limits for Shareholders to inspect and reproduce information.

The Securities Department of the Company, whose contact details are set out below, is responsible for day-to-day communication with the 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

Corporate Governance Report

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 the Shareholders' 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 a 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' meeting

Any Shareholder(s) who hold(s), individually or jointly, 1% 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' meeting. The convener shall issue a supplemental notice of the general meeting and make an announcement of the contents of such extraordinary resolutions within two (2) days after receipt of the resolutions, and submit such extraordinary resolutions at the general meeting for consideration.

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 25 June 2025, the Shareholders 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 30 May 2025.

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).

Corporate Governance Report

(b) The Board

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 annual report, the Board comprised nine Directors, including five executive Directors, namely Ms. Gao Yu Ling (Chairperson), Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Ms. Fang Xue Yu and Mr. Dai Hui Zhong, three independent non-executive Directors, namely Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun, and one employee representative Director, namely Mr. Yin Bi Tong. The changes in the composition of the Board during the Reporting Period were as follows:

- (i) Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025;
- (ii) Ms. Fang Xue Yu has been an executive Director of the Company since 18 September 2025;
- (iii) Mr. Hu Jian Yong has ceased to be an executive Director and the President of the Company since 30 July 2025; and
- (iv) Mr. Zhu Dan has ceased to be an executive Director of the Company since 30 July 2025.

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

The Directors 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 regional and sectoral experience, ethnicity, 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 two female Directors, namely Ms. Gao Yu Ling and Ms. Fang Xue Yu.

The Nomination Committee reviews the implementation and effectiveness of the board diversity policy annually and monitors progress towards the measurable targets adopted by the Board.

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 in the section headed “Profiles and Members of Senior Management” of this annual report.

The main duties of the Board are as follows: to convene the Shareholders’ meetings and report its work to the Shareholders, and to exercise its decision-making powers 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’ meetings. 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 senior management and supervising and evaluating their work.

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 senior management of the Company 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 2025, 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 president 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. The Company will conduct a formal Board assessment at least once in the next two years and plans to conduct it on a regular basis every two years.

In 2025, the Board held nine (9) 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 2025 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	9	9	0	100%
Mr. Jia Shao Qian	9	9	0	100%
Mr. Yu Zhi Tao	9	9	0	100%
Ms. Fang Xue Yu ^{Note 1}	2	2	0	100%
Mr. Yin Bi Tong ^{Note 2}	4	4	0	100%
Mr. Dai Hui Zhong	9	9	0	100%
Mr. Li Zhi Gang	9	9	0	100%
Mr. Tsoi Wing Sing	9	9	0	100%
Mr. Xu Guo Jun	9	9	0	100%
Mr. Hu Jian Yong ^{Note 3}	5	5	0	100%
Mr. Zhu Dan ^{Note 4}	5	5	0	100%

Notes:

1. Ms. Fang Xue Yu has been an executive Director of the Company since 18 September 2025.
2. Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025.
3. Mr. Hu Jian Yong ceased to be an executive Director and the President of the Company since 30 July 2025.
4. Mr. Zhu Dan ceased to be an executive Director of the Company since 30 July 2025.

Corporate Governance Report

As stipulated in the Articles of Association, all Directors should be given fourteen (14) days' notice prior to the commencement of a regular Board meeting. For an extraordinary Board meeting, three (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 three (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, telephone 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 PRC, 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 ten (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 Company ensures that the Board can obtain independent views and opinions through the mechanisms (the "**Mechanisms**"): (1) the Board comprises three (3) 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 (Hong Kong Listing Rules) of the Company. The Company has received a confirmation of independence from each of the independent non-executive Directors; (2) the chairperson holds at least one meeting annually with the independent non-executive Directors without the presence of the executive Directors; and (3) the Board has also taken into account the respective contributions of the independent non-executive Directors to the Board and their commitments. In 2025, all the independent non-executive Directors do not hold any cross-directorships or have any significant links with other Directors through involvement in other companies that could give rise to conflicts of interest in their roles as independent non-executive Directors.

Corporate Governance Report

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.

The Board reviews the implementation and effectiveness of the Mechanism on an annual basis to ensure its continued efficacy in safeguarding corporate governance.

Specialised Committees of the Board

The Board has established five specialised 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 (2) executive Directors, namely Mr. Jia Shao Qian, Mr. Yu Zhi Tao and three (3) independent non-executive Directors, namely, Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun. Mr. Li Zhi Gang acts as the chairman of the Remuneration and Appraisal Committee.

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

- I. to establish evaluation criteria for the Directors and senior executives, conduct assessments, formulate and review remuneration policies and schemes for Directors and senior executives, 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 have the power to reject remuneration plans or programmes that are detrimental to the interests of the Company and its Shareholders.
- III. to consult the Chairman and/or chief executive about the remuneration proposals for other executive Directors. The remuneration plan recommended by the Remuneration and Appraisal Committee shall only be implemented after it has been reported to the Board for approval and considered and approved by the Shareholders at the general meeting. The remuneration proposal for the senior management of the Company shall be reported to the Board for approval.

Corporate Governance Report

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 in the paragraph headed “Employees’ Training and Remuneration Policy – Remuneration Policies” of this annual report.

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

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	3	3	0	100%
Mr. Jia Shao Qian	3	3	0	100%
Mr. Yu Zhi Tao	3	3	0	100%
Mr. Tsoi Wing Sing	3	3	0	100%
Mr. Xu Guo Jun	3	3	0	100%

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

1. Resolution on the annual remuneration policy of the senior management of the Company;
2. Resolution on the annual remuneration of the Chairman and senior management of the Company for the annual results of 2024;
3. Resolution on the basic annual remuneration of the senior management of the Company;
4. Resolution on the expiration of the second lock-up period for the initial and reserved portions of the 2022 A Share Employee Stock Ownership Plan (see details under the paragraph “Report of the Directors-Directors’s Rights to Acquire Shares or Debentures of the Company”), and the first lock-up period for the remaining reserved portion, and the fulfillment of unlocking conditions;

Corporate Governance Report

5. Resolution on the fulfillment of unlocking conditions for the second unlocking period of the 2022 Restricted A Share Incentive Scheme (see details under the paragraph “Report of the Directors-Directors’s Rights to Acquire Shares or Debentures of the Company”);
6. Resolution on the expiration of the first lock-up period and the fulfillment of the unlock conditions of the 2024 A Share Employee Stock Ownership Plan;
7. Resolution on the basic annual remuneration of the chairman of the Company;
8. Resolution on the compensation of Ms. Fang Xue Yu, the executive Director of the Company;
9. Resolution on the compensation of Ms. Gao Yu Ling, the president of the Company.

Members of the Remuneration and Appraisal Committee confirmed that the remuneration of the Directors 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 and the senior management of the Company for the year ended 31 December 2025 are set out in the headed “Reports of Directors – PARTICULARS OF THE REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD” 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 two executive Directors, namely, Ms. Gao Yu Ling and 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 acts as the chairman of the Nomination Committee.

The major duties and authority of the Nomination Committee are:

- I. to 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. nominate, appoint, or remove Directors and promote diversity on the Board during the selection process, including but not limited to gender, age, cultural and educational background, professional experience, skills, regional and industry experience, race, knowledge, tenure, and any other factors the Board may from time to time deem relevant and appropriate to achieve diversity among Board members;
 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.

The Nomination Committee shall review the qualifications of the nominated independent non-executive Director candidates for appointment and form a clear opinion on the review.

If the Board does not adopt or only partially adopts the recommendations of the Nomination Committee, it shall record the Nomination Committee’s opinions and reasons for not adoption the recommendations in the Board’s resolution and disclose such information.

Corporate Governance Report

- II. to shall be accountable to the Board and proposals of the Nomination Committee shall be submitted to the Board for its decision. Unless with sufficient reason or reliable evidence, the controlling Shareholders shall give full respect to the recommendations made by the Nomination Committee; otherwise, no individual shall be nominated by the controlling Shareholders as substituting candidate for Director or senior management.
- III. to annually review the implementation and effectiveness of the board diversity policy, and monitor progress towards achieving the measurable objectives adopted by the Board.

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 Nomination 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 Nomination Committee ceases to be a Director, he or she shall be disqualified as a member of the Nomination 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 held two meetings during the Reporting Period, and the attendance record of the members of the Nomination Committee is set out below:

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	2	2	0	100%
Ms. Gao Yu Ling	2	2	0	100%
Mr. Jia Shao Qian	2	2	0	100%
Mr. Li Zhi Gang	2	2	0	100%
Mr. Xu Guo Jun	2	2	0	100%

Corporate Governance Report

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

1. Resolution on the adjustment of members of the Nomination Committee;
2. Resolution on the appointment of a securities affairs representative;
3. Resolution on the nomination of Ms. Fang Xue Yu as a candidate for executive Director of the twelfth session of the Board; and
4. Resolution on the nomination of Ms. Gao Yu Ling as a candidate for President of the Company.

The Nomination Committee conducts extensive searches for candidates of Directors or senior management in the Company, enterprises under its control (investee companies), and in the employment market, 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 nomination for the positions of directors, the Nomination Committee shall provide the Board with its recommendations and relevant materials of the candidates for directorship two months before the nomination. In respect of nomination of senior management, the Nomination Committee shall provide the Board with its recommendation and relevant materials of the candidates for senior management one 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.

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, Ms. Fang Xue Yu and Mr. Yin Bi Tong. Ms. Gao Yu Ling acts as the chairperson of the committee.

The Strategic Committee 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 were 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 Strategic 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 Strategic Committee can be re-elected upon his or her retirement. During the term of office, if any member of the Strategic Committee ceases to be a Director, he or she shall be disqualified as a member of the Strategic Committee accordingly, and the vacancy should be filled by the person elected by the Strategic Committee in accordance with the requirements.

Corporate Governance Report

The Strategic Committee held one meeting during the Reporting Period and the attendance record of the members of the Strategic Committee is set out below:

Name	Attendance of the meetings of the Strategic Committee by the committee members			
	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	1	1	0	100%
Mr. Jia Shao Qian	1	1	0	100%
Mr. Yu Zhi Tao	1	1	0	100%
Mr. Yin Bi Tong ^{Note 1}	1	1	0	100%
Ms. Fang Xue Yu ^{Note 2}	0	0	0	–
Mr. Hu Jian Yong ^{Note 3}	0	0	0	–
Mr. Zhu Dan ^{Note 4}	0	0	0	–

Notes:

1. Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025.
2. Ms. Fang Xue Yu has been an executive Director of the Company since 18 September 2025.
2. Mr. Hu Jian Yong has ceased to be an executive Director and the President of the Company since 30 July 2025.
3. Mr. Zhu Dan has ceased to be an executive Director of the Company since 30 July 2025.

During the Reporting Period, the Strategic Committee considered and approved the resolution on the election of Mr. Yin Bi Tong as a member of the Strategic Committee 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.

Corporate Governance Report

The major duties and authority of the Audit Committee are:

- I. The Audit Committee shall be responsible for reviewing the financial information of the Company and its disclosure, supervising and evaluating the internal and external audit work and internal control. The following matters shall be submitted to the Board for deliberation only after obtaining the consent of more than half of all members of the Audit Committee:
 - (1) disclosure of financial information in financial accounting reports and regular reports and evaluation report on internal control;
 - (2) appointment or termination of the accounting firms engaged in auditing matters of the Company;
 - (3) appointment or dismissal of the Company's chief financial officer;
 - (4) changes in accounting policies and accounting estimates or correction of significant accounting errors due to reasons other than changes in accounting standards;
 - (5) other matters as prescribed by laws and regulations, relevant provisions of the China Securities Regulatory Commission and the Articles of Association.

- II. The audit department of the Company is the office for day-to-day work of the Audit Committee and carries out the daily work of audit, inspection and supervision for internal control according to the decisions made or authorization given by the Audit Committee. The audit department is accountable to the Audit Committee and reports to the Audit Committee. The Audit Committee shall perform the following major duties in supervising and evaluating the work of the Audit Department:
 - (1) to guide and supervise the establishment and implementation of the internal audit system;
 - (2) to review the Company's annual internal audit work plan;
 - (3) to urge the implementation of the Company's internal audit plan;
 - (4) to guide the effective operation of the internal audit department. The Company's audit department shall report its work to the Audit Committee. All types of audit reports submitted by the audit department to the management, rectification plans and rectification status for audit issues, shall be reported to the Audit Committee simultaneously;
 - (5) to report to the Board on the progress, quality and major issues identified in the internal audit work;
 - (6) to coordinate the relationship between the audit department and external audit entities such as accounting firms and national audit institutions.

Corporate Governance Report

The Board has established the Audit Committee with specific written terms of reference. 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 acts as the chairman of the Audit Committee.

The Audit Committee held five 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 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	5	5	0	100%
Mr. Tsoi Wing Sing	5	5	0	100%
Mr. Li Zhi Gang	5	5	0	100%

In 2025, the Audit Committee accomplished the following major tasks:

1. reviewed the annual, interim and quarterly financial results and reports of the Company;
2. considered and approved the report on internal control for the year of 2024 and the final report for the audit work conducted by the audit firm for the year of 2024;
3. 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 2025;
4. reviewed the effectiveness of the Company's risk management and internal control systems; and
5. 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. Dai Hui Zhong and Mr. Yin Bi Tong. Ms. Gao Yu Ling acted as the chairperson of the ESG Committee.

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

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	2	2	0	100%
Mr. Jia Shao Qian	2	2	0	100%
Mr. Yu Zhi Tao	2	2	0	100%
Mr. Dai Hui Zhong	2	2	0	100%
Mr. Yin Bi Tong ^{Note 1}	1	1	0	100%
Mr. Hu Jian Yong ^{Note 2}	1	1	0	100%

Notes:

1. Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025.
2. Mr. Hu Jian Yong has ceased to be an executive Director and the President of the Company since 30 July 2025.

Corporate Governance Report

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

1. 2024 Environmental, Social and Governance Report; and
2. Resolution on the election of Mr. Yin Bi Tong as a member of the ESG Committee of the twelfth session of the Board.

(II) COMPLIANCE WITH THE 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.

Directors' Training

In order to enhance the level of corporate governance of the Directors, the Board secretary continuously follows the latest regulatory requirements set out by the securities regulatory institutions, and delivers such requirements and information to the Directors in a timely manner. At the same time, the Company has also arranged training programs for the relevant Directors, 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.

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

Name	Types of training (Note)
Ms. Gao Yu Ling	a, b
Mr. Jia Shao Qian	a, b
Mr. Yu Zhi Tao	a, b
Ms. Fang Xue Yu	a, b
Mr. Yin Bi Tong	a, b
Mr. Dai Hui Zhong	a, b
Mr. Li Zhi Gang	a, b
Mr. Tsoi Wing Sing	a, b
Mr. Xu Guo Jun	a, b

Notes:

- a. attending training or seminar relevant to the Company's industry, director's duties, and/or corporate governance, and
- b. reading information relevant to the Company's industry, director's duties and/or corporate governance; or read regular updates issued by the Company.

Mr. Yin Bi Tong and Ms. Fang Xue Yu have obtained the legal opinion stated in Rule 3.09D of the Hong Kong Listing Rules and completed the new director training on 28 July 2025 and 15 September 2025, respectively. Each of them has confirmed that they understand their responsibilities as a Director of the Company.

Corporate Governance Report

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	Chairperson	Former President	President
Name	Ms. Gao Yu Ling	Mr. Hu Jian Yong	Ms. Gao Yu Ling
Term of office	21 November 2024 to present	28 February 2023 to 30 July 2025	30 July 2025 to present

The chairman of the Company 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 of the Company 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 of the Company held at least one meeting with the independent non-executive Directors without the presence of the executive Directors.

Since 30 July 2025, Mr. Hu Jian Yong ceased to serve as the president of the Company and the position of the president is now held by Ms. Gao Yu Ling.

Internal Control and Risk Management

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, R&D, 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.

Corporate Governance Report

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 2025, 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 annual 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 annually. 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.

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 (including ESG 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 (including ESG risks), and the Group's ability to respond to the risk identified and its impact on its business and the external environment;
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 (including ESG risks) and for the purposes of assessing the adequacy and the effectiveness of the Company's risk management and internal control systems;
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.

Corporate Governance Report

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.

The Company has formulated the Code of Business Ethics of Hisense Home Appliances. Through multiple initiatives including regular internal oversight, the execution of employee integrity undertaking declarations, and the maintenance of open whistleblowing and grievance channels, the Company proactively prevents all unethical conducts such as corruption, bribery and fraud. Furthermore, the Company encourages all staff and external business partners to report irregularities and disciplinary breaches on an anonymous or named basis, and has put in place a whistleblower incentive scheme. In addition, the Company deals with whistleblowing cases in strict compliance with relevant regulations, fully enforces whistleblower protection protocols, keeps whistleblowers' personal information and report content strictly confidential, prohibits retaliatory acts in all circumstances, and safeguards the fairness and safety of all investigation procedures.

(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. The Company has maintained a system for monitoring the dealings of the Company's securities by Directors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company will notify all Directors of the blackout period before the commencement of such blackout period, reminding the Directors not to deal in the Company's securities during the blackout period before the announcement of results. The Board is of the view that the guidelines and procedures for the Directors' dealings of securities in the Company are adequate and effective. After making specific enquiries to the Directors, they all confirmed that they had complied with the Model Code during their term of office during the Reporting Period.

(IV) AUDITOR

On 25 June 2025, 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 2025, 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 2025 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 and Members of Senior Management

INCUMBENT DIRECTORS

Ms. Gao Yu Ling, aged 44, Master of Management, served successively as deputy director of finance center of Hisense Visual, chief financial officer and chief accountant of the Company, general manager and deputy chief accountant of financial and operation management department of Hisense Group, executive vice president of the Hisense Smart Living Industry Cluster, supervisor of Hisense Air Conditioning. Ms. Gao serves as a director of Hisense International, a director of Sanden Company, a director of Hisense Xinghai Technology (Hangzhou) Co., Ltd., the Chairperson and President of the Company, and the chairperson and president of Hisense Refrigerator Co., Ltd.

Mr. Jia Shao Qian, aged 53, Doctor of Economics, served successively as legal advisor of legal affairs department and director of the president's office of Hisense Company Limited, vice president and president of the Company, general manager of Hisense (Shandong) Refrigerator Co. Ltd., executive vice president of Hisense Company Limited, and president of Hisense Group. Mr. Jia serves as the chairman of Hisense Group, a director of Hisense Visual, a non-executive director of Nazhen Technology Co., Ltd., a director of Xiamen Qian Zhao Optoelectronics Co., Ltd., a director of Shijiazhuang Kelin Electric Co., Ltd., and a Director of the Company.

Mr. Yu Zhi Tao, aged 48, Bachelor's degree, served successively as R&D engineer of Hisense Company Limited, deputy general manager of Qingdao Hisense Mobile Technology Company Ltd., general manager of software R&D department and overseas R&D department and deputy general manager of R&D center of Hisense Visual, deputy general manager and general manager of Qingdao Hisense Media Network Technology Company Ltd., general manager of VIDAA Technology Co., Ltd., executive vice president and president of Hisense Group, and president of Hisense Visual. Mr. Yu serves as a director and the chief executive officer of Hisense Group, the chairman of Hisense Visual, the chairman of Shijiazhuang Kelin Electric Co., Ltd., a director of Xiamen Qian Zhao Optoelectronics Co. Ltd., a director of Sanden Company, a non-executive director and chairman of Nazhen Technology Co. Ltd., and a Director of the Company.

Mr. Yin Bi Tong, aged 57, Master of Business Administration, served successively as general manager assistant and marketing director at Midea Air Conditioning Domestic Marketing Company, director and general manager of Wuxi Little Swan Co., Ltd., and director, senior vice president, president of the Home Air Conditioning Business Division, president of the China region, and co-president of the Smart Home Business Group at Midea Group. Mr. Yin serves as the president and party secretary of Hisense's Air Business Division, the general manager of the Air Business Division's Domestic Marketing Centre, and a Director of the Company.

Ms. Fang Xue Yu, aged 52, Master's degree, served successively as deputy general manager of Hisense International, general manager of the European subsidiary, general manager of Hisense Communications, vice president of Hisense Multimedia Group, vice president of Hisense Electronic Information Group, and deputy general manager and executive vice president of Hisense International. Ms. Fang serves as the president and party secretary of Hisense International, the president of the Hisense Global Marketing Centre, and a Director of the Company.

Mr. Dai Hui Zhong, aged 60, Bachelor's degree, served successively as vice-general manager of Hisense Mould, director and general manager of Hisense Visual, president and chairman of Hisense Broadband Multimedia Technology (BVI) Inc., president and chairman of the Company, chairman of Hisense Air Conditioning, and vice president and senior vice president of Hisense Company Limited. Mr. Dai serves as a Director and consultant of the Company.

Profiles of Directors and Members of Senior Management

Mr. Li Zhi Gang, aged 50, Doctor of Management of Nankai University, expert recipient of the State Council's Special Government Allowance, served as lecturer and associate professor at the School of Management of Ocean University of China. Mr. Li serves as a professor, associate dean, doctoral advisor, member of the Academic Committee, and member of the Degree Committee at the School of Management, Ocean University of China, a deputy director of the Center for Innovation and Entrepreneurship at Ocean University of China, a deputy editor-in-chief of the Journal of Ocean University of China (Social Sciences Edition), a deputy director of the Specialized Committee on Management Research Methods under the China Society for Management Modernization, and a deputy director of the Specialized Committee on Smart Manufacturing and Digital-Intelligent Ecosystems under the China Enterprise Management Research Association, an independent director of Qingdao Oriental Tower Co., Ltd.* (青島東方鐵塔股份有限公司) and 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.

Mr. Tsoi Wing Sing, aged 63, an Honorary Doctorate from California International University, served as director of Calson Investment Limited. and Changzhou Qifa Footwear Co., Ltd.* (常州啟發鞋業有限公司). Mr. Tsoi serves as an executive director of Star Shine Holdings Group Limited (stock code: 1440), Calson Industrial International Company Limited and Hope Faith Limited, and an independent non-executive Director of the Company.

Mr. Xu Guo Jun, aged 63, Doctor of Economics (Accounting) and professor of Accounting of Renmin University of China and non-practicing Certified Public Accountant, served as member of the party committee, chief accountant, deputy general manager, general manager, deputy secretary of the party committee and director of Qingdao Guoxin Development (Group) Co., Ltd.* (青島國信發展(集團)有限責任公司), professor of management and PhD supervisor at Ocean University of China, 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 in July 2022), independent director of Qingdao Doublestar Co., Ltd.* (青島雙星股份有限公司) (stock code: 000599), independent director of Ceyear Technologies Co., Ltd.* (中電科思儀科技股份有限公司), outside director of Qingdao Qingtie Jinhui Holdings Limited* (青島青鐵金匯控股有限公司), and independent director of Impulse (Qingdao) Health Tech Co., Ltd.* (青島英派斯健康科技股份有限公司) (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, stock code: 002696), 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, stock code: 301456), and an independent non-executive Director of the Company.

Incumbent Senior Management Members

Ms. Gao Yu Ling also serves as the Company's President; please see above for her biography.

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

Ms. Zhang Yu Xin, aged 39, 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, served successively as management consultant at Roland Berger Strategy Consultants, TMT industry analyst at UBS, and of investor relations director at Haier Smart Home Co., Ltd. She serves as the Company's Board Secretary since August 2022.

Ms. Wong Tak Fong, aged 59, 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. She acted as managing director of General Bright Consultants Ltd., and joint company secretary of the Company. She serves as the company secretary of the Company.

Report of the Directors

BOARD COMPOSITION

As at the date of this annual report, the Board comprised five executive Directors, being Ms. Gao Yu Ling, Mr. Jia Shao Qian, Mr. Yu Zhi Tao, Ms. Fang Xue Yu and Mr. Dai Hui Zhong, three independent non-executive Directors, being Mr. Li Zhi Gang, Mr. Tsoi Wing Sing and Mr. Xu Guo Jun, and one employee representative Director, being Mr. Yin Bi Tong.

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 ^{Note 1}
Mr. Zhu Dan ^{Note 2}
Mr. Dai Hui Zhong
Ms. Fang Xue Yu ^{Note 3}

Independent Non-executive Directors

Mr. Li Zhi Gang
Mr. Tsoi Wing Sing
Mr. Xu Guo Jun

Employee Representative Director

Mr. Yin Bi Tong ^{Note 4}

Notes:

1. Mr. Hu Jian Yong ceased to be an executive Director of the Company with effect from 30 July 2025 due to personal reasons.
2. Mr. Zhu Dan ceased to be an executive Director of the Company with effect from 30 July 2025 due to work adjustment.
3. Ms. Fang Xue Yu has been an executive Director of the Company since 18 September 2025.
4. Mr. Yin Bi Tong has been an employee representative Director of the Company since 30 July 2025.

Report of the Directors

PRINCIPAL BUSINESSES

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

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 2025 Environmental, Social and Governance Report of the Company published on 28 April 2026, 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 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 the PRC 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 PRC 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 adhere to the Code of Business Ethics of Hisense Home Appliances and 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 2025 Environmental, Social and Governance Report of the Company published on 28 April 2026.

PROFIT DISTRIBUTION POLICIES

According to the Articles of Association, the profit distribution policies 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 arbitrarily adjusted to lower Shareholders returns once such policies have been confirmed.
2. Form, condition and proportion of profit distribution of the Company:
 - (1) The Company may distribute dividends in cash, in Shares or in a combination of both cash and Shares and distribution of profits by cash shall be a prioritized means. When the conditions for profit distribution by cash are met, profit distribution by cash shall be adopted. Where the Company repurchases its Shares by means of open and centralized trading with the consideration in cash, it shall be deemed as cash dividend of the Company and be counted in the calculation of relevant proportion 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 on both a standalone and consolidated basis (i.e. the profits after tax of the Company after making up losses and making allocations to the statutory common reserve fund) shall both be positive figures;
 - (ii) the auditing firm 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 the external operating environment or its own operations, it shall proceed from the perspective of protecting Shareholders' interests, discuss and explain the reasons therefor in detail. The Board shall put forward a proposal for adjusting the profit distribution policies, which shall be considered and adopted at a specialized meeting of independent Directors. The proposal shall be submitted to the general meeting and adopted by Shareholders (including proxies) holding two-thirds or more of the voting rights present at the meeting.
 - (2) The opinions of the independent Directors and general public 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 relevant 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 Articles of Association. The cash dividend policy of the Company is established and executed in accordance with relevant requirements under the Articles of Association 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.

The Company's 2025 profit distribution proposal complies with the provisions of the China Securities Regulatory Commission's Notice on Further Implementing Matters Relating to Cash Dividends of Listed Companies, Guideline No. 3 on the Supervision of Listed Companies—Cash Dividends of Listed Companies, and the Articles of Association. The Company's cash dividend level is not materially different from the average level of listed companies in its industry. The Company's 2025 profit distribution proposal has fully taken into account comprehensive factors including the Company's 2025 profitability, future capital requirements for development and returns to Shareholders. It is in the interests of the Company and all Shareholders, and is legal, compliant and reasonable.

FINAL DIVIDEND

The Board proposes to distribute a cash dividend of RMB12.65 (tax inclusive) for every 10 Shares to all Shareholders (the “**Proposed Dividend**”) on the basis of the total share capital of the Company of 1,384,115,264 Shares which represents the total share capital of 1,384,861,171 Shares deducting the repurchased Shares from the repurchase account as at 30 March 2026 (as at 30 March 2026, 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 2024, a cash dividend of RMB12.30 (tax inclusive) per 10 Shares was paid to all Shareholders based on the total share capital of 1,384,115,264 Shares of the Company actually participating in the distribution).

The Proposed Dividend is subject to approval by the Shareholders at the forthcoming 2025 annual general meeting (the “**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 14 August 2026. The total amount of profits to be distributed is expected to be RMB1,750,905,808.96. Details of the payment of the Proposed Dividend will be announced after the conclusion of the 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 2025 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 2025, net cash generated from operating activities of the Group amounted to approximately RMB5,796 million (2024: net cash generated from operating activities amounted to approximately RMB5,132 million).

Report of the Directors

As at 31 December 2025, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balance) amounting to approximately RMB3,496 million (2024: RMB4,398 million), of which more than RMB2,546 million are denominated in Renminbi (2024: RMB3,434 million), and loans amounting to RMB4,354 million (2024: RMB3,715 million).

Total capital expenditures of the Group for the year ended 31 December 2025 amounted to approximately RMB2,114.10 million (2024: RMB1,393.94 million).

As at 31 December 2025, the Group's current liabilities amounted to RMB46,455 million, non-current liabilities amounted to RMB2,009 million, and Shareholders' equity attributable to the Shareholders of the Company amounted to RMB17,469 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 2025, the Group had 37,759 employees (including three female members of senior management), of which the number of female employees was 12,761, representing approximately 33.80% of the total number of all employees, and the number of male employees was 24,998, representing approximately 66.20% of the total number of all employees. Among them, 8,948 were technical staff, 7,994 were sales staff, 502 were finance staff, 798 were administrative staff and 19,517 were production staff. The Group had 87 employees with a doctorate degree, 2,533 with a master's degree and 35,139 with a bachelor's degree or below. For the year ended 31 December 2025, the Group's staff payroll amounted to RMB8,768 million (2024: RMB9,220 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 2025 Environmental, Social and Governance Report of the Company published on 28 April 2026.

EMPLOYEES' TRAINING AND REMUNERATION POLICY

1. Training Programme

The Company actively organises various employee training initiatives. For the talent pipeline, precise selection and interviews are conducted using talent assessment tools and leadership profiles, with systematic training organised for 1,048 selected reserve talents based on the competency standards for their target roles to accelerate talent pool development; for newly recruited graduates, a mentor-apprentice system is employed, implementing programmes such as onboarding & culture immersion training, rotational placements, fixed-post internships, and a dual-track curriculum covering both general and professional skills, enabling new hires to rapidly assimilate corporate culture and master essential role-specific competencies; for existing staff, targeted training addresses departmental performance gaps and individual skill weaknesses through methods including internal/external programmes, project-based research, and job rotation to holistically enhance workforce capabilities. During the Reporting Period, average training duration reached 47 hours per employee, covering managers, professional and technical personnel, frontline production staff and frontline marketing employees of all job types and levels, driving continuous improvement in employee quality and capabilities.

Report of the Directors

2. Remuneration Policies

The Company's remuneration system is based on job value, with the basic remuneration framework determined according to the relative importance and scope of responsibilities of each role, thereby ensuring internal equity. At the same time, remuneration is closely linked to actual performance contributions, reflecting differentiated and dynamic incentives.

To foster long-term development, the Company has systematically established an incentive framework combining short-, medium- and long-term elements: short-term incentives such as performance bonuses focus on immediate results; medium-term incentives focus on the achievement of key objectives; and long-term incentives bind key talent to the Company's future through equity and other instruments. This system emphasises differentiated design across different business segments and employee levels, aiming to deeply align individual contributions with organisational strategy, ultimately achieving value co-creation and win-win results for the Company and its employees.

Further discussion on the Group's employees' training and remuneration policies is also contained in the 2025 Environmental, Social and Governance Report of the Company published on 28 April 2026.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2025, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2024: nil) 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

During the Reporting Period, the Company's public float met the minimum requirements of the Hong Kong Listing Rules.

AUDIT COMMITTEE

The twelfth session of the Audit Committee 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 2025.

Report of the Directors

CAPITAL EXPENDITURE

The capital expenditure of the Group for 2025 was RMB2,114.10 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 2025, 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 2025, the Group's gearing ratio (calculated according to the formula: gearing ratio = total liabilities/total assets) was 69.25% (2024: 72.20%).

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

None of the Directors 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' INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

The Directors of the twelfth session of the Board 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”, “CONNECTED TRANSACTIONS IN RELATION TO JOINT EXTERNAL INVESTMENT” and “OTHER MAJOR CONNECTED TRANSACTIONS” 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 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

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

SHARE CAPITAL STRUCTURE

As at 31 December 2025, 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	925,271,363	66.81%
H Shares	459,589,808	33.19%
Total	1,384,861,171	100.00%

Report of the Directors

TOP TEN SHAREHOLDERS

As at 31 December 2025, there were 41,967 (A Shares: 41,931) Shareholders in total, of which the top ten Shareholders were as follows:

Name of Shareholders	Nature of Shareholder	Number of Shares held at the end of the Reporting Period	Changes in holdings during the Reporting Period	Percentage of total issued share capital of the Company	Percentage of the relevant class of issued Shares of the Company	Number of Shares held subject to trading moratorium
Qingdao Hisense Air Conditioning Co., Ltd.	Domestic non-state-owned legal person	516,758,670	–	37.31%	55.85%	0
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	458,945,427	-17,100	33.14%	99.86%	0
The Hong Kong Securities Clearing Company (“HKSCC”) ^{Note 2}	Foreign legal person	34,096,853	-5,512,916	2.46%	3.69%	0
Qingdao Hisense Communications Co., Ltd.	Domestic non-state-owned legal person	27,716,093	27,716,093	2.00%	3.00%	0
National Social Security Fund 406 Portfolio* (全國社保基金四零六組合)	Other	9,081,543	9,081,543	0.66%	0.98%	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	8,760,423	-4,419,627	0.63%	0.95%	0
Agricultural Bank of China Co., Ltd – China Securities 500 Traded Open-End Index Securities Investment Fund* (中國農業銀行股份有限公司–中證500交易型開放式指數證券投資基金)	Other	6,903,633	402,520	0.50%	0.75%	0
Kuwait Investment Authority	Foreign legal person	6,372,271	6,372,271	0.46%	0.69%	0
Henan Hongbao Group Co., Ltd.* (河南鴻寶集團有限公司)	Domestic non-state-owned legal person	5,875,300	5,875,300	0.42%	0.63%	0

Report of the Directors

Name of Shareholders	Nature of Shareholder	Number of Shares held at the end of the Reporting Period	Changes in holdings during the Reporting Period	Percentage of total issued share capital of the Company	Percentage of the relevant class of issued Shares of the Company	Number of Shares held subject to trading moratorium
Haikou Hongbao Enterprise Management Co., Ltd.* (海口鴻寶企業管理有限公司)	Domestic non-state-owned legal person	5,761,640	5,761,640	0.42%	0.62%	0

Details of any connection or parties acting in concert between the top 10 Shareholders holding unrestricted tradable Shares, and between such Shareholders and the top 10 Shareholders of the Company

Among the above Shareholders, Qingdao Hisense Air Conditioning Co., Ltd., Qingdao Hisense Communications Co., Ltd. and Hisense (Hong Kong) Company Limited are connected with each other and they are not connected with other Shareholders, nor are they a party acting in concert with any of the other Shareholders within the meaning of Administrative Measures for the Takeover of Listed Companies (《上市公司收購管理辦法》). Henan Hongbao Group Co., Ltd. and Haikou Hongbao Enterprise Management Co., Ltd. are connected with each other. Apart from the above, the Company is not aware of any Shareholders being connected with each other or any of them being a party acting in concert with any of the other within the meaning of Administrative Measures for the Takeover of Listed Companies.

Statement on the top 10 Shareholders' participation in margin financing and securities lending activities (if any)

1. Shareholder Henan Hongbao Group Co., Ltd. holds 0 shares through an ordinary securities account and 5,875,300 Shares through an investor credit securities account, resulting in total actual holdings of 5,875,300 Shares.
2. Shareholder Haikou Hongbao Enterprise Management Co., Ltd. holds 0 shares through an ordinary securities account and 5,761,640 Shares through an investor credit securities account, resulting in total actual holdings of 5,761,640 Shares.

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 held a total of 124,452,000 H Shares of the Company as at representing 8.99% 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.

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 Co., Ltd.	516,758,670	RMB ordinary Shares
HKSCC Nominees Limited ^{Note 1}	458,945,427	Overseas listed foreign Shares
HKSCC	34,096,853	RMB ordinary Shares
Qingdao Hisense Communications Co., Ltd.	27,716,093	RMB ordinary Shares
National Social Security Fund 406 Portfolio* (全國社保基金四零六組合)	9,081,543	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)	8,760,423	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)	6,903,633	RMB ordinary Shares
Kuwait Investment Authority	6,372,271	RMB ordinary Shares
Henan Hongbao Group Co., Ltd.* (河南鴻寶集團有限公司)	5,875,300	RMB ordinary Shares
Haikou Hongbao Enterprise Management Co., Ltd.* (海口鴻寶企業管理有限公司)	5,761,640	RMB ordinary Shares

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

So far as is known to the Directors and the chief executives of the Company, as at 31 December 2025, the following persons (other than the Directors 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:

Report of the Directors

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 Shares held in the relevant class
Hisense Air Conditioning ^{Note 1}	Beneficial owner	A Shares	516,758,670(L)	37.31%	55.85%
Hisense Communications	Beneficial owner	A Shares	27,716,093(L)	2.00%	3.00%
Hisense Group	Interest of controlled corporation	A Shares	544,474,763(L)	39.32%	58.84%
Hisense Hong Kong	Beneficial owner	H Shares	124,452,000(L)	8.99%	27.08%
Hisense Group	Interest of controlled corporation	H Shares	124,452,000(L)	8.99%	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:

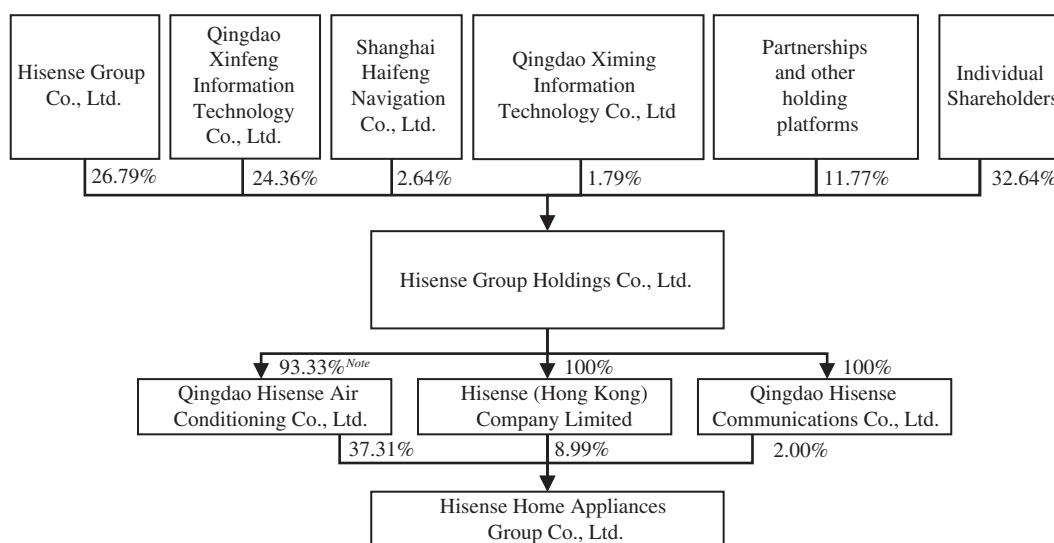
1. Hisense Air Conditioning, Hisense Communications and Hisense Hong Kong are companies wholly owned by Hisense Group directly. By virtue of the SFO, Hisense Group was deemed to be interested in the same parcel of A Shares of which Hisense Air conditioning and Hisense Communications were interested and in the same parcel of H Shares of which Hisense Hong Kong was interested.

Save as disclosed above, as at 31 December 2025, in so far as the Directors 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. Hisense Air Conditioning, 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 Ms. Sun Jia Hui 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: Hisense Group Holdings Co., Ltd.'s equity holding in Qingdao Hisense Air Conditioning Co., Ltd. was increased to 100% upon industrial and commercial change on 2 March 2026.

4. During the Reporting Period, there was no change in the controlling shareholder and no change in the actual controller of the Company.

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

As at 31 December 2025, save as disclosed below, none of the members of the Board 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	476,000	0.05%	0.03%

SALES TO MAJOR CUSTOMERS AND MAJOR SUPPLIERS

1. Sales to Major Customers of the Company

Total sales to top 5 customers (RMB)	31,108,253,486.73
Total sales to top 5 customers as a percentage of the total sales for the year (%)	35.38
Total sales to top 5 customers which are related parties as a percentage of the total sales for the year (%)	28.97

2. Information on Top 5 Customers of the Company

No.	Name of customers	Sales (RMB)	As a percentage of the total sales for the year (%)
1	The first	17,670,318,435.91	20.10
2	The second	5,633,833,818.76	6.41
3	The third	2,847,164,739.54	3.24
4	The fourth	2,836,977,226.28	3.23
5	The fifth	2,119,959,266.24	2.41

3. 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 customer has no connected relationship with the Company.

4. Major Suppliers of the Company

Total purchases from top 5 suppliers (RMB)	6,340,223,139.60
Total purchases from top 5 suppliers as a percentage of the total purchases for the year (%)	9.16
Total purchases from top 5 suppliers which are related parties as a percentage of the total purchases for the year (%)	1.79

Report of the Directors

5. 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	2,154,731,834.85	3.11
2	The second	1,237,427,037.75	1.79
3	The third	1,000,689,121.21	1.45
4	The fourth	990,089,623.84	1.43
5	The fifth	957,285,521.95	1.38

6. 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

During the Reporting Period, the Company repurchased and cancelled 393,600 A Shares on 26 May 2025 and 755,634 A Shares on 29 July 2025 in accordance with the 2022 Restricted A Shares Incentive Scheme, at a repurchase price of RMB5.157 per Share, with a total repurchase amount of RMB5,926,599.74. Save for the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including treasury Shares) during the Reporting Period.

AUDITOR

On 25 June 2025, as considered and approved at the annual general meeting, the Company agreed to re-appoint ShineWing Certified Public Accountants LLP as the auditor of the Company for the year 2025, and the Board was authorised to fix their remuneration. There has been no change of the Company's auditor in the preceding three years.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association 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 benefits or exemptions available to Shareholders by virtue of their holding of the Company's securities.

Report of the Directors

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2025, the Group did not have any significant investment or future plans for material investments or capital assets.

As at 31 December 2025, the Group did not have detailed future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 December 2025, the Group was involved, as defendant, in litigations with amount of RMB20,808,859.95, and recognized projected liabilities of RMB4,233,189.33 had been made.

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

PERMITTED INDEMNITY

The Group has maintained Directors' and Officers' Liability Insurance to provide protection to the Directors and officers of the Group in respect of any potential liabilities that they may incur in connection with the Group's business.

DONATIONS

The Group's external charitable donations for the Reporting Period amounted to approximately RMB10 million.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

At no time during the year ended 31 December 2025 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors 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 (the "2022 Incentive Scheme") and the 2022 A Share Employee Stock Ownership Plan (the "2022 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 (the "2024 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 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 Stock Ownership Plan on the 2023 second extraordinary general meeting.

Report of the Directors

On 22 February 2024, the Company adopted the 2024 A Stock Ownership Plan together with the 2022 Stock Ownership Plan referred to as the “**Stock Ownership Plans**”) on the 2024 second extraordinary general meeting.

1. A Summary of the 2022 Incentive Scheme

1) *Purpose of the 2022 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 2022 Incentive Scheme*

There are 596 participants (subsequently adjusted to 511 participants) to be granted under the 2022 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 2022 Incentive Scheme.

The participants granted under the 2022 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 2022 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 2022 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 2022 Incentive Scheme and percentage of issued shares that it represents as at the date of the annual report*

The restricted Shares finally granted to the participants under the 2022 Incentive Scheme amount to 25,422,000 Shares, which represent underlying RMB-denominated ordinary A Shares. As at the date of this annual report, there are no restricted Shares available for future grants under the 2022 Incentive Scheme.

4) *Maximum entitlements of each Participant under the 2022 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.

Report of the Directors

5) *Basis of determination of the grant price*

The grant price of the restricted Shares under the 2022 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 (i.e. 2 January 2023) (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 (i.e. 2 January 2023) (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 2022 Incentive Scheme*

The validity period of the 2022 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 2022 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 25 May 2026.

7) *The following table sets out the details of grant of the restricted Shares under the 2022 Incentive Scheme during the Reporting Period:*

Grantee ^{Note 1}	Unlocking period ^{Note 2}	Grant price ^{Note 3}	Unvested	Granted	Vested	Cancelled	Lapsed	Unvested
			as at 1 January 2025	during the Reporting Period	during the Reporting Period ^{Note 4}	during the Reporting Period ^{Note 5}	during the Reporting Period	as at 31 December 2025
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 2022 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	13,892,400	-	6,397,866	755,634	-	6,738,900

Notes:

- (1) None of the grantees were (i) Directors, chief executive or substantial Shareholders of the Company, or their respective associates; (ii) participants with awards granted and to be granted in excess of the 1% individual limit; (iii) related entity participant or service provider with awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue as set out in Rule 17.07 of the Hong Kong Listing Rules.

Report of the Directors

- (2) The unlocking period, unlocking schedule and ratio of the restricted Shares under the 2022 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%

- (3) The closing price of the Shares immediately before the date on which the awards were granted was RMB19.15.
- (4) On 30 May 2025, 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 second unlocking period of the 2022 Incentive Scheme. The Board considered that the conditions for the release of restricted Shares during the second unlocking period of the Company's the 2022 Incentive Scheme had been fulfilled, and that there were 458 participants who met the conditions for the release of restricted Shares, corresponding to 6,397,866 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 of the places of listing.

Report of the Directors

- (5) On 30 May 2025, 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 6 participants, the adjustment of duties of 8 participants and the partial achievement/non-achievement of performance appraisal of 82 participants under the Company’s 2022 Incentive Scheme, it was agreed to repurchase and cancel 755,634 restricted Shares which had been granted to the aforesaid 96 participants but had not yet been released from restriction on sale.

2. A Summary of the Stock Ownership Plans

1) *Purposes of the Stock Ownership Plans*

The purposes of the Stock Ownership Plans 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 Plans*

The participants of the 2022 Stock Ownership Plan are Directors (excluding independent non-executive 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 non-executive Directors), supervisors, senior management and other core employees of the Company participating in the 2022 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 2022 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 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 non-executive Directors), supervisors, senior management, core management and core employees of the Company participating in the 2024 Stock Ownership Plan shall not exceed 279, including 8 Directors, supervisors and senior management. The relationship between such personnel and the 2024 Stock Ownership Plan does not constitute acting-in-concert relationship.

3) *Total number of Shares under the Stock Ownership Plans 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 2022 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 2024 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 Plans, representing approximately 0.08% of the Company's total ordinary A Shares of 925,271,363 and 0.05% of the Company's total share capital of 1,384,861,171 Shares.

4) *Maximum entitlements of each participant under the Stock Ownership Plans*

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

5) *Purchase price and pricing basis of the Stock Ownership Plans*

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 (i.e. 2 January 2023).

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 (i.e. 8 January 2024).

6) *Remaining validity period of the Stock Ownership Plans*

The term of the Stock Ownership Plans 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 Plans. If not extended, the Stock Ownership Plans will be terminated automatically upon the expiry of its term. Upon expiry of the lock-up period of the Stock Ownership Plans and if all the underlying Shares held under the Stock Ownership Plans are sold or transferred to the unit holders and liquidated and distributed in accordance with the regulations, the Stock Ownership Plans may be terminated prior to the expiry upon consideration and approval by the Shareholders' 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

- 7) **The following table sets out the details of grant of Shares under the Stock Ownership Plans during the Reporting Period:**

The 2022 Stock Ownership Plan

Grantee	Date of grant ^{Note 1}	Grant price ^{Note 2}	Unlocking Period	Non-unlocked Shares as at 1 January 2025	Granted during the Reporting Period	Unlocked during the Reporting Period ^{Note 3}	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Non-unlocked Shares as at 31 December 2025	
Gao Yu Ling (<i>Chairperson and President</i>)			The underlying Shares acquired by the 2022 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 2022 Stock Ownership Plan. The lock-up period shall be up to 36 months.	330,000	-	165,000	-	-	165,000	
Jia Shao Qian (<i>Executive Director</i>)				330,000	-	165,000	-	-	165,000	
Hu Jian Yong (<i>Former Executive Director and Former President</i>)				396,000	-	198,000	-	-	198,000	
Dai Hui Zhong (<i>Executive Director</i>)	1 June 2023	RMB6.64 per A Share		540,000	-	270,000	-	-	270,000	
Bao Yi (<i>Former Supervisor</i>)				150,000	-	75,000	-	-	75,000	
Zhang Yu Xin (<i>Board secretary</i>)				108,000	-	54,000	-	-	54,000	
Sub-total				1,854,000	-	927,000	-	-	927,000	
Other core employees				5,624,140	-	2,459,630	-	-	3,164,510	
Total					7,478,140	-	3,386,630	-	-	4,091,510

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) The closing price of the Shares immediately before the date on which the awards were granted was RMB23.72. The closing price of the reserved Shares immediately before the date on which the awards were granted was RMB29.37 (Date of grant is 15 July 2024).
- (3) 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 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Stock Ownership Plan.

Report of the Directors

The 2024 Stock Ownership Plan

Grantee	Date of grant <i>Note 1</i>	Grant price <i>Note 2</i>	Unlocking Period	Non-unlocked	Granted	Unlocked	Cancelled	Lapsed	Non-
				Shares as at 1 January 2025	during the Reporting Period	during the Reporting Period <i>Note 3</i>	during the Reporting Period	during the Reporting Period	unlocked Shares as at 31 December 2025
Gao Yu Ling (<i>Chairperson and President</i>)			The underlying Shares acquired by the 2024 Stock Ownership Plan through	200,000	-	80,000	-	-	120,000
Jia Shao Qian (<i>Executive Director</i>)			non-trading transfer or other ways	200,000	-	80,000	-	-	120,000
Yu Zhi Tao (<i>Executive Director</i>)			permitted by the laws and regulations	200,000	-	80,000	-	-	120,000
Dai Hui Zhong (<i>Executive Director</i>)			shall be unlocked in three phases	200,000	-	80,000	-	-	120,000
Zhang Yu Xin (<i>Board secretary</i>)	10 July 2024	RMB10.78 per A Share	commencing from 12 months after the	60,000	-	24,000	-	-	36,000
Sub-total			date of the announcement of the Company	860,000	-	344,000	-	-	516,000
Other core employees			of the transfer of the last tranche of	12,320,050	-	4,075,638	-	-	8,244,412
			underlying Shares for the first grant to						
			the 2024 Stock Ownership Plan. The						
			lock-up period shall be up to 36 months.						
Total				13,180,050	-	4,419,638	-	-	8,760,412

Notes:

- (1) 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.
- (2) The closing price of the Shares immediately before the date on which the awards were granted was RMB28.28.
- (3) 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 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Stock Ownership Plan.

Report of the Directors

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 year ended 31 December 2025.

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

I. RELATED-PARTY TRANSACTIONS RELATING TO DAY-TO-DAY OPERATIONS DURING THE REPORTING PERIOD

Background

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 Bosch Home Comfort^{Note1}, 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 37.31% of the issued Shares of the Company. Hisense Communications holds approximately 2% of the issued Shares of the Company, and Hisense Hong Kong holds approximately 8.99% 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, Bosch Home Comfort, being the holding company of two substantial shareholders of Hisense Hitachi (namely Bosch Home Comfort Hong Kong Trading Limited^{Note2} and Taiwan Bosch Home Comfort Co., Ltd.^{Note3}), becomes a connected person of the Company at subsidiary level.

Pursuant to the Hong Kong Listing Rules, Suzhou Sanden is a subsidiary of Sanden Company; and HASCO Sanden is a substantial shareholder of Suzhou Sanden, 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 of the Company 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 Bosch Home Comfort and with HASCO Sanden, can be found in the announcement of the Company dated 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.

Notes:

- (1) The original contracting party, Johnson Controls Hitachi Air Conditioning Group (UK) Limited, was renamed to Bosch Home Comfort UK Holding Limited in August 2025.

Report of the Directors

- (2) Johnson Controls Hitachi Air Conditioning Trading (Hong Kong) Limited was renamed to Bosch Home Comfort Hong Kong Trading Limited in September 2025.
- (3) Johnson Controls Hitachi Air Conditioning Taiwan Co., Ltd. was renamed to Taiwan Bosch Home Comfort Co., Ltd. in September 2025.

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 7 November 2022, 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 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 transaction		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	4,765,24
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 transaction		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

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	38,385.44	0.55
Hisense Group	Purchase	Materials	Agreed price by reference to market price	187,621.28	2.71
Hisense Group	Receipt of services	Receipt of services	Agreed price by reference to market price	230,672.10	3.32
Bosch Home Comfort	Purchase	products	Agreed price by reference to market price	77,003.29	1.12
HASCO Sanden	Purchase	products	Agreed price by reference to market price	8,040.94	0.12
Hisense Group	Sale	Finished goods	Agreed price by reference to market price	3,153,070.42	35.85
Hisense Group	Sale	Materials	Agreed price by reference to market price	67,146.88	0.77
Hisense Group	Sale	Moulds	Market price	3,970.06	0.04
Hisense Group	Provision of services	Provision of services	Agreed price by reference to market price	9,360.54	0.10
Bosch Home Comfort	Sale	products	Agreed price by reference to market price	41,184.32	0.47
HASCO Sanden	Sale	products	Agreed price by reference to market price	64,387.21	0.73

Report of the Directors

Note:

In June 2025, Hisense Group was split through a division of the surviving entity into Hisense Group (the “**Surviving Company**”) and Qingdao Hisense Investment and Development Co., Ltd. (the “**Newly Established Company**”). Following the split, the Newly Established Company assumed the assets and liabilities relating to equity investments in Qingdao Shitong Shenghe Trading Co., Ltd., Qingdao Hisense Real Estate Co., Ltd., Qingdao Hisense Technology and Culture Management Co., Ltd., Qingdao Hisense Financial Investment Co., Ltd., Qingdao (Shinan) Hisense School, and Qingdao Hisense Industrial Co., Ltd., as well as the relevant assets and liabilities of Hisense Hospital, a branch of Hisense Group. The remaining assets and liabilities were assumed by the surviving company.

Following the demerger, the Newly Established Company and its subsidiaries no longer hold shares in the Company indirectly. However, as they constituted part of the Company’s indirect controlling shareholders or were subsidiaries thereof within the 12 months preceding the balance sheet date, they are still regarded as related legal persons of the Group in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 36 – Related Party Disclosures, the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange, the Hong Kong Listing Rules, and the Related Party Transactions Management Measures of Hisense Home Appliances Group Co., Ltd.

As the aforementioned demerger occurred in mid-2025, the relevant limit for continuing related party transactions approved by the Company’s shareholders’ general meeting on 25 January 2024 was determined based on the scope of group members and business scale prior to the demerger. Accordingly, related party transactions between the Newly Established Company and its subsidiaries and the Company for the current year are still included under the “Hisense Group” category based on the original basis.

As of the end of the Reporting Period, the Group had the balance of deposit of RMB11.876 billion, recognised interest income of RMB0.264 billion, the actual balance of loan of RMB0.146 billion, recognised loan interest of RMB32 million, the balance of electronic finance company acceptance bill of RMB0.935 billion, the handling fee for opening accounts for electronic bank acceptance bill of RMB0.9912 million. For the Reporting Period, the actual amount of discounted interest for the provision of draft discount services was RMB38,100, the actual amount involved in the provision of settlement and sale of foreign exchange services was USD9,329,700 and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB2,749,300.

Report of the Directors

II. CONNECTED TRANSACTIONS IN RELATION TO JOINT EXTERNAL INVESTMENT

Joint investor	Relationship	Name of investee enterprise	Principal business of investee enterprise	Registered capital of investee enterprise	Total assets of investee enterprise (RMB in ten thousand)	Net assets of investee enterprise (RMB in ten thousand)	Net profit of investee enterprise (RMB in ten thousand)
Hisense Group	Indirect controlling shareholder	Hisense Xinghai Technology	R&D, manufacture and sale of intelligent robots, industrial robots and consumer service robots	RMB 50,000,000.00	19,193.81	18,622.82	-1,748.65
Hisense Visual	Controlled by the same indirect controlling shareholder	(Hangzhou) Co., Ltd.					
Progress on any major projects under construction at the investee company (if any)		N/A					

III. CONNECTED BALANCES WITH RELATED PARTIES

During the Reporting Period, the Company's connected balances with related parties mainly arose from operating activities including sales of goods, purchases of goods, provision of services and receipt of services. There were no non-operating connected balances with related parties.

IV. BALANCES WITH CONNECTED FINANCIAL COMPANY

Deposit Services

Related party	Relationship	Maximum daily deposit limit (RMB in ten thousand)	Deposit interest rate range	Opening balance (RMB in ten thousand)	Amount incurred during the period		Closing balance (RMB in ten thousand)
					Total deposits during the period (RMB in ten thousand)	Total withdrawals during the period (RMB in ten thousand)	
Hisense Finance	a subsidiary of an indirect controlling Shareholder	2,700,000.00	0.2%-2.80%	1,209,990.03	22,771,336.83	22,793,768.80	1,187,558.06

Loan Services

Related party	Relationship	Maximum daily loan limit (RMB in ten thousand)	Loan interest rate range	Opening balance (RMB in ten thousand)	Amount incurred during the period		Closing balance (RMB in ten thousand)
					Total loans drawdown during the period (RMB in ten thousand)	Total loan repayments during the period (RMB in ten thousand)	
Hisense Finance	a subsidiary of an indirect controlling Shareholder	500,000.00	Not exceeding the lending rates for similar loans offered by commercial banks in the PRC for the corresponding period	47,500.00	73,609.04	106,503.54	14,605.50

Report of the Directors

Credit Granting or Other Financial Services

Related party	Relationship	Business type	Total amount (RMB in ten thousand)	Actual amount (RMB in ten thousand)
Hisense Finance	a subsidiary of an indirect controlling Shareholder	Credit granting	817,200.00	289,550.67

V. TRANSACTIONS BETWEEN THE COMPANY'S CONTROLLING FINANCIAL COMPANY AND RELATED PARTIES

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

VI. OTHER MAJOR CONNECTED TRANSACTIONS

On 26 September 2025, the Company convened the fifth extraordinary meeting of the twelfth session of the Board in 2025, at which it considered and approved (i) the proposal on the purchase of equity interests from Hisense Visual and related party transaction, agreeing that Hisense Mould entered into an equity transfer agreement with Hisense Visual, whereby Hisense Mould used its own funds to acquire the 26.0006% equity interest in Hisense Kitchen & Bathroom held by Hisense Visual, with the transaction consideration amounting to RMB94,290,516.95. Upon completion of the acquisition, Hisense Mould held 100% of the equity in Hisense Kitchen & Bathroom; (ii) the proposal on the sale of assets to Hisense Visual and related party transaction, agreeing that Hisense Mould and Hisense Kitchen & Bathroom entered into an asset group transfer agreement with Hisense Visual, whereby Hisense Mould and Hisense Kitchen & Bathroom sold the jointly held asset group (comprising current assets, fixed assets, construction in progress and current liabilities) to Hisense Visual for a transaction price of RMB140,593,300; and (iii) the proposal on the sale of assets to Hisense Electronics and related party transaction, agreeing that Hisense (Guangdong) Mould and Ronshen Plastic entered into an asset group transfer agreement with Hisense Electronics, whereby Hisense (Guangdong) Mould and Ronshen Plastic sold the jointly held asset group (comprising current assets, fixed assets, construction in progress and current liabilities) to Hisense Electronics for a transaction price of RMB14,195,100.

Details of the above transactions can be found in the announcements of the Company dated 26 September 2025 and 17 October 2025.

Report of the Directors

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 to the financial statements. Save as disclosed in the paragraphs headed “particulars of material connected transactions of the Company during the Reporting Period”, “connected transactions in relation to joint external investment” and “other major connected transactions” in this annual report, related party transactions as disclosed in note XII.2 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.

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, and met the requirements of the majority of the recommended best practices set out in the Corporate Governance Code.

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 (<https://www.hkexnews.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 AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

Unit: RMB ten thousand

Name	Gender	Age	Position	Appointment status	Term commencement date	Term expiry date	Total pre-tax remuneration from the Company	Whether remuneration was received from the Company’s related parties
Ms. Gao Yu Ling	Female	44	Chairperson	Current	21 November 2024	23 June 2027	286.48 ^{Note 1}	No
			President	Current	30 July 2025	23 June 2027		
Mr. Jia Shao Qian	Male	53	Executive Director	Current	26 June 2015	23 June 2027	0.00	Yes
Mr. Yu Zhi Tao	Male	49	Executive Director	Current	19 April 2023	23 June 2027	0.00	Yes

Report of the Directors

Name	Gender	Age	Position	Appointment status	Term commencement date	Term expiry date	Total pre-tax remuneration from the Company	Whether remuneration was received from the Company's related parties
Ms. Fang Xue Yu	Female	52	Executive Director	Current	18 September 2025	23 June 2027	0.00	Yes
Mr. Yin Bin Tong	Male	57	Employee representative Director	Current	30 July 2025	23 June 2027	255.64 ^{Note 2}	No
Mr. Dai Hui Zhong	Male	60	Executive Director	Current	24 June 2016	23 June 2027	81.18 ^{Note 3}	No
Mr. Li Zhi Gang	Male	50	Independent non-executive Director	Current	9 January 2023	23 June 2027	18.00	No
Mr. Tsoi Wing Sing	Male	63	Independent non-executive Director	Current	24 June 2024	23 June 2027	18.00	No
Mr. Xu Guo Jun	Male	63	Independent non-executive Director	Current	2 August 2024	23 June 2027	18.00	No
Mr. Sun Chang Chun	Male	42	Chief financial officer	Current	21 November 2024	23 June 2027	150.44	No
Ms. Zhang Yu Xin	Female	39	Board secretary	Current	18 August 2022	23 June 2027	84.52	No
Ms. Wong Tak Fong	Female	59	Company secretary	Current	26 June 2012	23 June 2027	18.45	No
Mr. Hu Jian Yong	Male	52	Former executive Director, former president	Resigned	28 February 2023	30 July 2025	299.35 ^{Note 4}	No
Mr. Zhu Dan	Male	51	Former executive Director	Resigned	24 June 2024	30 July 2025	0.00	Yes
Total	-	-	-	-	-	-	1230.06	-

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 president of the Company during the Reporting Period.
2. The employee representative Director does not receive remuneration as director. The above remuneration was received by Mr. Yin Bin Tong as the president of the Company's controlling subsidiary 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 consultant to the Company during the Reporting Period.
4. The executive Directors do not receive remuneration as directors. The above remuneration was received by Mr. Xia Zhang Zhua as the president of the Company 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 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 and Appraisal Committee 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 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	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
N/A										
Total 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	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
SANDEN CORPORATION			22 December 2022	RMB 0.385 billion	Joint and several liability guarantee	None	No	22 December 2022 – 3 January 2025	Yes	No
SANDEN CORPORATION			18 April 2023	RMB 0.093 billion	Joint and several liability guarantee	None	No	18 April 2023 – 25 April 2025	Yes	No
SANDEN CORPORATION			21 April 2023	RMB 0.185 billion	Joint and several liability guarantee	None	No	21 April 2023 – 30 April 2025	Yes	No
SANDEN CORPORATION			22 March 2024	1 billion Yen (equivalent to RMB 0.045 billion)	Joint and several liability guarantee	None	No	22 March 2024 – 24 March 2025	Yes	No
SANDEN CORPORATION	13 December 2024	RMB8.38 billion	28 March 2024	2.8 billion Yen (equivalent to RMB 0.139 billion)	Joint and several liability guarantee	None	No	28 March 2024 – 28 March 2025	Yes	No
SANDEN CORPORATION			21 June 2024	RMB 0.031 billion	Joint and several liability guarantee	None	No	21 June 2024 – 24 June 2025	Yes	No
SANDEN CORPORATION			23 July 2024	RMB 0.070 billion	Joint and several liability guarantee	None	No	23 July 2024 – 24 July 2025	Yes	No
SANDEN CORPORATION			23 July 2024	RMB 0.100 billion	Joint and several liability guarantee	None	No	23 July 2024 – 24 July 2025	Yes	No
SANDEN CORPORATION			29 July 2024	5.15 billion Yen (equivalent to RMB 0.255 billion)	Joint and several liability guarantee	None	No	29 July 2024 – 10 February 2025	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	Guarantee amount	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
									Whether the performance completed	Whether to guarantee for related parties
SANDEN CORPORATION			21 August 2024	RMB 0.039 billion	Joint and several liability guarantee	None	No	21 August 2024 – 22 August 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion Yen (equivalent to RMB 0.255 billion)	Joint and several liability guarantee	None	No	23 August 2024 – 10 February 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion Yen (equivalent to RMB 0.255 billion)	Joint and several liability guarantee	None	No	23 August 2024 – 8 May 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion Yen (equivalent to RMB 0.255 billion)	Joint and several liability guarantee	None	No	23 August 2024 – 4 June 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion Yen (equivalent to RMB 0.255 billion)	Joint and several liability guarantee	None	No	23 August 2024 – 4 July 2025	Yes	No
SANDEN CORPORATION			13 September 2024	3.0 billion Yen (equivalent to RMB 0.149 billion)	Joint and several liability guarantee	None	No	13 September 2024 – 12 September 2025	Yes	No
SANDEN CORPORATION	13 December 2024	RMB8.38 billion	23 September 2024	RMB 0.165 billion	Joint and several liability guarantee	None	No	23 September 2024 - 19 September 2025	Yes	No
SANDEN CORPORATION			21 February 2025	1.236 billion Yen (equivalent to RMB 0.055 billion)	Joint and several liability guarantee	None	Yes	21 February 2025 – 20 February 2026	No	No
SANDEN CORPORATION			21 March 2025	3.914 billion Yen (equivalent to RMB 0.175 billion)	Joint and several liability guarantee	None	No	21 March 2025 – 21 April 2025	Yes	No
SANDEN CORPORATION			18 April 2025	RMB 0.342 billion	Joint and several liability guarantee	None	Yes	18 April 2025 – 30 April 2026	No	No
SANDEN CORPORATION			24 April 2025	RMB 0.215 billion	Joint and several liability guarantee	None	Yes	24 April 2025 – 8 May 2026	No	No
SANDEN CORPORATION			7 May 2025	5.15 billion Yen (equivalent to RMB 0.231 billion)	Joint and several liability guarantee	None	Yes	7 May 2025 – 23 March 2026	No	No
SANDEN CORPORATION			4 June 2025	5.15 billion Yen (equivalent to RMB 0.231 billion)	Joint and several liability guarantee	None	Yes	4 June 2025 – 20 May 2026	No	No
SANDEN CORPORATION			24 June 2025	RMB 0.071 billion	Joint and several liability guarantee	None	Yes	24 June 2025 – 6 July 2026	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	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			Actual date of occurrence (date of guarantee agreement)							
SANDEN CORPORATION			3 July 2025	5.15 billion Yen (equivalent to RMB 0.231 billion)	Joint and several liability guarantee	None	Yes	3 July 2025 – 22 June 2026	No	No
SANDEN CORPORATION			24 July 2025	RMB 0.181 billion	Joint and several liability guarantee	None	Yes	24 July 2025 – 7 August 2026	No	No
SANDEN CORPORATION			21 August 2025	0.7519 billion Yen (equivalent to RMB 0.034 billion)	Joint and several liability guarantee	None	Yes	21 August 2025 – 26 January 2026	No	No
SANDEN CORPORATION			11 September 2025	3.09 billion Yen (equivalent to RMB 0.138 billion)	Joint and several liability guarantee	None	Yes	11 September 2025 – 30 October 2025	Yes	No
SANDEN CORPORATION			18 September 2025	RMB 0.160 billion	Joint and several liability guarantee	None	Yes	18 September 2025 – 2 October 2026	No	No
SANDEN CORPORATION			23 October 2025	RMB 0.078 billion	Joint and several liability guarantee	None	No	23 October 2025 – 6 November 2026	No	No
SANDEN CORPORATION	13 December 2024	RMB8.38 billion	28 October 2025	3.0 billion Yen (equivalent to RMB 0.134 billion)	Joint and several liability guarantee	None	No	28 October 2025 – 28 October 2026	No	No
SANDEN CORPORATION			17 November 2025	RMB 0.127 billion	Joint and several liability guarantee	None	No	17 November 2025 – 1 December 2026	No	No
SANDEN CORPORATION			18 November 2025	3.09 billion Yen (equivalent to RMB 0.138 billion)	Joint and several liability guarantee	None	Yes	18 November 2025 – 26 January 2026	No	No
SANDEN CORPORATION			18 December 2025	RMB 0.037 billion	Joint and several liability guarantee	None	No	18 December 2025 – 31 December 2026	No	No
SANDEN CORPORATION			22 December 2025	3.0 billion Yen (equivalent to RMB 0.134 billion)	Joint and several liability guarantee	None	No	22 December 2025 – 22 December 2026	No	No
SANDEN INTERNATIONAL (U.S.A.), INC.			2 July 2024	RMB 0.35 billion	Joint and several liability guarantee	None	No	2 July 2024 – 2 July 2029	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 (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			25 December 2025	USD 80.0 million (equivalent to RMB0.562 billion)	Joint and several liability guarantee	None	No	From 25 December 2025 until three years after the maturity date of the obligations of the principal debtor under the main contract	No	No
SANDEN CORPORATION			26 August 2024	N/A	General guarantee	None	No	N/A	No	No
SANDEN CORPORATION			15 January 2025	N/A	General guarantee	None	No	N/A	No	No
Guangdong Hisense Refrigerator Marketing Co., Ltd.	13 December 2024	RMB8.38 billion	30 October 2024	RMB 0.7 billion	Joint and several liability guarantee	None	No	30 October 2024 – 9 April 2026	No	No
Hisense (Guangdong) Air Conditioning Co., Ltd.			30 October 2024	RMB 0.4 billion	Joint and several liability guarantee	None	No	30 October 2024 – 9 April 2026	No	No
Hisense Air Conditioning Co., Ltd.			30 October 2024	RMB 0.2 billion	Joint and several liability guarantee	None	No	30 October 2024 – 9 April 2026	No	No
Qingdao Hisense Hitachi Air Conditioning Marketing Co., Ltd.			27 April 2025	RMB 0.1 billion	Joint and several liability guarantee	None	No	27 April 2025 – 9 April 2026	No	No
Hisense (Zhejiang) Air Conditioning Co., Ltd.			30 October 2024	RMB 0.1 billion	Joint and several liability guarantee	None	No	30 October 2024 – 9 April 2026	No	No
Total amount of guarantees to subsidiaries approved during the Reporting Period (B1)			RMB8.380 billion	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (B2)						RMB7.652 billion
Total amount of guarantees to subsidiaries approved at the end of the Reporting Period (B3)			RMB8.380 billion	Total actual guarantee balances to subsidiaries at the end of the Reporting Period (B4)						RMB4.811 billion

Report of the Directors

Subsidiaries' guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee	Guarantee amount	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
Hisense (Guangdong) Kitchen & Bath System Co.	30 November 2022	RMB 12,200,000	30 November 2022	RMB 0	Joint and several liability guarantee			30 November 2022-20 Yes 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)					RMB12,200,000
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)				RMB8.38 billion	Total actual amount of guarantees incurred during the Reporting Period (A2+B2+C2)					RMB7.664 billion
Total amount of approved guarantees at the end of the Reporting Period (A3+B3+C3)				RMB8.392 billion	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)					RMB4.811 billion
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets										27.54%
Among them:										
Balance of guarantees provided to Shareholders, beneficial owners and their related parties (D)										0
Balance of debt guarantees provided directly or indirectly for the guaranteed objects with a gearing ratio exceeding 70% (E)										
Amount of the portion of total guarantees exceeding 50% of net assets (F)										RMB4.811 billion
Total amount of the above three guarantees (D+E+F)										RMB4.811 billion
For unexpired guarantee contracts, a description of the guarantee liability that has occurred or potential joint and several liability with evidence during the Reporting Period (if any)										No
Description of external guarantees provided in violation of prescribed procedures (if any)										No

Report of the Directors

V. PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB ten thousand

Product Type	Risk Profile	Balance of entrusted wealth management as at the Reporting Period	Amounts overdue for recovery as at 31 December 2025
Wealth management products	Short-term, low-to-medium risk wealth management products with high safety profile and strong liquidity. The investment scope did not include securities investment funds involving trading on the secondary stock market.	1,892,280.19	0.00
Total		1,892,280.19	0.00

VI. FINANCIAL ASSETS INVESTMENT

1. Securities Investment

Unit: RMB

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 in equity	Purchase amount for the period	Amount sold during the period	Profit and loss for the Reporting Period	Closing Other changes	Closing book value	Accounting accounts	Fund source
Equity	7267	Honda Motor Co., Ltd. (listed on the Tokyo Stock Exchange)	Fair value measurement	Fair value measurement	15,554,161.53		47,095.65	649,353.19			-527,951.94	15,722,658.43	Other equity instruments	Own funds
Equity	8795	T&D Holdings (listed on the Tokyo Stock Exchange)	Fair value measurement	Fair value measurement	18.49						-0.57	17.92	Other equity instruments	Own funds
Equity	PRU	Prudential (listed on the New York Stock Exchange)	Fair value measurement	Fair value measurement	1,996,486.11				2,067,511.58		71,025.47		Trading financial assets	Own funds
Equity	000980	ZOTYE AUTOMOBILE (10757)	Fair value measurement	Fair value measurement	23,307.89				24,137.07		829.18		Trading financial assets	Own funds
Equity	601777	Lifan Technology (4452)	Fair value measurement	Fair value measurement	372,302.18				385,546.92		13,244.74		Trading financial assets	Own funds
Equity	920080	OMS (listed on the Beijing Stock Exchange)	Fair value measurement	Fair value measurement		2,899,500.00		1,237,500.00			4,137,000.00		Trading financial assets	Own funds
Other securities investments held at the end of the period			-	-	-	-	-	-	-	-	-	-	-	-
Total			-	-	17,946,276.20	2,899,500.00	47,095.65	1,886,853.19	2,477,195.57		-442,853.12	19,859,676.35	-	-
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 mainly comprise foreign exchange derivative transactions such as forward foreign exchange settlements and purchases.

1) Derivative investments for hedging purposes during the Reporting Period

Applicable Not applicable

Unit: RMB (in ten thousand)

Types of Derivative Investments	Initial investment amount	Opening balance	Fair value changes for the period	Cumulative fair value changes recognized in equity	Purchase	Sales amount	Ending balance	Ratio of the ending investment amount to the Company's net assets at the end of the Reporting Period
					amount during the Reporting Period	during the Reporting Period		
Forward foreign exchange contracts		4,301.44	2,397.06				2,461.30	
Total		4,301.44	2,397.06				2,461.30	
Explanation of the accounting policies and specific accounting principles for hedging business during the reporting period, as well as whether there have been any material changes compared with the previous Reporting Period	The accounting principles are based on the Enterprise Accounting Standards. The Company has conducted accounting treatments for its business activities in accordance with the relevant provisions and guidance of the Ministry of Finance's Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, No. 37 – Presentation of Financial Instruments, and No. 39 – Fair Value Measurement, reflecting the related items in the balance sheet and income statement.							
Explanation of the actual profit and loss during the Reporting Period	There was no change from the previous Reporting Period.							
Explanation of hedging effectiveness	The actual gain or loss during the Reporting Period was RMB -36.6365 million.							
Sources of funds for derivatives investment	During the Reporting Period, the Company's main exposure was foreign exchange risk, including foreign currency asset and liability exposures arising from import and export foreign exchange settlement and receipt, financing and other businesses. By purchasing derivative contracts of equivalent value, maturity, and opposite direction, the Company effectively hedged against uncertainties risks from exchange rate fluctuations.							
	Own funds							

Report of the Directors

Types of Derivative Investments	Initial	Opening	Fair value	Cumulative fair	Purchase	Sales amount	Ending	Ratio of
	investment				amount			
	amount	balance	changes	value changes	during the	during the	balance	investment
			for the period	recognized	Reporting	Reporting		amount to the
				in equity	Period	Period		Company's
								net assets
								at the end of
								the Reporting
								Period

Risk analysis and control measures for derivative positions during the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

The Company employs banking financial products to preserve and increase the value of foreign exchange assets, thereby locking in or reducing the cost of foreign exchange liabilities to meet the requirements of its import and export business.

1. Market risk: the Company has established a foreign exchange risk management team. For the exchange rates applicable to its foreign currency – denominated asset and liability exposures, the team assesses foreign exchange rate trends and, considering the company's tolerance for price fluctuations caused by exchange rate movements, determines whether to enter into foreign exchange derivative contracts to lock in conversion costs and profits. Although some opportunity cost exists, timely execution of forward exchange contracts effectively mitigates market risk and safeguards the Company's reasonable profit levels.
2. Liquidity risk: the Company has entered into foreign exchange derivative contracts based on reasonable projections of future foreign exchange receipts and payments. These transactions are non-speculative in nature, entail no performance risk, and have no impact on the Company's liquidity.
3. Counterparty default risk: when conducting foreign exchange derivatives business, the Company only engages in derivative foreign exchange transactions with financial institutions approved by the State Administration of Foreign Exchange and the People's Bank of China, possessing the requisite operational qualifications. Furthermore, it selects financial institutions such as large banks with high credit ratings as counterparties. These institutions are financially robust and operate prudently, rendering their default risk extremely low.
4. Operational risk: the Company has established the Internal Control System for Forward Foreign Exchange Transactions, implementing a tiered management approach. Responsibilities and functions at each level are clearly defined, with business applications, monitoring, and operational execution handled by distinct tiers and departments. This tiered management effectively eliminates operational risks associated with individual or single-department control, thereby controlling and mitigating operational risks.
5. Legal Risk: the Company's foreign exchange derivatives operations comply with relevant regulations, clearly defining the rights and obligations between counterparties (or partner financial institutions). The exchange rate risk team and risk management department continuously enhance regulatory knowledge, rigorously review contracts, and ensure derivatives investments and position management operations adhere to regulatory requirements and company policies.

The market price or changes in the fair value of products for invested derivatives during the Reporting Period shall be analysed. The analysis of the fair value of derivatives shall disclose the specific methodology employed, along with the relevant assumptions and parameter settings.

The Company recognised and measured derivatives in accordance with Chapter 7 'Determination of Fair Value' of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments: The fair value change recognised for derivatives during the Reporting Period amounted to RMB23.9706 million. The fair value of foreign exchange contracts was determined based on the bank's quoted prices for foreign exchange products.

Litigation Status (if applicable)	N/A
Disclosure date of the Board announcement on derivatives investment approval (if applicable)	29 March 2025
Disclosure date of the Shareholders' general meeting announcement on derivatives investment approval (if applicable)	25 June 2025

Report of the Directors

2) Derivative investments for speculative purposes during the Reporting Period

Applicable Not applicable

The Company did not engage in derivative investments for speculative purposes during the Reporting Period.

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 VII to the financial statements.

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

Auditor's Report



信永中和会计师事务所

ShineWing
certified public accountants

北京市东城区朝阳门北大街8号
富华大厦A座9层

9th Floor, Block A, Fu Hua Mansion
No.8, Chao Yang Men Bei Da Jie,
Dong Cheng District,
Beijing, 100027, P.R.China

联系电话 : +86(010)6554 2288
telephone: +86(010)6554 2288

传真 : +86(010)6554 7190
facsimile: +86(010)6554 7190

XYZH/2026QDAA4B0019

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 2025, 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 2025 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 2025, and the consolidated and the Parent Company’s results of operations and cash flows for the year 2025 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 China’s CPA Independence Standard and the requirements for independence in Code of Ethics for Chinese Certified Public Accountants, as applicable to audits of the financial statements of public interest entities, and we have fulfilled our independence and 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.

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
<p>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" of the financial statement, as at 31 December 2025, the balance of inventories was RMB6,979,117,170.83; the provision for declines in value of inventories was RMB116,789,499.27; and the carrying amount of inventories was RMB6,862,327,671.56. The sufficiency of provision for declines in value of inventories has a material impact on the financial statements.</p> <p>Hisense Appliances determines the net realizable value based on the estimated selling price of finished goods less the estimated costs to be occurred until completion, selling expenses and related taxes and fees.</p> <p>The management estimates the expected selling price of inventories based on their conditions and recent transactions, and the management is required to make significant judgments in the estimation process.</p> <p>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 inventories as a key audit matter.</p>	<p>(1) Evaluated and tested the effectiveness of the design and operation of key internal controls relating to the provision for declines in value of inventories;</p> <p>(2) Carried out stock counting procedures for the inventories of Hisense Appliances, checked the quantity and condition of inventories;</p> <p>(3) Obtained the calculation table of provision for declines in value of inventories of Hisense Appliances, selected certain inventories on a sampling basis and compared their records and aging in the table against the results of our stock counting;</p> <p>(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;</p> <p>(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;</p> <p>(6) Selected certain inventories and re-calculated their recoverable amount and the balance of provision for declines in value of inventories as at the end of the period.</p>

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 2025, it had account receivables from related party of RMB5,999,702,116.28. 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.	(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;
	(2) obtained a list of related parties compiled by the management and checked it with information obtained from other public sources;
	(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;
	(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;
	(5) Checked repayment of receivable after the period;
	(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.

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 2025 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' 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' 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' 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

30 March 2026

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 2025

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand	V.1	3,496,408,124.80	4,397,693,443.73
Balances with clearing companies			
Lending capital			
Transactional financial assets	V.2	19,155,470,449.17	16,209,276,762.85
Derivative financial assets			
Notes receivable	V.3	133,966,706.98	459,013,499.65
Accounts receivable	V.4	9,389,095,596.70	10,480,609,898.16
Factoring of accounts receivables	V.6	4,607,438,550.93	6,000,519,893.99
Prepayments	V.8	379,128,079.70	524,090,978.17
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	V.7	194,120,733.79	242,816,255.92
Including: Interest receivable			
Dividends receivable		625,590.11	
Financial assets purchased under agreements to resell			
Inventories	V.9	6,862,327,671.56	7,566,932,954.39
Of which: data resources			
Contract assets	V.5	67,667,431.89	56,210,047.88
Assets held for sale			
Non-current assets due within one year	V.10	5,358,503,333.34	4,883,695,277.78
Other current assets	V.11	2,845,044,203.82	1,687,051,443.98
Total current assets		52,489,170,882.68	52,507,910,456.50
Non-current assets:			
Disbursement of loans and advances			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments	V.12	2,005,216,196.64	1,764,936,952.09
Other equity investment	V.13	41,653,733.28	42,364,813.88
Other non-current financial assets	V.14	20,542,302.26	21,332,417.54
Investment properties	V.15	217,213,536.17	253,998,555.64
Fixed assets	V.16	7,160,327,070.21	5,648,643,079.56
Construction in progress	V.17	911,155,205.31	674,456,905.57
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.18	201,125,032.64	163,180,643.61
Intangible assets	V.19	1,305,501,434.50	1,406,841,869.56
Of which: data resources			
Development costs		180,269.77	
Of which: data resources			
Goodwill	V.20	132,571,746.36	226,408,877.76
Long-term prepaid expenses	V.21	69,885,638.35	44,778,274.65
Deferred tax assets	V.22	1,127,099,708.79	1,087,501,760.54
Other non-current assets	V.23	4,302,599,584.53	5,859,585,210.43
Total non-current assets		17,495,071,458.81	17,194,029,360.83
Total assets		69,984,242,341.49	69,701,939,817.33

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	3,300,806,097.01	2,708,715,351.46
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	V.26	1,813,733.43	3,552,841.18
Derivative financial liabilities			
Notes payable	V.27	11,118,152,519.63	16,132,766,497.33
Accounts payable	V.28	17,188,122,162.23	12,848,289,233.62
Advances from customers	V.29	1,820,551.63	2,745,211.29
Contract liability	V.30	1,618,788,301.63	1,838,591,086.05
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	1,072,872,436.38	1,441,919,470.92
Taxes payable	V.32	448,596,053.86	537,713,772.43
Other payables	V.33	5,208,635,578.14	5,389,842,305.97
Including: Interest payable			
Dividends payable		77,438,308.67	89,718,011.42
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V.34	410,893,176.08	101,928,336.06
Other current liabilities	V.35	6,084,406,182.57	6,913,302,837.03
Total current liabilities		46,454,906,792.59	47,919,366,943.34

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	71,308,422.32	49,371,196.64
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities	V.37	163,213,430.28	161,471,272.87
Long-term payables			
Long-term employee remunerations payable	V.38	78,993,580.17	77,923,347.90
Provisions	V.39	651,047,991.72	1,102,337,190.50
Deferred income	V.40	427,732,263.51	334,592,888.16
Deferred tax liabilities	V.22	158,258,327.90	148,942,326.29
Other non-current liabilities	V.41	458,281,470.69	533,409,940.50
Total non-current liabilities		2,008,835,486.59	2,408,048,162.86
Total liabilities		48,463,742,279.18	50,327,415,106.20
Shareholders' equity:			
Share capital	V.42	1,384,861,171.00	1,386,010,405.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	V.43	2,217,061,179.24	2,099,080,199.65
Less: treasury shares	V.44	139,706,972.86	264,243,096.35
Other comprehensive income	V.45	485,615,826.36	200,747,044.66
Special reserves	V.46	9,449,358.91	9,282,792.01
Surplus reserves	V.47	724,682,309.99	724,682,309.99
General risk provisions			
Undistributed profit	V.48	12,787,042,665.56	11,300,066,951.67
Total equity attributable to shareholders of the parent		17,469,005,538.20	15,455,626,606.63
Minority interests		4,051,494,524.11	3,918,898,104.50
Total shareholders' equity		21,520,500,062.31	19,374,524,711.13
Total liabilities and shareholders' equity		69,984,242,341.49	69,701,939,817.33

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	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		105,514,509.55	83,431,684.91
Transactional financial assets		1,853,484,520.58	2,335,470,084.17
Derivative financial assets			
Notes receivable		165,038.76	
Accounts receivable	XVII.1	701,250,115.44	603,535,442.54
Factoring of accounts receivables		23,025,519.11	36,727,135.61
Prepayment		23,958,140.89	38,299,611.93
Other receivables	XVII.2	918,547,242.70	1,167,291,561.49
Including: Interest receivable			
Dividends receivable		74,999,306.82	71,598,383.60
Inventories		29,824,702.46	9,524,489.02
Of which: data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year		645,597,500.00	
Other current assets		18,922,832.55	58,094,649.76
Total current assets		4,320,290,122.04	4,332,374,659.43
Non-current assets:			
Investments in debt			
Other investments in debt			
Long-term receivables		431,940,760.11	1,131,550,066.93
Long-term equity investments	XVII.3	7,661,498,721.16	6,763,469,751.87
Other equity investment			
Other non-current financial assets			
Investment properties		2,091,120.00	2,091,120.00
Fixed assets		43,282,514.43	40,158,494.35
Construction in progress			4,689,141.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		157,707,322.84	157,986,067.36
Of which: data resources			
Development costs		180,269.77	
Of which: data resources			
Goodwill			
Long-term prepaid expenses		45,987.81	130,347.10
Deferred tax assets		41,224,485.93	
Other non-current assets		869,388.35	92,682.50
Total non-current assets		8,338,840,570.40	8,100,167,671.70
Total assets		12,659,130,692.44	12,432,542,331.13

Financial Statements

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

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		35,544,924.97	45,208,805.22
Accounts payable		65,797,241.99	63,192,120.14
Advances from customers			
Contract liability		310,631.06	1,499,899.68
Employee remunerations payable		16,872,722.58	25,996,886.40
Taxes payable		25,272,218.22	6,074,332.78
Other payables		697,415,388.25	975,680,870.90
Including: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		110,100,023.54	
Other current liabilities		44,059,820.72	144,509,951.60
Total Current Liabilities		995,372,971.33	1,262,162,866.72
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		93,386,341.40	240,589,748.09
Deferred income		2,151,837.82	24,406,184.40
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		95,538,179.22	264,995,932.49
Total liabilities		1,090,911,150.55	1,527,158,799.21
Shareholders' equity:			
Share capital		1,384,861,171.00	1,386,010,405.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		2,514,494,322.80	2,387,231,218.73
Less: Treasury shares		139,706,972.86	264,243,096.35
Other comprehensive income		48,001,687.16	-30,344,604.64
Special reserves			
Surplus reserves		694,073,685.00	694,073,685.00
Undistributed profit		7,066,495,648.79	6,732,655,924.18
Total shareholders' equity		11,568,219,541.89	10,905,383,531.92
Total liabilities and shareholders' equity		12,659,130,692.44	12,432,542,331.13

Financial Statements

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

3. CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	Note	2025	2024
I. Total operating revenue		87,928,485,899.72	92,745,611,109.52
Including: Operating revenue	V.49	87,928,485,899.72	92,745,611,109.52
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		84,308,591,289.25	88,811,666,955.56
Including: Operating costs	V.49	69,190,771,760.28	73,476,062,734.50
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	406,236,762.96	424,352,075.52
Sales expenses	V.51	8,662,021,521.27	9,001,915,472.95
Management expenses	V.52	2,403,555,384.28	2,499,492,962.69
Research and development expenses	V.53	3,440,773,728.91	3,446,746,374.31
Financial expenses	V.54	205,232,131.55	-36,902,664.41
Including: Interest expense		193,086,522.61	149,842,418.36
Interest income		43,195,213.33	64,767,054.70
Add: Other income	V.55	571,229,740.00	718,383,267.87
Investment gain (loss expressed with "-")	V.56	1,032,294,712.46	905,644,417.61
Including: Share of profit of associates and joint ventures		404,891,314.66	319,799,112.07
Income from derecognition of financial assets at amortised cost		-1,130,867.56	-1,505,664.12
Foreign exchange gains (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")			
Gain from changes in fair values (loss expressed with "-")	V.57	230,638,141.00	253,160,531.67
Impairment losses on credit (loss expressed with "-")	V.58	2,715,084.48	44,200,668.57
Impairment losses on assets (loss expressed with "-")	V.59	-219,449,675.26	-180,162,809.58
Gains on disposal of asset (loss expressed with "-")	V.60	42,924,276.71	3,972,039.23
III. Operating profits (loss expressed with "-")		5,280,246,889.86	5,679,142,269.33
Add: Non-operating incomes	V.61	242,754,590.62	348,947,831.46
Less: Non-operating expenses	V.62	74,362,345.01	61,701,076.90
IV. Total profit (total loss expressed with "-")		5,448,639,135.47	5,966,389,023.89
Less: Income tax expenses	V.63	714,825,929.62	840,236,049.65
V. Net profits (net loss expressed with "-")		4,733,813,205.85	5,126,152,974.24
(1) Classified on a going concern basis			
1. Net profit from continuing operations (net loss expressed with "-")		4,733,813,205.85	5,126,152,974.24
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		3,186,573,917.88	3,347,881,773.89
2. Profit and loss of minority interests		1,547,239,287.97	1,778,271,200.35

Financial Statements

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

Item	Note	2025	2024
VI. Other comprehensive income after tax, net		319,226,105.57	-10,567,861.70
Other comprehensive income after tax attributable to owners of the parent, net		284,868,781.70	-26,250,775.08
(1) Items not to be reclassified into profit or loss		43,347,122.06	23,649,623.70
1. Changes arising from remeasurement of defined benefit plan		-2,584,204.16	23,068,284.31
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		46,114,394.21	
3. Changes in fair value of other equity instruments investment		-183,067.99	581,339.39
4. Changes in the fair value of the company's own credit risk			
5. Others			
(2) Items to be reclassified into profit or loss		241,521,659.64	-49,900,398.78
1. Other comprehensive income that is convertible into gains and losses under the equity method		32,310,400.10	-31,695,535.18
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		209,211,259.54	-18,204,863.60
7. Others			
Other comprehensive income after tax attributable to minority interests, net		34,357,323.87	15,682,913.38
VII. Total comprehensive income		5,053,039,311.42	5,115,585,112.54
Total comprehensive income attributable to shareholders of the parent		3,471,442,699.58	3,321,630,998.81
Total comprehensive income attributable to minority interests		1,581,596,611.84	1,793,954,113.73
VIII. Earnings per share:			
(1) Basic earnings per share		2.33	2.46
(2) Diluted earnings per share		2.33	2.46

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	2025	2024
I. Total operating revenue	XVII.4	4,945,126,635.91	5,690,120,355.19
Less: Operating costs	XVII.4	4,475,411,330.47	5,348,628,310.54
Taxes and surcharges		10,001,327.21	8,818,827.29
Sales expenses		87,826,497.36	303,588,141.94
Management expenses		54,573,957.76	112,180,152.77
Research and development expenses		106,257,174.99	165,017,898.34
Financial expenses		-56,896,400.24	-64,471,063.42
Including: Interest expense			
Interest income		56,367,789.56	62,183,147.04
Add: Other income		3,222,712.67	2,347,859.95
Investment gain (loss expressed with "-")	XVII.5	1,694,235,992.75	3,011,496,629.21
Including: Share of profit of associates and joint ventures		142,578,213.35	96,750,756.12
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 "-")		30,984,520.56	11,504,031.59
Impairment losses on credit (loss expressed with "-")		344,346.48	-248,119.42
Impairment losses on assets (loss expressed with "-")		-3,464,462.83	-296,058.37
Gains on disposal of asset (loss expressed with "-")		19,956.33	12,821.20
II. Operating profits (loss expressed with "-")		1,993,295,814.32	2,841,175,251.89
Add: Non-operating incomes		28,124,422.92	6,117,175.33
Less: Non-operating expenses		9,045,490.37	-477,100.39
III. Total profit (total loss expressed with "-")		2,012,374,746.87	2,847,769,527.61
Less: Income tax expenses		-21,063,181.73	2,613,122.20
IV. Net profits (net loss expressed with "-")		2,033,437,928.60	2,845,156,405.41
(1) Net profit from continuing operations (net loss expressed with "-")		2,033,437,928.60	2,845,156,405.41
(2) Net profit from discontinued operations (net loss expressed with "-")			
V. Other comprehensive income after tax, net		78,346,291.80	-31,851,738.42
(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		78,346,291.80	-31,851,738.42
1. Other comprehensive income that is convertible into gains and losses under the equity method		78,346,291.80	-31,851,738.42
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		2,111,784,220.40	2,813,304,666.99
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	2025	2024
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		80,326,471,758.97	76,577,033,223.57
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		3,513,939,184.07	3,516,048,170.30
Cash received relating to other operating activities	V.65	1,137,018,234.74	1,332,901,940.81
Subtotal of cash inflows from operating activities		84,977,429,177.78	81,425,983,334.68
Cash paid for purchases of commodities and receipt of services		56,553,107,485.39	53,813,631,103.79
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements from banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policyholders' dividend			
Cash paid to and for employees		8,767,626,935.64	9,219,713,292.09
Cash paid for taxes and surcharges		3,127,722,841.95	3,481,226,990.40
Cash paid relating to other operating activities	V.65	10,732,942,734.29	9,779,247,007.16
Subtotal of cash outflows from operating activities		79,181,399,997.27	76,293,818,393.44
Net cash flows from operating activities		5,796,029,180.51	5,132,164,941.24
II. Cash flows from investing activities:			
Cash received from recovery of investments		23,909,643.88	
Cash received from investment income		1,135,390,218.94	1,078,028,635.37
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		91,062,660.49	9,383,381.79
Net cash received from disposal of subsidiaries and other operation units			
Cash received relating to other investing activities	V.65	45,526,149,135.25	36,488,772,661.40
Subtotal of cash inflows from investing activities		46,776,511,658.56	37,576,184,678.56
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,114,104,984.92	1,393,936,596.83
Cash paid for investments		17,360,421.57	147,000,000.00
Net increase in pledged loans			
Cash paid for acquiring subsidiaries and other operation units			
Cash paid relating to other investing activities	V.65	48,199,192,150.07	36,654,685,169.84
Subtotal of cash outflows from investing activities		50,330,657,556.56	38,195,621,766.67
Net cash flows from investing activities		-3,554,145,898.00	-619,437,088.11

Financial Statements

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

Item	Note	2025	2024
III. Cash flows from financing activities:			
Cash received from capital contribution		12,895,943.19	5,000,000.00
Including: Cash contribution to subsidiaries from minority shareholders' investment			5,000,000.00
Cash received from borrowings		4,106,201,239.89	2,218,102,177.76
Cash received relating to other financing activities	V.65	857,476,947.77	2,703,497,913.70
Subtotal of cash inflows from financing activities		4,976,574,130.85	4,926,600,091.46
Cash paid for repayment of borrowings		3,391,832,676.49	1,762,522,177.20
Cash paid for distribution of dividends, profit or payment of interest expenses		3,300,834,980.84	4,389,960,761.14
Including: Dividend and profit paid to minority shareholders by subsidiaries		1,492,575,419.83	2,894,496,152.89
Cash paid relating to other financing activities	V.65	298,947,022.47	3,895,437,279.21
Subtotal of cash outflows from financing activities		6,991,614,679.80	10,047,920,217.55
Net cash flows from financing activities		-2,015,040,548.95	-5,121,320,126.09
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
		-4,544,766.27	-77,279,521.03
V. Net increase in cash and cash equivalents			
		222,297,967.29	-685,871,793.99
Add: Balance of cash and cash equivalents at the beginning of the period		2,191,268,606.55	2,877,140,400.54
VI. Balance of cash and cash equivalents at the end of the period		2,413,566,573.84	2,191,268,606.55

Financial Statements

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

6. CASH FLOW STATEMENT OF PARENT COMPANY

Unit: RMB

Item	Note	2025	2024
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of service		3,878,749,778.68	4,211,123,563.02
Tax rebates received			27,690.77
Cash received relating to other operating activities		841,032,146.08	728,761,661.03
Subtotal of cash inflows from operating activities		4,719,781,924.76	4,939,912,914.82
Cash paid for purchases of commodities and receipt of labor services		3,354,638,392.68	3,287,617,324.61
Cash paid to and for employees		252,902,908.07	310,923,213.98
Cash paid for taxes and surcharges		14,504,955.42	13,969,058.80
Cash paid relating to other operating activities		997,225,742.55	1,151,720,937.89
Subtotal of cash outflow from operating activities		4,619,271,998.72	4,764,230,535.28
Net cash flows from operating activities		100,509,926.04	175,682,379.54
II. Cash flow from investing activities:			
Cash received from recovery of investments		32,800,000.00	
Cash received from investment income		1,745,350,547.85	3,139,761,736.37
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		481,931.31	13,897.70
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities		5,066,890,265.03	4,050,485,625.23
Subtotal of cash inflows from investing activities		6,845,522,744.19	7,190,261,259.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		10,523,287.67	21,457,933.47
Cash paid for investments		699,945,010.00	711,821,117.29
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		4,492,500,000.00	5,046,966,052.52
Subtotal of cash outflows from investing activities		5,202,968,297.67	5,780,245,103.28
Net cash flows from investing activities		1,642,554,446.52	1,410,016,156.02
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings			
Cash received relating to other financing activities		7,441,692.72	155,555,939.00
Subtotal of cash inflows from financing activities		7,441,692.72	155,555,939.00
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses		1,702,461,774.72	1,403,272,936.47
Cash paid relating to other financing activities		31,133,225.05	356,972,836.25
Subtotal of cash outflows from financing activities		1,733,594,999.77	1,760,245,772.72
Net cash flows from financing activities		-1,726,153,307.05	-1,604,689,833.72
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
		-1,261,061.03	-736,869.69
V. Net increase in cash and cash equivalents			
		15,650,004.48	-19,728,167.85
Add: Balance of cash and cash equivalents at the beginning of the period		59,068,601.24	78,796,769.09
VI. Balance of cash and cash equivalents at the end of the period		74,718,605.72	59,068,601.24

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	2025														
	Share capital	Other equity instruments			Attributable to the owners of the parent					General risk provisions	Undistributed profits	Others	Subtotal	Minority interests	Total Share capital reserve owners' equity
		Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves						
I. Closing balance of previous year	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
Add: Changes in accounting policies															
Correction for error in previous period															
Others															
II. Opening balance for the year	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
III. Movements in the current period															
(Decreases expressed with "-")	-1,149,234.00				117,980,979.59	-124,536,123.49	284,868,781.70	166,566.90			1,486,975,713.89		2,013,378,931.57	132,596,419.61	2,145,975,351.18
(1) Total comprehensive income							284,868,781.70				3,186,573,917.88		3,471,442,699.58	1,581,596,611.84	5,053,039,311.42
(2) Owners' contributions and capital reductions	-1,149,234.00				95,345,855.30	-124,536,123.49							218,732,744.79	-58,868,539.60	159,864,205.19
1. Ordinary shares contributed by shareholders	-1,149,234.00				-7,642,693.99								-8,791,927.99		-8,791,927.99
2. Capital contributions by holders of other equity instrument															
3. Amount of share-based payment included in shareholders' equity					112,814,090.57								112,814,090.57	11,857,910.57	124,672,001.14
4. Others					-8,825,541.28	-124,536,123.49							114,710,582.21	-70,726,450.17	43,984,132.04
(3) Profit Distribution											-1,699,598,203.99		-1,699,598,203.99	-1,390,273,101.12	-3,089,871,305.11
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)													-1,699,598,203.99	-1,390,273,101.12	-3,089,871,305.11
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								166,566.90					166,566.90	393,603.75	560,170.65
1. Provided during the period								88,195,567.19					88,195,567.19	8,797,251.45	96,992,818.64
2. Used during the period								88,029,000.29					88,029,000.29	8,403,647.70	96,432,647.99
(6) Others					22,635,124.29								22,635,124.29	-252,155.26	22,382,969.03
IV. Closing balance for the period	1,384,861,171.00				2,217,061,179.24	139,706,972.86	485,615,826.36	9,449,358.91	724,682,309.99		12,787,042,665.56		17,469,005,538.20	4,051,494,524.11	21,520,500,062.31

Financial Statements

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

Amount for previous period

Unit: RMB

Item	2024												Total owners' equity		
	Share capital	Other equity instruments			Attributable to the owners of the parent					General risk provisions	Undistributed profits	Others		Subtotal	Minority interests
		Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserves	Surplus reserves						
I. Closing balance for 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															
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 reduction	-1,924,965.00				-23,422,371.87	27,616,613.74								-52,963,950.61	-850,650,713.16
1. Ordinary shares contributed by owners	-1,924,965.00				-9,861,342.75									-11,786,307.75	-910,690,125.76
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	-2,844,055,083.10	-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	-2,844,055,083.10	-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

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

Amount for current period

Unit: RMB

Item	Share capital	Other equity instruments		Others	2025			Special reserves	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preference shares	Perpetual debts		Capital reserve	Treasury shares	Less: Other comprehensive income					
I. Closing balance in previous year	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
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	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
III. Movements in the current period												
(Decreases expressed with "-")	-1,149,234.00				127,263,104.07	-124,536,123.49	78,346,291.80			333,839,724.61		662,836,009.97
(1) Total comprehensive income							78,346,291.80			2,033,437,928.60		2,111,784,220.40
(2) Owners' contributions and capital reductions	-1,149,234.00				104,627,979.78	-124,536,123.49						228,014,869.27
1. Ordinary shares contributed by owners	-1,149,234.00				-7,642,693.99							-8,791,927.99
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity					110,631,445.77							110,631,445.77
4. Others					1,639,228.00	-124,536,123.49						126,175,351.49
(3) Profit Distribution										-1,699,598,203.99		-1,699,598,203.99
1. Appropriations to surplus reserve												
2. Distribution to owners (shareholders)										-1,699,598,203.99		-1,699,598,203.99
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					22,635,124.29							22,635,124.29
IV. Closing balance for the period	1,384,861,171.00				2,514,494,322.80	139,706,972.86	48,001,687.16		694,073,685.00	7,066,495,648.79		11,568,219,541.89

Financial Statements

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

Amount for previous period

Unit: RMB

Item	2024											Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	
I. Closing balance in previous year	1,387,935,370.00				2,352,730,955.68	236,626,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24		9,490,393,117.09
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,387,935,370.00				2,352,730,955.68	236,626,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24		9,490,393,117.09
III. Movements in the current period												
(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												
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

I. COMPANY PROFILE

Hisense Home Appliances Group Co., Ltd. (hereinafter referred to as the “Company”, the “Group” when including subsidiaries), formerly known as Guangdong Shunde Pearl River Factory (廣東順德珠江冰箱廠), was established in 1984, with its place of registration and head office address at No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province. The Company’s 459,589,808 overseas listed public shares (the “H Shares”) were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996. In 1998, the Company obtained the approval to issue 110,000,000 domestic shares (the “A Shares”), which were listed on the Shenzhen Stock Exchange on 13 July 1999.

In accordance with the Industrial Classification for National Economic Activities (2017) issued by the National Bureau of Statistics, the Company belongs to “C3851 Manufacturer of household refrigeration appliances”, which is principally engaged in the research and development, manufacturing, marketing and service business of HVAC, refrigerators, freezers, washing machines, kitchen appliances, automotive air-conditioning compressors, automotive integrated thermal management systems and other products, and provides the full-scenario smart home solutions. The main products include HVAC, refrigerators, freezers, washing machines, kitchen appliances, automotive air-conditioning compressors, automotive integrated thermal management systems, etc.

The financial statements were approved for publication by the Board of the Company on 30 March 2026.

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 2025, 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

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 2025, operation results, cash flows and other information for 2025 of the Company and the Group in accordance with the Accounting Standards for Business Enterprises.

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

The units of the statements in the financial notes are: 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. The transaction date is the date on which the Group commits to purchase or sell a financial asset.

(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.

Financial Statements

The units of the statements in the financial notes are: 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. Interest income from such financial assets is recognised using the effective interest method, and any gains or losses arising from derecognition, modification or impairment are included in the profit or loss for current period. 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 by the Group 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.

Financial Statements

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

Financial Statements

The units of the statements in the financial notes are: 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 receivables such as accounts receivable, notes receivable and receivables financing, as well as contract assets 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.

Financial Statements

The units of the statements in the financial notes are: 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, aging of accounts receivable, etc.

Financial Statements

The units of the statements in the financial notes are: 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 aging of accounts receivable and contract assets, overdue aging, 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
aging group	This group uses the aging of receivables as the credit risk characteristics
Counterparties relationship group	This group is based on receivables from related parties
Other group	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)

Financial Statements

The units of the statements in the financial notes are: 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
aging group	This group uses the aging of other receivables as the credit risk characteristics
Counterparties relationship group	This group is based on other receivables from related parties
Other group	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 aging 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.

Financial Statements

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

Financial Statements

The units of the statements in the financial notes are: 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 part 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.

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

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

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

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

(2) Accounting treatment method (continued)

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

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

The Company's investments in subsidiaries are accounted for in individual financial statements using cost method. When the cost method is used, long-term equity investments are measured at their initial investment cost. When making additional investment, carrying amount of the long-term equity investments will be increased according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the investee, it shall be recognised as investment income for current period using the amount which it entitles.

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

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.

Financial Statements

The units of the statements in the financial notes are: 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
Buildings and structures	Completion acceptance/actual start of use (Whichever is earlier)
Machinery and equipment	Completion of installation, debugging and acceptance

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

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

Provisions expected to be settled within one year from the balance sheet date are presented as current liabilities.

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.

Financial Statements

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

Financial Statements

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

Financial Statements

The units of the statements in the financial notes are: 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. Those subsidies, which used to compensate for related costs, expenses or losses already incurred during the period are recognised directly in profit or loss. 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.

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

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

Financial Statements

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

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.

32. Changes in critical accounting policies and estimates

(1) *Changes in critical accounting policies*

None.

(2) *Changes in critical accounting estimates*

None.

Financial Statements

The units of the statements in the financial notes are: 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%, 3% and 0% 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%, 0%
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.

Financial Statements

The units of the statements in the financial notes are: 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%
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 (Shandong) Kitchen and Bath Co., Ltd.	15.00%
Qingdao Yiyang Venture Capital Management Co., Ltd.	20.00%
Qingdao Hongcheng Mould 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 EUROPES.A.S.	28.00%
SANDEN VIKAS (INDIA) LTD.	35.00%
SANDEN MANUFACTURING MEXICOS.A.DEC.V.	30.00%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15.00%
Other overseas subsidiaries	5%-34%

2. Tax preferences

(1) Income 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 adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

Financial Statements

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

IV. TAXATION (continued)

2. Tax preferences (continued)

(1) Income tax preferences (continued)

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 adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

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

On 19 December 2025, Hisense (Guangdong) Kitchen and Bath System Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202544002309, 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 adopted the enterprise income tax rate of 15% in 2025, 2026 and 2027.

On 19 December 2025, Foshan Shunde Rongshen Plastic Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202544003728, 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 adopted the enterprise income tax rate of 15% in 2025, 2026 and 2027.

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 adopted the enterprise income tax rate of 15% in 2024, 2025 and 2026.

Financial Statements

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

IV. TAXATION (continued)

2. Tax preferences (continued)

(1) Income tax preferences (continued)

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 adopted the enterprise income tax rate of 15% in 2024, 2025 and 2026.

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 adopted the enterprise income tax rate of 15% in 2023, 2024 and 2025.

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 2025.

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 2025.

Qingdao Hongcheng Mould 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 2025.

KII, a subsidiary of the Company, which was incorporated in Hong Kong, is subject to a profits tax on the estimated assessable profits derived from or arising in Hong Kong at the following rates: 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) 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 (Yangzhou) 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%.

Financial Statements

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

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 2025; and “Closing Balance” refers to the balance as at 31 December 2025. “Current Year” refers to the period from 1 January to 31 December 2025; “Last Year” refers to the period from 1 January to 31 December 2024. The currency is denominated in RMB.

1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	553,795.36	116,974.19
Bank deposits	1,028,175,536.70	876,524,372.96
Other cash at bank and on hand	1,032,098,207.64	1,971,151,786.40
Deposit in financial company	1,435,580,585.10	1,549,900,310.18
Including: Bank deposits	1,326,126,590.41	1,301,400,309.75
Other cash at bank and on hand	109,453,994.69	248,500,000.43
Total	3,496,408,124.80	4,397,693,443.73
Including: Total amount deposited overseas	724,540,447.04	667,561,849.36

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	989,421,608.29	2,131,097,996.59
Other security deposit	93,419,942.67	75,326,840.59
Total	1,082,841,550.96	2,206,424,837.18

2. Transactional financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	19,155,470,449.17	16,209,276,762.85
Including: Derivative financial instruments	26,426,742.91	48,959,296.04
Wealth management products	19,129,043,706.26	16,160,317,466.81
Total	19,155,470,449.17	16,209,276,762.85

Financial Statements

The units of the statements in the financial notes are: 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	28,637,505.59	6,497,691.77
Commercial acceptance notes	105,329,201.39	452,515,807.88
Total	133,966,706.98	459,013,499.65

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	134,939,301.47	100.00	972,594.49	0.72	133,966,706.98
Including:					
Bank acceptance notes	28,637,505.59	21.22			28,637,505.59
Commercial acceptance notes	106,301,795.88	78.78	972,594.49	0.91	105,329,201.39
Total	134,939,301.47	100.00	972,594.49	0.72	133,966,706.98

Financial Statements

The units of the statements in the financial notes are: 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 balan				Carrying amount
	Book value		Provision for bad debts		
	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

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	99,654,877.58		
Acceptor being other types of company	6,646,918.30	972,594.49	14.63
Total	106,301,795.88	972,594.49	-

Financial Statements

The units of the statements in the financial notes are: 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	884.75	971,709.74			972,594.49
Total	884.75	971,709.74			972,594.49

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

Item	Pledged amount at the end of the year
Bank acceptance notes	28,637,505.59
Total	28,637,505.59

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		591,661.00
Total		591,661.00

(6) Notes receivable written-off during the year

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

Financial Statements

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

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

4. Accounts receivable

(1) Accounts receivable by aging

Aging	Book value as at the end of the year	Book value as at the beginning of the year
Within three months	8,599,122,948.67	9,636,006,962.35
Over three months but within six months	278,331,973.18	439,426,145.09
Over six months but within one year	245,637,121.91	160,377,425.51
Over one year	577,619,212.49	554,775,266.31
Total	9,700,711,256.25	10,790,585,799.26

(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	86,349,265.74	0.89	65,521,167.85	75.88	20,828,097.89
Accounts receivable for which provision for bad debts is made on a group basis	9,614,361,990.51	99.11	246,094,491.70	2.56	9,368,267,498.81
Total	9,700,711,256.25	100.00	311,615,659.55	3.21	9,389,095,596.70

Financial Statements

The units of the statements in the financial notes are: 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	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
Total	10,790,585,799.26	100.00	309,975,901.10	2.87	10,480,609,898.16

1) Accounts receivable subject to separate provision for bad debts

Item	Opening balance		Closing balance			Reasons for provision
	Book value	Provision for bad debts	Book value	Provision for bad debts	(%)	
Domestic customers	133,785,840.82	102,295,699.38	86,349,265.74	65,521,167.85	75.88	Expected to be difficult to recover in full
Total	133,785,840.82	102,295,699.38	86,349,265.74	65,521,167.85	75.88	-

2) Accounts receivable for which provision for bad debts is made on a group basis

Aging	Closing balance			(%)
	Book value	Provision for bad debts		
Aging group	1,132,850,241.67	133,004,926.95		11.74
Counterparties relationship portfolio	5,999,702,116.28	21,913,100.72		0.37
Other group	2,481,809,632.56	91,176,464.03		3.67
Total	9,614,361,990.51	246,094,491.70		2.56

Note: This group is based on the aging of accounts receivable, Counterparties relationships, and transaction types as credit risk characteristic and the provision for bad debts is made based on the expected credit loss of the group.

Financial Statements

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

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

4. Accounts receivable (continued)

(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	Others	
Accounts receivable	309,975,901.10	4,353,297.38		605,950.71	-1,995,519.81	-112,068.41	311,615,659.55
Total	309,975,901.10	4,353,297.38		605,950.71	-1,995,519.81	-112,068.41	311,615,659.55

(4) Accounts receivable written-off during the year

Item	Written-off amount
Accounts receivable written-off	605,950.71

(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 RMB4,537,353,542.15, accounting for 46.77% of the closing balance of accounts receivable. A provision for bad debts of RMB4,389,877.54 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	75,696,198.07	8,028,766.18	67,667,431.89	66,062,456.97	9,852,409.09	56,210,047.88
Total	75,696,198.07	8,028,766.18	67,667,431.89	66,062,456.97	9,852,409.09	56,210,047.88

(2) Contract assets by provision for bad debts

Category	Closing balance		Carrying amount
	Book value Amount	Provision for bad debts (%)	
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	75,696,198.07	100.00	67,667,431.89
Including:			
Guarantee	75,696,198.07	100.00	67,667,431.89
Total	75,696,198.07	100.00	67,667,431.89

Financial Statements

The units of the statements in the financial notes are: 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	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88
Including:					
Guarantee	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88
Total	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88

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	75,696,198.07	8,028,766.18	10.61
Total	75,696,198.07	8,028,766.18	–

(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	Others		
Guarantee	9,852,409.09	281,070.39		-2,104,713.30		8,028,766.18	
Total	9,852,409.09	281,070.39		-2,104,713.30		8,028,766.18	–

(4) Contract assets written-off for the year

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

Financial Statements

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

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

6. Factoring of accounts receivable

(1) Factoring of accounts receivable by category

Item	Closing balance	Opening balance
Bank acceptance notes	4,607,438,550.93	6,000,519,893.99
Total	4,607,438,550.93	6,000,519,893.99

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	4,607,438,550.93	100.00			4,607,438,550.93
Including:					
Bank acceptance notes	4,607,438,550.93	100.00			4,607,438,550.93
Total	4,607,438,550.93	100.00			4,607,438,550.93

Financial Statements

The units of the statements in the financial notes are: 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	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

(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	5,641,244,718.74	
Total	5,641,244,718.74	

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

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

Financial Statements

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

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

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	625,590.11	
Other receivables	193,495,143.68	242,816,255.92
Total	194,120,733.79	242,816,255.92

7.1 Dividends receivable

(1) Classification of dividends receivable

Investee	Closing balance	Opening balance
SANPAK ENGINEERING INDUSTRIES	625,590.11	
Total	625,590.11	

(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	96,405,365.43	87,597,261.60
Refund of tax for exports		13,599,113.05
Other current account	174,895,612.32	227,362,892.71
Total	271,300,977.75	328,559,267.36

Financial Statements

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

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

7.2 Other receivables (continued)

(2) Other receivables by aging

Aging	Book value as at the end of the year
Within three months	140,338,154.35
Over three months but within six months	14,520,961.67
Over six months but within one year	7,751,015.94
Over one year	108,690,845.79
Total	271,300,977.75

(3) Provision for bad debts for other receivables

	First stage	Second stage	Third stage	Total
	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)	
Balance as at 1 January 2025	2,145,922.18	69,039,068.77	14,558,020.49	85,743,011.44
During the year, the book balance of other receivables as at 1 January 2025	-	-	-	-
- transferred to second stage				
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the year	609,794.50	-8,649,886.10		-8,040,091.60
Reversal for the year				
Written-off for the year				
Charge off for the year				
Other changes	114,275.68	-11,361.45		102,914.23
Balance as at 31 December 2025	2,869,992.36	60,377,821.22	14,558,020.49	77,805,834.07

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 aging of over one year in the lifetime.

Financial Statements

The units of the statements in the financial notes are: 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 Others	
Other receivables	85,743,011.44	-8,040,091.60			148,743.13 -45,828.90	77,805,834.07
Total	85,743,011.44	-8,040,091.60			148,743.13 -45,828.90	77,805,834.07

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

(5) Other receivables written-off during the year

There were no other receivables written-off during the year.

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

No.	Nature of the amount	Closing balance	aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
No. 1	Other current accounts	27,458,922.53	Within one year	10.12	
No. 2	Security deposit	20,000,000.00	Over one year	7.37	20,000,000.00
No. 3	Other current accounts	17,291,642.00	Within one year	6.37	
No. 4	Other current accounts	11,632,660.98	Within one year	4.29	
No. 5	Other current accounts	9,908,917.21	Within one year	3.65	
Total	-	86,292,142.72	-	31.80	20,000,000.00

Financial Statements

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

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

8. Prepayments

(1) aging of prepayments

Item	Closing balance		Opening balance	
	Amount	(%)	Amount	(%)
Within one year	375,290,812.25	98.99	521,439,148.61	99.49
Over one year	3,837,267.45	1.01	2,651,829.56	0.51
Total	379,128,079.70	100.00	524,090,978.17	100.00

The Group had no prepayments of significant amount with aging 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 RMB189,580,796.89, accounting for 50.00% 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	1,294,332,869.93	58,121,508.41	1,236,211,361.52
Works in progress	698,987,441.50	6,394,506.98	692,592,934.52
Finished goods	4,985,796,859.40	52,273,483.88	4,933,523,375.52
Total	6,979,117,170.83	116,789,499.27	6,862,327,671.56

(continued)

Item	Opening 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

Financial Statements

The units of the statements in the financial notes are: 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	Written-off	Exchange rate changes	
Raw materials	60,245,563.60	14,386,589.09		15,149,154.86	1,361,489.42	58,121,508.41
Works in progress	6,413,805.72	1,399,808.36		1,276,969.89	142,137.21	6,394,506.98
Finished goods	62,959,633.32	91,918,238.56		101,317,204.66	1,287,183.34	52,273,483.88
Total	129,619,002.64	107,704,636.01		117,743,329.41	2,790,809.97	116,789,499.27

(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	5,358,503,333.34	4,883,695,277.78
Total	5,358,503,333.34	4,883,695,277.78

11. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	1,346,154,726.55	631,618,371.84
Prepaid tax and tax deductible	1,241,953,493.60	858,852,366.02
Prepaid expenses and others	256,935,983.67	196,580,706.12
Total	2,845,044,203.82	1,687,051,443.98

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.

Financial Statements

The units of the statements in the financial notes are: 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	Additional investment	Decrease in investment	Change for the year					Closing balance (Carrying amount)	Closing balance of provision for impairment	
					Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made			Exchange rate changes
I. Joint ventures												
Hisense Marketing Management Co., Ltd.	50,297,902.69				-10,379,416.16		10,947,964.70				50,866,451.23	
Qingdao Hisense Global Asia Holding Co., Ltd.	5,345,000.87				6,759,966.40	4,638,093.85	535,032.79				17,278,093.91	
Subtotal	55,642,903.56				-3,619,449.76	4,638,093.85	11,482,997.49				68,144,545.14	
II. Associates												
Qingdao Hisense Jinlong Holdings Co., Ltd.	414,741,582.39				17,318,104.88			8,575,458.39			423,484,228.88	
Hisense International Co., Ltd.	119,889,770.35				127,567,708.43	27,593,803.72	11,059,265.91	25,333,080.00			260,777,468.41	
Qingdao Hisense Intelligent Electronic Technology Co., Ltd.	147,950,944.26				1,495,803.74						149,446,748.00	
Associates of Yiyang Entrepreneurship Investment			1,122,921.57	100,211.28	-7,987.51						1,014,722.78	
Associates of Sanden Corporation	1,026,711,751.53			17,307,721.63	262,321,088.82	104,739.84		208,869,115.58		-16,480,710.76	1,046,480,032.22	
Hisense Xinghai Technology (Hangzhou) Co., Ltd.			15,000,000.00		-5,338,803.89	46,114,394.21	92,860.89				55,868,451.21	
Subtotal	1,709,294,048.53		16,122,921.57	17,407,932.91	403,355,914.47	73,812,937.77	11,152,126.80	242,777,653.97		-16,480,710.76	1,937,071,651.50	
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	1,764,936,952.09	11,000,000.00	16,122,921.57	17,407,932.91	399,736,464.71	78,451,031.62	22,635,124.29	242,777,653.97		-16,480,710.76	2,005,216,196.64	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. 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) Hisense Xinghai Technology (Hangzhou) Co., Ltd. is hereinafter referred to as “Hisense Xinghai Technology”.
- (8) As at the end of the Reporting Period, all the joint ventures and associates of the Company were unlisted companies.

Financial Statements

The units of the statements in the financial notes are: 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	2,005,216,196.64	1,764,936,952.09
Including: Joint ventures	68,144,545.14	55,642,903.56
Associates	1,937,071,651.50	1,709,294,048.53
Total	2,005,216,196.64	1,764,936,952.09

13. Other equity investment

Item	Closing balance	Opening balance
Non-trading equity investments	41,653,733.28	42,364,813.88
Total	41,653,733.28	42,364,813.88

14. Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	20,542,302.26	21,332,417.54
Total	20,542,302.26	21,332,417.54

Financial Statements

The units of the statements in the financial notes are: 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	374,710,861.63	27,694,361.74	402,405,223.37
2. Increase for the year	10,941,259.06		10,941,259.06
(1) Acquisition	1,076,135.82		1,076,135.82
(2) Transfer from construction under progress	9,865,123.24		9,865,123.24
3. Decrease for the year	3,547,785.14	3,690,920.22	7,238,705.36
(1) Exchange rate changes	3,547,785.14	3,690,920.22	7,238,705.36
4. Closing balance	382,104,335.55	24,003,441.52	406,107,777.07
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	147,688,529.73	718,138.00	148,406,667.73
2. Increase for the year	43,898,919.85	36,497.00	43,935,416.85
(1) Provision or amortisation	43,898,919.85	36,497.00	43,935,416.85
3. Decrease for the year	3,447,843.68		3,447,843.68
(1) Exchange rate changes	3,447,843.68		3,447,843.68
4. Closing balance	188,139,605.90	754,635.00	188,894,240.90
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	193,964,729.65	23,248,806.52	217,213,536.17
2. Carrying amount as at the beginning of the year	227,022,331.90	26,976,223.74	253,998,555.64

(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

Financial Statements

The units of the statements in the financial notes are: 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	7,159,168,602.46	5,648,279,219.22
Disposal of fixed assets	1,158,467.75	363,860.34
Total	7,160,327,070.21	5,648,643,079.56

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	327,628,813.86	3,990,324,424.45	6,025,347,154.72	3,461,596,771.60	79,111,731.55	13,884,008,896.18
2. Increase for the year	431,608,910.90	979,562,415.49	962,371,518.35	304,652,835.03	11,729,753.07	2,689,925,432.84
(1) Additions	69,163,664.83	317,390,645.92	436,206,944.89	196,282,644.06	9,745,569.71	1,028,789,469.41
(2) Transfer from construction in progress	348,523,478.96	634,787,591.84	526,164,573.46	108,370,190.97	1,984,183.36	1,619,830,018.59
(3) Exchange rate changes	13,921,767.11	27,384,177.73				41,305,944.84
3. Decrease for the year	15,141,423.42	13,741,798.86	557,690,775.06	210,164,186.77	9,613,990.54	806,352,174.65
(1) Disposal or retirement	15,141,423.42	13,729,992.21	466,583,572.25	182,086,753.88	9,014,862.93	686,556,604.69
(2) Exchange rate changes			22,245,190.62	22,931,503.04	581,328.01	45,758,021.67
(3) Others		11,806.65	68,862,012.19	5,145,929.85	17,799.60	74,037,548.29
4. Closing balance	744,096,301.34	4,956,145,041.08	6,430,027,898.01	3,556,085,419.86	81,227,494.08	15,767,582,154.37
II. Accumulated depreciation						
1. Opening 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
2. Increase for the year		188,012,823.81	560,631,475.40	261,488,440.65	14,783,701.77	1,024,916,441.63
(1) Provision		188,012,823.81	560,631,475.40	261,488,440.65	14,783,701.77	1,024,916,441.63
3. Decrease for the year		19,561,875.20	413,102,918.37	183,739,962.26	7,064,528.87	623,469,284.70
(1) Disposal or retirement		12,998,357.37	347,723,079.00	171,597,800.07	6,492,655.29	538,811,891.73
(2) Exchange rate changes		6,563,517.83	19,873,467.45	9,725,577.15	571,873.58	36,734,436.01
(3) Others			45,506,371.92	2,416,585.04		47,922,956.96
4. Closing balance		2,032,884,231.25	3,410,437,614.75	2,847,687,417.80	50,071,848.78	8,341,081,112.58
III. Provision for impairment						
1. Opening balance		8,797,986.81	197,010,417.35	89,843,081.23	444,235.92	296,095,721.31
2. Increase for the year		711,341.97	4,998,170.62	4,184,932.54		9,894,445.13
(1) Provision		711,341.97	4,998,170.62	4,184,932.54		9,894,445.13
3. Decrease for the year		704,377.57	33,653,844.02	4,244,819.18	54,686.34	38,657,727.11
(1) Disposal or retirement		704,377.57	30,686,473.26	1,482,833.76	43,596.25	32,917,280.84
(2) Exchange rate changes			2,967,370.76	2,761,985.42	11,090.09	5,740,446.27
4. Closing balance		8,804,951.21	168,354,743.95	89,783,194.59	389,549.58	267,332,439.33
IV. Carrying amount						
1. Carrying amount as at the end of the year	744,096,301.34	2,914,455,858.62	2,851,235,539.31	618,614,807.47	30,766,095.72	7,159,168,602.46
2. Carrying amount as at the beginning 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

Financial Statements

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

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

16.1 Fixed assets (continued)

(2) Fixed assets leased out under operating lease

Item	Closing carrying amount
Buildings and structures	220,498,067.67
Machinery and equipments, etc.	30,231,034.20
Transportation equipment	231,531.55
Total	250,960,633.42

(3) Fixed assets without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	499,676,377.21	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
Buildings and structures	919,523.64	208,181.67	711,341.97
Machinery and equipments	5,720,189.06	722,018.44	4,998,170.62
Electronic equipment, appliances and furniture	4,206,160.04	21,227.50	4,184,932.54
Total	10,845,872.74	951,427.61	9,894,445.13

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.

Financial Statements

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

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

16.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	1,158,467.75	363,860.34
Total	1,158,467.75	363,860.34

17. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	911,155,205.31	674,456,905.57
Total	911,155,205.31	674,456,905.57

(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	79,510,817.37		79,510,817.37	25,576,269.40		25,576,269.40
A dormitory building in Pingdu Industrial Park				121,253,940.32		121,253,940.32
GEN5 electric press production line	261,404,800.93		261,404,800.93	229,713,759.38		229,713,759.38
Changsha production base	14,754,767.28		14,754,767.28	3,121,207.55		3,121,207.55
Thailand factory	65,879,865.90		65,879,865.90	1,987,494.97		1,987,494.97
East district project	73,026,270.94		73,026,270.94	15,653,542.48		15,653,542.48
Others	430,422,920.45	13,844,237.56	416,578,682.89	323,018,947.61	45,868,256.14	277,150,691.47
Total	924,999,442.87	13,844,237.56	911,155,205.31	720,325,161.71	45,868,256.14	674,456,905.57

Financial Statements

The units of the statements in the financial notes are: 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	Transferred to fixed assets	Other changes	Closing balance	Budget	Accumulative contribution in budget (%)	Progress (%)	Source of funding
Refrigerator production line project	25,576,269.40	78,800,541.46	18,702,488.58	6,163,504.91	79,510,817.37	767,677,318.00	97.48	97.48	Self funding
A dormitory building in Pingdu Industrial Park	121,253,940.32	14,107,091.53	135,361,031.85			158,814,287.00	100.00	100.00	Self funding
GEN5 electric press production line	229,713,759.38	28,577,929.92	11,674,216.08	-14,787,327.71	261,404,800.93	349,000,000.00	74.01	74.01	Self funding
Changsha production base	3,121,207.55	338,961,768.76	327,193,893.65	134,315.38	14,754,767.28	978,528,800.00	58.55	58.55	Self funding
Thailand factory	1,987,494.97	418,328,244.72	348,721,744.46	5,714,129.33	65,879,865.90	1,500,000,000.00	51.80	51.80	Self funding
East district project	15,653,542.48	293,250,686.80	228,605,263.91	7,272,694.43	73,026,270.94	500,000,000.00	61.78	61.78	Self funding
Others	323,018,947.61	674,271,103.65	549,571,380.06	17,295,750.75	430,422,920.45				Self funding
Total	720,325,161.71	1,846,297,366.84	1,619,830,018.59	21,793,067.09	924,999,442.87	4,254,020,405.00			

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	3,041,186.01	Recoverable amount is less than carrying amount
Total	3,041,186.01	-

(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	3,041,186.01		3,041,186.01
Total	3,041,186.01		3,041,186.01

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.

Financial Statements

The units of the statements in the financial notes are: 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	327,192,806.68	52,020,012.88	379,212,819.56
2. Increase for the year	97,021,571.56	12,966,171.23	109,987,742.79
(1) Rental	74,407,232.56	6,898,230.53	81,305,463.09
(2) Exchange rate changes	22,614,339.00	6,067,940.70	28,682,279.70
3. Decrease for the year	38,072,693.56	2,186,903.03	40,259,596.59
(1) Disposal	38,072,693.56	2,186,903.03	40,259,596.59
4. Closing balance	386,141,684.68	62,799,281.08	448,940,965.76
II. Accumulated depreciation			
1. Opening balance	186,989,206.45	28,790,973.76	215,780,180.21
2. Increase for the year	66,360,585.03	8,705,943.96	75,066,528.99
(1) Provision	66,360,585.03	8,705,943.96	75,066,528.99
3. Decrease for the year	40,997,055.57	2,277,889.25	43,274,944.82
(1) Disposal	35,806,094.12	914,657.86	36,720,751.98
(2) Exchange rate changes	5,190,961.45	1,363,231.39	6,554,192.84
4. Closing balance	212,352,735.91	35,219,028.47	247,571,764.38
III. Provision for impairment			
1. Opening balance	45,262.11	206,733.63	251,995.74
2. Increase for the year			
3. Decrease for the year	1,405.84	6,421.16	7,827.00
(1) Exchange rate changes	1,405.84	6,421.16	7,827.00
4. Closing balance	43,856.27	200,312.47	244,168.74
IV. Carrying amount			
1. Carrying amount as at the end of the year	173,745,092.50	27,379,940.14	201,125,032.64
2. Carrying amount as at the beginning of the year	140,158,338.12	23,022,305.49	163,180,643.61

Financial Statements

The units of the statements in the financial notes are: 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	1,233,528,763.84	660,643,862.44	84,536,836.52	794,759,590.57	586,306,281.87	3,359,775,335.24
2. Increase for the year	1,428,199.00		1,092,107.31		87,090,912.58	89,611,218.89
(1) Additions	1,428,199.00				87,090,912.58	88,519,111.58
(2) Internal research and development			1,092,107.31			1,092,107.31
3. Decrease for the year	271,618.23		76,416.49		12,764,365.23	13,112,399.95
(1) Disposal					10,906,135.82	10,906,135.82
(2) Exchange rate changes	271,618.23		76,416.49		1,858,229.41	2,206,264.13
4. Closing balance	1,234,685,344.61	660,643,862.44	85,552,527.34	794,759,590.57	660,632,829.22	3,436,274,154.18
II. Accumulated amortisation						
1. Opening 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
2. Increase for the year	25,650,885.52	1,300,000.00	4,566,763.03	96,040,565.97	55,870,603.43	183,428,817.95
(1) Provision	25,650,885.52	1,300,000.00	4,566,763.03	96,040,565.97	55,870,603.43	183,428,817.95
3. Decrease for the year	69,165.47		72,804.96		8,483,043.61	8,625,014.04
(1) Disposal					6,472,552.94	6,472,552.94
(2) Exchange rate changes	69,165.47		72,804.96		2,010,490.67	2,152,461.10
4. Closing balance	388,528,675.96	265,874,752.40	59,648,351.36	597,920,204.03	444,348,770.55	1,756,320,754.30
III. Provision for impairment						
1. Opening balance	50,012,843.19	286,061,116.40			35,342,555.70	371,416,515.29
2. Increase for the year					4,691,206.32	4,691,206.32
(1) Provision					4,691,206.32	4,691,206.32
3. Decrease for the year					1,655,756.23	1,655,756.23
(1) External sale					213,801.22	213,801.22
(2) Exchange rate changes					1,441,955.01	1,441,955.01
4. Closing balance	50,012,843.19	286,061,116.40			38,378,005.79	374,451,965.38
IV. Carrying amount						
1. Carrying amount as at the end of the year	796,143,825.46	108,707,993.64	25,904,175.98	196,839,386.54	177,906,052.88	1,305,501,434.50
2. Carrying amount as at the beginning 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

At the end of the year, intangible assets generated through the Company's internal research and development accounted for 0.03% of the balance of intangible assets.

Financial Statements

The units of the statements in the financial notes are: 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 2025, the Group made an impairment provision of RMB4,691,206.32 for other categories of intangible assets, corresponding to a carrying amount of RMB4,691,206.32, mainly due to the full amount of impairment provision for software and other assets without any recoverable amount.

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	1,178,395,172.99		5 years	Income growth rate: 0%; Sales commission rate: 1.63%; Discount rate: 17.00%	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	1,178,395,172.99		-	-	-	-

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.

Financial Statements

The units of the statements in the financial notes are: 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) Provision for impairment of goodwill

Name of investees	Opening balance	Provision for the year	Disposal for the year	Closing balance
Sanden Holdings Corporation		93,837,131.40		93,837,131.40
Total		93,837,131.40		93,837,131.40

(3) 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

Financial Statements

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

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

20. Goodwill (continued)

(4) 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.	1,775,421,262.44	28,550,000,000.00		5 years	Income growth rate, profit margin, discount rate	Income growth rate: 0.59%-2.00%; Profit margin: 14.10%-18.47% Discount rate: 12.07%	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	2,582,881,973.76	2,463,958,200.00	93,837,131.40	5 years	Income growth rate, profit margin, discount rate	Income growth rate: 8.82%-15.51%; Profit margin: -0.06%-5.56% Discount rate: 13.04%	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	44,778,274.65	65,262,768.13	36,620,072.67	3,535,331.76	69,885,638.35
Total	44,778,274.65	65,262,768.13	36,620,072.67	3,535,331.76	69,885,638.35

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	356,779,604.09	75,976,309.03	349,912,211.76	70,404,861.31
Accrued expenses	4,028,057,318.71	800,646,211.91	5,089,400,871.39	890,759,146.82
Others	1,592,401,781.82	380,447,099.94	1,173,270,578.22	250,129,955.49
Total	5,977,238,704.62	1,257,069,620.88	6,612,583,661.37	1,211,293,963.62

Financial Statements

The units of the statements in the financial notes are: 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	618,221,422.26	99,222,042.50	569,998,193.49	92,067,949.54
Transactional financial assets	111,835,402.77	27,666,995.14	105,861,885.51	26,400,191.38
Asset appraisal appreciation due to business combination involving entities not under common control	197,625,472.16	37,702,130.81	226,552,008.79	43,936,083.21
Others	418,987,356.72	123,637,071.54	378,114,288.20	110,330,305.24
Total	1,346,669,653.91	288,228,239.99	1,280,526,375.99	272,734,529.37

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

Item	Closing balance		Opening balance	
	Deferred tax assets and liabilities offset amounts	Balance of deferred tax assets or liabilities after offsetting	Deferred tax assets and liabilities offset amounts	Balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	129,969,912.09	1,127,099,708.79	123,792,203.08	1,087,501,760.54
Deferred tax liabilities	129,969,912.09	158,258,327.90	123,792,203.08	148,942,326.29

(4) Breakdown of unrecognized deferred tax assets

Item	Closing balance	Opening balance
Deductible temporary difference	2,595,543,729.18	2,938,607,530.24
Deductible tax loss	4,697,465,050.51	3,906,398,730.09
Total	7,293,008,779.69	6,845,006,260.33

Financial Statements

The units of the statements in the financial notes are: 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
2025		73,589,281.73	
2026	67,987,128.30	85,524,950.29	
2027	17,739,939.61	21,995,779.17	
2028	26,465,784.80	40,657,883.30	
2029	1,024,787,870.19	804,004,546.01	
2030 (Opening balance at 2030 and afterwards)	679,564,944.87	2,880,626,289.59	
2031 and afterwards	2,880,919,382.74		
Total	4,697,465,050.51	3,906,398,730.09	

23. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	4,118,541,736.10	5,629,989,722.22
Others	184,057,848.43	229,595,488.21
Total	4,302,599,584.53	5,859,585,210.43

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	1,082,841,550.96	1,082,841,550.96	Deposit	Deposit for issuing bank acceptance bills
Notes receivable	28,637,505.59	28,637,505.59	Pledge	Pledge to issue bank acceptance bills
Fixed assets	230,522,153.73	187,350,640.83	Mortgage	For a loan
Inventories	196,724,255.12	196,724,255.12	Mortgage	For a loan
Accounts receivable	185,299,498.74	185,299,498.74	Pledge	For a loan
Total	1,724,024,964.14	1,680,853,451.24	-	-

Financial Statements

The units of the statements in the financial notes are: 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	448,559,408.29	874,565,707.16
Guarantee borrowings	2,758,522,480.58	1,759,923,593.80
Mortgage and pledge borrowings	93,724,208.14	74,226,050.50
Total	3,300,806,097.01	2,708,715,351.46

(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	1,813,733.43	3,552,841.18
Including: Derivative financial liabilities	1,813,733.43	3,552,841.18
Total	1,813,733.43	3,552,841.18

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	8,826,656,065.38	10,364,589,342.06
Commercial acceptance notes	2,291,496,454.25	5,768,177,155.27
Total	11,118,152,519.63	16,132,766,497.33

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

Financial Statements

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

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

28. Accounts payable

(1) Accounts payable

Aging	Closing balance	Opening balance
Within one year	17,150,463,396.32	12,809,375,585.21
Over one year	37,658,765.91	38,913,648.41
Total	17,188,122,162.23	12,848,289,233.62

(2) *The Group had no significant accounts payable aged over one year or overdue as at the end of the year*

(3) *The Group has no overdue and unpaid payments to small and medium-sized enterprises.*

29. Advances from customers

Category	Closing balance	Opening balance
Rent received in advance	1,820,551.63	2,745,211.29
Total	1,820,551.63	2,745,211.29

30. Contract liability

(1) Contract liability

Item	Closing balance	Opening balance
Advance on sales	1,618,788,301.63	1,838,591,086.05
Total	1,618,788,301.63	1,838,591,086.05

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

Financial Statements

The units of the statements in the financial notes are: 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	1,349,060,114.96	8,247,529,131.07	8,530,737,707.86	1,065,851,538.17
Post-employment benefits – defined contribution plans	5,929,017.70	525,831,215.20	528,148,870.59	3,611,362.31
Others	86,930,338.26	24,027,454.77	107,548,257.13	3,409,535.90
Total	1,441,919,470.92	8,797,387,801.04	9,166,434,835.58	1,072,872,436.38

(2) Short-term remuneration

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Salaries, bonuses, allowances and subsidies	1,292,949,394.97	7,201,410,315.78	7,486,344,354.74	1,008,015,356.01
Staff welfare	37,360,844.43	310,796,388.11	311,864,486.00	36,292,746.54
Social insurance	7,912,581.91	436,449,370.04	435,656,929.66	8,705,022.29
Including: Medical insurance	6,204,730.62	404,982,427.12	403,863,454.90	7,323,702.84
Work-related injury insurance	1,705,783.72	31,466,909.25	31,793,425.07	1,379,267.90
Maternity insurance	2,067.57	33.67	49.69	2,051.55
Housing provident funds	5,459,027.67	254,102,334.01	251,784,017.40	7,777,344.28
Labour union funds and employee education funds	5,378,265.98	44,770,723.13	45,087,920.06	5,061,069.05
Total	1,349,060,114.96	8,247,529,131.07	8,530,737,707.86	1,065,851,538.17

(3) Defined contribution plans

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
Basic pension insurance	5,207,835.58	506,536,941.01	508,712,442.44	3,032,334.15
Unemployment insurance	721,182.12	19,294,274.19	19,436,428.15	579,028.16
Total	5,929,017.70	525,831,215.20	528,148,870.59	3,611,362.31

Financial Statements

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

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

32. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	142,417,453.11	150,597,669.85
Enterprise income tax	205,791,521.66	282,501,871.55
Individual income tax	30,321,771.36	31,208,415.17
City maintenance and construction tax	11,122,210.88	11,659,225.61
Real estate tax	13,881,319.53	12,661,448.19
Land use tax	17,095,389.04	15,606,494.32
Educational surcharges	7,975,697.14	9,151,514.80
Others	19,990,691.14	24,327,132.94
Total	448,596,053.86	537,713,772.43

33. Other payables

Item	Closing balance	Opening balance
Dividends payable	77,438,308.67	89,718,011.42
Other payables	5,131,197,269.47	5,300,124,294.55
Total	5,208,635,578.14	5,389,842,305.97

33.1 Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	77,438,308.67	89,718,011.42
Total	77,438,308.67	89,718,011.42

33.2 Other payables

(1) Other payables by nature

Item	Closing balance	Opening balance
Current account	2,938,062,698.90	3,486,473,609.03
Deposit and margin	1,399,158,329.09	1,337,665,250.46
Payment for project and equipment	793,976,241.48	475,985,435.06
Total	5,131,197,269.47	5,300,124,294.55

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

Financial Statements

The units of the statements in the financial notes are: 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	22,421,575.81	17,839,924.01
Lease liabilities due within one year	95,036,982.08	84,088,412.05
Provisions due within one year	293,434,618.19	
Total	410,893,176.08	101,928,336.06

35. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	1,054,474,643.84	1,259,073,694.44	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	3,234,287,067.95	3,637,183,331.89	Incurred but not yet settled
Others	1,795,644,470.78	2,017,045,810.70	Incurred but not yet settled
Total	6,084,406,182.57	6,913,302,837.03	

36. Long-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	93,729,998.13	61,260,113.84
Credit borrowings		5,951,006.81
Less: Long-term borrowings due within one year	22,421,575.81	17,839,924.01
Total	71,308,422.32	49,371,196.64

37. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	258,250,412.36	245,559,684.92
Less: Lease liabilities due within one year shown under current liabilities	95,036,982.08	84,088,412.05
Total	163,213,430.28	161,471,272.87

Financial Statements

The units of the statements in the financial notes are: 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	78,993,580.17	77,923,347.90
Total	78,993,580.17	77,923,347.90

39. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	4,233,189.33	7,629,490.41	Estimated litigation compensation
Provision for warranties	627,843,505.84	996,029,125.88	Estimated quality guarantee of products
Others	18,971,296.55	98,678,574.21	Estimated other expenditures
Total	651,047,991.72	1,102,337,190.50	–

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	334,592,888.16	183,050,433.64	89,911,058.29	427,732,263.51	Amortization of government grants
Total	334,592,888.16	183,050,433.64	89,911,058.29	427,732,263.51	–

Financial Statements

The units of the statements in the financial notes are: 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
Technological transformation project	30,718,364.02	44,330,900.00	28,130,686.30		46,918,577.72	Related to assets
Transformation project on system integration technology of green supply chain of freezers	4,844,224.94		1,381,194.84		3,463,030.10	Related to assets
Industry support funds	156,940,000.00				156,940,000.00	Related to assets
Special funds for advanced manufacturing industry		5,000,000.00			5,000,000.00	Related to assets
Project subsidy for comprehensive production base		14,940,000.00	204,657.53		14,735,342.47	Related to assets
Funds from the state debenture projects for enterprise technical advancement and industry upgrade	32,771,594.19	76,655,846.43	36,613,720.53		72,813,720.09	Related to assets
Other related to income	809,500.00	410,000.00	200,000.00		1,019,500.00	Related to income
Other related to assets	108,509,205.01	30,894,424.30	23,380,799.09	10,819,262.91	126,842,093.13	Related to assets
Total	334,592,888.16	172,231,170.73	89,911,058.29	10,819,262.91	427,732,263.51	

41. Other non-current liabilities

Item	Closing balance	Opening balance
Long-term dividends payable	445,987,614.09	523,425,922.76
Others	12,293,856.60	9,984,017.74
Total	458,281,470.69	533,409,940.50

42. Share capital

Item	Opening balance	Change for the year (+,-)				Subtotal	Closing balance
		Issue of new shares	Bonus issue	Conversion from reserve	Repurchase and cancellation		
Total shares	1,386,010,405.00				-1,149,234.00	-1,149,234.00	1,384,861,171.00

Note: During the Year, the Company repurchased and cancelled 1,149,234 restricted shares that had been granted but not unlocked.

Financial Statements

The units of the statements in the financial notes are: 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	1,847,818,713.49	222,669,942.50	34,222,106.25	2,036,266,549.74
Other capital reserve	251,261,486.16	125,898,142.33	196,364,998.99	180,794,629.50
Total	2,099,080,199.65	348,568,084.83	230,587,105.24	2,217,061,179.24

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 increased the equity premium by RMB1,639,228.00;

Costs and expenses recognised in equity-settled share-based payment for the period increased by RMB25,453,239.79 in equity premium;

Equity incentive expenses borne in proportion to the shareholdings of minority shareholders of the subsidiaries decreased by RMB15,114,642.99 in equity premium;

Transactions such as the acquisition of minority interests in subsidiaries decreased by RMB11,464,769.27 in equity premium;

The lapse and repurchase of restricted shares reduced by RMB7,642,693.99 in equity premium;

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus increased by RMB195,577,474.71 in equity premium.

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 RMB103,263,018.04;

Decrease in other capital reserve by RMB787,524.28 for changes in 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 increased other capital reserve by RMB22,635,124.29;

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus decreased other capital reserve by RMB195,577,474.71.

Financial Statements

The units of the statements in the financial notes are: 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	264,243,096.35	1,639,228.36	126,175,351.85	139,706,972.86
Total	264,243,096.35	1,639,228.36	126,175,351.85	139,706,972.86

45. Other comprehensive income

Item	Opening balance	Amount before income tax for the Year	Amount incurred in the Year					Attributable to minority interest after tax	Closing balance
			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	54,248,923.23	42,422,236.57					43,347,122.06	-924,885.49	97,596,045.29
Including: Changes arising from re-measurement of defined benefit plan	51,863,575.34	-3,447,904.15					-2,584,204.16	-863,699.99	49,279,371.18
Other comprehensive income that cannot be transferred to profit or loss under the equity method		46,114,394.21					46,114,394.21		46,114,394.21
Changes in the fair value of other equity instruments investment	2,385,347.89	-244,253.49					-183,067.99	-61,185.50	2,202,279.90
2. Other comprehensive income that would be reclassified to profit or loss	146,498,121.43	276,803,869.00					241,521,659.64	35,282,209.36	388,019,781.07
Including: Other comprehensive income that would be reclassified into profit or loss under equity method	-29,715,699.45	32,336,637.43					32,310,400.10	26,237.33	2,594,700.65
Difference arising from translation of financial statements presented in foreign currency	176,213,820.88	244,467,231.57					209,211,259.54	35,255,972.03	385,425,080.42
Total other comprehensive income	200,747,044.66	319,226,105.57					284,868,781.70	34,357,323.87	485,615,826.36

Financial Statements

The units of the statements in the financial notes are: 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	9,282,792.01	88,195,567.19	88,029,000.29	9,449,358.91
Total	9,282,792.01	88,195,567.19	88,029,000.29	9,449,358.91

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	11,300,066,951.67	9,355,458,114.25
Adjustment of total undistributed profits at the beginning of the Year (increase +, decrease -)		
Balances at the beginning of the Year	11,300,066,951.67	9,355,458,114.25
Plus: Net profits attributable to owners of the parent company for the Year	3,186,573,917.88	3,347,881,773.89
Less: Appropriation of statutory surplus reserve		
Dividends payable on ordinary shares	1,699,598,203.99	1,403,272,936.47
Balances at the end of the Year	12,787,042,665.56	11,300,066,951.67

Financial Statements

The units of the statements in the financial notes are: 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	83,334,900,120.81	65,004,272,623.81	83,623,219,672.09	64,819,490,898.10
Other operations	4,593,585,778.91	4,186,499,136.47	9,122,391,437.43	8,656,571,836.40
Total	87,928,485,899.72	69,190,771,760.28	92,745,611,109.52	73,476,062,734.50

(2) Principal operation revenue generated from contracts

Categories of contract	Amount for the year	
	Revenue	Costs
Categories of product:		
Air-conditioners	38,829,431,638.39	28,177,530,524.14
Refrigerators and washing machines	31,195,368,384.49	25,695,912,500.39
Others	13,310,100,097.93	11,130,829,599.28
By operating regions:		
Domestic	45,410,397,895.49	31,855,663,602.43
Overseas	37,924,502,225.32	33,148,609,021.38
Total	83,334,900,120.81	65,004,272,623.81

50. Tax and surcharges

Item	Amount for the year	Amount for previous year
City maintenance and construction tax	139,373,023.72	146,372,225.35
Education surcharges	100,111,315.75	105,235,620.16
Others	166,752,423.49	172,744,230.01
Total	406,236,762.96	424,352,075.52

Financial Statements

The units of the statements in the financial notes are: 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	8,662,021,521.27	9,001,915,472.95
Total	8,662,021,521.27	9,001,915,472.95

Note: In 2025, sales expenses mainly included employee compensation, publicity and promotion expenses, logistics expenses, service charges, with the percentage to the total sales expenses over 80% (2024: over 80%).

52. Management expenses

Item	Amount for the year	Amount for previous year
Management expenses	2,403,555,384.28	2,499,492,962.69
Total	2,403,555,384.28	2,499,492,962.69

Note: In 2025, management expenses mainly include employee compensation, depreciation and amortization, and executive office fee, with the percentage to the total management expenses over 75% (2024: over 80%).

53. Research and development expenses

Item	Amount for the year	Amount for previous year
Research and development expenses	3,440,773,728.91	3,446,746,374.31
Total	3,440,773,728.91	3,446,746,374.31

Note: In 2025, 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% (2024: over 80%).

54. Financial expenses

Item	Amount for the year	Amount for previous year
Interest expenses	193,086,522.61	149,842,418.36
Less: Interest income	43,195,213.33	64,767,054.70
Add: Exchange loss	37,192,430.81	-135,907,347.90
Other expenses	18,148,391.46	13,929,319.83
Total	205,232,131.55	-36,902,664.41

Note: Interest expenses for 2025 include interest expenses of lease liabilities of RMB10,366,689.41 (2024: RMB9,434,205.17). Other interest expenses for 2025 and 2024 were wholly interests on bank borrowings, of which the last term of repayment is within five years.

Financial Statements

The units of the statements in the financial notes are: 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	348,009,300.58	428,962,692.97
Other government subsidies related to general activities	145,719,458.95	142,788,700.30
Others	77,500,980.47	146,631,874.60
Total	571,229,740.00	718,383,267.87

56. Investment gain

Item	Amount for the year	Amount for previous year
Gain from long-term equity investment by the equity method	404,891,314.66	319,799,112.07
Investment gain from disposal of transactional financial assets	320,370,547.70	198,067,369.02
Interest income from time deposits	252,767,105.84	332,556,270.62
Others	54,265,744.26	55,221,665.90
Total	1,032,294,712.46	905,644,417.61

Gain from long-term equity investments by the equity method

Investee	Amount for the year	Amount for previous year
Hisense Jinlong Holdings	17,318,104.88	22,080,932.20
Hisense Marketing Management	-10,379,416.16	588,945.89
Hisense Global Asia Holding	753,421.48	-3,668,421.46
Hisense International Marketing	138,729,103.30	76,798,355.23
Hisense Intelligent Electronic	1,495,803.74	950,944.26
Hisense Star Ocean Technology	-5,338,803.89	
Associates of Yiyang Entrepreneurship Investment	-7,987.51	
Associate of Sanden Company	262,321,088.82	223,048,355.95
Total	404,891,314.66	319,799,112.07

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.

Financial Statements

The units of the statements in the financial notes are: 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	231,105,422.95	206,870,651.35
Including: Gain from changes in fair value of derivative financial instruments	26,399,748.51	43,951,283.69
Transactional financial liabilities	-2,429,140.98	46,289,880.32
Including: Gain from changes in fair value of derivative financial instruments	-2,429,140.98	46,289,880.32
Other non-current financial assets	1,961,859.03	
Total	230,638,141.00	253,160,531.67

58. Impairment loss on credit

Item	Amount for the year	Amount for previous year
Loss of bad debts of notes receivable	-971,709.74	499,879.52
Loss of bad debts of accounts receivable	-4,353,297.38	5,128,374.25
Loss of bad debts of other receivables	8,040,091.60	38,572,414.80
Total	2,715,084.48	44,200,668.57

59. Impairment losses on assets

Item	Amount for the year	Amount for previous year
Loss on decline in value of inventories	-107,704,636.01	-125,776,886.37
Impairment loss on fixed assets	-9,894,445.13	-33,426,987.33
Impairment loss on contractual assets	-281,070.39	-4,681,587.38
Impairment loss on construction in progress	-3,041,186.01	-2,691,503.90
Impairment loss on intangible assets	-4,691,206.32	-13,585,844.60
Impairment loss on goodwill	-93,837,131.40	
Total	-219,449,675.26	-180,162,809.58

Financial Statements

The units of the statements in the financial notes are: 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	42,924,276.71	3,972,039.23
Including: Gains on disposal of non-current assets which are not classified as held for sale	42,924,276.71	3,972,039.23
Including: Gains on disposal of fixed assets	42,995,720.66	3,480,151.92
Total	42,924,276.71	3,972,039.23

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	7,565,818.15	10,585,370.81	7,565,818.15
Government grants	57,036,165.06	104,380,000.00	57,036,165.06
Others	178,152,607.41	233,982,460.65	178,152,607.41
Total	242,754,590.62	348,947,831.46	242,754,590.62

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	24,565,469.11	20,251,352.00	24,565,469.11
Others	49,796,875.90	41,449,724.90	49,796,875.90
Total	74,362,345.01	61,701,076.90	74,362,345.01

Financial Statements

The units of the statements in the financial notes are: 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	748,292,717.72	789,083,862.05
Including: PRC enterprise income tax	698,231,092.72	735,335,554.93
Hong Kong profit tax	-32,951.01	151,998.67
Deferred income tax expenses	-33,466,788.10	51,152,187.60
Total	714,825,929.62	840,236,049.65

(2) Reconciliation of accounting profit and income tax expenses

Item	Amount for the year
Total profits	5,448,639,135.47
Income tax expense calculated at statutory (or applicable) tax rates	1,362,159,783.87
Effect of application of different tax rate to certain subsidiaries	-456,208,054.05
Effect of adjustment to income tax in previous periods	92,141,836.32
Effect of non-taxable income	-67,600,453.51
Effect of non-deductible cost, expense and loss	67,734,529.61
Effect of utilization of deductible losses and deductible difference of unrecognized deferred tax assets in previous period	-112,256,690.00
Effect of deductible temporary difference or deductible loss of unrecognized deferred tax assets in current period	119,442,457.03
Change in balance of deferred tax assets/liability at the beginning of the period due to tax rate adjustment	-5,300,590.79
Effect of super deduction of research and development expense	-227,665,793.65
Effect of tax differences on equity-settled share-based payments	-57,621,095.21
Others	
Income tax expense	714,825,929.62

64. Other comprehensive income

Please see note 5(45) for details.

Financial Statements

The units of the statements in the financial notes are: 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	30,432,560.03	52,757,222.12
Government grants	228,863,128.61	422,199,378.14
Security deposit and others	877,722,546.10	857,945,340.55
Total	1,137,018,234.74	1,332,901,940.81

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)	1,821,059,589.60	1,294,548,584.04
Cash payments for sales expenses	7,408,783,704.11	6,994,008,866.46
Bank charges	16,541,174.68	13,519,102.52
Security deposit and others	1,486,558,265.90	1,477,170,454.14
Total	10,732,942,734.29	9,779,247,007.16

(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	39,615,551,437.40	31,566,970,144.02
Recovery of time deposits upon maturity	5,866,857,769.10	4,905,490,613.05

Financial Statements

The units of the statements in the financial notes are: 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	42,541,689,632.53	34,428,221,153.48
Placement of time deposits	5,647,667,872.10	2,218,915,010.60

3) Cash received relating to other investing activities

Item	Amount for the year	Amount for previous year
Recovery of wealth management products and time deposits upon maturity	45,482,409,206.50	36,472,460,757.07
Others	43,739,928.75	16,311,904.33
Total	45,526,149,135.25	36,488,772,661.40

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	48,189,357,504.63	36,647,136,164.08
Others	9,834,645.44	7,549,005.76
Total	48,199,192,150.07	36,654,685,169.84

(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	768,096,894.11	
Others	89,380,053.66	2,703,497,913.70
Total	857,476,947.77	2,703,497,913.70

Financial Statements

The units of the statements in the financial notes are: 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	69,583,575.10	124,946,841.53
Others	229,363,447.37	3,661,027,286.43
Total	298,947,022.47	3,895,437,279.21

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	2,708,715,351.46	4,058,087,020.51	71,904,798.02	3,430,712,175.01	107,188,897.97	3,300,806,097.01
Long-term borrowings (including borrowings due within one year)	67,211,120.65	48,114,219.38	586,672.18	14,043,320.31	8,138,693.77	93,729,998.13
Lease liabilities (including leases due within one year)	245,559,684.92		82,391,303.43	69,583,575.10	117,000.89	258,250,412.36
Other payables – Borrowings from affiliated companies	938,877,715.69	76,313,606.55	47,217,872.81	102,649,945.38		959,759,249.67
Other payables – Restricted shares	72,999,582.83		54,164.43	14,215,446.73	32,692,254.00	26,146,046.53
Other payables –Employee Stock Ownership Plan repayment obligations	171,946,847.16	7,441,692.72		41,113,191.83	66,215,923.37	72,059,424.68
Total	4,205,310,302.71	4,189,956,539.16	202,154,810.87	3,672,317,654.36	214,352,770.00	4,710,751,228.38

Financial Statements

The units of the statements in the financial notes are: 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	4,733,813,205.85	5,126,152,974.24
Add: Impairment provision for assets	219,449,675.26	180,162,809.58
Impairment loss on credit	-2,715,084.48	-44,200,668.57
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	1,068,851,858.48	882,573,818.74
Depreciation of right-of-use assets	75,066,528.99	81,684,091.95
Amortization of intangible assets	183,428,817.95	176,209,845.22
Amortization of long-term prepaid expenses	36,620,072.67	25,097,954.57
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-42,924,276.71	-3,972,039.23
Loss on retirement of fixed assets (Gain expressed with "-")	16,999,650.96	9,665,981.19
Loss on change in fair value (Gain expressed with "-")	-230,638,141.00	-253,160,531.67
Financial expenses (Gain expressed with "-")	230,278,953.42	-13,935,070.46
Investment loss (Gain expressed with "-")	-1,032,294,712.46	-905,644,417.61
Decrease in deferred tax assets (Increase expressed with "-")	-42,782,789.71	60,645,236.14
Increase in deferred tax liabilities (Decrease expressed with "-")	9,316,001.61	-9,493,048.54
Decrease in inventories (Increase expressed with "-")	717,434,786.20	-828,045,564.74
Decrease in operating receivables (Increase expressed with "-")	2,556,162,010.85	-2,599,731,927.63
Increase in operating payables (Decrease expressed with "-")	-2,700,037,377.37	3,248,155,498.06
Others		
Net cash flows from operating activities	5,796,029,180.51	5,132,164,941.24
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	2,413,566,573.84	2,191,268,606.55
Less: Cash at the beginning of the year	2,191,268,606.55	2,877,140,400.54
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	222,297,967.29	-685,871,793.99

Financial Statements

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

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

66. Supplementary information to consolidated cash flows statement (continued)

(2) Net cash received from disposal of subsidiaries during the year

Item	Amount
Cash or cash equivalents received during the year from disposal of subsidiaries	1,000,000.00
Of which: Jiake Electronics	1,000,000.00
Less: Cash and cash equivalents held by subsidiary on the date of loss of control	5,641,567.49
Of which: Jiake Electronics	5,641,567.49
Net cash received from disposal of subsidiaries	<u>-4,641,567.49</u>

(3) Cash and cash equivalents

Item	Closing balance	Opening balance
Cash	2,413,566,573.84	2,191,268,606.55
Including: Cash on hand	553,795.36	116,974.19
Bank deposits that are readily available for payment	2,354,302,127.11	2,177,924,682.71
Other cash at bank and on hand that are readily available for payment	58,710,651.37	13,226,949.65
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents as at the end of the year	2,413,566,573.84	2,191,268,606.55
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

Financial Statements

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

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

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	2,163,755.44	0.90322	1,954,347.19
USD	76,632,729.60	7.0288	538,636,129.81
JPY	2,625,850,968.00	0.044797	117,630,245.81
EUR	21,453,581.29	8.2355	176,680,968.71
INR	52,493,836.82	0.07795	4,091,894.58
Accounts receivable	–	–	–
Including: USD	162,847,303.85	7.0288	1,144,621,129.30
JPY	4,159,592,862.00	0.044797	186,337,281.44
EUR	67,304,524.81	8.2355	554,286,414.07
INR	2,259,417,580.00	0.07795	176,121,600.36
Other receivables	–	–	–
Including: HKD	10,490,869.86	0.90322	9,475,563.47
USD	2,079,721.58	7.0288	14,617,947.04
JPY	558,680,000.00	0.044797	25,027,187.96
EUR	1,508,304.12	8.2355	12,421,638.58
INR	7,137,340.00	0.07795	556,355.65
Short-term borrowings	–	–	–
Including: USD	49,558,712.37	7.0288	347,629,948.33
JPY	49,093,492,042.00	0.044797	2,199,251,533.52
EUR	1,200,000.00	8.2355	9,908,917.21
INR	1,086,167,453.80	0.07795	85,636,396.43
Accounts payable	–	–	–
Including: HKD	1,820,742.07	0.90322	1,644,530.65
USD	44,785,983.48	7.0288	314,791,720.68
JPY	12,351,854,816.00	0.044797	553,326,040.19
EUR	16,887,883.67	8.2355	139,080,165.96
INR	1,474,266,000.00	0.07795	114,919,034.70
Other payables	–	–	–
Including: HKD	17,703,295.68	0.90322	15,989,970.72
USD	115,817,232.11	7.0288	814,056,161.05
JPY	2,550,271,939.00	0.044797	114,244,532.05
EUR	25,840,206.68	8.2355	212,807,022.11
INR	85,008,990.00	0.07795	6,626,450.77
Non-current liabilities due within one year	–	–	–
Including: Long-term borrowings due within one year	284,383,590.67	0.07795	22,421,575.81
Including: INR	284,383,590.67	0.07795	22,421,575.81
Long-term borrowings	–	–	–
Including: INR	904,438,890.36	0.07795	71,308,422.32

Financial Statements

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

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

67. Monetary items in foreign currencies (continued)

(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
HSHA (Singapore) Co., Ltd.	Singapore	USD	No
HHA (Thailand) Co., Ltd.	Thailand	THB	No
Hisense Japan Automotive Air-Conditioning Systems Corporation	Japan	JPY	No
Sanden Corporation	Japan	JPY	No
SANDEN INTERNATIONAL (EUROPE) GmbH	Germany	EUR	No
SANDEN MANUFACTURING EUROPE S.A.S.	France	EUR	No
SANDEN VIKAS (INDIA) LTD.	India	INR	No
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	Mexico	USD	No

68. Leases

(1) The Group as a lessee

Item	Amount for the Year	Amount for the previous year
Interest expenses on lease liabilities	10,366,689.41	9,434,205.17
Short-term lease expenses recognised in profit or loss using simplified treatment	125,259,303.96	135,277,494.96
Total cash outflows related to leases	230,815,481.20	252,583,041.45

Financial Statements

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

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

68. Leases (continued)

(2) The Group as a lessor

1) The Group as a lessor under operating lease

Item	Rental Income	Including: Income related to variable lease payments not included in lease receipts
Buildings and structures	72,449,702.51	
Machinery and equipment	2,750,813.71	
Transportation equipment	112,566.36	
Land	203,326.36	
Total	75,516,408.94	

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	38,829,431,638.39	31,195,368,384.49	13,310,100,097.93		83,334,900,120.81
II. Revenue from inter-segment transactions	24,351.44	22,297,386.50	2,812,957,369.90	-2,835,279,107.84	
III. Gain from investment in associates and joint ventures	-4,812,997.34	-4,812,997.34	414,517,309.34		404,891,314.66
IV. Depreciation and amortization	456,960,449.20	391,688,753.26	524,365,549.13		1,373,014,751.59
V. Gain arising from changes in fair value	64,349,479.25	105,552,784.33	60,735,877.42		230,638,141.00
VI. Impairment losses on credits and assets	-42,618,883.90	-35,060,023.10	-139,055,683.78		-216,734,590.78
VII. Total profits (losses)	4,135,460,016.32	1,071,736,181.09	180,776,539.84	60,666,398.22	5,448,639,135.47
VIII. Total assets	39,767,807,058.99	38,627,956,969.51	16,728,220,671.43	-26,266,842,067.23	68,857,142,632.70
IX. Total liabilities	26,385,498,288.56	26,151,662,969.06	12,339,455,776.13	-16,571,133,082.47	48,305,483,951.28
X. Additions to other non-current assets other than long-term equity investments	-412,320,692.98	387,004,388.62	63,525,230.86	-17,044,021.32	21,164,905.18

Financial Statements

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

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

69. Segment reporting (continued)

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

Continued from above table

Amount for previous 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

(2) Geographic information

Region	Amount for the year/closing balance	Amount for previous year/opening balance
Revenue from domestic transactions	45,410,397,895.49	47,993,733,054.87
Revenue from overseas transactions	37,924,502,225.32	35,629,486,617.22
Total	83,334,900,120.81	83,623,219,672.09
Non-current assets – Domestic	11,427,681,401.56	13,130,098,726.61
Non-current assets – Overseas	4,940,290,348.46	4,063,930,634.22
Total	16,367,971,750.02	17,194,029,360.83

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.

Financial Statements

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

VI. R&D EXPENDITURE

Item	Amount for the Year	Amount for the previous year
R&D expenses	3,442,046,105.99	3,446,746,374.31
Total	3,442,046,105.99	3,446,746,374.31
Including: Expensed R&D expenditure	3,440,773,728.91	3,446,746,374.31
Capitalised R&D expenditure	1,272,377.08	

1. R&D projects eligible for capitalisation

Item	Opening balance	Increase for the year	Decrease for the year		Closing balance
		Internal development costs	Recognized as intangible assets	Transferred to the profit or loss for current period	
Item 1		180,269.77			180,269.77
Item 2		1,092,107.31	1,092,107.31		
Total		1,272,377.08	1,092,107.31		180,269.77

2. Significant outsourced projects under research

The Group had no significant outsourced projects under research.

VII. CHANGE IN SCOPE OF CONSOLIDATION

On 25 July 2025, Hisense Mould, a subsidiary of the Company, invested in the establishment of Qingdao Hongcheng Mould Co., Ltd. with a registered capital of RMB5 million, of which Hisense Mould has contributed RMB5 million, with a paid-in capital of RMB5 million, representing 100% of the registered capital. The Company has control over the subsidiary, which was included in the scope of consolidation with effect from 25 July 2025.

In September 2025, the Group transferred 100% of its equity interest in Guangdong Kelon Jiake Electronics Co., Ltd. to an external party, upon which the Group lost control over it. From September 2025, it has no longer been included in the scope of consolidation. The disposal consideration was RMB1 million. At the time of loss of control, the Group's share of the subsidiary's net assets at the consolidated financial statement level was RMB333,600. The difference between the disposal consideration and the share of net assets, amounting to RMB666,400, was recognised as investment gain for the current period.

Financial Statements

The units of the statements in the financial notes are: 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	RMB77.5751million	Foshan	Foshan	Manufacturing		100.00	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	RMB70 million	Chengdu	Chengdu	Manufacturing		100.00	Establishment
Hisense Refrigerator Co., Ltd.	Shandong Refrigerator	RMB275.1 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	100.00		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

Financial Statements

The units of the statements in the financial notes are: 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	Manufacturing		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	JPY 1	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		73.16	Business combination not under common control
SANDEN INTERNATIONAL (EUROPE) GmbH	SIE	EUR0.1 million	Germany	Germany	Manufacturing		100.00	Business combination not under common control
SANDEN MANUFACTURING EUROPES.A.S.	SME	EUR29.209 million	France	France	Manufacturing		100.00	Business combination not under common control
SANDEN VIKAS (INDIA) LTD.	SVL	INR296.25 million	India	India	Manufacturing		50.00	Business combination not under common control
SANDEN MANUFACTURING MEXICOS.A.DEC.V.	SMM	USD57.7276 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
HSHA (Singapore) Co., Ltd.	HSHA Singapore	USD108.915 million	Singapore	Singapore	Trading	100.00		Establishment
HHA (Thailand) Co., Ltd.	HHA Thailand	THB3,623.9406 million	Thailand	Thailand	Manufacturing		100.00	Establishment

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.

Financial Statements

The units of the statements in the financial notes are: 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%	1,489,720,258.22	1,330,192,920.00	3,441,334,508.64

(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	1,133,722.90	644,449.40	1,778,172.30	989,053.20	111,691.05	1,100,744.25

(continued)

Name of subsidiary	Opening 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 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	1,739,115.83	293,252.02	293,252.02	258,231.18	2,074,427.24	348,577.13	348,577.13	277,912.89

Financial Statements

The units of the statements in the financial notes are: 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 August 2025, the Company purchased the minority interests in Hisense Mould, its subsidiary. Upon completion of the purchase, the Company's shareholding in Hisense Mould changed from 99.87% to 100.00%, and the Company still has control over Hisense Mould.
- 2) In September 2025, Hisense Mould, a subsidiary of the Company, acquired the minority interests in Hisense K&B, a subsidiary of Hisense Mould, and the Company's shareholding in Hisense K&B changed from 74.00% to 100.00% upon completion of the acquisition, and the Company still has control over Hisense Mould.
- 3) In December 2025, Hisense Japan Automotive Air-Conditioning Systems Corporation (SPV), a subsidiary of the Company, disposed 2 million shares of Sanden Corporation held by it. The Group's shareholding in Sanden Corporation changed from 74.95% to 73.16% upon the disposal, but the Company still has control over SPV.

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

- ① Purchase of equity interests of minority shareholders of Hisense K&B

Item	Hisense K&B
Cash	94,290,516.95
Total cost of purchase	94,290,516.95
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	90,958,519.62
Difference	3,331,997.33
Including: Adjustment to capital reserves	-3,331,997.33

Financial Statements

The units of the statements in the financial notes are: 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 Purchase of equity interests of minority shareholders of Hisense Mould

Item	Hisense Mould
Cash	1,289,760.00
Total cost of purchase	1,289,760.00
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	1,352,207.50
Difference	-62,447.50
Including: Adjustment to capital reserves	62,447.50

③ Disposal of partial shares in Sanden Corporation

Item	Sanden Corporation
Cash	13,138,495.20
Total consideration of the disposal	13,138,495.20
Less: Share of net assets of subsidiary based on the shareholding percentage acquired	21,584,276.95
Difference	-8,445,781.75
Including: Adjustment to capital reserves	-8,445,781.75

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	6,814.45	5,564.29
Amounts in aggregate in proportion to the shareholdings	-	-
- Net profit	-361.94	-1,633.15
- Other comprehensive income	463.81	207.97
- Total comprehensive income	101.87	-1,425.18
Associates	-	-
Total carrying amount of investments	193,707.17	170,929.40
Amounts in aggregate in proportion to the shareholdings	-	-
- Net profit	40,335.59	31,297.43
- Other comprehensive income	7,381.29	-3,372.30
- Total comprehensive income	47,716.88	27,925.13

Financial Statements

The units of the statements in the financial notes are: 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	333,783,388.16	171,821,170.73	89,711,058.29	10,819,262.91	426,712,763.51	Asset-related
Deferred income	809,500.00	410,000.00	200,000.00		1,019,500.00	Income-related
Total	334,592,888.16	172,231,170.73	89,911,058.29	10,819,262.91	427,732,263.51	

3. Government grants included in profit or loss

Accounting items	Amount for the Year	Amount for the previous year
Other income	493,728,759.53	571,751,393.27
Non-operating income	57,036,165.06	104,380,000.00

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, 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.

Financial Statements

The units of the statements in the financial notes are: 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, EUR and JPY. 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 31 December 2025, for US dollar-denominated financial assets and US dollar-denominated financial liabilities held by subsidiaries whose functional currency is not the US dollar, a 5% appreciation or depreciation of the US dollar against other currencies, with all other variables held constant, would decrease or increase the Group's profit before tax by approximately RMB4,799,179.78 (31 December 2024: decrease or increase by approximately RMB11,939,691.84).

As at 31 December 2025, for Euro-denominated financial assets and Euro-denominated financial liabilities held by subsidiaries whose functional currency is not the Euro, a 5% appreciation or depreciation of the euro against other currencies, with all other variables held constant, would increase or decrease the Group's profit before tax by approximately RMB1,029,791.50 (31 December 2024: increase or decrease by approximately RMB10,859,230.27).

As at 31 December 2025, for JPY-denominated financial assets and JPY-denominated financial liabilities held by subsidiaries whose functional currency is not the JPY, a 5% appreciation or depreciation of the Yen against other currencies, with all other variables held constant, would decrease or increase the Group's profit before tax by approximately RMB2,703,878.14 (31 December 2024: decrease or increase by approximately RMB3,641,228.74).

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.

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 2025, the Group's interest-bearing debts mainly consisted of fixed-rate loan contracts denominated in Yen, totalling to RMB3,080,275,599.13 and the floating-rate contracts denominated in Yen, totalling to RMB314,260,496.01.

Financial Statements

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

X. RISKS RELATING TO FINANCIAL INSTRUMENTS *(continued)*

1. Various risk management objectives and policies *(continued)*

(1) Market risk (continued)

2) Interest rate risk *(continued)*

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 manages interest rate risk by closely monitoring changes in market interest rates and periodically reviewing its borrowing facilities, thereby eliminating fair value risk arising from interest rate fluctuations.

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.

Financial Statements

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

1) the undiscounted contractual cash flows of financial assets and financial liabilities of the Group based on maturity date were as follows:

31 December 2025

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	3,496,408,124.80				3,496,408,124.80
Transactional financial assets	19,155,470,449.17				19,155,470,449.17
Notes receivable	133,966,706.98				133,966,706.98
Accounts receivable	9,389,095,596.70				9,389,095,596.70
Accounts receivable financing	4,607,438,550.93				4,607,438,550.93
Other receivables	194,120,733.79				194,120,733.79
Other current assets	1,346,154,726.55				1,346,154,726.55
Non-current assets due within one year	5,358,503,333.34				5,358,503,333.34
Other non-current financial assets				20,542,302.26	20,542,302.26
Other non-current assets		413,126,666.66	3,705,415,069.44		4,118,541,736.10
Total	43,681,158,222.26	413,126,666.66	3,705,415,069.44	20,542,302.26	47,820,242,260.62
Financial liabilities					
Short-term borrowings	3,300,806,097.01				3,300,806,097.01
Transactional financial liabilities	1,813,733.43				1,813,733.43
Notes payable	11,118,152,519.63				11,118,152,519.63
Accounts payable	17,188,122,162.23				17,188,122,162.23
Other payables	5,208,635,578.14				5,208,635,578.14
Other current liabilities	6,084,406,182.57				6,084,406,182.57
Non-current liabilities due within one year	122,774,132.01				122,774,132.01
Lease liabilities		65,890,264.37	62,029,772.61	12,651,790.04	140,571,827.02
Long-term borrowings		6,490,489.15	77,330,415.07	6,730,010.48	90,550,914.70
Total	43,024,710,405.02	72,380,753.52	139,360,187.68	19,381,800.52	43,255,833,146.74

Financial Statements

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

X. RISKS RELATING TO FINANCIAL INSTRUMENTS (continued)

1. Various risk management objectives and policies (continued)

(3) Liquidity risk (continued)

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

Financial Statements

The units of the statements in the financial notes are: 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	591,661.00	Not derecognised	Almost all of its risks and rewards have been retained, including the related default risk.
Endorsement or discounting of notes	Receivables financing	5,641,244,718.74	Derecognised	Almost all of its risks and rewards have been transferred.
Total		5,641,836,379.74		

(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	5,641,244,718.74	-10,541,797.79
Total		5,641,244,718.74	-10,541,797.79

Financial Statements

The units of the statements in the financial notes are: 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	4,137,000.00	26,426,742.91	19,124,906,706.26	19,155,470,449.17
1. Financial assets at fair value through profit or loss	4,137,000.00	26,426,742.91	19,124,906,706.26	19,155,470,449.17
(1) Wealth management products			19,124,906,706.26	19,124,906,706.26
(2) Derivative financial assets		26,426,742.91		26,426,742.91
(3) Stocks, bonds, funds	4,137,000.00			4,137,000.00
(ii) Other debt investments			4,607,438,550.93	4,607,438,550.93
1. Receivables financing			4,607,438,550.93	4,607,438,550.93
(iii) Other equity instrument investments	15,722,644.09		25,931,089.19	41,653,733.28
(iv) Other non-current financial assets			20,542,302.26	20,542,302.26
Total assets measured at fair value on a recurring basis	19,859,644.09	26,426,742.91	23,778,818,648.64	23,825,105,035.64
(v) Transactional financial liabilities		1,813,733.43		1,813,733.43
1. Financial liabilities at fair value through profit or loss		1,813,733.43		1,813,733.43
(1) Derivative financial liabilities		1,813,733.43		1,813,733.43
Total liabilities measured at fair value on a recurring basis		1,813,733.43		1,813,733.43

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 Group 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.

Financial Statements

The units of the statements in the financial notes are: 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, receivables financing, other investments in equity instruments, and other non-current financial assets. The wealth management products 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 RMB201,806,174.44 was recognised in respect of the wealth management products 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	37.31	37.31

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

Financial Statements

The units of the statements in the financial notes are: 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 pervious 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 Star Ocean Technology	Associate
Hisense International Marketing	Associate
Hisense Intelligent Electronic	Associate
Associates of Yiyang Entrepreneurship Investment	Associate
Associates of Sanden Company	Associate

(4) Other related parties of the Company

Name of joint ventures or associates	Relationship with the Company
Hisense Group Holdings Co., Ltd. and its subsidiaries (“Hisense Group Holdings and its subsidiaries”) <i>(Note 1)</i>	Indirect holding company and other subsidiaries controlled by them
Qingdao Hisense Investment Development Co., Ltd. and its subsidiaries (“Hisense Investment Development and its subsidiaries”) <i>(Note 1)</i>	Other related parties
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”)	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
Bosch Home Comfort UK Holding Limited (“Bosch Home Comfort”, formerly known as Johnson Controls-Hitachi)	Controlling shareholder of the minority shareholder of Hisense Hitachi
ANNT0 Supply Chain Technology Co., Ltd. and its subsidiaries (“ANNT0 and its subsidiaries”)	Other related parties

Note 1: In June 2025, Hisense Group Holdings Co., Ltd. was split into Hisense Group Holdings Co., Ltd. (the surviving company, hereinafter referred to as the “Surviving Company”) and Qingdao Hisense Investment Development Co., Ltd. (the newly established company, hereinafter referred to as the “Newly Established Company”) by way of a demerger. After the demerger, the Newly Established Company assumed the assets and liabilities relating to the equity investments in Qingdao Shitong Shenghe Trading Co., Ltd., Qingdao Hisense Real Estate Company Limited, Qingdao Hisense Technology and Culture Management Co., Ltd., Qingdao Hisense Financial Investment Co., Ltd., Qingdao (Shinan) Hisense School and Qingdao Haixin Shi Ye Holding Co. Ltd., as well as the relevant assets and liabilities of Hisense Hospital, a branch of Hisense Group Holdings Co., Ltd.. The remaining assets and liabilities were assumed by the Surviving Company.

Financial Statements

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

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

1. Relationship with related parties *(continued)*

(4) Other related parties of the Company (continued)

Following the demerger, the Newly Established Company and its subsidiaries no longer indirectly hold shares in the Company. However, as they were part of or subsidiaries of the Group's indirect controlling shareholder within the 12 months prior to the balance sheet date, they remain related legal persons of the Group under the relevant provisions of the "Accounting Standards for Enterprises No.36 – Disclosure of Related Parties", the "Rules Governing the Listing of Shares on Shenzhen Stock Exchange", the "Rules Governing the Listing of Securities on the Hong Kong Stock Exchange" and the "Administrative Measures for Related Party Transactions of Hisense Home Appliances Group Co., Ltd."

As the aforementioned demerger occurred in mid-2025, the relevant caps for continuing connected transactions approved at the general meeting of the Company on 25 January 2024 were determined based on the scope of group members and business scale prior to the demerger. Therefore, the connected transactions and relevant connected balances between the Newly Established Company and its subsidiaries and the Company for the current year continue to be presented under "Hisense Group Holdings and its subsidiaries" on the original basis. For details, please refer to "2. Related party transactions" and "3. Receivables from and payables to related parties" in this chapter.

Financial Statements

The units of the statements in the financial notes are: 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	348,513,140.11	0.50			364,094,200.13	0.50
Hisense Holdings and its subsidiaries	Materials	1,820,087,372.03	2.63	6,530,000,000.00	No	1,914,458,727.46	2.61
Hisense Holdings and its subsidiaries	Rendering of Service	2,185,707,545.65	3.16			1,648,215,361.68	2.24
Hisense Holdings and its subsidiaries	Equipment	6,711,280.73	0.01	N/A	N/A	24,063,207.54	0.03
Subtotal purchase of Hisense Holdings and its subsidiaries		4,361,019,338.52	6.30			3,950,831,496.81	5.38
Hisense Visual and its subsidiaries	Finished goods	35,341,207.69	0.05			20,050,168.50	0.03
Hisense Visual and its subsidiaries	Materials	56,125,478.40	0.08	390,000,000.00	No	188,262,652.97	0.26
Hisense Visual and its subsidiaries	Rendering of Service	121,013,427.10	0.17			116,558,683.57	0.16
Subtotal purchase of Hisense Visual and its subsidiaries		212,480,113.19	0.30			324,871,505.04	0.44
Bosch Home Comfort and its subsidiaries	Finished goods					61,339,893.96	0.08
Bosch Home Comfort and its subsidiaries	Materials	758,125,631.94	1.10	1,862,580,000.00	No	856,590,046.24	1.17
Bosch Home Comfort and its subsidiaries	Rendering of Service	11,907,299.32	0.02			14,465,010.53	0.02
Subtotal of Bosch Home Comfort and its subsidiaries		770,032,931.26	1.12			932,394,950.73	1.27
Hisense Group and its subsidiaries	Materials					6,256.30	0.00
Hisense Group and its subsidiaries	Rendering of Service	10,657,850.67	0.02			11,938,557.87	0.02
SITC Group and its subsidiaries	Finished goods			N/A	N/A	96,237.16	0.00
SITC Group and its subsidiaries	Rendering of Service					533,649.68	0.00
Associates of Sanden Company	Materials	305,006,433.78	0.44			405,757,131.03	0.55
ANNTO and its subsidiaries	Rendering of Service	96,478,436.35	0.14	N/A	N/A		
Subtotal		412,142,720.80	0.60			418,331,832.04	0.57

Note: The lease payment amounted to RMB63,740,070 recognised by the Company as a lessee was included in the “receipt of services” under related party transactions during the Year.

Financial Statements

The units of the statements in the financial notes are: 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	31,056,156,769.87	35.32			28,567,069,554.81	30.80
Hisense Holdings and its subsidiaries	Materials	571,917,635.83	0.65	39,200,000,000.00	No	633,332,220.10	0.68
Hisense Holdings and its subsidiaries	Moulds	27,753,316.03	0.03			35,238,250.06	0.04
Hisense Holdings and its subsidiaries	Rendering of service	75,875,898.53	0.09			63,645,456.00	0.07
Hisense Holdings and its subsidiaries	Equipment	12,480,489.96	0.01	N/A	N/A	96,919.97	0.00
Subtotal of Hisense Holdings and its subsidiaries		31,744,184,110.22	36.10			29,299,382,400.94	31.59
Hisense Visual and its subsidiaries	Finished goods	474,547,356.75	0.54			674,416,417.76	0.73
Hisense Visual and its subsidiaries	Materials	99,551,235.02	0.11	1,130,000,000.00	No	136,533,121.45	0.15
Hisense Visual and its subsidiaries	Moulds	11,947,296.51	0.01			36,252,890.71	0.04
Hisense Visual and its subsidiaries	Rendering of service	17,729,535.39	0.02			8,429,916.24	0.01
Hisense Visual and its subsidiaries	Equipment	109,626.92	0.00	N/A	N/A	24,103.65	0.00
Subtotal of Hisense Visual and its subsidiaries		603,885,050.59	0.68			855,656,449.81	0.93
Bosch Home Comfort and its subsidiaries	Finished goods	403,781,931.83	0.46			363,015,195.17	0.39
Bosch Home Comfort and its subsidiaries	Materials	8,061,272.65	0.01	607,110,000.00	No	9,118,573.58	0.01
Bosch Home Comfort and its subsidiaries	Moulds					2,565,656.33	0.00
Bosch Home Comfort and its subsidiaries	Rendering of service					2,991,543.21	0.00
Subtotal of Bosch Home Comfort and its subsidiaries		411,843,204.48	0.47			377,690,968.29	0.40
Hisense Group and its subsidiaries	Finished goods	71,132.76	0.00			104,867.27	0.00
Hisense Group and its subsidiaries	Rendering of service					51,856.56	0.00
Xuehua Group	Rendering of service	940,034.88	0.00	N/A	N/A	235,008.72	0.00
Associates of Sanden	Finished goods	694,130,264.94	0.79			994,302,757.41	1.07
ANNTO and its subsidiaries	Finished goods	114,080.66	0.00				
ANNTO and its subsidiaries	Materials	3,033.17	0.00				
Subtotal		695,258,546.41	0.79			994,694,489.96	1.07

Note: The lease revenue amounted to RMB14,310,300 recognised by the Company as a lessor was included in the “rendering of services” under related party transactions during the Year.

Financial Statements

The units of the statements in the financial notes are: 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, Bosch Home Comfort 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 Bosch Home Comfort 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 Bosch Home Comfort 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 2025 as disclosed in note 12 of the financial statements in the 2025 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
None.

Financial Statements

The units of the statements in the financial notes are: 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	294,882,400.00	2024/4/26	2025/4/25		Repaid, an interest expense of RMB6,064,055.54 was paid during the year
Hisense Group Holdings and its subsidiaries	299,073,900.00	2025/4/25	2026/4/24	299,073,900.00	An interest expense of RMB11,453,135.40 was paid during the year
Hisense Group Holdings and its subsidiaries	397,852,000.00	2024/5/17	2025/5/16		Repaid, an interest expense of RMB9,529,550.67 was paid during the year
Hisense Group Holdings and its subsidiaries	402,852,800.00	2025/5/16	2026/5/15	402,852,800.00	An interest expense of RMB14,093,410.34 was paid during the year
Hisense Group Holdings and its subsidiaries	28,442,400.00	2024/5/29	2025/5/29		Repaid, an interest expense of RMB741,842.58 was paid during the year
Hisense Group Holdings and its subsidiaries	28,762,800.00	2025/5/29	2026/5/29	28,762,800.00	An interest expense of RMB945,278.89 was paid during the year
Hisense Group Holdings and its subsidiaries	7,815,830.00	2024/5/14	2025/5/14		Repaid, an interest expense of RMB184,600.01 was paid during the year
Hisense Group Holdings and its subsidiaries	7,915,160.00	2025/5/14	2026/5/14	7,915,160.00	An interest expense of RMB279,281.78 was paid during the year
Hisense Group Holdings and its subsidiaries	12,943,980.00	2024/12/19	2025/12/19		Repaid, an interest expense of RMB723,585.54 was paid during the year
Hisense Group Holdings and its subsidiaries	13,132,225.00	2024/3/19	2025/3/19		Repaid, an interest expense of RMB188,579.66 was paid during the year
Hisense Group Holdings and its subsidiaries	13,263,945.00	2025/3/19	2026/3/19		Repaid, an interest expense of RMB555,074.48 was paid during the year
Hisense Group Holdings and its subsidiaries	7,105,800.00	2024/4/25	2025/4/25		Repaid, an interest expense of RMB146,121.79 was paid during the year
Hisense Group Holdings and its subsidiaries	7,206,600.00	2025/4/25	2026/4/24	7,206,600.00	An interest expense of RMB275,979.17 was paid during the year
Hisense Group Holdings and its subsidiaries	6,407,280.00	2024/6/20	2025/6/20		Repaid, an interest expense of RMB158,446.19 was paid during the year
Hisense Group Holdings and its subsidiaries	13,699,719.00	2024/9/19	2025/9/19		Repaid, an interest expense of RMB528,800.84 was paid during the year
Hisense Group Holdings and its subsidiaries	9,460,024.00	2025/9/19	2026/9/18	9,460,024.00	An interest expense of RMB137,577.42 was paid during the year
Hisense Group Holdings and its subsidiaries	12,224,870.00	2024/12/19	2025/12/19		Repaid, an interest expense of RMB683,386.30 was paid during the year
Hisense Group Holdings and its subsidiaries	6,739,518.00	2025/3/19	2026/3/19		Repaid, an interest expense of RMB282,037.79 was paid during the year
Hisense Group Holdings and its subsidiaries	5,765,280.00	2025/4/25	2026/4/24	5,765,280.00	An interest expense of RMB220,783.42 was paid during the year
Hisense Group Holdings and its subsidiaries	6,814,255.00	2025/6/19	2026/6/19	6,814,255.00	An interest expense of RMB200,902.37 was paid during the year
Hisense Group Holdings and its subsidiaries	12,020,632.00	2025/9/19	2026/9/18	12,020,632.00	An interest expense of RMB174,816.35 was paid during the year

Financial Statements

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

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(5) Other connected transactions

- 1) As at 31 December 2025, the Group had balance of bank deposit of RMB11,875,580,600 (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-224,319,700, and balance of notes payable of RMB934,939,100 with Hisense Finance. The Group recognised the loan amount of Hisense Finance of RMB146,055,000, the amount of loan interest of RMB32,341,200, the amount of discounted interest paid for notes of RMB38,100, the amount of handling fees paid for electronic bank acceptance notes of RMB991,200, and the amount of handling fees for settlement services paid for receipt and payment of funds of RMB2,749,300. Interest income from bank deposits of RMB264,061,100 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 RMB67,107,500, and the amount for provision of discounted notes was RMB30,225,500.
- 2) The Company held the fifth Interim meeting of the twelfth Session of the Board on 24 September 2025, at which it considered and approved the “Equity Transfer Agreement” to be entered into between Qingdao Hisense Mould Co., Ltd., a wholly-owned subsidiary of the Company, and Hisense Visual Technology Co., Ltd. Pursuant to the agreement, Qingdao Hisense Mould Co., Ltd. will acquire the 26.0006% equity interest in Hisense (Guangdong) Kitchen and Bath System Co., Ltd. held by Hisense Visual Technology Co., Ltd. with its own funds. Upon completion of the transfer, Hisense Mould will hold 100% of the equity interest in Hisense Kitchen and Bath. The transaction price was determined based on the appraised market value. It is fixed at RMB94,290,516.95 based on the appraised value of the total equity of Hisense Kitchen & Bath of RMB150,503,900.00 as at the benchmark date of 30 June 2025 (audited), after deducting the dividend of RMB56,213,383.05 already received by Hisense Visual.
- 3) The Company held the fifth Interim meeting of the twelfth Session of the Board on, 24 September 2025, at which the “Asset Group Transfer Agreement” to be entered into by the Company’s subsidiaries, Hisense Mould and Hisense Kitchen & Bath, with Hisense Visual was considered and approved. Pursuant to the agreement, Hisense Mould and Hisense Kitchen & Bath will sell the Huangdao Visual Plastic & Metal Workshop asset group jointly held by them to Hisense Visual. The transaction price was determined based on the appraised market value, and is fixed at RMB140,593,300 based on the current assets, fixed assets, construction in progress and current liabilities of Hisense Mould and Hisense Kitchen & Bath as at the benchmark date of 31 August 2025. The transaction amount for the year was RMB44,383,400 (excluding VAT).

Financial Statements

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

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

2. Related party transactions *(continued)*

(5) Other connected transactions (continued)

- 4) The Company held the fifth Interim meeting of the twelfth Session of the Board on, 24 September 2025, at which the “Asset Group Transfer Agreement” to be entered into by the Company’s subsidiaries, Hisense (Guangdong) Mould Co., Ltd. and Foshan Shunde Rongshen Plastic Co., Ltd., with Guangdong Hisense Electronics Co., Ltd was considered and approved. Pursuant to the agreement, Hisense (Guangdong) Mould Co., Ltd. and Foshan Shunde Rongsheng Plastic Co., Ltd. will sell the jointly held Jiangmen electronic plastic workshop asset group to Guangdong Hisense Electronics Co., Ltd. The transaction price was determined as RMB14,195,100 based on the current assets, fixed assets, construction in progress and current liabilities of Hisense (Guangdong) Mould Co., Ltd. and Foshan Shunde Rongsheng Plastic Co., Ltd. as at the benchmark date of 31 August 2025. The transaction amount for the year was RMB8,918,200 (excluding VAT).
- 5) The Company and Hisense Visual Technology Co., Ltd. (hereinafter referred to as “Hisense Visual”) jointly established Hisense Xinghai Technology (Hangzhou) Co., Ltd. (hereinafter referred to as “Hisense Xinghai Technology”) on 15 May 2025. The registered capital of Hisense Xinghai Technology is RMB30,000,000, with the Company and Hisense Visual each contributing 50% in cash. In July 2025, Hisense Group Holdings Co., Ltd. made a capital contribution to Hisense Xinghai Technology, resulting in a change in the Company’s shareholding ratio in Hisense Xinghai Technology to 30%.

Financial Statements

The units of the statements in the financial notes are: 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	8,944,983.77		10,588,453.47	
Receivables Financing	Hisense Group Holdings and its subsidiaries	84,000,000.00		164,553,211.50	
Receivables Financing	Associates of Sanden Company	12,138,991.83			
Subtotal		105,083,975.60		175,141,664.97	
Notes receivable	Hisense Visual and its subsidiaries	9,258,840.10		292,454,447.58	
Notes receivable	Hisense Group Holdings and its subsidiaries	90,396,037.48		159,387,903.36	
Subtotal		99,654,877.58		451,842,350.94	
Interest receivable	Hisense Finance	341,272,304.80		466,057,623.62	
Subtotal		341,272,304.80		466,057,623.62	
Accounts receivable	Hisense Visual and its subsidiaries	133,017,503.44	1,283,765.71	97,931,519.34	113,650.00
Accounts receivable	Hisense Group and its subsidiaries	228,165.03	228,165.03		
Accounts receivable	Hisense Group Holdings and its subsidiaries	5,612,301,194.45	20,316,010.88	6,225,859,286.42	9,827,845.46
Accounts receivable	Bosch Home Comfort Group and its subsidiaries	64,948,768.06		75,247,912.85	34,360.55
Accounts receivable	Associates of Sanden Company	189,206,485.30	85,159.10	166,213,804.97	1,750,797.48
Subtotal		5,999,702,116.28	21,913,100.72	6,565,252,523.58	11,726,653.49
Contract assets	Hisense Group Holdings and its subsidiaries	2,078,454.00		1,720,210.00	
Subtotal		2,078,454.00		1,720,210.00	
Other receivables	Hisense Visual and its subsidiaries	819,743.58	18,000.00	197,248.50	18,000.00
Other receivables	Hisense Group Holdings and its subsidiaries	5,715,235.35	542,386.50	9,435,029.58	533,787.71
Other receivables	Associates of Sanden Company	250,079.94	33,676.14	3,838,023.43	2,854,887.75
Other receivables	Bosch Home Comfort Group and its subsidiaries			163,187.90	
Subtotal		6,785,058.87	594,062.64	13,633,489.41	3,406,675.46
Dividends receivable	Associates of Sanden Company	625,590.11			
Subtotal		625,590.11			
Prepayments	Hisense Visual and its subsidiaries	15,844.03		137,868.00	
Prepayments	Hisense Group Holdings and its subsidiaries	146,147,463.35		281,709,404.04	
Prepayments	Bosch Home Comfort Group and its subsidiaries	24,023.62			
Subtotal		146,187,331.00		281,847,272.04	
Other non-current	Hisense Visual and its subsidiaries	771,991.79			
Other non-current	Hisense Group Holdings and its subsidiaries	858,913.37		4,561,076.85	
Subtotal		1,630,905.16		4,561,076.85	

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

Financial Statements

The units of the statements in the financial notes are: 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	15,781,245.14	12,700,039.71
Note payable	Hisense Group Holdings and its subsidiaries	36,115,222.33	93,448,068.28
Note payable	Bosch Home Comfort Group and its subsidiaries	350,778,460.34	350,014,323.36
Subtotal		402,674,927.81	456,162,431.35
Accounts payable	Hisense Visual and its subsidiaries	8,108,003.49	6,516,580.55
Accounts payable	Hisense Group Holdings and its subsidiaries	296,796,534.74	305,072,883.75
Accounts payable	Bosch Home Comfort Group and its subsidiaries	125,341,035.31	50,548,531.17
Accounts payable	Associates of Sanden Company	12,285,067.56	22,541,397.42
Accounts payable	Xuehua Group		235,008.72
Accounts payable	Annto and its subsidiaries	63,036.65	
Subtotal		442,593,677.75	384,914,401.61
Dividends payable	Bosch Home Comfort Group and its subsidiaries	77,438,308.67	71,307,333.26
Subtotal		77,438,308.67	71,307,333.26
Other payables	Hisense Visual and its subsidiaries	818,647.30	228,267.68
Other payables	Hisense Group and its subsidiaries	262,552.25	
Other payables	Hisense Group Holdings and its subsidiaries	1,137,257,961.28	1,145,640,491.41
Other payables	Bosch Home Comfort Group and its subsidiaries	200,000.00	631,190.00
Other payables	Xuehua Group	337,472.52	102,463.80
Other payables	Associates of Sanden Company	99,894,988.83	78,260,924.05
Other payables	Annto and its subsidiaries	11,014,732.76	
Subtotal		1,249,786,354.94	1,224,863,336.94
Advances	Hisense Group Holdings and its subsidiaries	9,911.51	
Subtotal		9,911.51	
Contractual liabilities	Hisense Visual and its subsidiaries		41,057.78
Contractual liabilities	Hisense Group Holdings and its subsidiaries	27,216,929.99	246,810,029.13
Contractual liabilities	Bosch Home Comfort Group and its subsidiaries	21,114.74	121,863.74
Subtotal		27,238,044.73	246,972,950.65
Other non-current liabilities	Bosch Home Comfort Group and its subsidiaries	445,987,614.09	504,879,334.95
Subtotal		445,987,614.09	504,879,334.95

Financial Statements

The units of the statements in the financial notes are: 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 2025

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, President	Incumbent		281.97	4.51	349.60	636.08
Jia Shao Qian	Executive Director	Incumbent				190.10	190.10
Yu Zhi Tao	Executive Director	Incumbent				101.38	101.38
Hu Jian Yong	Executive Director, President	Former		296.77	2.58	-104.37	194.98
Yin Bi Tong	Executive Director	Incumbent		251.95	3.69	391.14	646.78
Zhu Dan	Executive Director	Former					
Dai Hui Zhong	Executive Director	Incumbent		76.67	4.51	312.46	393.64
Fang Xue Yu	Executive Director	Incumbent					
Independent non-executive Directors							
Li Zhi Gang	Independent non-executive Directors	Incumbent	18.00				18.00
Tsoi Wing Sing	Independent non-executive Directors	Incumbent	18.00				18.00
Xu Guo Jun	Independent non-executive Directors	Incumbent	18.00				18.00
Total			54.00	907.36	15.29	1,240.31	2,216.96

Financial Statements

The units of the statements in the financial notes are: 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 President of the Company on 30 July 2025.
- ③ Ms. Fang Xue Yu was appointed as the Director of the Company on 18 September 2025
- ④ Mr. Yin Bi Tong was appointed as an employee representative Director of the Company on 30 July 2025.
- ⑤ Mr. Hu Jian Yong left the Company on 30 July 2025 and ceased to be President and Director of the Company.
- ⑥ Mr. Zhu Dan left the Company on 30 July 2025 and ceased to be Director of the Company.
- ⑦ The Company convened its 2024 annual general meeting on 25 June 2025, at which the “Resolution on the Amendments to the Articles of Association and Relevant Rules of Procedure” was considered and approved. Following the approval, the Company no longer maintains a supervisory committee, and the functions and powers of the supervisory committee are now exercised by the audit committee of the board of directors. Mr. Liu Zhen Shun, Ms. Sun Jia Hui and Mr. Bao Yi ceased to serve as supervisors with effect from the date of approval by the general meeting.

Financial Statements

The units of the statements in the financial notes are: 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 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 Directors	Incumbent				351.70	351.70
Yu Zhi Tao	Executive Directors	Incumbent				136.30	136.30
Hu Jian Yong	Executive Director, President	Incumbent		401.70	4.42	685.19	1,091.31
Zhu Dan	Executive Directors	Incumbent					
Dai Hui Zhong	Executive Directors	Incumbent		473.03	4.42	577.37	1,054.82
Xia Zhang Zhua	Executive Directors	Former		204.95	4.42	300.91	510.28
Independent non-executive Directors							
Li Zhi Gang	Independent non-executive Directors	Incumbent	14.00				14.00
Tsoi Wing Sing	Independent non-executive Directors	Incumbent	9.38				9.38
Xu Guo Jun	Independent non-executive Directors	Incumbent	7.43				7.43
Zhong Geng Shen	Independent non-executive Directors	Former	6.77				6.77
Cheung Sai Kit	Independent non-executive Directors	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

Financial Statements

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

XII. RELATED PARTY AND RELATED TRANSACTIONS *(continued)*

4. Emoluments of Directors, Supervisors and Employees *(continued)*

(2) Five highest paid individuals

In 2025, three(2024: 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 two individuals (2024: three) were as follows (in respect of the range of emoluments for 2025, emoluments of two individuals exceeded RMB2,500,000 and were below RMB3,000,000; in respect of the range of emoluments for 2024, emoluments of three individual exceeded RMB2,500,000 and were below RMB3,000,000:

Unit: (RMB0'000)

Item	Amount for the Year	Amount for the Previous Year
Salaries and allowances	507.52	781.13
Pension scheme contributions	6.90	13.27
Total	514.42	794.40

(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	961.35	1,720.10
Pension scheme contributions	15.29	26.54
Share-based payments	1,240.30	2,750.80
Emoluments of other key management personnel		
Salaries and allowances	244.40	213.37
Pension scheme contributions	9.03	8.79
Share-based payments	106.57	158.69
Total	2,576.94	4,878.29

Note: Key management personnel refer to the senior management who has the authority and responsibility for planning, directing and controlling the corporate activities.

Financial Statements

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

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					6,397,866.00	42,481,830.24	1,149,234.00	7,630,913.76
Total					6,397,866.00	42,481,830.24	1,149,234.00	7,630,913.76

Financial Statements

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

Financial Statements

The units of the statements in the financial notes are: 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	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Senior management and core personnel					7,806,257.00	71,849,440.46		
Total					7,806,257.00	71,849,440.46		

Financial Statements

The units of the statements in the financial notes are: 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	Maximum of 18 months

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	113,601,614.84

Financial Statements

The units of the statements in the financial notes are: 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	128,716,257.83
Total	128,716,257.83

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 longterm assets):		
– Authorised but not contracted		
– Contracted but not paid	36,687.65	43,106.80
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 2025, the Group was involved, as defendant, in litigations with amount of RMB20,808,859.95, and expected liabilities of RMB4,233,189.33 was recognised.

XV. SUBSEQUENT EVENTS

1. Profit distribution

On 30 March 2026, the Proposed Profit Distribution Plan for 2025 was considered and approved at the first meeting of 2026 of the twelfth session of the Board of the Company: Based on the total share capital of 1,384,861,171 shares of the Company as of the date of disclosure of this report, deducting the shares repurchased in the repurchase account (as of the date of disclosure of this report, 745,907 shares were held in the repurchase account of the Company), resulting in an adjusted total share capital of 1,384,115,264 shares, a cash dividend of RMB12.65 (tax inclusive) per 10 shares is to be paid to all shareholders. No bonus shares will be issued, and no capital reserve will be transferred to share capital. If the total share capital of the Company changes during the period between the Board's approval of the profit distribution plan and the implementation of the profit distribution plan, the Company will re-determine the total dividend amount based on the latest total share capital in accordance with the principle of "fixed dividend per share". This resolution is subject to approval by the general meeting of shareholders of the Company.

Financial Statements

The units of the statements in the financial notes are: 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 2025 and 31 December 2024, the gearing ratios of the Group were set out as follows:

Item	End of the year	Beginning of the year
Total liabilities	48,463,742,279.18	50,327,415,106.20
Total assets	69,984,242,341.49	69,701,939,817.33
Gearing ratio	69.25%	72.20%

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	43,530.13	48,718.77
Land use rights	8.30	105.23
Machinery and equipment, etc.	3,023.10	468.25
Transportation equipment	23.15	34.72
Total	46,584.68	49,326.97

(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 2024 amounted to RMB75.5164 million (2024: RMB68.9256 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	6,041.87	5,107.91
Over one year but within five years	14,554.97	13,232.69
Over five years		3.14
Total	20,596.84	18,343.74

Financial Statements

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

XVI. OTHER SIGNIFICANT EVENTS (continued)

2. Leases (continued)

(3) The Group as lessee under operating lease

The Group leases certain leasehold building or structure and others under operating leases with lease terms ranging from one to five years. The operating lease payments for the year ended 31 December 2025 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the year	Amount for previous year
Building or structures	19,044.11	17,574.96
Others	4,037.44	7,683.35
Total	23,081.55	25,258.31

The Group adopts simplified treatment for short-term leases and leases of low-value assets with a lease period of not more than 12 months. Due to the small amount of related lease payments, the adoption of simplified treatment has relatively small impact on the financial statements.

(4) The total future minimum lease payments under non-cancellable operating leases at the end of reporting period due as follows:

Unit: RMB'0000

Item	Amount for the year	Amount for previous year
Within one year	11,631.60	11,767.02
Over one year but within five years	12,011.35	15,891.16
Over five years	1,268.55	1,879.60
Total	24,911.50	29,537.78

3. Auditors' remuneration

In 2025, 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 2025, 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 2025 and bear the corresponding travel expenses.

Financial Statements

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

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

1. Accounts receivable

(1) Accounts receivable by aging

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

Aging	Closing balance	Opening balance
Within three months	689,530,265.60	574,773,952.12
Over three months but within six months	178,080.15	2,437,960.37
Over six months but within one year	21,604.45	7,238,081.31
Over one year	118,629,562.56	126,167,140.90
Total	808,359,512.76	710,617,134.70

(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	808,359,512.76	100.00	107,109,397.32	13.25	701,250,115.44
Total	808,359,512.76	100.00	107,109,397.32	13.25	701,250,115.44

(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	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54
Total	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54

Financial Statements

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

1) Among the group, provision for bad debts for accounts receivable:

Aging	Closing balance		
	Book value	Provision for bad debts	(%)
Aging group	108,030,846.27	107,109,397.32	99.15
Counterparties relationship group	700,328,666.49		
Total	808,359,512.76	107,109,397.32	13.25

Note: The Company uses the aging of accounts receivable, relationship with counterparties and transaction categories as credit risk characteristics to provide for bad debts based on expected credit losses.

(3) Provision for bad debts for accounts receivable for the year

Category	Opening balance	Changes during the year			Closing balance
		Provision	Recoveries or reversals	Reversal or write-off	
Accounts receivable	107,081,692.16	27,705.16			107,109,397.32
Total	107,081,692.16	27,705.16			107,109,397.32

(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 RMB641,687,466.28, accounting for 79.38% of the closing balance of accounts receivable. A provision for bad debts of RMB16,475,363.73 in total was made as at the end of the year.

Financial Statements

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

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

2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	74,999,306.82	71,598,383.60
Other receivables	843,547,935.88	1,095,693,177.89
Total	918,547,242.70	1,167,291,561.49

2.1 Dividends receivable

Investee	Closing balance	Opening balance
Hisense Hitachi	74,999,306.82	71,598,383.60
Total	74,999,306.82	71,598,383.60

2.2 Other receivables

(1) Classification of other receivables by nature

Nature of the amount	Closing book value	Beginning book value
Other current account	858,266,306.37	1,110,783,600.02
Total	858,266,306.37	1,110,783,600.02

(2) Other receivables by aging

Aging	Closing book value
Within three months	20,507,960.12
Over three months but within six months	20,910,628.94
Over six months but within one year	99,878,993.73
Over one year	716,968,723.58
Total	858,266,306.37

Financial Statements

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

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

2. Other receivables (continued)

2.2 Other receivables (continued)

(3) Provision for bad debts of other receivables

Provision for bad debts	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
Balance as at 1 January 2025	3,962.96	528,438.68	14,558,020.49	15,090,422.13
During the year, the balance of other receivables as at 1 January 2025	-	-	-	-
- transferred to second stage				
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the year	14,343.01	-386,394.65		-372,051.64
Reversal for the year				
Write-off during the year				
Charge off for the year				
Other changes				
Balance as at 31 December 2025	18,305.97	142,044.03	14,558,020.49	14,718,370.49

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

Financial Statements

The units of the statements in the financial notes are: 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 by aging analysis method

Category	Opening balance	Provision	Changes during the Year		Closing balance
			Recoveries or reversals	Write-off or charge-off	
Other receivables	15,090,422.13	-372,051.64			14,718,370.49
Total	15,090,422.13	-372,051.64			14,718,370.49

(5) Other receivables actually written off during the Year

During the year, the parent had no other receivables written-off.

(6) Top five other receivables by debtor in terms of balances as at the end of the year

No.	Nature of the amount	Closing balance	aging	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	43.42	
Top 2	Inter-group current account payments	160,146,666.67	Within one year, over one year	18.66	
Top 3	Inter-group current account payments	99,090,750.00	Within one year, over one year	11.55	
Top 4	Inter-group current account payments	96,234,162.39	Over one year	11.21	
Top 5	Inter-group current account payments	29,172,409.80	Over one year	3.40	
Total	-	757,343,343.25	-	88.24	

Financial Statements

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

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

3. Long-term equity investments

(1) Breakdown of long-term equity investments

Item	Book balance	Closing balance		Opening balance		
		Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Investments in subsidiaries	6,710,082,017.18	59,381,641.00	6,650,700,376.18	6,036,704,138.92	59,381,641.00	5,977,322,497.92
Investments in associates and joint ventures	1,010,798,344.98		1,010,798,344.98	786,147,253.95		786,147,253.95
Total	7,720,880,362.16	59,381,641.00	7,661,498,721.16	6,822,851,392.87	59,381,641.00	6,763,469,751.87

(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.	9,183,395.67				1,737,344.23	10,920,739.90	
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.	2,789,577.09				164,894.80	2,954,471.89	
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	5,068,448.98				2,111,190.55	7,179,639.53	
Foshan Shunde Rongshen Plastic Co., Ltd.	55,455,258.07				801,865.53	56,257,123.60	
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.	3,505,103.22				698,627.17	4,203,730.39	
Zhuhai Kelon Industrial Development Co., Ltd.	189,101,850.00					189,101,850.00	
Shenzhen Kelon Procurement Co., Ltd.	95,000,000.00		2,806,500.00			97,806,500.00	
Kelon Development Co., Ltd.	11,200,000.00					11,200,000.00	

Financial Statements

The units of the statements in the financial notes are: 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			Closing balance (carrying amount)	Provision for impairment Closing balance
			Increase in investment	Decrease in investment	Increase in share-based payments		
Hisense (Chengdu) Refrigerator Co., Ltd.	202,930.60				36,877.09	239,807.69	
Hisense (Beijing) Electric Appliances Co., Ltd.	92,101,178.17					92,101,178.17	
Hisense Air-Conditioning Co., Ltd.	610,587,618.31				5,882,422.22	616,470,040.53	
Qingdao Hisense Mould Co., Ltd.	359,294,504.40		1,289,760.00		697,043.83	361,281,308.23	
Hisense Refrigerator Co., Ltd.	812,168,493.68				17,478,718.60	829,647,212.28	
Foshan Hisense Kelon Property Development Co., Ltd.	5,728,648.70				387,142.62	6,115,791.32	
Qingdao Hisense Hitachi Air Conditioning Systems Co., Ltd.	2,619,497,708.06				8,367,903.52	2,627,865,611.58	
Qingdao Gorenje Electrical Co., Ltd.	19,845,220.23				2,185,660.17	22,030,880.40	
Hisense (Shandong) Kitchen and Bath Co., Ltd.	5,971,225.66				1,555,074.39	7,526,300.05	
Qingdao Hisense Commercial Cold Chain Co., Ltd.	12,114,743.21				3,754,268.28	15,869,011.49	
Guangdong Hisense Refrigerator Marketing Co., Ltd.	31,916,381.61				7,745,999.34	39,662,380.95	
Hisense (Zhejiang) Air-Conditioner Co., Ltd.	770,018.14				57,786.69	827,804.83	
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	37,798,731.58				6,958,757.92	44,757,489.50	
Guangdong Kelon Mould Co., Ltd.	936,154.34				355,215.52	1,291,369.86	
Jiangmen Hisense Home Appliances Co., Ltd.	2,607,137.53				1,155,159.21	3,762,296.74	
Qingdao Hisense Hitach Air-conditioner Marketing Co., Ltd.	39,285,851.92				7,460,445.03	46,746,296.95	
Qingdao Johnson Controls Air Conditioning Co., Ltd.	245,336.14				110,218.79	355,554.93	

Financial Statements

The units of the statements in the financial notes are: 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			Closing balance (carrying amount)	Provision for impairment Closing balance
			Increase in investment	Decrease in investment	Increase in share-based payments		
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd	3,964,727.61				648,474.05	4,613,201.66	
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		115,375,000.00			315,375,000.00	
HSHA (SINGAPORE) PTE. LTD.	210,000,000.00		565,473,750.00			775,473,750.00	
Hisense Hitachi Air- conditioning (Hunan) Co., Ltd.					81,778.71	81,778.71	
Total	5,977,322,497.92	59,381,641.00	684,945,010.00	82,000,000.00	70,432,868.26	6,650,700,376.18	59,381,641.00

Financial Statements

The units of the statements in the financial notes are: 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 or decrease for the Year							Closing balance (carrying amount)	Provision for impairment Closing balance	
			Increase in investment	Decrease in investment	Gains or losses from investment recognised using equity method	Adjustment or other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made			Changes in exchange rate
I. Joint ventures												
Hisense Marketing Management Co., Ltd.												
	50,297,902.69				-10,379,416.16			10,947,964.70				50,866,451.23
Qingdao Hisense Huanya Holdings Co., Ltd.												
	18,597,059.07				753,421.48		4,638,093.85	535,032.79				24,523,607.19
Subtotal	68,894,961.76				-9,625,994.68		4,638,093.85	11,482,997.49				75,390,058.42
II. Associates												
Qingdao Hisense Jinlong Holdings Co., Ltd.												
	414,741,582.39				17,318,104.88				8,575,458.39			423,484,228.88
Qingdao Hisense International Marketing Co., Ltd.												
	154,559,765.54				138,729,103.30		27,593,803.72	11,059,265.91	25,333,080.00			306,608,858.47
Qingdao Hisense Intelligent Electronic Technology Co., Ltd.												
	147,950,944.26				1,495,803.74							149,446,748.00
Hisense Xinghai Technology (Hangzhou) Co., Ltd.												
		15,000,000.00			-5,338,803.89		46,114,394.21	92,860.89				55,868,451.21
Subtotal	717,252,292.19	15,000,000.00			152,204,208.03		73,708,197.93	11,152,126.80	33,908,538.39			935,408,286.56
Total	786,147,253.95	15,000,000.00			142,578,213.35		78,346,291.78	22,635,124.29	33,908,538.39			1,010,798,344.98

4. Operating revenue and operating costs

Item	Amount for the Year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Principal operations	4,647,748,092.96	4,215,916,221.14	5,423,973,112.75	5,127,825,844.71
Other operations	297,378,542.95	259,495,109.33	266,147,242.44	220,802,465.83
Total	4,945,126,635.91	4,475,411,330.47	5,690,120,355.19	5,348,628,310.54

5. Investment gain

Item	Amount for the Year	Amount for the previous year
Gain from long-term equity investment under the cost method	1,558,297,080.00	2,885,482,947.19
Gain from long-term equity investment under the equity method	142,578,213.35	96,750,756.12
Gain from disposal of transactional financial assets	42,560,699.40	29,262,925.90
Gain from disposal of long-term equity investment	-49,200,000.00	
Total	1,694,235,992.75	3,011,496,629.21

Financial Statements

The units of the statements in the financial notes are: 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)	27,776,445.49	
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)	202,755,624.01	
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	217,111,683.54	
Gain or loss arising from entrusted investment or entrusted asset management	371,034,766.84	
Gain or loss arising from debt restructuring	16,408,247.83	
Other non-operating income and expense other than the aforementioned items	114,830,847.59	
Subtotal	949,917,615.30	
Less: Effect of income tax	178,140,998.95	
Effect of minority interests (after tax)	30,080,619.44	
Total	741,695,996.91	

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	19.36%	2.33	2.33
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	14.86%	1.79	1.79

Financial Statements

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

XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)

3. Five-year financial summary

RMB'0000

Statement item	2025	2024	2023	2022	2021
Total operating revenue	8,792,848.59	9,274,561.11	8,560,018.92	7,411,515.10	6,756,260.37
Total profits	544,863.91	596,638.90	568,455.74	382,380.97	291,653.70
Income tax	71,482.59	84,023.60	89,306.75	75,440.07	57,373.60
Net profit	473,381.32	512,615.30	479,148.99	306,940.91	234,280.10
Net profit attributable to owners of the parent	318,657.39	334,788.18	283,732.28	143,496.82	97,258.15
Profit and loss of minority interests	154,723.93	177,827.12	195,416.72	163,444.08	137,021.95

Continued from above table

Statement item	31 December 2025	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Total assets	6,998,424.23	6,970,193.98	6,594,649.56	5,537,586.84	5,594,854.95
Total liabilities	4,846,374.23	5,032,741.51	4,655,043.64	3,909,678.58	4,035,729.83
Net assets	2,152,050.01	1,937,452.47	1,939,605.91	1,627,908.26	1,559,125.13
Total equity attributable to owners of the parent	1,746,900.55	1,545,562.66	1,358,017.45	1,151,837.34	1,034,235.52
Minority interests	405,149.45	391,889.81	581,588.46	476,070.92	524,889.61
Total equity	2,152,050.01	1,937,452.47	1,939,605.91	1,627,908.26	1,559,125.13

Hisense Home Appliances Group Co., Ltd.
30 March 2026