

**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 )

**2023** INTERIM  
REPORT

**TRÉSOR**

璀璨·高端全套智能家電



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## CORPORATE INFORMATION

Hisense Home Appliances Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group") is principally engaged in research and development (R&D), manufacturing, marketing and servicing of heating, ventilation and air-conditioners, refrigerators, freezers, washing machines, kitchen appliances, automotive air-conditioner compressors integrated automotive thermal management systems, etc., and provision of whole-scenario smart home solutions.

### REGISTERED OFFICE IN CHINA

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

### PLACE OF BUSINESS IN HONG KONG

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

### SECRETARY FOR THE BOARD OF DIRECTORS & COMPANY SECRETARY

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

### AUTHORIZED REPRESENTATIVES

Dai Hui Zhong  
Gao Yu Ling

### INVESTOR COMMUNICATION CENTRE

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

### TELEPHONE

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

### FAX

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

### EMAIL ADDRESS

hxjdzqb@hisense.com

### INTERNET WEBSITE

<http://hxjd.hisense.cn>

### AUDITORS

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

### I. INDUSTRY MARKET OVERVIEW

#### (I) The Domestic Heating, Ventilation and Air-conditioner ("HVAC") Market

##### (1) *Central air-conditioner market*

According to the statistics from AICON ([www.aicon.com.cn](http://www.aicon.com.cn)), during the first half of 2023, the overall central air-conditioner market industry increased by 1.4% on a period-to-period basis.

The home furnishings retail market was affected by the downturn in the real estate market and recorded a slight increase of 2.2%. The development of multi-split units, as a mainstay category, fell short of expectations, and its share decreased slightly on a period-to-period basis. However, while the market was under pressure, benefiting from the period-to-period increase in consumer demand for joint air conditioning and floor heating at home, the growth rate of two-function products reached 10%, driving the industry to continuously transform and upgrade from supplying central air-conditioning products to providing air-conditioning, floor heating, purification and fresh air integrated system solutions.

In the engineering projects market, only a slight increase of 1.0% was achieved. Among these, the medical, photovoltaic, energy storage, data center, rail transportation and other segments showed good growth. At the same time, with the continuous promotion of the country's "dual-carbon" strategy, energy-efficient, environmentally friendly and carbon-reduction products, as represented by maglev centrifugal water chillers, are expected to gain market share continuously.

##### (2) *Household air-conditioner market*

According to the AVC (奧維雲網) all-channel data, during the first half of 2023, driven by factors such as the catalytic effect of the hot weather and recovery of consumption, the retail sales of household air-conditioners achieved a rapid growth of 29.49%, with the online and offline growth rates reaching 36.01% and 7.57% respectively.

Benefiting from the diversified, personalized and quality needs of consumers, the household air-conditioner market continued to upgrade to smart, healthy and energy-saving products, and gradually built consumer awareness in sub-segments such as fresh air air-conditioners and sleeping air-conditioners.

Fresh air air-conditioners can effectively reduce indoor carbon dioxide concentration by introducing fresh outdoor air and diluting indoor PM2.5 and TVOC volume, so that users can breathe healthy and fresh air. Sleeping air-conditioners which focus on user's needs for convenient, comfortable, quiet and energy-saving are favoured by young people.

#### (II) The Domestic Refrigerator and Freezer Market

According to the AVC all-channel data, for the first half of 2023, the retail sales of the refrigerator market increased by 5.2% on a period-to-period basis, while the retail sales of the freezer market declined by 7.0% on a period-to-period basis. As users' demand for food freshness preservation and healthy storage increases, product upgrading has become the driving force for the continuous growth of the refrigerator market. Large volume, zoned storage, and healthy anti-bacteria refrigerator products are favoured by users.

While developing towards function refinement and quality specialization, the refrigerator and freezer industry has also evolved in the direction of intelligence and home development. The retail sales of ultra-thin built-in refrigerators increased by more than 20% period-to-period, and the offline retail volume of vertical freezers increased by 3.1% on a period-to-period basis, which became an important driving force for replacement in the market. At the same time, based on the extension of users' needs from the kitchen to the living room, the sales of product set refinement covering refrigerators, freezers, living-room bar and wine cooler have become the development direction of the industry.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. INDUSTRY MARKET OVERVIEW — *Continued*

#### (III) The Domestic Washing Machine Market

According to the AVC all-channel data, during the first half of 2023, the retail volume of washing machine (including sets) market decreased by 4.9% and retail sales decreased by 1.2% on a period-to-period basis. The recovery progress of the market was slow. On the other hand, the performance of some washing machine segments was outstanding. As users' demand for high-end washing, drying and care rises, washing-drying machines and dryers equipped with intelligent and health technologies are increasingly gaining momentum. In addition, mini-washers are widely favoured by users as their demand for refined laundry care grows.

#### (IV) The Domestic Kitchen Appliances Market

According to the AVC all-channel data, in the first half of 2023, retail sales in the kitchen appliances market grew by 3.8% on a period-to-period basis. Smoke machines, stoves, water heaters and other categories experienced steady growth while dishwashers, steam ovens and other categories accelerated penetration. Smart development has gradually become a hot trend in the consumption of kitchen appliances. At the same time, the upgrade of the product structure drove the overall upward adjustment of the average price of the kitchen appliance industry.

#### (V) The Automotive Air Conditioner Compressor and Integrated Thermal Management System Market

In the first half of 2023, the global automotive market showed a rebound trend. According to the data of the China Passenger Car Association, global automobile sales amounted to 42.43 million units, representing a period-to-period increase of 11%. Of which, the sales volume of new energy vehicles amounted to 9.54 million units, representing a period-to-period increase of 54%. As an important driving force leading market growth, the penetration rate of new energy vehicles further increased to 22.5%. Automobile sales in the China market amounted to 13.24 million units, representing a period-to-period increase of 9.8%, and the sales of new energy vehicles reached 4.47 million units, representing a period-to-period increase of 53%, with the penetration rate increasing to 33.8%.

The continuous growth of the automobile industry, especially new energy vehicles, has also led to a rebound in the production of compressors and other components. According to the statistics from IHS, a think tank, the total cumulative production volume of compressors in the global automobile industry reached approximately 42.53 million units in first half of 2023, representing a period-to-period increase of 9.26%, of which, the production volume of electric compressors was 9.82 million units, representing a period-to-period increase of 50%. With the upgrades of the automobile industry towards electrification, intelligence, internet-driven and sharing, the thermal management system and components of new energy vehicles continue to develop in the direction of lightweight, integration and high pressure. Meanwhile, the trend of low carbon and environmental protection has made new refrigerants such as R744 and R290 a hot spot for industry development.

#### (VI) The Smart Home Market

Benefiting from the internet of things (IoT), cloud computing, big data, and artificial intelligence technologies, the smart home scene is gradually showing a trend of interconnection and diversification. According to the data of Statista, a think tank, the scale of the global smart home market is expected to grow from US\$117.6 billion in 2022 to US\$222.9 billion in 2027, and the smart home penetration rate is expected to increase from 14.2% in 2022 to 28.8% in 2027, representing a huge market.

On 12 July 2023, 13 departments including the Ministry of Commerce of the PRC published certain measures for the promotion of household consumption to support enterprises to accelerate the research and development of products such as smart home appliances, smart sleep, and smart audio-visual entertainment, promote the interconnection of smart home appliances, and promote the development from single-product intelligence to whole-house intelligence.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. INDUSTRY MARKET OVERVIEW — *Continued*

#### (VII) The Home Appliances Export Market

According to online industry data, in the first half of 2023, the export volume of the refrigerator industry increased by 7.2% on a period-to-period basis, the export volume of the washing machine industry increased by 32.5% on a period-to-period basis, and the export volume of the air-conditioner industry decreased by 1% on a period-to-period basis. The overseas export performance of various segments of the home appliance industry is mixed. Driven by a rebound in overseas demand and the demand for inventory replenishment by large retailers, the refrigerator and washing machine industry recorded positive growth in the first half of the year. The rebound of the air-conditioner industry was relatively lagging behind as overseas inventory was still high.

At present, global economic growth is still facing great uncertainty. Nevertheless, the decrease in international shipping costs, the depreciation of Renminbi, and the continuous increase in the penetration rate of home appliances in emerging economies will boost the growth of the home appliance export industry.

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

Under the general trend of the entire industry subject to pressure, Hisense Home Appliances focused on long-term capacity building, initiated various changes in corporate governance and top-level design, adhered to the road of high-quality development, and realized the overall improvement of operation quality and core competence. The Company continuously introduced key talents, optimized the incentive mechanism, promoted innovation in user-centered product technology and increased investment in R&D, and created a number of new hot products around health, intelligence and energy saving. At the same time, the Company optimized supply chain management, improved product structure and channel structure, enhanced operational efficiency and achieved operational breakthroughs.

During the Reporting Period, the Company recorded operating revenue of RMB42.944 billion, representing a period-to-period increase of 12.10% and net profits attributable to shareholders of the listed company of RMB1.498 billion, representing a period-to-period increase of 141.45%, and realized net profits after deducting non-recurring profit and loss attributable to shareholders of the listed company of RMB1.263 billion, representing a significant increase of 195.10%. Net cash flow from operating activities amounted to RMB3.812 billion, representing a significant increase of 429.43% on a period-to-period basis.

In terms of products, the HVAC business achieved principal operating revenue of RMB21.160 billion, representing a period-to-period increase of 11.68%, the refrigerator and washing machine business achieved principal operating revenue of RMB11.587 billion, representing a period-to-period increase of 11.12%, and the Sanden Company achieved principal operating revenue of RMB4.511 billion, representing a period-to-period increase of 3.30%. In terms of domestic and overseas revenues, the principal operating revenue of the domestic sales business amounted to RMB24.466 billion, representing a period-to-period increase of 18.45%, and the principal operating revenue of the export sales business amounted to RMB14.237 billion, accounting for 33.15% of the total.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

The business status and highlights of each segment of the Company is set out below:

#### 1. HVAC Business Work

##### *(1) Central Air-conditioner Business*

Through in-depth insight into users' needs, and continuous promotion of technological innovation, the Company's central air-conditioner business has achieved steady growth over the years, and has maintained its leading position in the domestic multi-split unit market with a share of more than 20%. During the Reporting Period, the central air-conditioner business achieved period-to-period revenue growth of 12.5% and net profit growth of 25.5%.

For the home furnishing retail market, the Company provided high-end residential users with comfortable, personalized whole-house air solutions, and created a customized whole-house smart air system of excellent quality that integrates air conditioning, floor heating, fresh air and intelligent control. The system transforms from indoor temperature and humidity regulation to multi-dimensional indoor microclimate management, enhancing the living quality of the residents in all aspects. At the same time, the Company launched the first "family doctor" system in the industry for central air conditioners based on "pre-diagnosis of faults" to promote the upgrading of product service standards. In the first half of the year, the Company was granted 3 awards in the iF Design Award and the Hisense Smart Home APP was awarded Red Dot Award.

In terms of the real estate supporting market, integrated with the national carbon peak and carbon neutrality strategy, the Company launched the first ultra-small-capacity multi-split central air-conditioning in an innovative manner, which, combined with the high-efficiency heat-recovery fresh-air ventilation system in the industry, effectively reduces the energy consumption of the air system operation and satisfies the needs of ultra-low-energy-consumption buildings.

In terms of the engineering projects market, the Company continued to strengthen the multi-split units product advantage, while rapidly complementing the product lines of water heaters, heat pumps and fresh air air-conditioners to construct a full product matrix, provide customers with customized green, energy saving, low carbon and environmentally friendly solutions. The Company launched all volume magnetic suspension inverter centrifugal chiller solution for users in areas such as education, agriculture and animal husbandry, and rail transportation, etc., which improved operational efficiency and reduced maintenance costs. The water heater business achieved scale growth of 57% in the first half of the year.

In the new field of intelligent buildings, the Company launched the ECO-B intelligent building system, providing solutions for air management, energy management and operation and maintenance management. We launched cross-field cooperation with the State Grid, and for the first time we used the "cloud-to-cloud connection" method in nationwide to realize the flexible control of air-conditioning load by "one point of access to multi-brand central air-conditioners", which helped the power system to reduce peaks and fill in valleys, and improved the operation efficiency of the power system.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

#### 1. HVAC Business Work — *Continued*

##### (2) *Household Air-conditioner Business:*

The Company continued to promote technological innovation, satisfy the users' demands for smart, healthy and energy-saving products, and accelerate the expansion of the primary market and exploration of downstream channels, realizing rapid growth of both share and scale. According to the monitoring data from AVC, the Company's period-to-period increase in online and offline retail of household air-conditioners in the first half of the year are 66.7% and 16.6%, 30.7 percentage points and 9.0 percentage points higher than the industry's growth rate, respectively.

The Hisense brand household air-conditioners continued to work on the fresh air market with the value concept of "Oxygenating fresh air and enjoying deep breathing" to create a whole-house healthy living scene for users. Products equipped with highly effective bacterial and viral filtration technology were awarded the "Technology Innovation Award" by China Household Electric Appliance Research Institute for the year 2022. The high-end trésor series of air conditioning built up the whole-scenario five-dimensional air management with indoor "temperature, humidity, wind, purification and oxygen". The trésor C300 cabinet and wall-mounted set won the 2023 AWE Outstanding Products Award. According to the monitoring data from AVC, Hisense brand's offline fresh air market share reached 36.29% during the period, increasing significantly by 13.8 percentage points on a period-to-period basis.

The Kelon brand focused on young people, cultivated the sleeping air-conditioner sub-market, and created the "Small Ear Series" products with features of "quietness", "convenient and speedy" and "good-looking", which were well received by users of the younger generations. Post-launch sales completion rate reached 130%.

#### 2. Refrigerator, Washing Machine and Kitchen Business

##### (1) *Refrigerator Business*

Focusing on users' demand upgrades for fresh-keeping and healthy storage, and catering to the industry trend of household appliances becoming more intelligent, the Company achieved revenue and rapid share growth through continuous technological innovation and product upgrades. According to data from AVC, during the Reporting Period, the share of the Company in online and offline retail of refrigerators reached 15.09% and 17.46%, representing an increase of 1.56 and 0.43 percentage points respectively.

Through the dual brand operation of Hisense and Ronshen, the Company satisfies the refined needs of different users with differentiated technologies and a rich product matrix. Among them, the Hisense brand has responded to satisfy users' demand for extreme fresh-keeping, healthy and bacteria-free for food with its vacuum technology, and launched the Hisense trésor vacuum 503 refrigerator, which relies on vacuum fresh-keeping technology to maintain the original taste and rich nutrition of food even after long-term storage, while realizing 60cm fully embedded installation with 3 seamless sides and flat frontside, to create an integrated home aesthetics and provide the perfect solution for quality of life. 503 refrigerator entered the industry's monthly sales list of Top 20 within 2 months after its launch.

The Ronshen brand continued to uphold the freshness concept of "keeping in the refrigerator and staying fresh for seven days", and at the same time to meet the users' requirements on refrigerator-cabinet integration. The Company launched the WILL borderless 605 refrigerator which occupied the 600-liter large capacity flat embedded refrigerator industry big thing and was well received by users and the industry. Ronshen won the 2023 AWE Outstanding Products Award. The horizontal built-in 506 refrigerator equipped with double purification Pro realized total purification for keeping fresh. According to the offline all-channel data from AVC, its sales reached TOP 2 among refrigerators one month after launch.



## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

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

##### (2) *Washing Machine Business*

The Company seized the opportunity to upgrade users' demand for healthy washing, and continuously strengthened the innovation of washing technology and upgraded the product experience, realizing the simultaneous high growth of sales data in both domestic and overseas markets. According to online industry data, in the first half of the year, the Company's sales of washing machine products increased by 34.5% on a period-to-period basis, achieving growth against the downtrend.

Hisense Washing Machine has launched the innovative Running Wash Technology 3.0. During the washing process, water activity is fully stimulated, forming weakly alkaline water at all times, which greatly enhances the ability to remove dirt. At the same time, a large number of polyatomic oxygen molecules are generated, effectively destroying the protein structure of microorganisms, such as bacteria, fungi and viruses, and realizing 99.99% high efficiency in the removal of bacteria. The world's first "fungus-removing" Hisense trésor washing machine L5 equipped with Running Water Technology 3.0 has been successfully selected in the "2023 Smart Living Technology Goods Buying Guide", winning wide recognition from users. Meanwhile, the Company's dryer products have penetrated the European technology and adopted the new technology of dual-engine positive and negative drying. The sales of the Company's dryer products increased by 72% month-on-month after its launch in June 2023.

##### (3) *Kitchen Appliance Business*

The Company insisted on product innovation and promoted the continuous upgrading of its products in terms of core performance and intelligent experience, realizing a simultaneous high growth in domestic and overseas market sales figures against the backdrop of an overall stable industry.

The Company introduced European kitchen appliance technology and promoted kitchen appliance global joint research and development and technology sharing, leading the industry in terms of core product performance, industrial design and other technologies. In the first half of 2023, the Company's scale increased by 42%, with overseas scale growth doubling.

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

During the Reporting Period, taking into account the development trend of the thermal management industry, the Company adhered to the "focusing on customer needs", and continuously promoted the green upgrades and key technology breakthroughs of electric compressors and integrated thermal management systems.

The Company continued to build confidence in key customers and actively explored new customers, with new franchises showing a quarterly increasing trend. During the Reporting Period, the orders secured by the Company increased by 106% on a period-to-period basis. Of this, the Company achieved industry leadership in the areas of high pressure, miniaturization, new refrigerant and low vibration and noise in thermal management systems and their core components. The Company launched the first mini mid-mounted dual-layer HVAC in the industry; the new generation of the refrigerant system has been selected for key development by international automobile makers; and the new third-generation 800V water heater, with features of miniaturization and rapid heating, has also gained the technical recognition from renowned customers around the world, and achieved a breakthrough in securing orders.

The Company emphasized building up the capability of thermal management system integration and has secured thermal management system orders from key customers, laying a solid foundation for its strategic transformation from a compressor-based accessory supplier to a system supplier.

In addition, the Company further reduced costs and increased efficiency. Through self-development and production of core components such as dual-layer air-conditioners, the new generation of water heaters and the integrated thermal management module, the Company effectively improved system costs and enhanced overall competitiveness.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

#### 4. Overseas Markets for Home Appliances Business

During the Reporting Period, seizing the opportunities in the European market, the Hisense brand's central air-conditioner actively established the overseas marketing system and made breakthroughs in large-scale high-end sample projects in a number of countries and regions. The revenue of its own brand increased by 42%. At the same time, the Company launched more environmentally friendly new products such as multi-split units and air-source heat pumps equipped with new refrigerants such as R32, and continuously improved its multi-split units and heat pumps product matrix. Among them, the export sales of heat pumps increased by 106% on a period-to-period basis.

Focusing on the local characteristics and needs of overseas markets, the household air-conditioner business proceeded with the listing of high static pressure duct units in Australia, and the listing of a full series of filter self-cleaning platform products in Japan provided strong support for the expansion of mid-end and high-end products, scale expansion, and profitability enhancement. In the first half of 2023, the sales structure of overseas air-conditioners witnessed an increase of 21% on a period-to-period basis in the light commercial scale. Meanwhile, the Company vigorously expanded the overseas own-branded professional channels, with the share of own-branded revenue increasing by 4 percentage points period-to-period, and the profitability of our overseas business was significantly improved.

The refrigerator and freezer business continued to improve the mid-end and high-end product lineup, improved the competitiveness of main products, promoted refinement and quality improvement, and achieved a growth of 7.7% in revenue from export sales. The production line of the Mexico Monterrey Home Appliances Industrial Park, which was put into operation, has a number of models put into production in the first half of the year, and the production capacity in the second quarter was 135.6% higher than that in the first quarter. The washing machine business focused on the differentiated needs of overseas users in different regions and customized dedicated product strategies, achieving high export growth in the first half of the year with revenue increasing by 57.9% period-to-period.

Through global joint R&D and technology sharing, the kitchen appliances business exported differentiated products dedicated to overseas markets, achieving a period-to-period growth of 128.2% in exports in the first half of the year.

#### 5. Channel and Service System Building

The Company strengthened terminal retail capacity, continued to optimize its channel structure, enhanced the product and service quality, and accelerated the realization of all-channel development.

During the Reporting Period, the company focused on terminal sales, and enhanced the overall quality of operation through refined hierarchical and classified management of retail stores. Among them, Hisense air-conditioners' single-store efficiency increased by 19% on a period-to-period basis, and Ronshen refrigerator's single-store efficiency increased by 10% on a period-to-period basis.

The Company promoted its channel optimization strategy, adding nearly 1,000 specialty stores and increasing their scale by 25% on a period-to-period basis. Through in-depth empowering customers in various dimensions such as brand, product, operation, service, and store image upgrading, the Company created a multi-dimensional cooperation model with customers, which has helped accelerate the growth of retail sales, optimization of the structure, and acceleration of the turnover of inventories.

The Company has established a sound after-sales service system and won a good reputation in the industry through its service image of "warmth", "professionalism" and "reliability", with customer satisfaction (NPS) increasing by 3.9 percentage points period-to-period. In terms of basic services, the Company made steady progress by actively expanding the coverage of its service network, with the number of service providers reaching nearly 3,500 and the network coverage reaching 99.8%; strengthening the skills and service awareness of its staff; and cooperating and interoperating with various platforms to front-load user touchpoints, so as to ensure that the services provided are consistent throughout the entire process. At the same time, the Company has launched a nine-star golden diamond service model of "three free services", "three exclusive services" and "three privileged services" in conjunction with the high-end trésor series, and is committed to creating a multi-dimensional, stereoscopic, one-stop exclusive housekeeping service.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

#### 6. Smart Home Business

Hisense smart home business focused on the themes of intelligence, health, and energy saving. It used the newly upgraded Hisense Smart Home app and smart cloud platform to provide users with whole scene, high-quality intelligent life solutions covering needs such as clothing, food, housing, entertainment, education and health care. By aggregating the market competitive advantages of all categories of home appliances, integrating the black-and-white smart technology platform and creating an interactive platform serving all types of Hisense users, the Company has realized the intelligent control of all devices, the linkage of all scenarios and the whole process of home appliance services, providing users with one-stop services from pre-sale, after-sale to intelligent control, and has unified the operation of all channels to significantly enhance the competitiveness of the intelligent technology platform. The number of daily new registered users of Hisense Smart Home app increased by 66% on a period-to-period basis, and the number of daily active users increased by 131% on a period-to-period basis. Hisense's high-end trésor series undertakes the Company's smart home strategy. In the first half of the year, the sales increased by 310% on a period-to-period basis, and entered 250,000+ high-quality households.

#### 7. Supply Chain Management and Advanced Manufacturing Strategy

The Company insisted on the upgrade of advanced manufacturing in terms of automation, informatization and intelligence, continued to improve the efficiency of supply chain, and explored the potential for cost reduction and efficiency enhancement to ensure improvement in both quality and efficiency. During the Reporting Period, the Company continued to optimize the layout of its supply chain and promote the standardization of general-purpose parts by means of measures including supplier optimization, supplier sharing. Procurement efficiency was effectively improved with a 10% reduction in the number of materials procured.

The Company continuously improved the R&D process measurement and evaluation capability, and the quality control capability of the manufacturing process, with continuous improvement in the AFR failure rate for major product lines. In addition, the Company continued to promote the "digital intelligence upgrade" and "advanced manufacturing application scenario demonstration", and standard production per capita per hour increased by 14.3% on a period-to-period basis.

#### 8. Capital Management

The Company always puts operation safety in the first place, adhering to the concept of "cash priority", and ensures the safety of funds and sound corporate development through a number of initiatives:

Through effective coordination between production, supply and marketing, the Company has subdivided the stock control standards for inventory safety, continuously improved the on-time delivery rate of orders and maintained benign operation of the inventory of all channels. The Company strictly implemented the customer credit management system, identified and avoided risks at the front end, increased the insurance coverage at the back end to dynamically monitor the credit status of the customers, and reduced bad debt risk. The Company formulated access rules for special investment programs, strictly implemented the decision-making process and dynamically monitored the project risks to ensure that the risk of investment of idle funds is controllable. In the first half of 2023, the Company's accounts receivable turnover increased by 14.3% on a period-to-period basis, with the inventory turnover improved significantly by 24.6% over the corresponding period, and cash flow from operating activities increased significantly by 429% on a period-to-period basis.

## MANAGEMENT DISCUSSION AND ANALYSIS

### II. PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

#### 9. Outlook

The Company will always adhere to long-termism and challenge high targets, improve the operating quality and seek new breakthrough points by focusing on the following measures:

- (1) Strengthening the basic capabilities building, continuously improving the efficiency and quality of R&D, and realizing product leap with a focus on users: optimizing the R&D processing system, helping R&D improve efficiency and increase quality, and at the same time, focusing on the research of key technologies, and enhancing the support of technological innovation ability to products and continuously creating high-quality and good products.
- (2) Focusing on user needs and promoting the construction of smart life stores: enhancing the implementation effect of smart product strength and promoting home appliances integrated scenario, realizing the integration of all categories around "smart, healthy and energy-saving", and upgrading of the smart scene solutions to enhance users' experience.
- (3) Pursuing an advanced manufacturing strategy and improving manufacturing standards: promoting the advanced factories and integrated supply chains to create end-to-end value chain 'lighthouse' factories. Building a lean production system to enhance delivery capacity, manufacturing efficiency and quality.
- (4) Optimizing supply chain layout, improving supply chain flexibility, and establishing cost and delivery competitiveness: taking various measures to promote end-to-end cost reduction by means of integration of resources, generalization and supply-side collaboration. Continuously optimizing the purchase order management model to shorten the supply cycle and ensure on-time delivery of orders.
- (5) Continuously improving the product and channel structure and seeking breakthroughs in key markets and businesses: achieving high-end breakthroughs and category breakthroughs, and optimizing product and channel structures. Leveraging on the advantage of the traffic of the front-end channels of Hisense Hitachi to enhance store sales capability and promote the rapid increase in the scale of front-end channels for all categories.
- (6) Enhancing refined management of overseas operations: firmly adhering to the strategy of overseas independent brands, strengthening the synergy of domestic and overseas resources, and continuously improving the operations of overseas markets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

#### (I) Major Accounting Data and Financial Indicators

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

Yes  No

*Unit: RMB*

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	42,943,975,619.38	38,307,238,698.85	12.10
Net profits attributable to shareholders of the Company (RMB)	1,497,562,724.59	620,234,267.46	141.45
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	1,263,227,367.15	428,072,417.04	195.10
Net cash flow from operating activities (RMB)	3,812,044,169.34	720,028,578.27	429.43
Basic earnings per share (RMB/share)	1.09	0.46	136.96
Diluted earnings per share (RMB/share)	1.09	0.46	136.96
Weighted average rate of return on net assets (%)	12.28	5.84	Increase of 6.44 percentage points

Item	At the end of the Reporting Period	At the end of the previous year	Increase or decrease as compared to last year (%)
Total assets (RMB)	63,914,563,349.11	55,375,550,868.66	15.42
Net assets attributable to shareholders of the Company (RMB)	12,259,008,649.98	11,518,257,281.54	6.43

#### (II) Accounting Data Differences under Domestic and Foreign Accounting Standards

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### (III) Non-Recurring Profit and Loss Items and Amounts

*Unit: RMB*

<b>Item</b>	<b>Amount</b>	<b>Description</b>
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	4,813,445.48	
Government grants recognised in the profits or losses (excluding government grants closely related to the Company's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	88,435,629.91	
Profit and losses from assets which entrust others to invest or manage	104,404,935.90	
Except for effective hedging operations related to the Company's normal business operations, gain or loss from changes in fair values of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities, and investment gain from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other investments in debt	48,368,859.14	
Other non-operating income and expenses other than the aforementioned items	131,725,624.97	
Less: Effect of income tax	87,283,174.35	
Effect of minority interests (after tax)	56,129,963.61	
<b>Total</b>	<b>234,335,357.44</b>	<b>-</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### (IV) Analysis of Principal Business

##### 1. *Changes of major financial information as compared to corresponding period in previous year*

*Unit: RMB*

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reasons of change
Operating revenue	42,943,975,619.38	38,307,238,698.85	12.10	No significant changes
Operating costs	33,698,115,348.34	30,933,036,397.40	8.94	No significant changes
Sales expenses	4,492,848,251.67	4,060,709,601.69	10.64	No significant changes
Management expenses	1,024,738,874.90	856,747,306.06	19.61	No significant changes
Financial expenses	-284,866,150.49	-66,804,674.09	N/A	Mainly due to the increase in foreign exchange gains on foreign currency valuation
Income tax expenses	472,191,163.40	371,377,761.78	27.15	No significant changes
Research and development expenses	1,244,057,032.04	1,067,706,086.41	16.52	No significant changes
Net cash flows from operating activities	3,812,044,169.34	720,028,578.27	429.43	Mainly due to the improvement in the Company's operating and working capital turnover
Net cash flows from investing activities	-4,588,662,285.55	1,516,440,091.45	N/A	Mainly due to the increase of fixed time deposits and financial management
Net cash flows from financing activities	944,935,699.25	-1,235,341,806.65	N/A	Mainly due to the increase in borrowings of subsidiaries and changes in note guarantee deposits
Net increase in cash and cash equivalents	138,885,445.53	935,174,815.52	-85.15	Mainly due to the increase of fixed time deposits and financial management

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

#### (IV) Analysis of Principal Business — *Continued*

##### 2. Composition of operating revenue

*Unit: RMB*

Item	The Reporting Period		The corresponding period last year		Change (%)
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	
<b>Total operating revenue</b>	<b>42,943,975,619.38</b>		<b>38,307,238,698.85</b>		<b>12.10</b>
<b>By industry</b>					
Manufacturing industry	38,703,106,875.81	90.12	34,975,874,128.91	91.30	10.66
<b>By product</b>					
Air-conditioners	21,160,441,372.37	49.27	18,946,839,080.54	49.46	11.68
Refrigerators and washing machines	11,586,519,085.22	26.98	10,426,711,894.49	27.22	11.12
Others	5,956,146,418.22	13.87	5,602,323,153.88	14.62	6.32
<b>By region</b>					
Mainland	24,466,006,890.61	56.97	20,654,298,103.61	53.92	18.45
Overseas	14,237,099,985.20	33.15	14,321,576,025.30	37.38	-0.59

##### 3. Analysis of principal business segments and gross profit margin

*Unit: RMB*

Item	Principal operating revenue	Principal operating costs	Gross profit margin (%)	Increase or decrease in principal operating revenue as compared to corresponding period last year (%)	Increase or decrease in principal operating costs as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
<b>By industry</b>						
Manufacturing industry	38,703,106,875.81	29,688,988,010.28	23.29	10.66	6.72	2.83
<b>By product</b>						
Air-conditioners	21,160,441,372.37	15,021,273,899.13	29.01	11.68	5.53	4.14
Refrigerators and washing machines	11,586,519,085.22	9,490,125,512.86	18.09	11.12	8.73	1.80
Others	5,956,146,418.22	5,177,588,598.29	13.07	6.32	6.60	-0.23
<b>By region</b>						
Mainland	24,466,006,890.61	16,849,058,987.45	31.13	18.45	14.45	2.40
Overseas	14,237,099,985.20	12,839,929,022.83	9.81	-0.59	-1.98	1.27



## MANAGEMENT DISCUSSION AND ANALYSIS

### IV. ASSETS AND LIABILITIES POSITION

#### (I) Significant Changes in Asset Items

Unit: RMB

Item	At the end of the Reporting Period		At the end of last year		Change (percentage point)	Explanation of significant changes
	Amount	Weighting to total assets (%)	Amount	Weighting to total assets (%)		
Currency funds	4,563,538,891.74	7.14	6,001,295,427.37	10.84	-3.70	Mainly due to the investment in fixed deposits and financial management products with idle funds
Accounts receivable	9,655,015,757.73	15.11	7,665,702,299.91	13.84	1.27	Mainly due to the increase in the size of the Company during the Reporting Period
Contract assets	13,095,257.01	0.02	6,918,368.07	0.01	0.01	No significant changes
Inventories	6,084,887,716.59	9.52	6,552,835,435.54	11.83	-2.31	Mainly due to the sales growth and improved turnover
Investment properties	189,170,269.23	0.3	208,716,406.19	0.38	-0.08	No significant changes
Long-term equity investment	1,512,799,451.29	2.37	1,518,340,556.73	2.74	-0.37	No significant changes
Fixed assets	5,338,431,429.18	8.35	5,318,274,820.56	9.60	-1.25	No significant changes
Construction in progress	531,026,421.21	0.83	525,171,610.80	0.95	-0.12	No significant changes
Right-of-use assets	180,799,023.74	0.28	181,192,061.73	0.33	-0.05	No significant changes
Short-term borrowings	2,889,028,893.82	4.52	1,462,253,713.24	2.64	1.88	Mainly due to the increase in borrowings from subsidiaries to bank borrowings at the end of the Reporting Period
Contract liabilities	1,881,335,289.07	2.94	1,145,145,334.78	2.07	0.87	Mainly due to the increase in merchant returns during the Reporting Period
Long-term borrowings	36,098,363.08	0.06	19,808,239.84	0.04	0.02	No significant changes
Lease liabilities	242,250,848.93	0.38	277,195,821.24	0.50	-0.12	No significant changes

#### (II) Major Foreign Assets

Applicable  Not applicable

## MANAGEMENT DISCUSSION AND ANALYSIS

### IV. ASSETS AND LIABILITIES POSITION — *Continued*

#### (III) Assets and Liabilities Measured at Fair Value

*Unit: RMB*

Item	Amount at the beginning of the Reporting Period	Gain or loss from change in fair value during the Reporting Period	Accumulated changes in fair value accounted in equity	Impairment provided during the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Other changes	Amount at the end of the Reporting Period
<b>Financial assets</b>								
1. Financial assets held for trading (excluding derivative financial assets)	6,737,194,863.30	46,335,095.25			10,364,275,650.29	5,734,924,227.56		11,412,881,381.28
2. Derivative financial assets	21,039,135.56	-17,048,769.95			261,363.13		-2,554,174.92	1,697,553.82
3. Other investments in debt	5,072,959,470.76				3,737,456,421.51			8,810,415,892.27
4. Other investments in equity instruments	36,399,028.71		4,449,314.80		444,762.09		-1,694,542.73	39,598,562.87
5. Other non-current financial assets	25,748,931.39						1,981,695.36	27,730,626.75
<b>Sub-total of financial assets</b>	<b>11,893,341,429.72</b>	<b>29,286,325.30</b>	<b>4,449,314.80</b>		<b>14,102,438,197.02</b>	<b>5,734,924,227.56</b>	<b>-2,267,022.29</b>	<b>20,292,324,016.99</b>
<b>Total</b>	<b>11,893,341,429.72</b>	<b>29,286,325.30</b>	<b>4,449,314.80</b>		<b>14,102,438,197.02</b>	<b>5,734,924,227.56</b>	<b>-2,267,022.29</b>	<b>20,292,324,016.99</b>
<b>Financial liabilities</b>	<b>1,745,488.01</b>	<b>-225,016,200.55</b>					<b>-3,539,931.95</b>	<b>223,221,756.61</b>

#### (IV) Restrictions on Asset Rights at the End of the Reporting Period

Save for the earnest money and notes receivable required to be pledged for issuing electronic bank acceptance drafts (for details, please refer to Note VI.65 to the financial statements), as at the end of the Reporting Period, none of the major assets of the Company was being sealed up, impounded, frozen, mortgaged or pledged and there existed no other restrictions on the Company's rights on its major assets.

### V. INVESTMENT POSITION

#### (I) Overall situation

Applicable  Not applicable

#### (II) Significant equity investments acquired during the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

## MANAGEMENT DISCUSSION AND ANALYSIS

### V. INVESTMENT POSITION — *Continued*

#### (IV) Financial assets investment

##### 1. *Securities investment*

Securities species	Securities code	Abbreviation of securities	Initial investment cost	Accounting measurement model	Opening book value	Gains or losses on changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount for the period	Amount sold during the Reporting Period	Profit and loss for the Reporting Period	Other changes	Closing book value	Accounting accounts	Fund source
Stock	7267	Honda Motor Co., Ltd. (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	10,051,181.81		4,449,314.80	444,762.09			-555,257.51	14,390,001.19	Other equity instruments	Own funds
Stock	8795	T&D Holdings (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	20.94						-0.90	20.04	Other equity instruments	Own funds
Stock	PRU	Prudential (Listed on the New York Stock Exchange)	-	Fair value measurement	1,591,070.61	2,061,247.32					-2,177,898.51	1,474,419.42	Financial assets held for trading	Own funds
Stock	000980	ZOTYE AUTOMOBILE	-	Fair value measurement		-30,958.90		230,041.01			-4,907.29	194,174.82	Financial assets held for trading	Own funds
Stock	601777	Lifan Technology	-	Fair value measurement		-4,221.67		31,322.12			-668.02	26,432.43	Financial assets held for trading	Own funds
Other securities investments held at the end of the period			-	-										-
<b>Total</b>			-	-	<b>11,642,273.36</b>	<b>2,026,066.75</b>	<b>4,449,314.80</b>	<b>706,125.22</b>			<b>-2,738,732.23</b>	<b>16,085,047.90</b>	-	-
Date of the announcement disclosing the approval of securities investment by the Board														N/A
Date of the announcement disclosing the approval of securities investment during shareholders' meetings (if any)														N/A

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

##### 2. *Derivatives investment*

The Company had no derivative investments for hedging and speculative purposes during the Reporting Period.

#### (V) Significant asset and equity disposals

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### V. INVESTMENT POSITION — *Continued*

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

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

*Unit: RMB (in ten thousand)*

Name of company	Company type	Major business	Registered capital	Total asset	Net asset	Operating income	Operating profit	Net profit
Hisense Hitachi	Subsidiary	Production and sale of central air-conditioners	US\$150 million	2,152,100.94	633,918.48	1,130,298.16	214,292.64	161,667.05

##### *Acquisition and disposal of subsidiaries during the Reporting Period*

Applicable     Not applicable

##### *Description of major holding and participating companies*

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

### VI. MAJOR CONTRACTS AND THEIR PERFORMANCE

#### (I) Trusteeship, Contracting and Leasing Matters

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

#### (II) Major Guarantees

*Unit: RMB*

External guarantees by the Company and its subsidiaries (excluding guarantees to subsidiaries)										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
N/A										
Total quota of external guarantees approved during the Reporting Period (A1)			0	Total actual amount of external guarantees incurred during the Reporting Period (A2)						0
Total quota of approved external guarantees at the end of the Reporting Period (A3)			0	Total actual external guarantee balance at the end of the Reporting Period (A4)						0
Company's guarantees to subsidiaries										
Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
Kelon Development Limited			15 February 2022	5 billion yen (equivalent to RMB0.250 billion)	Joint and several liability guarantee	-	-	15 February 2022 - 1 March 2023	Yes	No
SANDEN CORPORATION	8 May 2021	35.3 billion yen (equivalent to RMB1.768 billion)	7 September 2022	RMB0.165 billion	Joint and several liability guarantee	-	-	7 September 2022 - 23 September 2023	No	No
SANDEN CORPORATION			22 December 2022	RMB0.462 billion	Joint and several liability guarantee	-	-	22 December 2022 - 5 January 2024	No	No
SANDEN CORPORATION			7 February 2023	5 billion yen (equivalent to RMB0.250 billion)	Joint and several liability guarantee	-	-	7 February 2023 - 31 January 2024	No	No
SANDEN CORPORATION			10 February 2023	4 billion yen (equivalent to RMB0.2 billion)	Joint and several liability guarantee	-	-	10 February 2023 - 31 January 2024	No	No
SANDEN CORPORATION			22 February 2023	1.03 billion yen (equivalent to RMB0.052 billion)	Joint and several liability guarantee	-	-	22 February 2023 - 31 January 2024	No	No
SANDEN CORPORATION	30 November 2022	RMB7.7 billion	24 March 2023	3.09 billion yen (equivalent to RMB0.155 billion)	Joint and several liability guarantee	-	-	24 March 2023 - 31 January 2024	No	No
SANDEN CORPORATION			4 April 2023	11.845 billion yen (equivalent to RMB0.593 billion)	Joint and several liability guarantee	-	-	4 April 2023 - 31 January 2024	No	No
SANDEN CORPORATION			19 April 2023	0.515 billion yen (equivalent to RMB0.026 billion)	Joint and several liability guarantee	-	-	19 April 2023 - 31 January 2024	No	No

## MANAGEMENT DISCUSSION AND ANALYSIS

### VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

#### (II) Major Guarantees — *Continued*

Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Company's guarantees to subsidiaries				Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee	Collateral (if any)				
SANDEN CORPORATION			4 April 2023	RMB0.145 billion	Joint and several liability guarantee	-	-	4 April 2023 - 5 April 2024	No	No
SANDEN CORPORATION			18 April 2023	RMB0.102 billion	Joint and several liability guarantee	-	-	18 April 2023 - 30 April 2024	No	No
SANDEN CORPORATION			21 April 2023	RMB0.202 billion	Joint and several liability guarantee	-	-	21 April 2023 - 5 May 2024	No	No
Hisense (Guangdong) Air-Conditioner Company Limited			29 March 2023	RMB0.039 billion	Joint and several liability guarantee	-	-	29 March 2023 - 29 September 2023	No	No
Hisense (Guangdong) Air-Conditioner Company Limited			26 April 2023	RMB0.299 billion	Joint and several liability guarantee	-	-	26 April 2023 - 26 October 2023	No	No
Hisense (Guangdong) Air-Conditioner Company Limited			29 May 2023	RMB0.149 billion	Joint and several liability guarantee	-	-	29 May 2023 - 29 November 2023	No	No
Hisense (Guangdong) Air-Conditioner Company Limited			28 June 2023	RMB0.2 billion	Joint and several liability guarantee	-	-	28 June 2023 - 28 December 2023	No	No
<b>Total quota of guarantees to subsidiaries approved during the Reporting Period (B1)</b>			<b>RMB7.7 billion</b>		<b>Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (B2)</b>					<b>RMB3.291 billion</b>
<b>Total quota of guarantees to subsidiaries approved at the end of the Reporting Period (B3)</b>			<b>RMB9.468 billion</b>		<b>Total actual guarantee balances to subsidiaries at the end of the Reporting Period (B4)</b>					<b>RMB3.040 billion</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

#### (II) Major Guarantees — *Continued*

Name of the guarantee object	Date of disclosure of the announcement related to the guarantee amount	Guarantee quota	Subsidiaries' guarantees to subsidiaries			Collateral (if any)	Counter-guarantee situation (if any)	Guarantee period	Whether the performance completed	Whether to guarantee for related parties
			Actual date of occurrence (date of guarantee agreement)	Actual guarantee amount	Type of guarantee					
Hisense (Guangdong) Kitchen & Bath Systems Co., Ltd.	30 November 2022	RMB12.2 million	30 November 2022	RMB1,297,400	Joint and several liability guarantee	-	-	30 November 2022 - 20 May 2025	No	No
Total quota of guarantees to subsidiaries approved during the Reporting Period (C1)			0	Total actual amount incurred for guarantees to subsidiaries during the Reporting Period (C2)						RMB1,297,400
Total quota of guarantees to subsidiaries approved at the end of the Reporting Period (C3)			RMB12.2 million	Total actual guarantee balances to subsidiaries at the end of the Reporting Period (C4)						RMB1,297,400
Total company guarantees (the sum of the first three major items)										
Total quota of guarantee approved during the Reporting Period (A1+B1+C1)			RMB7.7 billion	Total actual amount of guarantees incurred during the Reporting Period (A2+B2+C2)						RMB3.292 billion
Total amount of approved guarantees at the end of the Reporting Period (A3+B3+C3)			RMB9.480 billion	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)						RMB3.042 billion
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets										24.81%
Among them:										
Balance of guarantees provided to shareholders, beneficial owners and their related parties (D)										0
The balance of debt guarantees provided directly or indirectly for the guaranteed objects with a gearing ratio exceeding 70% (E)										RMB3.040 billion
Amount of the portion of total guarantees exceeding 50% of net assets (F)										0
Total amount of the above three guarantees (D+E+F)										RMB3.040 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

#### (III) Particulars of Entrusted Wealth Management

*Unit: RMB ten thousand*

Product type	Source of funding for entrusted wealth management	Subscription amount of entrusted wealth management	Amount of undue principal and return	Overdue balance return	Impairment amount of overdue wealth management
Wealth management products of banks	Own funds	1,151,100.00	1,135,108.56	0.00	0.00
<b>Total</b>		<b>1,151,100.00</b>	<b>1,135,108.56</b>	<b>0.00</b>	<b>0.00</b>

During the Reporting Period, the Company did not have high-risk entrusted wealth management the individual amount of which was significant, and the Company was not aware of any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management.

### VII. CORE COMPETITIVENESS ANALYSIS

#### (I) Technical Advantages

The Company adheres to its core philosophy of “relying on technology to build up the Company”, focusing on the smart living strategy, making continuous development in core technological innovation of “intelligent, health, environment friendly, low-carbon”. The Company has established over 20 centres at provincial and ministerial-level and above, such as national-level enterprise technology centre, postdoctoral research station, national-level industrial design centre and other technological innovation platforms. During the Reporting Period, the Company continued to promote the construction of engineer culture, optimize the pre-research system and process, improve the function of the global R&D system and resource synergies, and major breakthroughs were made in many directions, such as air purification, intelligent freshness preservation, revitalized water washing, load prediction, hi-power burner, and roast heating, etc., which were all at the technological edge with high product applicability.

**HVAC Business:** In terms of central air-conditioning, the Company is committed to providing comfortable and healthy central air-conditioning solutions for the whole life cycle, and has made breakthroughs in multi-split intelligent prediction control technology and comprehensive indoor temperature and humidity control technology to achieve energy-efficient and comfortable operation and meet the personalized needs of high-end users. Among the new technologies, the “Intelligent Prediction Control System for Multi-split Units Based on Dual Control of Temperature and Humidity and Performance Measurement Technology” project passed the evaluation of scientific and technological achievements and was rated as at international leading level; breakthroughs were made in multi-split unit building load prediction technology, and for the first time, room size multi-split units can be equipped with self-identification of building load characteristics and high-precision prediction of building cooling and heating loads. This technological advancement can automatically identify nine typical building scenarios and enable energy-saving operation of central air-conditioning equipment. In terms of household air conditioning, the Company led the development of the first fresh air mixing group standard, the first front loaded fresh air mixing technology in the industry, which significantly improves the comfort feeling of fresh air intake and fresh air volume, consolidating its leading position in fresh air technology. At the same time, the Company has made significant breakthroughs in temperature and humidity AI adjustment, ion purification, UV sterilization, catalytic sterilization, natural wind sensor and other technical directions, helping to turn air conditioners into all-day natural air managers.

**Refrigerator, Washing Machine and Kitchen Appliance Business:** As for refrigerators, the Company focuses on the technical direction of “low carbon, health management and intelligence”, actively researches and develops biological floating appearance antibacterial material with the floating appearance antibacterial material formula and injection molding process and has realized an antibacterial rate of more than 99.99% and met the food contact requirements. With our WILL freshness technology, the freshness preservation effect of fruits and vegetables is increased by 20%. The COMBI product energy-saving technology reaches the European energy-efficiency class A level. As for washing machines, the Company focuses on the yellowing of clothes after washing, color stringing and other pain points, making efforts on the research and application of living water washing technology, eliminating harmful substances in the washing process, improving washing quality, and realizing the application of intelligent identification of clothing materials, detergents, etc., which further improves the level of product intelligence and convenience of use; meanwhile, it has made notable advancement in the research and application of high energy-efficiency heat pump system for dryers, vibration-damping algorithm and acoustic quality control, and plastic microparticle filtration technology, and the basic performance of our products has reached the industry leading standard. As for kitchen appliances, the dishwasher serves the core demand of “washing and drying in one, long-lasting storage”, featuring 85℃ high-efficiency drying, ionic sterilization and odor purification, and 168 hours of long-lasting drying storage; the gas cooker is built on our industry-leading platform of flat-panel combustion technology to provide users with a better cooking experience; and the intelligent oven applies the voice semantics recognition control technology to realize voice announcements and control, and the adoption of a new generation of radiant heating, heat conduction heating technology can greatly improve the heating efficiency, which in synergy with a number of intelligent cooking curves controlled by AI sensors, produces the best tastes of food.



## MANAGEMENT DISCUSSION AND ANALYSIS

### VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

#### (I) Technical Advantages — *Continued*

**Automotive Air Conditioner Compressor and Integrated Thermal Management System Business:** The Company continues to push forward the transformation from a compressor-based parts supplier to an integrated thermal management system supplier for new energy vehicles, and has attained comprehensive breakthroughs in thermal management systems and core parts with green upgrading. As for thermal management systems, the Company focuses on making breakthroughs with the integrated thermal management system (ITMS) of CO2 direct type and R290 indirect type new generation natural refrigerants, which is more energy-saving and environmentally friendly, effectively extending the driving range in winter and maintaining the technological leadership in the next generation of thermal management system. By decoupling the refrigerant and water circuits, the design of refrigerant module and water module realizes the high integration, miniaturization, generalization and serialization of the ITMS system, which effectively reduces the cost and can quickly respond to the customization requirements of customers. On the part of core components, the Company has built an industry-leading platform for a new generation of electric compressors, breaking through the high-efficiency scroll profile, adaptive back pressure adjustment, new surface wear-resistant coating technology, new high-voltage permanent magnet synchronous motor and 1000V inverter controller, which strengthens the competitive advantages of electric compressors. The setting up of a platform for 800V ECH products can effectively guarantee the normal working condition of batteries in a low-temperature environment and provides an experience of comfort for drivers and passengers. We are the first in the industry to develop a mini mid-mounted dual-layer HVAC, which is a leading technology in terms of space deployment and low energy consumption.

#### (II) Brand Advantages

The Company's products are released under eight brands, namely "Hisense", "Ronshen", "KELON", "HITACHI", "YORK", "gorenje", "ASKO" and "SANDEN". Such rich brand line-up has allowed the Company to enjoy an excellent brand reputation and solid customer base. With the range of products covered by different brands and their product characteristics, the Company is able to meet the needs of different users. Overseas awareness and influence of the Hisense brand are both rising in accordance with the Company's ongoing international expansion strategy. The Company keeps strengthening its marketing effort in sports by sponsoring EURO2016, World Cup 2018, EURO2020 and World Cup 2022, with the aim to significantly boost its brand popularity in the international market through these top sporting events in the world.

#### (III) Culture of Integrity

Integrity is the foundation of Hisense and its core value. Abiding by business ethics and operating in good faith is the Company's long-standing philosophy. Hisense people regard good faith as their life, and have inherited it with reverence as the driving force of the enterprise, and the Company has put good faith work at such a high level of safeguarding the sustainable operation of the enterprise.

To ensure that all staff act in accordance with the values of "honesty, integrity, practicability and progressiveness", the Company formulated systems and regulations, including the "Code of Integrity", "Management Measures for the Reporting of Non-compliance and Disciplinary Behaviors" and "Guidelines for Hisense Employees on Business Interactions", which make integrity a rule, a code and a normality pervading all its activities, so as to encourage employees, suppliers and others to conduct business operations and cooperation by abiding by high business standards.

## MANAGEMENT DISCUSSION AND ANALYSIS

### VIII. THE RISKS FACED BY THE GROUP AND OUTLOOK

Risks faced by the Group include:

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

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

## OTHER INFORMATION

### MAJOR CONNECTED TRANSACTIONS

#### (I) Connected transactions in relation to ordinary business occurred

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)	Approved transaction amount (RMB ten thousand)
Hisense Group	Purchase	Finished goods	Agreed price	6,030.66	0.18	60,496.00
Hisense Visual	Purchase	Finished goods	Agreed price	296.98	0.01	
Hisense International	Purchase	Finished goods	Agreed price	6,528.88	0.19	
Johnson Hitachi	Purchase	Finished goods	Agreed price	1,742.37	0.05	10,500.00
Hisense Group	Purchase	Materials	Agreed price	52,725.41	1.56	310,935.00
Hisense Visual	Purchase	Materials	Agreed price	17,092.25	0.51	
Hisense International	Purchase	Materials	Agreed price	7,724.78	0.23	
Hisense Hong Kong	Purchase	Materials	Agreed price	27,126.40	0.80	
Johnson Hitachi	Purchase	Materials	Agreed price	29,136.09	0.86	116,700.00
Hisense Group	Receipt of services	Receipt of services	Agreed price	37,020.99	1.10	177,016.00
Hisense Visual	Receipt of services	Receipt of services	Agreed price	2,762.09	0.08	
Hisense International	Receipt of services	Receipt of services	Agreed price	309.57	0.01	
Hisense Marketing Management	Receipt of services	Receipt of services	Agreed price	21,758.73	0.65	
Johnson Hitachi	Receipt of services	Receipt of services	Agreed price	360.03	0.01	3,181.00
Hisense Group	Sale	Finished goods	Agreed price	16,203.89	0.38	2,930,961.00
Hisense Visual	Sale	Finished goods	Agreed price	56.18	-	
Hisense International	Sale	Finished goods	Agreed price	972,140.73	22.64	
Hisense Marketing Management	Sale	Finished goods	Agreed price	69,326.03	1.61	
Johnson Hitachi	Sale	Finished goods	Agreed price	10,780.72	0.25	39,955.00
Hisense Group	Sale	Materials	Agreed price	16,323.03	0.38	305,951.00
Hisense Visual	Sale	Materials	Agreed price	35,182.17	0.82	
Hisense International	Sale	Materials	Agreed price	8,750.39	0.20	
Hisense Marketing Management	Sale	Materials	Agreed price	923.86	0.02	
Johnson Hitachi	Sale	Materials	Agreed price	205.73	-	1,804.00
Hisense Group	Sale	Moulds	Market price	-	-	14,282.00
Hisense Visual	Sale	Moulds	Market price	1,965.90	0.05	
Hisense International	Sale	Moulds	Market price	940.21	0.02	
Hisense Group	Provision of services	Provision of services	Agreed price	976.27	0.02	7,564.00
Hisense Visual	Provision of services	Provision of services	Agreed price	290.18	0.01	
Hisense International	Provision of services	Provision of services	Agreed price	308.98	0.01	
Hisense Marketing Management	Provision of services	Provision of services	Agreed price	1,287.38	0.03	
Johnson Hitachi	Provision of services	Provision of services	Agreed price	-	-	10.00

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB11.988 billion, recognised interest income of approximately RMB158.9977 million, the actual balance of loan of RMB102.1410 million with loan interest recognised of RMB0.7410 million, the balance of electronic bank acceptance bill of approximately RMB0.67 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB0.2611 million. The actual amount of discounted interest for the provision of draft discount services of approximately RMB0.1426 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately US\$6.6004 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was approximately RMB0.5694 million.

#### (II) Connected transactions in acquisition and sale of assets or equity rights

During the Reporting Period, there were no connected transactions involving the acquisition or sale of assets or equity.

## OTHER INFORMATION

### MAJOR CONNECTED TRANSACTIONS — Continued

#### (III) Connected transactions in relation to joint external investment

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

#### (IV) Connected creditor's rights and liabilities

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

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

##### Deposit operations

Unit: RMB (in ten thousand)

Related parties	Relationships	Maximum daily deposit limit	Deposit rate range	Opening balance	Amount incurred during the period		Closing balance
					Total amount deposited during the period	Total amount taken out during the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	2,700,000	0.35%-2.80%	1,514,590.49	8,481,264.12	8,797,006.51	1,198,848.10

##### Loan operations

Unit: RMB (in ten thousand)

Related parties	Relationships	Maximum daily loan limit	Loan rate range	Opening balance	Amount incurred during the period		Closing balance
					Total loan amount for the period	Total repayment amount for the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	1,800,000	1.30%-3.70%	0	10,214.10	0	10,214.10

##### Granting of credit or other financial business

Unit: RMB (in ten thousand)

Related parties	Relationships	Business type	Total amount	Actual amount
Hisense Finance	Subsidiary of an indirect controlling shareholder	Granting Credit	2,427,000	77,584.64

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

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

## OTHER INFORMATION

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB3,812 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB720 million).

As at 30 June 2023, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balances) amounting to approximately RMB4,564 million (as at 30 June 2022: RMB7,798 million), of which more than RMB3,430 million are denominated in Renminbi (as at 30 June 2022: RMB6,822 million), and loans amounting to RMB3,889 million (as at 30 June 2022: RMB3,076 million).

Total capital expenditures of the Group for the six months ended 30 June 2023 amounted to approximately RMB405 million (for the six months ended 30 June 2022: RMB478 million).

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

### TRUST DEPOSITS

As at 30 June 2023, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institutions in the PRC and Hong Kong.

### EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and overseas sales of the Group during the Reporting Period were denominated in foreign currency, the Group is exposed to certain risk of exchange rate fluctuation. The Group has used financial instruments such as import/export documentary bills and forward contracts for exchange rate hedging purposes.

### AUDIT COMMITTEE

The eleventh session of the audit committee of the Company has reviewed, with no disagreement, with the management the accounting principles and practices adopted by the Group, and discussed auditing, internal control, risk management system and financial reporting matters, including the unaudited interim results of the Group for the six months ended 30 June 2023.

### GEARING RATIO

As at 30 June 2023, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 73.38% (as at 30 June 2022: 70.98%).

### HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group had approximately 52,132 employees, mainly comprising 8,948 technical staff, 12,410 sales representatives, 468 financial staff, 966 administrative staff and 29,340 production staff. The Group had 68 employees with a doctorate degree, 2,240 with a master's degree and 49,824 with a bachelor's degree or below. For the six months ended 30 June 2023, the Group's staff payroll amounted to RMB4,318 million (for the six months ended 30 June 2022: RMB4,025 million).

The Company adopts a position-based remuneration policy for its staff. Staff remuneration is determined with reference to the relative importance of and responsibility assumed by the position of the staff and other performance indicators.

### CHARGE ON THE GROUP'S ASSETS

As at 30 June 2023, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2022: nil) which were pledged as security for the Group's borrowings.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, the Group has no future plans for material investments or capital assets.

## OTHER INFORMATION

### CONTINGENT LIABILITIES

As at 30 June 2023, the Group was involved, as defendant, in litigations with amount of RMB124,056,144.76, and provision of RMB117,338,765.49 had been made.

Save as disclosed above, the Company did not have any significant contingent liabilities as at 30 June 2023.

### SHARE CAPITAL STRUCTURE

As at 30 June 2023, 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	928,557,562	66.89%
H Shares	459,589,808	33.11%
<b>Total</b>	<b>1,388,147,370</b>	<b>100.00%</b>

### TOP TEN SHAREHOLDERS

As at 30 June 2023, there were 20,520 shareholders of the Company (the "Shareholders") in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	Number of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	Number of shares held subject to trading moratorium
Qingdao Hisense Air-conditioning Company Limited	Domestic non-state-owned legal person	516,758,670	37.23%	55.65%	0
HKSCC Nominees Limited <sup>Note 1</sup>	Foreign legal person	458,348,567	33.02%	99.73%	0
The Hong Kong Securities Clearing Company Limited ("HKSCC") <sup>Note 2</sup>	Foreign legal person	50,027,095	3.60%	5.39%	0
China Merchants Bank Co., Ltd - Zhong Ou Alpha Hybrid Securities Investment Fund* (招商銀行股份有限公司-中歐阿爾法混合型證券投資基金)	Other	13,183,508	0.95%	1.42%	0
Hisense Home Appliances Group Co., Ltd. - the 2022 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司-2022年A股員工持股計劃)	Other	10,810,000	0.78%	1.16%	0
Zhang Shao Wu	Domestic natural person	7,200,000	0.52%	0.78%	0
Kuwait Investment Authority	Foreign legal person	6,433,062	0.46%	0.69%	0
Industrial Bank Co., Ltd. - Fullgoal Xing Yuan Preferred 12-Month Holding Period Hybrid Securities Investment Fund* (興業銀行股份有限公司-富國興遠優選12個月持有期混合型證券投資基金)	Other	5,860,793	0.42%	0.63%	0
Norges Bank - own funds	Foreign legal person	5,111,628	0.37%	0.55%	0
China Resources Shenzhen State Investment Trust Limited - CR Trust • Loyal Valley Value China Premium Securities Investment Pooled Trust Plan* (華潤深國投信託有限公司-華潤信託•正心穀價值中國尊享證券投資集合資金信託計劃)	Other	4,966,300	0.36%	0.53%	0

## OTHER INFORMATION

### SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited	516,758,670	RMB ordinary shares
HKSCC Nominees Limited <sup>Note 1</sup>	458,348,567	Overseas listed foreign shares
The Hong Kong Securities Clearing Company Limited ("HKSCC") <sup>Note 2</sup>	50,027,095	RMB ordinary shares
China Merchants Bank Co., Ltd - Zhong Ou Alpha Mixed Securities Investment Fund* (招商銀行股份有限公司-中歐阿爾法混合型證券投資基金)	13,183,508	RMB ordinary shares
Hisense Home Appliances Group Co., Ltd. - the 2022 A Share Employee Stock Ownership Plan*(海信家電集團股份有限公司-2022年A股員工持股計劃)	10,810,000	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Kuwait Investment Authority	6,433,062	RMB ordinary shares
Industrial Bank Co., Ltd.- Fullgoal Xing Yuan Preferred 12-Month Holding Period Hybrid Securities Investment Fund* (興業銀行股份有限公司-富國興遠優選12個月持有期混合型證券投資基金)	5,860,793	RMB ordinary shares
Norges Bank - own funds	5,111,628	RMB ordinary shares
China Resources Shenzhen State Investment Trust Limited - CR Trust • Loyal Valley Value China Premium Securities Investment Pooled Trust Plan* (華潤深國投信託有限公司-華潤信託•正心毅價值中國尊享證券投資集合資金信託計劃)	4,966,300	RMB ordinary shares

Notes:

1. HKSCC Nominees Limited is the nominee holder of the shares held by non-registered H shareholders of the Company. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, including Hisense Hong Kong, a party acting in concert with the controlling shareholder of the Company, which held a total number of 124,452,000 H Shares as of the end of the Reporting Period representing 8.97% of the total number of the shares of the Company.
2. HKSCC is the nominee holder of the shares held by non-registered A shareholders of the Company through Shenzhen-Hong Kong Stock Connect. The shares held by HKSCC are held on behalf of a number of its account participants.

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

#### Change in controlling shareholder or de facto controller

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

## OTHER INFORMATION

### OTHER IMPORTANT MATTERS

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

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

So far as is known to the Directors, supervisors and the chief executives of the Company, as at 30 June 2023, the following persons (other than the Directors, supervisors and the chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:



## OTHER INFORMATION

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

#### Long position or short position in the shares of the Company

Name of Shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited <sup>Note</sup>	Beneficial owner A shares	A shares	516,758,670(L)	37.23%	55.65%
Hisense Group Holdings Co., Ltd. <sup>Note</sup>	Interest of controlled corporation	A shares	516,758,670(L)	37.23%	55.65%
Hisense (Hong Kong) Company Limited <sup>Note</sup>	Beneficial owner A shares	H shares	124,452,000(L)	8.97%	27.08%
Hisense Group Holdings Co., Ltd. <sup>Note</sup>	Interest of controlled corporation	H shares	124,452,000(L)	8.97%	27.08%

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

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

Save as disclosed above, as at 30 June 2023, in so far as the Directors, supervisors and chief executives of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

As at 30 June 2023, save as disclosed below, none of the members of the Board, supervisors and the chief executives of the Company held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

#### Long position in the shares of the Company

Name of Director/ Supervisor	Nature of interest	Number of A shares	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company
Mr. Dai Hui Zhong	Beneficial owner	900,000	0.10%	0.06%
Mr. Jia Shao Qian	Beneficial owner	954,360	0.10%	0.07%
Mr. Hu Jian Yong	Beneficial owner	660,000	0.07%	0.05%
Mr. Xia Zhang Zhua	Beneficial owner	450,000	0.05%	0.03%
Ms. Gao Yu Ling	Beneficial owner	550,000	0.06%	0.04%
Mr. Yin Zhi Xin	Beneficial owner	220,000	0.02%	0.02%

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules as its code for securities transaction by the Directors and the Supervisors of the Company. After having made specific enquiries to the Directors and the Supervisors, all Directors and Supervisors have confirmed that they had acted in full compliance with the Model Code during their term of office throughout the Reporting Period.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company disclosed the announcement regarding the completion of the repurchase of the Company's A Shares and changes in Shares on 20 March 2023. During the period from 16 January 2023 to 16 March 2023, the Company repurchased 11,699,989 A Shares of the Company, representing 0.86% of the total share capital of the Company as at 16 March 2023, through centralized bidding transactions via a dedicated securities account for share repurchases. The highest transaction price was RMB20.12 per share, the lowest transaction price was RMB16.66 per share, and the total transaction amount was RMB211,401,111.66 (excluding transaction costs).

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

### 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 Part 2 of Appendix 14 to the Hong Kong Listing Rules.

### INTERIM DIVIDENDS

The declaration and payment of a final dividend of RMB5.17 per 10 shares (inclusive of tax) was approved at the annual general meeting of the Company held on June 29 2023 (further accurate to RMB5.171314 (tax inclusive) per 10 Shares pursuant to the announcement of the Company dated 10 July 2023) for the year ended 31 December 2022. The final dividend of approximately RMB717 million in total had been paid to the Shareholders of the Company as of the date of this report.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023. No interim dividend was paid for the corresponding period last year.

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Method of appointment	Appointment Date	Reasons for change
Li Zhi Gang	Independent non-executive Director	Elected	9 January 2023	Elected as an independent non-executive director at the 2023 first extraordinary general meeting
Yu Zhi Tao	Executive Director	Elected	19 April 2023	Elected as an executive director at the 2023 third extraordinary general meeting
Hu Jian Yong	Executive Director, president	Elected	28 February 2023 19 April 2023	Appointed as president at the third extraordinary meeting of the eleventh session of the Board, and elected as an executive director at the 2023 third extraordinary general meeting

Save as disclosed above, there were no substantial changes to the information of the directors, supervisors and senior management of the Company required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Hong Kong Listing Rules.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, amendments have been made to the Articles of Association of the Company pursuant to the special resolutions passed at the 2023 second extraordinary general meeting held on 28 February 2023 and the 2022 annual general meeting held on 29 June 2023. For details of the amendments to the Articles of Association, please refer to the announcements of the Company dated 13 January 2023 and 8 June 2023, and the circulars of the Company dated 13 February 2023 and 8 June 2023. The full text of the amended Articles of Association can be downloaded on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://hxjd.hisense.cn>).

## OTHER INFORMATION

### 2022 RESTRICTED A SHARE INCENTIVE SCHEME AND 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

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

#### Incentive Scheme

The restricted A Shares (the "Restricted Shares") proposed to be granted to the participants (the "Participants") under the Incentive Scheme shall be 29,618,000 Shares (subsequently adjusted to 25,422,000 Shares due to the adjustment of the number of the Participants). The source of the underlying shares under the Incentive Scheme shall be ordinary A Shares of the Company issued to the Participants under the specific mandate granted by the Shareholders at the extraordinary general meeting held on 28 February 2023.

There were 596 Participants (subsequently adjusted to 511 Participants) under the Incentive Scheme, who are mid-level management and key staff of the Company. To the best knowledge of the Directors, none of the Participants is (i) a Director, chief executive or substantial shareholder of the Company, or an associate (as defined under the Listing Rules) of any of them; (ii) a participant with awards granted and to be granted exceeding the 1% individual limit under Rule 17.03D of the Listing Rules; and (iii) a related entity participant or service provider with awards granted and to be granted in any 12-month period exceeding 0.1% of the total ordinary A Shares in issue.

As at the date of this interim report, there is no Restricted Shares available for future grant under the Incentive Scheme. The grant of all the Restricted Shares under the Incentive Scheme was made on 28 February 2023, the registration of which was completed on 23 May 2023.

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

Grantee	Date of grant	Unlocking period <sup>(2)</sup>	Grant price	Closing price of the A Shares on		Unvested as at 1 January 2023 <sup>(3)</sup>	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 30 June 2023
				the completion date of the registration for the grant	Closing price of the A Shares on the date of grant						
511 Participants who are mid-level management and key staff of the Company (including its controlled subsidiaries)	28 February 2023 <sup>(1)</sup>	The lock-up period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares of the Participants, respectively.	RMB6.64 per A Share	RMB24.40 per A Share	RMB19.11 per A Share	N/A	25,422,000 A Shares	-	-	-	25,422,000 A Shares
Total							25,422,000 A Shares	-	-	-	25,422,000 A Shares

## OTHER INFORMATION

Notes:

- (1) The registration for the grant was completed on 23 May 2023.
- (2) The unlocking period, unlocking schedule and ratio of the Restricted Shares under the Incentive Scheme are set out in the table below:

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

- (3) The Incentive Scheme was adopted on 28 February 2023.
- (4) According to the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on each balance sheet date during the Lock-up Period, the Company shall revise the number of the Restricted Shares expected to be unlocked with reference to the changes in the latest available number of persons eligible to unlock the Restricted Shares and the completion status of performance indicators, and recognize the services obtained in the current period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares as of the Grant Date. The fair value of the Restricted Shares granted on the date of grant was approximately RMB57.109 million.

### Stock Ownership Plan

The underlying Shares under the Stock Ownership Plan will not exceed 11,700,000 Shares. The sources of the Shares under the Stock Ownership Plan are the ordinary A Shares repurchased with the Company's designated repurchase account.

The participants of the Stock Ownership Plan are Directors (excluding independent Directors), supervisors, senior management and other core employees of the Company, who have an important role and influence on the overall performance and medium-to long-term development of the Company. The total number of Directors (excluding independent Directors), supervisors, senior management and other core employees of the Company participating in the Stock Ownership Plan shall not exceed 59 for the first grant, including 7 Directors, supervisor and senior management. The relationship between such personnel and the Stock Ownership Plan does not constitute acting-in-concert relationship.

As at the date of this interim report, there are 889,989 A Shares available for future grant under the Stock Ownership Plan.

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

## OTHER INFORMATION

Grantee	Date of grant	Unlocking period	Purchase price	Closing price of the A Shares on the date of grant:	Unvested as at 1 January 2023 <sup>(1)</sup>	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Unvested as at 30 June 2023	
Dai Hui Zhong (Chairman)	1 June 2023 <sup>(1)</sup>	The underlying Shares acquired by the Stock Ownership Plan through non-trading transfer or other ways permitted by the laws and regulations shall be unlocked in three phases commencing from 12 months after the date of the announcement of the Company of the transfer of the last tranche of underlying Shares for the first grant to the Stock Ownership Plan. The lock-up period shall be up to 36 months.	RMB6.64 per A Share	RMB24.42 per A Share	N/A	900,000 A Shares	-	-	-	900,000 A Shares	
Jia Shao Qian (Executive Director)			550,000 A Shares	-	-	-	550,000 A Shares				
Hu Jian Yong (Executive Director and President)			660,000 A Shares	-	-	-	660,000 A Shares				
Gao Yu Ling (Executive Director and person in charge of finance)			550,000 A Shares	-	-	-	550,000 A Shares				
Xia Zhang Zhua (Executive Director)			450,000 A Shares	-	-	-	450,000 A Shares				
Yin Zhi Xin (Supervisor)			220,000 A Shares	-	-	-	220,000 A Shares				
Zhang Yu Xin (Secretary to the Board)			180,000 A Shares	-	-	-	180,000 A Shares				
Sub-total			3,510,000 A Shares	-	-	-	3,510,000 A Shares				
Other core employees (not exceeding 52 people)	1 June 2023			RMB6.64 per A Share	RMB24.42 per A Share		7,300,000 A Shares	-	-	-	7,300,000 A Shares
Total							10,810,000 A Shares	-	-	-	10,810,000 A Shares

### Notes:

- (1) Please refer to the announcement of the Company dated 2 June 2023 in relation to the transfer of the underlying Shares for the first grant to the Stock Ownership Plan.
- (2) Details of the unlocking period are as follows:
  - Time of unlocking for the first batch shall be: the expiry of 12 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 40% of the total number of the underlying Shares held by the Stock Ownership Plan.
  - Time of unlocking for the second batch shall be: the expiry of 24 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.
  - Time of unlocking for the third batch shall be: the expiry of 36 months from the date of the announcement of the Company of the transfer of the last tranche of the underlying Shares for the first grant to the Stock Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the underlying Shares held by the Stock Ownership Plan.
- (3) The Stock Ownership Plan was adopted on 28 February 2023.
- (4) According to the provisions of Accounting Standards for Enterprises No. 11 – Share-based Payment, the equity-settled share-based payments in consideration of services rendered by staff that can only be exercised upon the completion of services or attainment of required performance targets within the vesting period are recognized in relevant cost or expenses and the capital reserve in respect of services obtained for the period at the fair value on the date of grant of the equity instrument based on the best estimate of the volume of exercisable equity instruments at each balance sheet date during the vesting period. The fair value of the underlying Shares of the Stock Ownership Plan granted on the date of grant was approximately RMB20.883 million.

The number of Shares granted under the Incentive Scheme and the Stock Ownership Plan (i.e. being 25,422,000 Restricted Shares of the Incentive Scheme) during the Reporting Period divided by the weighted average number of A Shares of approximately 908,613,230 A Shares in issue during the Reporting Period is 0.028.

## DEFINITIONS

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

"Articles of Association" or "Articles"	the articles of association of the Company, as amended from time to time
"Company"	Hisense Home Appliances Group Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the main board of the Shenzhen Stock Exchange
"Director(s)"	the directors of the Company
"Hisense Air-Conditioning"	Qingdao Hisense Air-Conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, and holds approximately 37.23% of the issued shares of the Company as at the date of this announcement
"Hisense Finance"	Hisense Finance Co., Ltd.* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Group"	Hisense Group Holdings Co., Ltd.* (海信集團控股股份有限公司), a company incorporated in the PRC with limited liability
"Hisense Hitachi"	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. (青島海信日立空調系統有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
"Hisense Hong Kong"	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group, and holds approximately 8.97% of the issued shares of the Company as at the date of this announcement
"Hisense International"	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Marketing Management"	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and 50% owned by the Company
"Hisense Visual"	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group, and whose shares are listed on the Shanghai Stock Exchange
"Hong Kong"	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
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"PRC"	the People's Republic of China excluding, for the purpose of this interim report, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"Reporting Period"	for the six months ended 30 June 2023
"Sanden company"	Sanden Corporation
"Supervisors"	the supervisors of the Company

\* For identification purposes only

**This report is published in both English and Chinese. If there is any inconsistency between the English and the Chinese versions, the Chinese version shall prevail.**

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

**I. AUDITOR'S REPORT**

Whether the interim report has already been audited or not

Yes  No

The interim financial report of the Company has not been audited.

**II. FINANCIAL STATEMENTS**

The unit in the financial statements of the financial report is: RMB

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

**1. CONSOLIDATED BALANCE SHEET**

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

30 June 2023

*Unit: RMB*

Item	Note	30 June 2023	1 January 2023
<b>Current assets:</b>			
Cash at bank and on hand	VI, 1	4,563,538,891.74	6,001,295,427.37
Balancing with clearing companies			
Lending capital			
Transactional financial assets	VI, 2	11,414,578,935.10	6,758,233,998.86
Derivative financial assets			
Notes receivable	VI, 3	199,892,858.93	144,188,330.26
Accounts receivable	VI, 4	9,655,015,757.73	7,665,702,299.91
Factoring of accounts receivables	VI, 5	8,810,415,892.27	5,072,959,470.76
Prepayments	VI, 6	242,589,788.97	262,443,975.56
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	VI, 7	405,477,282.71	475,034,340.60
Including: Interest receivable			
Dividend receivable		164,518,912.17	152,634,355.75
Financial assets purchased under agreements to resell			
Inventories	VI, 8	6,084,887,716.59	6,552,835,435.54
Contract assets	VI, 9	13,095,257.01	6,918,368.07
Assets held for sale			
Non-current assets due within one year	VI, 10	2,436,387,000.00	1,986,840,000.00
Other current assets	VI, 11	1,218,150,881.54	1,702,738,189.99
<b>Total current assets</b>		<b>45,044,030,262.59</b>	<b>36,629,189,836.92</b>



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

**1. CONSOLIDATED BALANCE SHEET** — *Continued*

Item	Note	Unit: RMB	
		30 June 2023	1 January 2023
<b>Non-current assets:</b>			
Disbursement of loans and advances			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments	VI, 12	1,512,799,451.29	1,518,340,556.73
Other equity instrument investments	VI, 13	39,598,562.87	36,399,028.71
Other non-current financial assets	VI, 14	27,730,626.75	25,748,931.39
Investment properties	VI, 15	189,170,269.23	208,716,406.19
Fixed assets	VI, 16	5,338,431,429.18	5,318,274,820.56
Construction in progress	VI, 17	531,026,421.21	525,171,610.80
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI, 18	180,799,023.74	181,192,061.73
Intangible assets	VI, 19	1,388,632,253.07	1,459,616,347.69
Development expenditure			
Goodwill	VI, 20	226,408,877.76	226,408,877.76
Long-term prepaid expenses	VI, 21	43,953,647.84	41,623,003.89
Deferred tax assets	VI, 22	1,003,460,955.54	984,167,504.03
Other non-current assets	VI, 23	8,388,521,568.04	8,220,701,882.26
<b>Total non-current assets</b>		<b>18,870,533,086.52</b>	<b>18,746,361,031.74</b>
<b>Total assets</b>		<b>63,914,563,349.11</b>	<b>55,375,550,868.66</b>

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

**1. CONSOLIDATED BALANCE SHEET** — *Continued*

Item	Note	30 June 2023	1 January 2023
			<i>Unit: RMB</i>
<b>Current liabilities:</b>			
Short-term borrowings	VI, 24	2,889,028,893.82	1,462,253,713.24
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	VI, 25	223,221,756.61	1,745,488.01
Derivative financial liabilities			
Notes payable	VI, 26	12,964,556,669.10	11,322,271,209.54
Accounts payable	VI, 27	11,386,249,986.78	9,717,666,826.44
Advances from customers	VI, 28	3,804,068.60	
Contract liabilities	VI, 29	1,881,335,289.07	1,145,145,334.78
Proceeds from disposal of financial assets under agreements to repurchase			
Receipt of deposits and deposits from other banks			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee remunerations payable	VI, 30	943,388,161.13	1,002,267,354.81
Taxes payable	VI, 31	721,080,651.10	705,821,864.03
Other payables	VI, 32	5,274,141,096.58	5,219,154,864.04
Including: Interests payable			
Dividends payable		717,394,351.60	67,374,222.13
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	VI, 33	131,094,573.66	145,170,159.23
Other current liabilities	VI, 34	7,760,255,325.58	5,643,445,390.50
<b>Total current liabilities</b>		<b>44,178,156,472.03</b>	<b>36,364,942,204.62</b>

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

**1. CONSOLIDATED BALANCE SHEET — Continued**

Item	Note	Unit: RMB	
		30 June 2023	1 January 2023
<b>Non-current liabilities:</b>			
Reserves for reinsurance contract			
Long-term borrowings	VI, 35	36,098,363.08	19,808,239.84
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities	VI, 36	242,250,848.93	277,195,821.24
Long-term payables			
Long-term employee remunerations payable	VI, 37	119,345,844.16	116,092,710.65
Provisions	VI, 38	1,332,905,879.20	1,313,738,416.00
Deferred income	VI, 39	145,192,305.69	145,835,582.02
Deferred tax liabilities		177,805,701.77	168,179,961.94
Other non-current liabilities	VI, 40	667,551,597.91	690,992,901.11
<b>Total non-current liabilities</b>		<b>2,721,150,540.74</b>	<b>2,731,843,632.80</b>
<b>Total liabilities</b>		<b>46,899,307,012.77</b>	<b>39,096,785,837.42</b>
<b>Shareholders' equity:</b>			
Share capital	VI, 41	1,388,147,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves	VI, 42	2,161,025,872.57	2,074,168,605.49
Less: Treasury shares	VI, 43	237,924,530.75	
Other comprehensive income	VI, 44	198,274,234.14	121,267,445.50
Special reserves	VI, 45	9,221,470.48	
Surplus reserves	VI, 46	711,971,309.99	711,971,309.99
General risk provisions			
Retained profits	VI, 47	8,028,292,923.55	7,248,124,550.56
<b>Total equity attributable to shareholders of the Company</b>		<b>12,259,008,649.98</b>	<b>11,518,257,281.54</b>
Minority interests		4,756,247,686.36	4,760,507,749.70
<b>Total shareholders' equity</b>		<b>17,015,256,336.34</b>	<b>16,278,765,031.24</b>
<b>Total liabilities and shareholders' equity</b>		<b>63,914,563,349.11</b>	<b>55,375,550,868.66</b>

Legal representative: Dai Hui Zhong

Chief financial officer: Gao Yu Ling

Accounting supervisor: Li Jia

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

**2. BALANCE SHEET OF PARENT COMPANY**

Item	Note	<i>Unit: RMB</i>	
		<b>30 June 2023</b>	<b>1 January 2023</b>
<b>Current assets:</b>			
Cash at bank and on hand		67,508,279.43	84,309,922.91
Transactional financial assets		2,884,048,769.10	1,818,751,571.58
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII, 1	371,557,347.35	206,829,884.72
Factoring of accounts receivables		26,193,537.45	2,910,556.42
Prepayments		21,743,408.48	54,781,395.72
Other receivables	XVII, 2	1,206,634,342.57	1,427,048,731.01
Including: Interest receivable			
Dividend receivable		17,774,596.15	83,026,795.53
Inventories		2,484,217.45	8,753,015.70
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		126,546,922.58	57,354,135.76
<b>Total current assets</b>		<b>4,706,716,824.41</b>	<b>3,660,739,213.82</b>
<b>Non-current assets:</b>			
Bond investments			
Other bond investments			
Long-term receivables		629,976,749.06	646,890,129.38
Long-term equity investments	XVII, 3	5,743,165,329.79	5,648,789,481.52
Other equity instrument investments			
Other non-current financial assets			
Investment properties		2,091,120.00	2,091,121.00
Fixed assets		24,774,741.02	20,836,556.99
Construction in progress		7,860,848.15	8,987,930.20
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		161,661,668.11	165,929,570.43
Development expenditure			
Goodwill			
Long-term prepaid expenses		76,577.17	
Deferred tax assets			
Other non-current assets		970,275.00	674,145.00
<b>Total non-current assets</b>		<b>6,570,577,308.30</b>	<b>6,494,198,934.52</b>
<b>Total assets</b>		<b>11,277,294,132.71</b>	<b>10,154,938,148.34</b>

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

**2. BALANCE SHEET OF PARENT COMPANY — Continued**

Item	Note	Unit: RMB	
		30 June 2023	1 January 2023
<b>Current liabilities:</b>			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		21,246,626.49	5,218,317.57
Accounts payable		45,369,636.73	31,907,576.55
Advances from customers			
Contract liabilities		2,241,217.14	4,212,914.05
Employee remunerations payable		11,016,788.50	9,139,554.77
Taxes payable		3,424,148.40	13,209,586.75
Other payables		1,474,057,389.88	531,234,884.31
Including: Interests payable			
Dividends payable		717,394,351.60	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		90,433,131.68	51,599,130.92
<b>Total current liabilities</b>		<b>1,647,788,938.82</b>	<b>646,521,964.92</b>
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		190,649,473.45	178,721,488.20
Deferred income		23,991,439.93	24,300,098.28
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>214,640,913.38</b>	<b>203,021,586.48</b>
<b>Total liabilities</b>		<b>1,862,429,852.20</b>	<b>849,543,551.40</b>

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

**2. BALANCE SHEET OF PARENT COMPANY — Continued**

*Unit: RMB*

Item	Note	30 June 2023	1 January 2023
<b>Shareholders' equity:</b>			
Share capital		1,388,147,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,374,655,905.34	2,276,770,725.22
Less: Treasury shares		237,924,530.75	
Other comprehensive income		2,143,225.03	-1,699,624.23
Special reserves			
Surplus reserves		681,362,685.00	681,362,685.00
Undistributed profits		5,206,479,625.89	4,986,235,440.95
<b>Total shareholders' equity</b>		<b>9,414,864,280.51</b>	<b>9,305,394,596.94</b>
<b>Total liabilities and shareholders' equity</b>		<b>11,277,294,132.71</b>	<b>10,154,938,148.34</b>

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

**3. CONSOLIDATED INCOME STATEMENT**

Item	Note	<i>Unit: RMB</i>	
		First half of 2023	First half of 2022
<b>I. Total operating revenue</b>	VI, 48	<b>42,943,975,619.38</b>	<b>38,307,238,698.85</b>
Including: Operating revenue	VI, 48	42,943,975,619.38	38,307,238,698.85
Interest income			
Insurance premium earned			
Income from handling fees and commission			
<b>II. Total operating costs</b>		<b>40,473,806,340.24</b>	<b>37,092,626,365.51</b>
Including: Operating costs	VI, 48	33,698,115,348.34	30,933,036,397.40
Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance reserves provided			
Policyholder dividend expenses			
Reinsurance premium expenses			
Taxes and surcharges	VI, 49	298,912,983.78	241,231,648.04
Sales expenses	VI, 50	4,492,848,251.67	4,060,709,601.69
Management expenses	VI, 51	1,024,738,874.90	856,747,306.06
Research and development expenses	VI, 52	1,244,057,032.04	1,067,706,086.41
Financial expenses	VI, 53	-284,866,150.49	-66,804,674.09
Including: Interest expenses		75,243,787.91	40,469,080.28
Interest income		27,834,239.17	26,064,751.83
Add: Other income	VI, 54	197,948,250.99	187,995,603.35
Investment income (Loss denoted by "-")	VI, 55	411,026,049.40	276,085,241.22
Including: Share of profit of associates and joint ventures		186,177,825.35	83,163,879.24
Income from derecognition of financial assets and amortised cost		5,915,437.05	
Foreign exchange gains (Loss denoted by "-")			
Gain net exposure to hedging (Loss denoted by "-")			
Gains from changes in fair value (Loss denoted by "-")	VI, 56	-195,729,875.25	28,338,568.82
Impairment losses on credit (Loss denoted by "-")	VI, 57	-24,090,206.27	12,323,601.24
Impairment losses on assets (Loss denoted by "-")	VI, 58	-87,590,895.34	-71,809,411.88
Gains on disposal of assets (Loss denoted by "-")	VI, 59	5,350,381.51	-417,676.97
<b>III. Operating profits (Loss denoted by "-")</b>		<b>2,777,082,984.18</b>	<b>1,647,128,259.12</b>
Add: Non-operating income	VI, 60	199,368,441.95	122,068,853.85
Less: Non-operating expenses	VI, 61	17,782,900.83	34,732,054.84
<b>IV. Total profits (Total loss denoted by "-")</b>		<b>2,958,668,525.30</b>	<b>1,734,465,058.13</b>
Less: Income tax expenses	VI, 62	472,191,163.40	371,377,761.78
<b>V. Net profits (Net loss denoted by "-")</b>		<b>2,486,477,361.90</b>	<b>1,363,087,296.35</b>
(I) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss denoted by "-")		2,486,477,361.90	1,363,087,296.35
2. Net profit from discontinued operations (Net loss denoted by "-")			
(II) Classified by ownership of equity			
1. Net profit attributable to owners of the Company		1,497,562,724.59	620,234,267.46
2. Profit and loss of minority interests		988,914,637.31	742,853,028.89

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

**3. CONSOLIDATED INCOME STATEMENT — Continued**

Item	Note	Unit: RMB	
		First half of 2023	First half of 2022
<b>VI. Other comprehensive income after tax, net</b>	VI, 63	<b>64,434,240.60</b>	<b>33,260,562.33</b>
Other comprehensive income after tax attributable to shareholders of the Company, net		77,006,788.64	44,758,964.99
(I) Items not to be reclassified into profit or loss			
1. Changes arising from remeasurement of defined benefit plans			
2. Other comprehensive income not to be reclassified into profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Changes in fair value of the Company's own credit risk			
5. Others			
(II) Items to be reclassified into profit or loss		77,006,788.64	44,758,964.99
1. Other comprehensive income to be reclassified into profit or loss under the equity method		3,979,861.04	10,937,459.30
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt instruments			
5. Reserve for cash flow hedging			
6. Differences on translation of foreign currency financial statements		70,623,250.51	31,523,236.01
7. Others		2,403,677.09	2,298,269.68
Other comprehensive income after tax attributable to minority interests, net		-12,572,548.04	-11,498,402.66
<b>VII. Total comprehensive income</b>		<b>2,550,911,602.50</b>	<b>1,396,347,858.68</b>
Total comprehensive income attributable to shareholders of parent company		1,574,569,513.23	664,993,232.45
Total comprehensive income attributable to minority interests		976,342,089.27	731,354,626.23
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share		1.09	0.46
(II) Diluted earnings per share		1.09	0.46

Legal representative: Dai Hui Zhong

Chief financial officer: Gao Yu Ling

Accounting supervisor: Li Jia



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

**4. INCOME STATEMENT OF PARENT COMPANY**

Item	Note	<i>Unit: RMB</i>	
		First half of 2023	First half of 2022
<b>I. Operating revenue</b>	XVII, 4	<b>2,467,344,164.05</b>	<b>1,870,919,741.00</b>
Less: Operating costs	XVII, 4	2,212,016,706.60	1,844,369,076.80
Taxes and surcharges		4,467,390.75	5,810,377.28
Sales expenses		135,674,471.35	3,468,792.53
Management expenses		60,345,812.34	42,857,701.05
Research and development expenses		81,843,816.11	
Financial expenses		-24,581,147.00	-5,378,691.37
Including: Interest expenses			
Interest income		24,608,926.10	7,415,994.03
Add: Other income		1,249,599.19	1,340,184.42
Investment gain (Loss denoted by "-")	XVII, 5	932,401,189.48	557,466,777.83
Including: Share of profit of associates and joint ventures		60,178,021.79	15,045,303.90
Income from derecognition of financial assets at amortised cost (Loss denoted by "-")			
Gain net exposure to hedging (Loss denoted by "-")			
Gains from changes in fair value (Loss denoted by "-")		16,111,777.06	9,672,160.02
Impairment losses on credit (Loss denoted by "-")		-10,179.56	25.73
Impairment losses on assets (Loss denoted by "-")			
Gains on disposal of assets (Loss denoted by "-")		2,637,980.94	-649,996.94
<b>II. Operating profits (Loss denoted by "-")</b>		<b>949,967,481.01</b>	<b>547,621,635.77</b>
Add: Non-operating income		354,313.99	429,573.41
Less: Non-operating expenses		3,560,358.60	-1,805,215.06
<b>III. Total profit (Total loss denoted by "-")</b>		<b>946,761,436.40</b>	<b>549,856,424.24</b>
Less: Income tax expenses		9,122,899.86	-58,801.38
<b>IV. Net profits (Net loss denoted by "-")</b>		<b>937,638,536.54</b>	<b>549,915,225.62</b>
(I) Net profit from continuing operations (Net loss denoted by "-")		937,638,536.54	549,915,225.62
(II) Net profit from discontinued operations (Net loss denoted by "-")			
<b>V. Other comprehensive income after tax, net</b>		<b>3,842,849.26</b>	<b>10,937,459.30</b>
(I) Items not to be reclassified into profit or loss			
1. Changes arising from remeasurement of defined benefit plans			
2. Other comprehensive income not to be reclassified into profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Changes in fair value of Company's own credit risk			
5. Others			
(II) Items to be reclassified into profit or loss		3,842,849.26	10,937,459.30
1. Other comprehensive income to be reclassified into profit or loss under the equity method		3,842,849.26	10,937,459.30
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt instruments			
5. Reserve for cash flow hedging			
6. Differences on translation of foreign currency financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>941,481,385.80</b>	<b>560,852,684.92</b>
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

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

**5. CONSOLIDATED CASH FLOW STATEMENT**

Item	Note	First half of 2023	First half of 2022
			<i>Unit: RMB</i>
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		33,166,752,231.76	30,453,313,405.19
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interests, fees and commissions			
Net increase in capital borrowed			
Net increase in repurchase business capital			
Net income from trading securities as broker			
Tax rebates received		1,475,527,733.64	1,629,884,248.01
Other cash received related to operating activities	VI, 64	536,021,236.75	651,353,976.98
<b>Subtotal of cash inflows from operating activities</b>		<b>35,178,301,202.15</b>	<b>32,734,551,630.18</b>
Cash paid for purchases of commodities and receipt of services		20,872,912,298.79	22,367,119,748.25
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase from lending capital			
Cash paid for interests, fees and commissions			
Cash paid for policyholders' dividend			
Cash paid to and for employees		4,317,629,982.73	4,024,934,668.27
Cash paid for taxes and surcharges		2,033,053,942.34	1,695,073,685.10
Other cash paid related to operating activities	VI, 64	4,142,660,808.95	3,927,394,950.29
<b>Subtotal of cash outflows from operating activities</b>		<b>31,366,257,032.81</b>	<b>32,014,523,051.91</b>
<b>Net cash flows from operating activities</b>		<b>3,812,044,169.34</b>	<b>720,028,578.27</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from recovery of investments			78,170,858.11
Cash received from investment income		290,829,445.10	61,471,044.22
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		7,987,778.76	93,012,900.04
Net cash received from disposals of subsidiaries and other operation units			
Other cash received relating to investing activities	VI, 64	7,738,817,317.98	7,851,048,662.54
<b>Subtotal of cash inflows from investing activities</b>		<b>8,037,634,541.84</b>	<b>8,083,703,464.91</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		405,180,452.07	477,665,763.55
Cash paid for investments			34,053,075.00
Net increase in pledge loans			
Cash paid for acquiring subsidiaries and other operation units			
Other cash paid relating to investing activities	VI, 64	12,221,116,375.32	6,055,544,534.91
<b>Subtotal of cash outflows from investing activities</b>		<b>12,626,296,827.39</b>	<b>6,567,263,373.46</b>
<b>Net cash flows from investing activities</b>		<b>-4,588,662,285.55</b>	<b>1,516,440,091.45</b>

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

**5. CONSOLIDATED CASH FLOW STATEMENT** — *Continued*

Item	Note	<i>Unit: RMB</i>	
		First half of 2023	First half of 2022
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contribution		178,181,393.06	
Including: Cash contribution to subsidiaries from minority shareholders' investment		9,379,313.06	
Cash received from borrowings		1,832,161,656.52	624,527,436.50
Other cash received relating to financing activities	VI, 64	1,718,059,288.47	962,695,552.04
<b>Subtotal of cash inflows from financing activities</b>		<b>3,728,402,338.05</b>	<b>1,587,222,988.54</b>
Cash paid for repayment of borrowings		349,869,107.59	1,787,837,800.17
Cash paid for distribution of dividends, profit or payment of interest expenses		1,134,825,701.83	600,820,852.88
Including: Dividend and profit paid to minority shareholders by subsidiaries		1,088,937,012.84	576,657,203.30
Other cash paid relating to financing activities	VI, 64	1,298,771,829.38	433,906,142.14
<b>Subtotal of cash outflows from financing activities</b>		<b>2,783,466,638.80</b>	<b>2,822,564,795.19</b>
<b>Net cash flows from financing activities</b>		<b>944,935,699.25</b>	<b>-1,235,341,806.65</b>
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		<b>-29,432,137.51</b>	<b>-65,952,047.55</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>138,885,445.53</b>	<b>935,174,815.52</b>
Add: Balance of cash and cash equivalents at the beginning of the period		2,478,346,075.40	2,879,176,794.68
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>2,617,231,520.93</b>	<b>3,814,351,610.20</b>

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

**6. CASH FLOW STATEMENT OF PARENT COMPANY**

Item	Note	First half of 2023	First half of 2022
			<i>Unit: RMB</i>
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering of services		40,078,965.26	408,651.46
Tax rebates received		260,000.00	
Other cash received related to operating activities		286,049,782.28	84,216,962.06
<b>Subtotal of cash inflows from operation activities</b>		<b>326,388,747.54</b>	<b>84,625,613.52</b>
Cash paid for purchases of commodities and receipt of labor services		16,397,279.00	
Cash paid to and for employees		152,988,728.67	53,037,994.84
Cash paid for taxes and surcharges		24,008,217.83	10,215,817.15
Other cash paid related to operating activities		257,194,594.92	44,024,180.16
<b>Subtotal of cash outflow from operating activities</b>		<b>450,588,820.42</b>	<b>107,277,992.15</b>
<b>Net cash flows from operating activities</b>		<b>-124,200,072.88</b>	<b>-22,652,378.63</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from recovery of investments			
Cash received from investment income		1,005,454,107.23	546,630,394.58
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		5,953,057.55	3,850.00
Net cash received from disposals of subsidiaries and other operation units			
Other cash received relating to investing activities		216,786,562.10	1,024,775,557.23
<b>Subtotal of cash inflows from investing activities</b>		<b>1,228,193,726.88</b>	<b>1,571,409,801.81</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		9,947,710.74	2,551,962.69
Cash paid for investments			34,053,075.00
Net cash paid for acquisition of subsidiaries and other operation units			
Other cash paid relating to investing activities		1,140,000,000.00	1,319,000,000.00
<b>Subtotal of cash outflows from investing activities</b>		<b>1,149,947,710.74</b>	<b>1,355,605,037.69</b>
<b>Net cash flows from investing activities</b>		<b>78,246,016.14</b>	<b>215,804,764.12</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contribution		168,802,080.00	
Cash received from borrowings			
Other cash received relating to financing activities		71,778,400.00	
<b>Subtotal of cash inflows from financing activities</b>		<b>240,580,480.00</b>	
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses			
Cash paid for distribution of dividends, profit or payment of interest expenses		211,437,771.75	
<b>Subtotal of cash outflows from financing activities</b>		<b>211,437,771.75</b>	
<b>Net cash flows from financing activities</b>		<b>29,142,708.25</b>	
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		<b>9,705.01</b>	
<b>V. Net increase in cash and cash equivalents</b>		<b>-16,801,643.48</b>	<b>193,152,385.49</b>
Add: Balance of cash and cash equivalents at the beginning of the period		84,309,922.91	65,854,079.72
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>67,508,279.43</b>	<b>259,006,465.21</b>

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

### 7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

#### Amount for current period

Unit: RMB

Item	Half year for the year 2023																	
	Attributable to shareholders of the parent company														Total shareholders' equity			
	Other equity instruments				Capital reserve	Less:		Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotals	Minority interests				
Share capital	Preference share	Perpetual debts	Others	Treasury shares		Other comprehensive income												
I. Closing balance of previous year	1,362,725,370.00				2,074,168,605.49		121,267,445.50		711,971,309.99			7,248,124,550.56		11,518,257,281.54	4,760,507,749.70	16,278,765,031.24		
Add: Changes in accounting policies																		
Correction for error in previous period																		
Business combination involving entities under common control																		
Others																		
II. Opening balance for the year	1,362,725,370.00				2,074,168,605.49		121,267,445.50		711,971,309.99			7,248,124,550.56		11,518,257,281.54	4,760,507,749.70	16,278,765,031.24		
III. Movements in the current period (Decreases denoted in "-")	25,422,000.00				86,857,267.08		237,924,530.75		77,006,788.64		9,221,470.48			780,168,572.99	740,751,368.44	-4,260,063.34	736,491,305.10	
(1) Total comprehensive income									77,006,788.64					1,497,562,724.59	1,574,569,513.23	976,342,089.27	2,550,911,602.50	
(2) Owners' contributions and capital reductions	25,422,000.00				81,752,456.52		237,924,530.75							-130,750,074.23	16,041,645.95	-114,708,428.28		
1. Ordinary shares contributed by owners	25,422,000.00				143,380,080.00											168,802,080.00	168,802,080.00	
2. Capital contributions by holders of other equity instruments																		
3. Amount of share-based payment included in owners' equity					63,149,340.84									63,149,340.84	14,843,297.75	77,992,638.59		
4. Others					-124,776,964.32		237,924,530.75							-362,701,495.07	1,198,348.20	-361,503,146.87		
(3) Profit Distribution														-717,394,351.60	-717,394,351.60	-997,668,818.10	-1,715,063,169.70	
1. Appropriations to surplus reserve																		
2. Appropriations to general risk provisions																		
3. Distribution to owners (shareholders)														-717,394,351.60	-717,394,351.60	-997,668,818.10	-1,715,063,169.70	
4. Others																		
(4) Transfer of owners' equity																		
1. Transfer to capital (or share capital) from capital reserve																		
2. Transfer to capital (or share capital) from surplus reserve																		
3. Surplus reserves for making up losses																		
4. Retained earnings transferred from the changes in defined benefit plan																		
5. Retained earnings transferred from the changes in other comprehensive income																		
6. Others																		
(5) Special reserves									9,221,470.48					9,221,470.48	1,025,650.84	10,247,121.32		
1. Provided during the period									9,221,470.48					9,221,470.48	1,025,650.84	10,247,121.32		
2. Used during the period																		
(6) Others					5,104,810.56									5,104,810.56	-631.30	5,104,179.26		
IV. Closing balance for the period	1,388,147,370.00				2,161,025,872.57		237,924,530.75		198,274,234.14		9,221,470.48			711,971,309.99	8,028,292,923.55	12,259,008,649.98	4,756,247,686.36	17,015,256,336.34

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

### 7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY — Continued

Amount for previous year

Unit: RMB

Item	Half year for the year 2022												Total shareholders' equity		
	Attributable to shareholders of the parent company											Minority interests			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits			Others	Subtotals
I. Closing balance for previous year	1,362,725,370.00				2,069,245,101.87		93,569,998.57		711,971,309.99		6,104,843,404.90		10,342,355,185.33	5,248,896,051.45	15,591,251,236.78
Add: Changes in accounting policies															
Correction for error in previous period															
Business combination involving entities under common control															
Others															
II. Opening balance for the year	1,362,725,370.00				2,069,245,101.87		93,569,998.57		711,971,309.99		6,104,843,404.90		10,342,355,185.33	5,248,896,051.45	15,591,251,236.78
III. Movements in the current period					4,923,503.62		27,697,446.93				1,143,281,145.66		1,175,902,096.21	-488,388,301.75	687,513,794.46
(Decreases denoted in "-")															
(1) Total comprehensive income							27,697,446.93				1,434,904,374.84		1,462,601,821.77	1,626,749,196.93	3,089,351,018.70
(2) Owners' contributions and capital reductions														31,244,006.36	31,244,006.36
1. Ordinary shares contributed by shareholders														63,535,535.74	63,535,535.74
2. Capital contributions by holders of other equity instruments															
3. Amount of share-based payment included in owners' equity															
4. Others														-32,291,529.38	-32,291,529.38
(3) Profit Distribution											-291,623,229.18		-291,623,229.18	-2,146,822,112.48	-2,438,445,341.66
1. Appropriations to surplus reserve															
2. Appropriations to general risk provisions															
3. Distribution to owners (shareholders)											-291,623,229.18		-291,623,229.18	-2,146,822,112.48	-2,438,445,341.66
4. Others															
(4) Transfer of owners' equity															
1. Transfer to capital (or share capital) from capital reserve															
2. Transfer to capital (or share capital) from surplus reserve															
3. Surplus reserves for making up losses															
4. Retained earnings transferred from the changes in defined benefit plan															
5. Retained earnings transferred from the changes in other comprehensive income															
6. Others															
(5) Special reserves															
1. Provided during the period															
2. Used during the period															
(6) Others					4,923,503.62								4,923,503.62	440,607.44	5,364,111.06
IV. Closing balance for the period	1,362,725,370.00				2,074,168,605.49		121,267,445.50		711,971,309.99		7,248,124,550.56		11,518,257,281.54	4,760,507,749.70	16,278,765,031.24

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

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

Amount for current period

Unit: RMB

Item	Half year for the year 2023										Total shareholders' equity	
	Share capita	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		Others
		Preference shares	Perpetual debts	Others								
I. Closing balance of previous year	1,362,725,370.00				2,276,770,725.22		-1,699,624.23		681,362,685.00	4,986,235,440.95		9,305,394,596.94
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,276,770,725.22		-1,699,624.23		681,362,685.00	4,986,235,440.95		9,305,394,596.94
III. Movements in the current period	25,422,000.00				97,885,180.12	237,924,530.75	3,842,849.26			220,244,184.94		109,469,683.57
(Decreases denoted in "-")												
(1) Total comprehensive income							3,842,849.26			937,638,536.54		941,481,385.80
(2) Owners' contributions and capital reductions	25,422,000.00				97,794,102.47	237,924,530.75						-114,708,428.28
1. Ordinary shares contributed by owners	25,422,000.00				143,380,080.00							168,802,080.00
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity					77,992,638.59							77,992,638.59
4. Others					-123,578,616.12	237,924,530.75						-361,503,146.87
(3) Profit Distribution										-717,394,351.60		-717,394,351.60
1. Appropriations to surplus reserve										-717,394,351.60		-717,394,351.60
2. Distribution to owners (shareholders)												
3. Others												
(4) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Retained earnings transferred from the changes in defined benefit plan												
5. Retained earnings transferred from the changes in other comprehensive income												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					91,077.65							91,077.65
IV. Closing balance for the period	1,388,147,370.00				2,374,655,905.34	237,924,530.75	2,143,225.03		681,362,685.00	5,206,479,625.89		9,414,864,280.51

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

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

Amount for previous year

Unit: RMB

Item	Half year for the year 2022											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Others	Total shareholders' equity
I. Closing balance of previous year	1,362,725,370.00				2,271,399,045.35		8,168,968.22		681,362,685.00	3,241,538,883.32		7,565,194,951.89
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,362,725,370.00				2,271,399,045.35		8,168,968.22		681,362,685.00	3,241,538,883.32		7,565,194,951.89
III. Movements in the current period (Decreases denoted in "-")					5,371,679.87		-9,868,592.45			1,744,696,557.63		1,740,199,645.05
(1) Total comprehensive income							-9,868,592.45			2,036,319,786.81		2,026,451,194.36
(2) Owners' contributions and capital reductions												
1. Ordinary shares contributed by owners												
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others												
(3) Profit Distribution										-291,623,229.18		-291,623,229.18
1. Appropriations to surplus reserve										-291,623,229.18		-291,623,229.18
2. Distribution to owners (shareholders)												
3. Others												
(4) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Retained earnings transferred from the changes in defined benefit plan												
5. Retained earnings transferred from the changes in other comprehensive income												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					5,371,679.87							5,371,679.87
IV. Closing balance for the period	1,362,725,370.00				2,276,770,725.22		-1,699,624.23		681,362,685.00	4,986,235,440.95		9,305,394,596.94



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

### I. COMPANY PROFILE

Hisense Home Appliances Group Company Limited (hereinafter referred to as the **"Company"**, collectively referred to as the **"Group"** when including subsidiaries), formerly known as Guangdong Shunde Pearl River factory (廣東順德珠江冰箱廠) was established in 1984. After the restructuring into a joint stock limited company in December 1992, the Company was renamed as Guangdong Kelon Electrical Holdings Company Limited. The Company's 459,589,808 overseas listed public shares (the **"H Shares"**) were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996. In 1998, the Company obtained the approval to issue 110,000,000 domestic shares (the **"A Shares"**), which were listed on the Shenzhen Stock Exchange on 13 July 1999.

In October 2001 and March 2002, the former single largest shareholder of the Company, Guangdong Kelon (Ronshen) Group Company Limited (hereinafter referred to as **"Ronshen Group"**, which previously held 34.06% interest in the Company) entered into a share transfer agreement and a supplemental agreement with Shunde Greencool Enterprise Development Company Limited (which was renamed as "Guangdong Greencool Enterprises Development Company Limited" in 2004, hereinafter referred to as **"Guangdong Greencool"**), in connection with the transfer of 20.64% of the total share capital of the Company to Guangdong Greencool by Ronshen Group. In April 2002, Ronshen Group transferred its shareholding of 6.92%, 0.71% and 5.79% of the total share capital of the Company to Shunde Economic Consultancy Company, Shunde Dong Heng Development Company Limited and Shunde Xin Hong Enterprise Company Limited, respectively. After the abovementioned share transfers, Ronshen Group, the former single largest shareholder of the Company, no longer held shares of the Company.

On 14 October 2004, 5.79% of the total share capital of the Company held by Shunde Xin Hong Enterprise Company was transferred to Guangdong Greencool. Upon completion of the share transfer, the percentage of total share capital of the Company held by Guangdong Greencool increased to 26.43%.

On 13 December 2006, 26.43% of the total share capital of the Company held by Guangdong Greencool Enterprises Development Company Limited was transferred to Qingdao Hisense Air-Conditioning Company Limited (**"Qingdao Hisense Air-Conditioning"**). Upon completion of the share transfer, Guangdong Greencool, the former single largest shareholder of the Company, no longer held shares of the Company.

The Company's share reform scheme was approved on the A shareholders' meeting on 29 January 2007 and approved by the Ministry of Commerce of the PRC on 22 March 2007. The shareholding of Qingdao Hisense Air-Conditioning, the largest shareholder of the Company, was changed to 23.63% after the scheme. On 20 June 2007, the name of the Company was changed from "Guangdong Kelon Electrical Holdings Company Limited" to "Hisense Kelon Electrical Holdings Company Limited".

Since 2008, Qingdao Hisense Air-Conditioning has successively increased the shareholding of the Company through secondary market. At the end of 2009, Qingdao Hisense Air-Conditioning held 25.22% of the total share capital of the Company.

In accordance with the resolutions of the fourth interim general meeting of the Company held on 31 August 2009, and as approved by China Securities Regulatory Commission with the "Letter of Reply Concerning the Approval for the Major Asset Restructuring of Hisense Kelon Electrical Holdings Company Limited and the Acquisition of Assets through Issuance of Shares to Qingdao Hisense Air-Conditioning Company Limited (Zheng Jian Xu Ke [2010] No. 329)", and the "Letter of Reply Concerning the Approval for the Announcement by Qingdao Hisense Air-Conditioning Company Limited of the Acquisition Report of Hisense Kelon Electrical Holdings Company Limited and the Waiver of its General Offer Obligation (Zheng Jian Xu Ke [2010] No. 330)" dated 23 March 2010, the Company was permitted to issue 362,048,187 ordinary shares (A shares) in Renminbi to Qingdao Hisense Air-conditioning (as a specific object), to fund the acquisition of 100% equity interests in Hisense (Shandong) Air-Conditioner Co., Ltd., 51% equity interests in Hisense (Zhejiang) Air-Conditioner Co., Ltd., 49% equity interests in Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. (**"Hisense Hitachi"**), 55% equity interests in Hisense (Beijing) Electrical Co., Ltd., 78.70% equity interests in Qingdao Hisense Mould Co., Ltd. and the white goods marketing businesses and assets including refrigerators and air-conditioners of Qingdao Hisense Marketing Co., Ltd. (**"Hisense Marketing"**).

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### I. COMPANY PROFILE — Continued

In 2010, the connected transaction in relation to the acquisition of assets by way of share (A share) issue by the Company to a specific object was completed, and the Company issued 362,048,187 additional A shares to Qingdao Hisense Air-Conditioning under seasoned offering. The new shares were listed on 10 June 2010. On 30 June 2010, the registered capital of the Company changed from RMB992,006,563.00 to RMB1,354,054,750.00.

On 18 June 2013, 612,221,909 restricted A shares of the Company held by Qingdao Hisense Air Conditioning were no longer subject to selling moratorium and were listed for trading.

On 23 May 2014, upon the satisfaction of the conditions to the first exercise period of the First Share Option Incentive Scheme of the Company and after approval by and registration with the Shenzhen branch of China Government Securities Depository Trust & Clearing Co. Ltd., an additional of 4,440,810 new shares issued upon the exercise of options were approved for listing.

On 19 June 2015, upon the satisfaction of the conditions to the second exercise period of the First Share Option Incentive Scheme of the Company and after approval by and registration with the Shenzhen branch of China Government Securities Depository Trust & Clearing Co. Ltd., an additional of 4,229,810 new shares issued upon the exercise of options were approved for listing.

On 10 October 2018, the name of the Company was changed from Hisense Kelon Electrical Holdings Company Limited to Hisense Home Appliances Group Co., Ltd.

On 23 May 2023, the Company issued restricted shares to the incentive targets under the 2022 Restricted A Share Incentive Scheme. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration and the listing of the 25,422,000 newly issued shares.

As at 30 June 2023, the total number of shares of the Company was 1,388,147,370 and the registered share capital of the Company was RMB1,388,147,370.00, of which, the shareholding of the Company held by Qingdao Hisense Air-Conditioning was 37.23%.

Scope of operations of the Company:

General: Research and development of household electrical appliances; manufacture of household electrical appliances; sale of household electrical appliances; sale of spare parts for household electrical appliances; installation services for household electrical appliances; manufacture of refrigeration and air-conditioning equipment; sale of refrigeration and air-conditioning equipment; sale of household goods; retail sale of daily household appliances; repair of daily household electrical appliances; manufacture of consumer equipment for smart homes; sale of consumer equipment for smart homes; manufacture of mechanical and electrical equipment; sale of mechanical and electrical equipment; manufacture of moulds; sale of moulds; information systems integration services; internet sales (except sales of goods requiring a licence); sales of Internet of Things equipment; sales of electronic products; sales of Class I medical devices; sales of Class II medical devices; ticketing agency services; furniture installation and repair services; housekeeping services; health consultation services (excluding consultation services); advertising; import and export of goods; software development; software sales; technical services, technical development, technical consultation, technical exchange, technical transfer, technical promotion. (Except for special projects that are subject to approval by law, the business license shall be used to carry out business activities independently in accordance with the law) Permitted items: Internet sales of foodstuffs; electrical installation services; catering services; type II value-added telecommunications services; internet information services for medical devices. (Projects that require approval according to law may only commence business activities after approval by the relevant departments, and specific business projects are subject to the approval of the relevant departments or permits)

Place of registration of the Company: No. 8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.

Address of headquarters: No. 8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Please refer to Note VIII. (1) for the main subsidiaries included in the scope of consolidated financial statements by the Group. The consolidation scope has not changed in current period.

### III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

#### (1) Basis of preparation

The financial statements of the Group are prepared based on going-concern and actual transactions and events according to the Accounting Standards for Business Enterprises and relevant regulations, and the relevant disclosure required by the "Companies Ordinance" of Hong Kong and the "Listing Rules" of The Stock Exchange of Hong Kong, and prepared based on with the accounting policies and accounting assumptions set out in "IV. Major Accounting Policies and Accounting Estimates" in these notes.

#### (2) Going-concern

The Group has the ability to continue as a going concern for at least 12 months from the end of the Reporting Period, and there is no significant event that affects such ability.

### IV. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates: The accounting policies and accounting estimates developed by the Group according to characteristics of actual production and operation include business cycle, impairment of financial asset, the measurement of inventory dispatched, fixed assets classification and depreciation methods, amortization of intangible assets, conditions for capitalizing R&D expenses, recognition and measurement of incomes, etc.

#### 1. Declaration on Compliance with the Accounting Standards for Business

The Company has prepared the financial statements in accordance with the Accounting Standards for Business Enterprises, which gives a true and complete view of the financial position, trading results, cash flows and other information of the Company and of the Group.

#### 2. Accounting period

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

#### 3. Business cycle

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

#### 4. Reporting currency

Renminbi (RMB) is the currency in the primary economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries adopt RMB as their reporting currencies. The overseas subsidiaries of the Company adopt the Hong Kong dollar, Euro, Japanese Yen or Mexican Peso as their respective reporting currencies depending on the currency in the primary economic environment where they operate. RMB is the functional currency adopted by the Company in preparing these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

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

The assets and liabilities obtained by the Group as the merging party in a business combination are measured at the combination-date carrying amount of the merged party in the consolidated statement of ultimate controller. The difference between the carrying amount of net assets obtained and the carrying amount of the combination consideration paid shall be adjusted in capital reserve; if the capital reserve is not sufficient for offsetting, the retained earnings shall be adjusted.

The acquiree's identifiable assets, liabilities and contingent liabilities obtained in a business combination not under common control shall be measured at fair value at the acquisition date. The cost of combination is the sum of the fair value of cash and non-cash assets paid, liabilities incurred or assumed and equity securities issued by the Group for obtaining control of the acquiree at the acquisition date and all expenses incurred directly in the business combination (for the business combination is achieved in stages through multiple transactions, its cost of combination is the sum of costs of each single transaction). Where the cost of combination exceeds the acquirer's share of the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is less than the acquirer's share of the fair value of the acquiree's identifiable net assets, the measurement of the fair values of all the identifiable assets, liabilities and contingent liabilities obtained in the business combination and the fair values of non-cash assets or equity securities issued as the consideration for combination are firstly reviewed. If, after that review, the cost of combination is still less than the acquirer's share of the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in the consolidated non-operating revenue for the period.

#### 6. Preparation of consolidated financial statements

The Group includes all of its subsidiaries under its control in the scope of consolidated financial statements.

When preparing the consolidated financial statements, when the accounting policy and the accounting period that subsidiaries adopted are inconsistent with the Company, necessary adjustments are made to the financial statements of those subsidiaries according to the accounting policies or accounting period of the Company.

When preparing the consolidated financial statements, all significant internal transactions, balances and unrealized profits within the scope of combination shall be offset. Proportion of shareholder's equity of the subsidiaries which do not belong to the Company, and proportion of profit or loss for current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders, which shall be listed under "equity of minority shareholders, gain or loss attributable to minority interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to the minority shareholders" in the consolidated financial statements.

For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements since the beginning of the period of combination. When preparing comparative consolidated financial statements, adjustment shall be made to the related items in the financial statements for the last year, regarding as the reporting subject which was formed after combination has existed since the ultimate controller started control.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, the acquiree shall be regarded as the ultimate controller started the control and adjustment was made under current status. When preparing comparative financial statements, time limit is the time which not earlier than the Group and the acquiree are both under the control of ultimate controller, related assets and liabilities of the acquiree shall be included into the comparative statements of the consolidated financial statements of the Group, and net assets increased due to combination adjusted related items under shareholder's equity in the comparative statements. In order to prevent double calculation of the value of net assets of the acquiree, for long-term equity investment held by the Group before combination, from the date of obtaining original shareholding and the date on which the Group and the acquiree are under the same control, whichever is earlier, to the date of combination, the related profit or loss recognised, other comprehensive income and other change in assets, shall be written off retained earnings at the beginning of the comparative period and profit or loss for current period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 6. Preparation of consolidated financial statements — *Continued*

For subsidiaries acquired through business combination not under common control, its operating results and cash flows shall be included in the consolidated financial statements since the Group obtained its control. When preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

Shareholding acquired through different transactions in stages and obtained shareholding of the investee under common control and finally become business combination, when preparing consolidated financial statements, for shareholding of the acquiree which was holding before the date of acquisition, have to be re-measured according to the fair value of such shareholding on the date of acquisition, difference between the fair value and the carrying value shall be included as the investment income for current period. Other comprehensive income involving equity calculated under equity method which it holds before the related date of acquisition, and change in equity of other shareholders, besides net profit or loss, other comprehensive income and profit distribution, and change to investment profit or loss during the period which date of acquisition belong, except other comprehensive income incurred by the change in net liabilities or net assets from the newly measured defined benefit plan.

Proceeds from disposal of part of the equity investment in the subsidiaries without losing control and the disposal of long-term equity investment should enjoy the difference between the proportion of net assets calculated from the date of acquisition or date of combination in the consolidated financial statements, and adjust the share premium. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the Group losses control in the acquiree due to reasons such as disposal of part of the equity investment, remaining shareholding will be re-measured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The sum of proceeds obtained from the disposal of equity and fair value of the remaining shareholding, and less the difference of the proportion of net assets of the subsidiary calculated from the date of acquisition or combination according to the original shareholding proportion, and included into the investment profit or loss of loss of control for current period, and also goodwill will be written off. Other comprehensive income related to the original equity investment in the subsidiary, will be changed to investment profit or loss for current period upon loss of control.

For loss of control by the Group through different transactions and disposed shareholding in subsidiaries in stages, in case when each transaction that the Group loss control through disposal of shareholding in subsidiaries belongs to a series of transactions, accounting treatment for each transaction shall be treated as one transaction which involves disposal of subsidiary with loss of control. However, the difference between the proceeds for each disposal before loss of control and the proportion of net assets corresponding to the disposal of such subsidiary shall be recognised as other comprehensive income in the consolidated financial statements, and transfer to investment profit or loss of loss of control for current period upon loss of control.

#### 7. Classification of joint arrangements and accounting treatment for joint operations

Joint arrangement of the Group includes joint operation and joint venture. As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognised according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or 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.

#### 8. Cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents 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.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 9. Foreign currency transactions and translation of financial statements in foreign currency

##### (1) Foreign currency transactions

For foreign currency transactions of the Group, the amount in foreign currency shall be translated into RMB at the approximate exchange rate of the spot exchange rate at the date when the transactions take place. As at the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Translation differences arising thereon are directly included in the profit or loss for the period, except that exchange differences arising from specific borrowings in foreign currency attributable to the construction or production of a qualifying asset for capitalization are dealt with based on the capitalisation principle.

##### (2) Translation of financial statements in foreign currency

Asset and liability items in the balance sheet denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. The owners' equity items, except for the "undistributed profits", are translated at the approximate exchange rate of the spot exchange rate when a business takes place. Income and expense items in the income statement are translated at the spot exchange rate at the date when the transaction takes place. The translation differences arising from the above translation of statements denominated in foreign currency are presented in other comprehensive income item. Cash flows dominated in foreign currency are translated using the approximate exchange rate of the spot rate at the date when the cash flow occurs. Effects on cash arising from the changes in exchange rate are presented separately in the cash flow statement.

#### 10. Financial assets and financial liabilities

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

##### (1) Financial assets

###### 1) Classification, recognition and measurement of financial assets

The Group classifies financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group will classify financial assets that meet the following conditions into financial assets measured at amortized cost: ① the financial assets are managed within a business model whose objective is achieved by collecting contractual cash flow; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value with related transaction costs to be included in the initial recognition amount, and are subsequently measured at amortized cost. All gains or losses arising from the amortization, impairment, exchange loss and derecognition of such financial assets which are not part of any hedging relationships with the effective interest method are recorded into current profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 10. Financial assets and financial liabilities — Continued

##### (1) Financial assets — Continued

###### 1) Classification, recognition and measurement of financial assets — Continued

The Group will classify financial assets that meet the following conditions into financial assets at fair value through other comprehensive income: ① the financial assets are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value with related transaction costs to be included in the initial recognition amount. All gains or losses arising from the financial assets which are not part of any hedging relationships, other than credit impairment losses or gains, exchange gains or losses and interest on such financial assets calculated using the effective interest method, are recognized in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred out and be included in the profit or loss for the period.

The Group recognizes interest income using the effective interest method. Interest income is calculated and determined by applying the effective interest rate to the carrying balance of the financial asset, except: ① for the purchased or internally generated credit impaired financial assets, their interest income is calculated and determined based on amortized cost and credit-adjusted effective interest rate of such financial assets since the initial recognition; ② for the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit impaired, their interest income is calculated and determined based on amortized costs and effective interest rate of such financial assets in subsequent periods.

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

Other than the above financial assets classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the Group classifies its financial assets as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value with related transaction costs to be directly included in profit or loss for the period. Gains or losses on such financial assets are included in profit or loss for the period.

###### 2) Recognition and measurement of transfer of financial assets

The Group derecognizes financial assets if one of the following conditions is satisfied: ① the contractual rights to collect the cash flows from the financial asset expire; ② the financial asset has been transferred, and the Group has transferred substantially all the risks and rewards of ownership of the financial asset; and ③ the financial asset has been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and it has not retained control over such financial asset.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 10. Financial assets and financial liabilities — Continued

##### (1) Financial assets — Continued

##### 2) Recognition and measurement of transfer of financial assets — Continued

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

If the transfer of financial asset partially satisfies the conditions of derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the sum of the consideration received from the transfer and the accumulative amount of the changes of the fair value originally included in other comprehensive income which shall be apportioned to the derecognized portion (the transferred financial asset shall meet all of the following conditions: the Group's business model for managing the financial asset is to collect contractual cash flows; and the contractual terms of the financial asset require that the cash flow generated on a specific date is only for the payment of interest based on the principal), and the apportioned entire carrying amount of the said financial assets are included into current profit or loss.

##### (2) Financial liabilities

##### 1) Classification, recognition and measurement of financial liabilities

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

- ① Financial liabilities (includes derivative instruments that are financial liabilities) at fair value through profit or loss include held-for-trading financial liabilities and financial liabilities designated as measured at fair value through profit or loss at initial recognition. Such financial liabilities subsequently measured at fair value. Gains or losses arising from changes in fair value, as well as dividends and interest expenditure related to such financial liabilities are recorded in profit or loss for the period.
- ② Financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continuing involvements in the transferred financial assets. The Group measures such financial liabilities according to the relevant rules on financial assets transfer.
- ③ Financial guarantee contracts that do not fall within the range of ① or ②, and loan commitments that do not fall within the range of above ① and are at a rate less than the market interest rate. When the Group is the issuer of such financial liabilities, their value is measured at whichever is higher of the loss reserve amount determined in accordance with the financial instrument impairment rules and the balance after subtracting the accumulated amortization amount determined in accordance with the income rules from the initially recognized amount, after initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 10. Financial assets and financial liabilities — *Continued*

##### (2) *Financial liabilities — Continued*

##### 2) *Conditions for derecognition of financial liabilities*

When the present obligations of financial liabilities are released in whole or in part, such financial liabilities are derecognized to the extent of the obligations released. Where the Group enters into an agreement with its creditor to replace existing financial liabilities by assuming new financial liabilities with contractual terms substantively differ from those of the existing financial liabilities, the existing financial liabilities are derecognized while the new financial liabilities are recognized. Where the Group substantively revises, in whole or in part, the contractual terms of existing financial liabilities, such existing financial liabilities are derecognized in whole or in part, while those financial liabilities with their terms revised are recognized as new financial liabilities. The difference between the carrying amount of the derecognised part and the consideration paid is included in the profit or loss for the current period.

##### (3) *Method for determination of fair values of financial assets and financial liabilities*

Fair values of financial assets and financial liabilities of the Group are measured at the prices in principal market. In case there is no principal market, fair values of financial assets and financial liabilities are calculated using the price which is the most beneficial to the market, and using valuation technology which is the most appropriate at that time and with sufficient available data and other information. The inputs which are used to measure the fair value have been divided into 3 levels by the Group: Level 1-inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities. Level 2-inputs are quoted prices for the asset or liability (other than those included in Level 1) that are either directly or indirectly observable. Level 3-inputs are unobservable inputs to the related assets or liabilities. The Level 1 inputs are the first priority to use by the Group, and level 3 inputs will be the last one to use. The level of fair value measurement is determined by the lowest level of inputs which are significant to the measurement of fair value as a whole.

The Group measures investments in equity instruments at fair value. However, in limited circumstances, if recent information on determining fair value is insufficient, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, the cost may be an appropriate estimate of fair value with that range.

##### (4) *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities of the Group shall be presented separately in the balance sheet and shall not be offset. However, when all of the following conditions are met, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet: (1) the Group has a legal right that is currently enforceable to set off the recognized amount, and (2) the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 10. Financial assets and financial liabilities — *Continued*

##### (5) *Classification and treatment of financial liabilities and equity instruments*

The Group classifies financial liabilities and equity instruments on the following principles: (1) Where the Group is unable to unconditionally avoid delivering cash or another financial asset to fulfil a contractual obligation, the contractual obligation meets the definition of a financial liability. Although some financial instruments do not explicitly include the terms and conditions imposing the contractual obligation to deliver cash or another financial asset, they may indirectly give rise to the contractual obligation through other terms and conditions. (2) Where a financial instrument will or may be settled in the Group's own equity instrument, consideration shall be given to whether the Group's own equity instrument as used to settle the instrument is a substitute of cash or another financial asset or the residual interest in the assets of an entity after deducting all of its liabilities. In the former case, the instrument shall be the issuer's financial liability; in the latter case, the instrument shall be the equity instrument of the issuer. Under certain circumstances whereby a financial instrument contract stipulates that the Group will or may use its own equity instrument to settle the financial instrument, and the amount of the contractual right or obligation equal to the number of its own equity instruments to be received or delivered multiplied by their fair value at the time of settlement, the contract shall be classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or fluctuates in full or in partly in response to changes in a variable other than the market price of the Group's own equity instruments (for example an interest rate, a commodity price or a financial instrument price).

When classifying a financial instrument (or a component thereof) in consolidated financial statements, the Group shall consider all terms and conditions agreed between members of the Group and the holders of the financial instrument. If the Group as a whole has an obligation in respect of the instrument to settle it by delivering cash or another financial asset or in such a way that it would be a financial liability, such instrument shall be classified as a financial liability.

If the financial instrument or its component is attributable to the financial liability, the relevant interests, dividends, gains or losses, and gains or losses arising from redemption or refinancing, shall be recorded in the profit or loss of the current period.

If the financial instrument or its component is attributable to equity instrument, the Group shall treat it as change in equity when it is issued (including refinanced), repurchased, sold or cancelled, and shall not recognize changes in fair value of equity instrument.

#### 11. Notes receivable

The Group calculates loss provision of notes receivable based on the amount equivalent to the expected credit loss within the entire duration of the life. Based on the credit risk characteristics of notes receivable, the Company divides them into different groups:

<b>Item</b>	<b>Basis for determination of groups</b>
Bank acceptance notes	Acceptor being a bank with less credit risk
Commercial acceptance notes	Based on the credit risk of the acceptor (same as accounts receivable)

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 12. Accounts receivable

For accounts receivable and contract assets which do not contain significant financing components, the Company measures the loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables, contract assets and lease receivable which contain significant financing components, the Company always chooses to measure the loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to accounts receivable and contract assets with individually assessed credit risks, based on their credit risk characteristics, the Company divides them into different groups:

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

#### 13. Financing receivables

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

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

#### 14. Other receivables

Based on whether the credit risk of other receivables is significantly increased or not after initial recognition, the Group measures impairment loss by using the amount of expected credit losses equivalent to the entire duration of the life or within the next 12 months. In addition to other receivables with individually assessed credit risks, based on their credit risk characteristics, the Company divides them into different groups:

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 15. Inventories

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

The Group maintains a perpetual inventory system. Inventories are recorded at cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. Low-value consumables and packaged goods are amortised using one-time resale method.

The Group carries out a comprehensive inventory on the balance sheet date. Provision for decline in value of inventories is calculated or adjusted at the lower of cost and net realisable value. The net realisable value of finished goods, work in process and materials for sale, is determined by estimated price deducting estimated selling costs and related taxes. The net realisable value of production materials is determined by estimated price deducting estimated completion cost, sale expenses and related sales taxes.

#### 16. Contract Assets

##### **(1) Method and standards for recognition of contract assets**

A contract asset represents the Group's right, which depends on factors other than the passage of time, to receive consideration in exchange for goods that the Group has transferred to a customer. If the Group sells two clearly distinguishable goods to customers, it is entitled to receive payment for one of the goods that has been delivered, but the payment is also dependent on the delivery of the other of the goods, the Group regards the right to receive payment as a contract asset.

##### **(2) Method of determination and accounting treatment of expected credit loss of contract assets**

For method of determination of expected credit loss of contract assets, please refer to the description in "11. Notes receivable" and "12. Accounts receivable" above.

About the accounting treatment method, the Group calculates the expected credit loss of contract assets on the balance sheet date. If the expected credit loss is greater than the carrying amount of the current provision for contract assets, the Group recognises the difference as impairment losses, and it will debit "asset impairment loss" and credit "provision for impairment of contract assets". Otherwise, the Group recognises the difference as an impairment gain and makes the opposite accounting record.

If the Group incurs credit loss and determines that the relevant contract assets are unrecoverable, subject to the approval for writing off, it will debit "provision for impairment of contract assets" and credit "contract assets" based on the approved amount written-off. If the written-off amount is greater than the loss allowance made, the "asset impairment loss" is debited for the difference.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 17. Contract costs

##### **(1) Method of determination of amount of assets relating to contract costs**

The Group's assets relating to contract costs include contract performance cost and contract acquisition cost.

Contract performance cost refers to the cost incurred by the Group to perform a contract which does not fall under the scope of the Accounting Standards for Business Enterprises and meets all of the following conditions, which is recognised as an asset as contract performance cost: the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract; the costs generate resources of the Group that will be used in satisfying performance obligations in the future; the costs are expected to be recovered.

Contract acquisition cost refers to the incremental cost for the Group to obtain a contract which is expected to be recoverable which is recognised as an asset as contract acquisition cost. If the amortisation period is no more than one year, the contract acquisition cost is included in profit or loss as incurred. Incremental cost refers to the cost which will not be incurred by the Group had no contract been acquired (such as commission etc.). Other expenses incurred by the Group to obtain contracts (other than the incremental cost which is expected to be recoverable) (such as travelling expenses which will be incurred regardless of whether the contract will be obtained) are included in profit or loss as incurred, save for those expressly to be borne by customers.

##### **(2) Amortisation of assets relating to contract costs**

The Group's assets relating to contract costs are amortised using the same basis as that for recognition of the revenue from goods relating to the assets, which are included in profit or loss.

##### **(3) Impairment of assets relating to contract costs**

In determining the loss on impairment of assets relating to contract costs, the Group first determines the impairment loss for other assets relating to contract costs recognised in accordance with the relevant Accounting Standards for Business Enterprises and then makes provision for impairment based on the excess of its carrying value over the sum of the remaining consideration expected to be received from transfer of the goods relating to the asset and the cost expected to be incurred for transfer of the relevant goods, which is recognised as loss on impairment of assets.

If there is any change in the factors causing impairment in the previous periods, resulting in the said difference higher than the carrying value of the asset, the provision for impairment of assets previously made is reversed and is included in profit or loss. However, the carrying value of the asset following reversal shall not exceed the carrying value of the asset as at the date of reversal had no provision for impairment been made.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 18. Long-term equity investments

Long-term equity investments of the Group are the investments in subsidiaries and investment in associates and investment in joint ventures.

Basis for determination in respect of common control is that all participated parties or a group of participated parties control such arrangement, and that policies of such related business of such arrangement have to obtain unanimous agreement by all parties that are control such arrangement.

When the Group directly or indirectly throughout its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee. For voting rights less than 20% in the investee, the board or representative in similar authority in the investee or the implementation processes of financial or operation policies of investee have also been taken into account, or significant transaction with the investee, or management personnel send to the investee, or significant technology information provided to the investee which have significant influence to the investee.

If the Group has control over an investee, it is a subsidiary of the Group. For long-term equity investments obtained through business combination under common control, proportion of carrying value of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost of the long-term investment. For carrying value of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

For equity interests in investees under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of long-term equity investments in the financial statements of the Company for the reporting period in which the control is acquired. For example, for equity interests in investees under common control acquired in a series of transactions which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not fall under a series of transactions, according to proportion of fair value of net assets of acquiree after the combination in the consolidated financial statements of the ultimate controller, and accounted as the initial investment cost of long-term equity investment on the date of combination. Difference between initial investment cost and the carrying value of long-term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

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

For equity interests in investees not under common control acquired in a series of transaction which constitute business combination, supplementary disclosure on the accounting of cost of long-term equity investments in the financial statements of the Company for the reporting period in which the control is acquired. For example, for equity interests in investees not under common control acquired in a series of transactions which constitute business combination and a package of transactions, the Group accounts for each transaction as a transaction in which the control has been obtained. If it does not belong to a series of transaction, initial investment cost will be the sum of the carrying value of the equity investment which it originally holds, and initial investment cost will change to cost method. For shareholding which it holds before the date of acquisition which uses equity method, other related comprehensive income which use equity method for accounting shall not be adjusted, such investment shall use the same accounting basis as the investee when it directly disposes of related assets or liabilities upon disposal. If the equity held before the purchase date were designated as financial assets at fair value through other comprehensive income, the cumulative gain or loss of the equity originally included in other comprehensive income should be transferred out of other comprehensive income and included in retained earnings; if they were financial assets at fair value through profit and loss, the gain or loss of the equity that was originally included in the profit and loss of the change in fair value does not need to be transferred to investment gain. If the equity held before the purchase date is an investment in other equity instruments, the changes in the fair value of the equity instrument investment accumulated in other comprehensive income before the purchase date shall be transferred to retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 18. Long-term equity investments — *Continued*

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment is expensed as the cost of investment based on the actual amount of cash paid for the purchase. For long-term equity investments acquired by issuing equity securities, the cost of investment is the fair value of the equity securities issued. For long-term equity investments invested in the Group by the investor, the investment cost is the agreed consideration as specified in the contract or agreement.

The Group's investments in subsidiaries are accounted for using cost method, while investments in the associates and joint ventures are accounted for under equity method.

For long-term equity investments for which the subsequent measure is accounted for using cost method, when making additional investment, carrying value of the long-term equity investments will be increased according to the fair value of cost of additional investment and the related expenses incurred by related transactions. For cash dividend or profit paid by the investee, it shall be recognised as investment income for current period using the amount which it entitles.

For long-term equity investment for which the subsequent measurement is accounted for under equity method, carrying value of long-term equity investment shall be increased or decreased accordingly according to the change in the shareholders' equity of the investee. When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Group, and after offsetting profit or loss incurred in internal transaction between associates and joint ventures, and calculate the proportion which is attributable to the investing company according to the shareholding, and recognised after adjustment is made to the net profit of the investee.

On the disposal of a long-term equity investment, the difference between the carrying value and the consideration actually received is recognised as investment income for the period. For long-term equity investments accounted for under equity method, the relevant other comprehensive income accounted for by the original equity method shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method is terminated. The owner's equity recognised by changes in other owner's equity other than profit and loss, other comprehensive income and profit distribution shall be all transferred to the current investment income when the equity method is terminated.

Where the common control or significant influence over the investee is lost due to the partial disposal of equity investment, and the residual equity after disposal is accounted as per the *Accounting Standards for Enterprises No. 22: Recognition and Measurement of Financial Instruments (Accounting [2017] No. 7)*, the balance between the fair value and book value of such residual equity on the date when the common control or significant influence is lost shall be included in profit or loss for the period. Other comprehensive income recognized as a result of calculating original equity investment by equity method shall be accounted for on the same basis as that used by the investee to directly dispose of the relevant assets or liabilities when ceasing to use the equity method, and carried forward proportionately. Owner's equity recognized as a result of changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution, shall be transferred to current investment yield on a proportionate basis.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 18. Long-term equity investments — Continued

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

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

#### 19. Investment properties

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

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortised using the same policy as that for buildings and land use rights.

In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 20. Fixed assets

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

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

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

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

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

#### 21. Construction in progress

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

#### 22. Borrowing costs

Borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for a relatively long time, and can reached usable or sale condition after that. Borrowing costs start capitalization when the assets expense and borrowing costs were incurred and the construction or production activities, in order to make assets to reach the expected usable or sale condition have started; When construction or assets that fulfil the capitalization conditions reached the expected usable or sale condition, the capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 23. Right-of-use assets

The right-of-use assets refer to the right of underlying assets in the lease term for the Group as a lessee.

##### (1) Initial measurement

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee, which is defined as incremental costs arising due to the obtaining lease; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, while costs of production of inventory are excluded.

##### (2) Subsequent measurement

After the commencement date, the Group shall measure the right-of-use assets at cost, which is the measurement of right-of-use assets at cost less accumulated depreciation and accumulated impairment losses. If the Group re-measures lease liability in accordance with the relevant provisions of the lease standards, the book value of the right-of-use assets shall be adjusted accordingly.

##### (3) Depreciation of right-of-use assets

At the commencement date, the Group depreciates the right-of-use assets. Right-of-use assets are usually depreciated starting from the month of the lease term. The depreciation amount accrued is included in the cost of the relevant asset or current profit or loss based on the use of the right-of-use asset.

When determining the depreciation method of the right-of-use assets, the Group makes decision based on the expected consumption method of the economic benefits related to such right-of-use assets, and depreciates the right-of-use assets by the straight-line method.

When determining the depreciation period of the right-of-use assets, the Group follows the following principles: If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life.

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

If the right-of-use asset is impaired, the Group performs subsequent depreciation based on the book value of the right-of-use assets after deducting the impairment loss.

#### 24. Intangible assets

The Group's intangible assets mainly include land use right, trademark right, patented technology, etc. Intangible assets are measured at the actual costs at acquisition. For purchased intangible assets, actual paid cost and other relevant expenses are used as the actual cost. For intangible assets invested by investors, the actual cost is determined according to the values specified in the investment contract or agreement, while for the unfair agreed value in contract or agreement, the actual cost is determined at the fair value. Intangible assets acquired in a merger not under common control that are owned by the acquiree but not recognised in its financial statements are recognised as intangible assets at fair value on initial recognition of the acquiree's assets.

The Group amortizes land use right on the basis of its useful life by straight line method since it is acquired. Other intangible assets are amortized evenly on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year. The amortization amount is accounted into profit and loss in the current period according to the beneficiary object of intangible assets. The Group makes the assessment on the estimated useful life and amortization method of intangible assets with limited useful life at the end of each year. Any changes will be dealt with as changes on accounting estimates.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 24. Intangible assets — Continued

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

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

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

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

#### 25. Expenditure on research and development

- (1) The Group classifies the expenditure on an internal research and development project into expenditure at the research phase and expenditure at the development phase.
- (2) Specific criteria for the classification of the Company's internal research and development projects into research phase and development phase:

Research phase: the phase at which creative investigation and research activities are carried out as planned for the purpose of obtaining and understanding new scientific or technical knowledge.

Development phase: the phase at which the research achievement or other knowledge is applied to a particular project or design in order to produce new or substantially improved materials, devices, products and etc. before commercial production or utilization.

- (3) Expenditure at the research phase of an internal research and development project is recognized in profit or loss for the period when it is incurred.
- (4) Expenditure at the development phase of an internal research and development project is recognised as an intangible asset only if all of the following conditions are satisfied at the same time:
  - ① It is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - ② Management intends to complete and to use or sell the intangible asset;
  - ③ It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or for the intangible asset itself, and that it can be used if the intangible asset is to be used internally;
  - ④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
  - ⑤ The expenditure attributable to the intangible asset at its development phase can be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 25. Expenditure on research and development — *Continued*

- (5) All the expenditures on research and development which cannot be distinguished between the research phase and development phase are recognised in the profit or loss when incurred.

#### 26. Impairment of long-term assets

The Group would assess intangible assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress, right-to-use assets and intangible assets and operating lease assets with limited useful lives at each of the balance sheet date. When there is indication that there is impairment, the Group would perform impairment test. Impairment test should be made for goodwill and intangible assets with uncertain useful life, at the period end regardless of whether there is indication of impairment loss.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

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

#### 27. Long-term prepaid expenses

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

#### 28. Contract liability

A contract liability reflects the Group's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer has paid the contract consideration or the Group has obtained the unconditional rights to consideration before the Group transfers goods to the customer, the Group will present the amount received or receivable as a contract liability at the time of actual payment by the customer or the due date of the amount to be paid by the customer, which is the earlier.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 29. Employee compensation

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

Short-term remuneration mainly includes salaries, bonuses, allowance and subsidies, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs and non-monetary welfare etc. Short-term remuneration incurred during the accounting period in which the staff provided services is recognised as a liability, and included in profit or loss for the current period or as related asset cost in accordance with beneficiaries.

Post-employment benefits mainly include pension insurance premium and unemployment insurance premium. According to the Company's risks and obligations, they are classified as defined contribution plans and defined benefit plans. As for the defined contribution plans, the contributions which are made for individual subjects in exchange for the staff's services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in profits or losses in the current period or relevant asset costs according to the beneficiaries; whereas defined benefit plans served a system of severance pay for its staff.

Where the Group terminates the employment relationship with employees before the expiration of the employment contracts or proposes compensation to encourage employees to accept voluntary redundancy, it shall recognise employee compensation liabilities arising from termination benefit and included in profit or loss for the current period, on the date when the Group may not revoke unilaterally the termination benefit provided due to the termination of employment relationship plans or employee redundancy proposals or when the Group recognises the cost and expenses related to restructuring involving in the payment of termination benefit, whichever is earlier. However, if the termination benefit is not expected to be fully paid within 12 months from the end of the reporting period, it shall be accounted for as other long-term staff remuneration.

#### 30. Lease Liabilities

##### (1) *Initial measurement*

The lease liability is initially measured at the present value of the outstanding lease payments on the commencement date of the lease term.

##### 1) *Lease payment*

The lease payment refers to the amount paid by the Group to the lessor in relation to the right to use the leased asset during the lease term, including: ①The fixed payment and the substantial fixed payment, net of the lease incentive amount when there is a lease incentive; ②The variable lease payments depending on the index or ratio, which are determined at the time of initial measurement based on the index or ratio on the commencement date of the lease term; ③The exercise price of the call option, provided that the Group reasonably determines that it will exercise the option; ④ The amount payable to exercise the option to terminate a lease, provided that the lease term reflects that the Group will exercise the option to terminate the lease; ⑤The amount payable based on the residual value of the security provided by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 30. Lease Liabilities — Continued

##### (1) Initial measurement — Continued

##### 2) Discount rate

In calculating the present value of the lease payment, if it is impossible to determine the interest rate implicit in lease, the incremental borrowing rate of the Group shall be adopted as the discount rate. The incremental borrowing rate is defined as the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment. Such rate is related to ① The Group's conditions, including its solvency and credit status; ② the term of "borrowing", being the lease term; ③ the amount of "borrowing", being the amount of the lease liabilities; ④ "mortgage condition", namely, the nature and quality of the underlying assets; ⑤ the economic environment, including the jurisdiction where the lessee is located, the denominated currency, and the timing when contract was signed, etc. The Group takes the bank loan interest rate as the basis and adjusts the above factors to achieve the incremental borrowing interest rate.

##### (2) Subsequent measurement

After the commencement date, the Group conducts subsequent measurement of the lease liabilities according to the following principles: ① When confirming the interest of the lease liabilities, increase the carrying amount of the lease liabilities; ② When paying the lease payment, reduce the carrying amount of the lease liabilities; ③ When the lease payment changes due to revaluation or lease changes, the book value of the lease liability is remeasured.

The Group shall calculate the interest expenses of the lease liabilities for each period of the lease term at a cyclically fixed interest rate and include them in profit or loss for the current period, except for those subject to capitalization. The cyclical interest rate refers to the discount rate used by the Group in the initial measurement of lease liabilities, or the amended discount rate used by the Group when lease liabilities need to be remeasured at the revised discount rate due to changes in lease payment or change of lease.

##### (3) Remeasurement

After the commencement date, the Group remeasures the lease liability based on the present value of the lease payment after the change and the revised discount rate, if the following situation arises. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss. ① a modification in the in-substance fixed lease payments (In this case, discounted using the original discount rate); ② a change in the amounts expected to be paid under residual value guarantees (In this case, discounted using the original discount rate); ③ a change in future lease payments arising from change in an index or rate (In this case, discounted using the revised discount rate); ④ a change in assessment of the purchase option (In this case, discounted using the revised discount rate); ⑤ changes in the evaluation result or actual exercise of the option to renew or terminate the lease (In this case, discounted using the revised discount rate).

#### 31. Provisions

Obligations pertinent to the contingencies which satisfy all the following conditions are recognised as accrued liabilities: (i) The obligation is a current obligation borne by the Group; (ii) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (iii) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 31. Provisions — *Continued*

If all or part of the expenses required for settlement of accrued liabilities are expected to be compensated by a third party, the compensation amount shall, on a recoverable basis, be recognised as an asset separately, and compensation amount recognised shall not be more than the carrying amount of the accrued liabilities.

#### 32. Share-based payments

The equity-settled share-based payment in return for employees' services shall be measured based on the fair value of equity instruments granted to the employees on the grant date. If the equity-settled share-based payment cannot be vested until the services are completed in vesting period or until the prescribed performance conditions are met, then within the vesting period, the amount of fair value should, based on the best estimate of the number of vested equity instruments, be included in relevant costs or expenses according to the straight-line method, and the capital reserves should be increased accordingly when the equity instruments can be vested upon grant.

Cash-settled share-based payments are measured at the fair value of liabilities determined on the basis of Shares or other equity instruments assumed by the Group. For those vested immediately upon the grant, the fair value of the liabilities assumed as at the date of grant are charged to relevant costs or expenses and the liabilities are increased accordingly. For those vested upon completion of services for the vesting period or fulfilment of performance conditions, the Group charges the services obtained in the current period to costs or expenses at each balance date during the vesting period based on the best estimate of vesting conditions and according to the fair value of the liability assumed by the Group and adjusts the liabilities accordingly.

At each balance sheet date or settlement date before the settlement of relevant liabilities, the fair value of liabilities are remeasured with respective changes included in the profit or loss for the current period.

If the Group cancelled the granted equity instrument during the vesting period (other than cancellations due to non-fulfilment of the vesting conditions), it is deemed as accelerated vesting, as if all vesting conditions of the equity-based payment scheme during the remaining vesting period have been fulfilled, all expenses of the remaining vesting period are recognised during the period of cancellation of such equity instrument granted.

#### 33. Recognition and measurement of revenue

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

The Group recognizes revenue when a performance obligation in the contract is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

When the contract contains two or more performance obligations, on the inception of the contract, the transaction price is allocated to each separate performance obligation in proportion to the stand-alone price of the promised goods or services, and the revenue is recognized according to the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. An entity shall recognize a refund liability if the entity expects to refund some or all of the consideration to the customer which is not included in the transaction price. Where there is significant financing component in the contract, the Group shall determine the transaction price on the basis of the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest rate method during the contract period. The Group shall not take into account the existence of a significant financing component in the contract if the Group expects, at contract inception, that the period between when the customer acquires the control of a promised good or service and when the customer pays for that good or service will be one year or less.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 33. Recognition and measurement of revenue — *Continued*

The Group satisfies a performance obligation over time, if one of the following criteria is met; otherwise, it satisfies a performance obligation at a point in time:

- (1) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (2) The customer can control the asset which is created by the Group's performance;
- (3) The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to receive payment in respect of performance completed to date during the whole contract period.

For a performance obligation satisfied over time, the Group shall recognize revenue over time by measuring the process towards complete satisfaction of the performance obligation. If the Group unable to reasonably measure the progress towards complete satisfaction of a performance obligation and the costs incurred by the Group can be expected to be compensated, the revenue shall be recognized according to the costs incurred until such time that it can reasonably measure the process towards complete satisfaction of the performance obligation.

For a performance obligation satisfied at a point in time, the Group shall recognize revenue when the customer obtains control of relevant goods or services. In judging whether customers obtain control of promised goods or services, the Group considers the following indications:

- (1) The Group has a present right to receive the payment in respect of the goods or services;
- (2) The Group has transferred the legal title of the goods to customers;
- (3) The Group has transferred physical possession of the goods to customers;
- (4) The Group has transferred the significant risks and rewards of the ownership of the goods to the customers;
- (5) Customers have accepted the goods or services.

The Group's right to consideration in exchange for goods or services that it has transferred to a customer is stated as contract asset. The Group recognises allowances for impairment loss for expected credit loss on contract assets. Receivable is the Group's unconditional right to consideration to be received from a customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 34. Government grants

Government grants are monetary assets or non-monetary assets transferred from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are divided into asset-related government grants and income-related government grants.

Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to revenue. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) In case a project for which the grants are granted is specified in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed and, if necessary, changed on each balance sheet date; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

If a government grant is in the form of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants has been confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants have been given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the Requirements for Disclosure of Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment has been specified in related documents and the payment thereof will be covered by corresponding budget to ensure such grants will be paid on time as specified; (4) pursuant to the specific situation between the Group and such grants, other relevant conditions (if any) should be satisfied.

A government grant related to an asset shall be recognized as deferred income, and included in profit or loss over the useful life of the asset based on reasonable and systemic methods. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs or losses are recognised; where the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period.

At the same time, if the government grants contain both assets related and income related, the accounting treatment will depend on the different parts of government grants; if it is difficult to distinguish, the whole government grants are classified as the income-related government grants.

The government grants related to daily activities of the Group, depending on the essence of economic business, are recognized in other income or used to offset relevant cost and expenses, otherwise, recognized in non-operating income or non-operating expenses.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be set-off against the book balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is other circumstance, the repayment shall be recognized immediately in profit or loss for the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 35. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are recognized based on the temporary differences between the tax bases and the carrying amount of assets and liabilities. A deferred tax asset shall be recognized for deductible losses to the extent that it is probable that tax profit will be available against which the deductible losses can be utilized in accordance with tax law. Deferred tax liabilities for temporary taxable differences relating to goodwill are not recognized to the extent they arise from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognized if the temporary differences arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. As at balance sheet date, deferred tax assets and deferred tax liabilities are determined using the applicable tax rates that are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Except for abovementioned circumstances, the Group recognises deferred income tax assets that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

#### 36. Segment statements

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments on the basis of operating segments.

An operating segment is a component of the Group that satisfies all the following conditions:

- (1) The component is able to generate revenues and incur expenses in the course of ordinary activities;
- (2) The operating results of the component are regularly reviewed by the Company's management in order to make decisions about resources to be allocated to the segment and to assess its performance;
- (3) Information on financial position, operating results and cash flows of the component is available to the Company. The accounting policies of operating segments are the same with the major accounting policies of the Company.

The segment revenue, operating results, assets and liabilities include the amount that is directly attributable to the segment and can be allocated to the segment on a reasonable basis. Revenue, assets and liabilities of an operating segment are determined at the amount before the elimination of inter-group transactions and inter-group current account balances. Transfer price between operating segments is calculated based on terms similar to those of the transactions with other parties.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 37. Lease

##### (1) Identification of lease

Lease refers to a contract under which the lessor transfers the right of use of assets to the lessee for consideration within a certain period of time. At the commencement date of the contract, the Group assesses whether the contract is a lease or contains a lease. If a party to the contract transfers the right of use of an identified asset or several identified assets for consideration within a certain period of time, such contract is regarded as leasing or includes leasing. In order to determine whether the right to control the use of the identified assets within a certain period of time has been transferred in the contract, the Group assesses whether the customers in the contract are entitled to substantially all economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

Where a contract concurrently contains multiple separate leases, the Group splits the contract and conduct accounting treatment respectively for all separate leases. Where a contract concurrently includes both leased and non-leased parts, the Group shall split the leased and non-leased parts and conduct accounting treatment.

##### (2) The Group as lessee

###### 1) Initial measurement

At the inception of the lease term, the Company recognizes the right-of-use assets and lease liabilities of the lease. For the recognition and measurement of right-of-use assets and lease liabilities, see "23. Right-of-use assets" and "30. Lease liabilities" of Note IV.

###### 2) Changes in leases

Changes in leases refer to the changes in the lease scope, lease consideration, and lease term other than the original contract terms, including the addition or termination of the rights of use of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract. The effective date of the lease change refers to the date both parties agreed on the lease change.

If modification of lease happens and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease: ① the modification of lease expands the scope of lease or extended the lease term by increasing the rights use of one or more leased assets; ② the increased consideration and the individual price of the expanded part of lease or extension of lease term are equivalent after adjustment is made in accordance with situation of the contract.

If accounting treatment for the modification of lease as a separate lease is not conducted, on the effective date, the Group shall apportion the consideration of the changed contract in accordance with the relevant provisions of the lease standards, and re-determine the lease period after the change; and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities. When calculating the present value of the lease payments after modification, the Group adopts the interest rate implicit in the lease for the remaining lease periods as the discount rate; if the lease interest rate implicit in the lease for the remaining lease period cannot be readily determined, the lessee's incremental borrowing rate shall then be used by the Group as the discount rate on the effective date of modification of lease. In view of the consequences of the above adjustment of the lease liabilities, the Group conducts accounting treatment in each of the following cases accordingly: ① if the modification of lease results in a narrower scope of lease or a shorter lease term, the lessee shall reduce the book value of the right-of-use assets, and recognise the gain or loss relevant to the partial or complete termination of the leases in the current profit or loss; ② for other modification of lease that may lead to remeasurement of lease liabilities, the lessee adjusts the book value of the right-of-use assets accordingly.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 37. Lease — Continued

##### (2) The Group as lessee — Continued

###### 3) Short-term leases and low-value asset leases

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

##### (3) The Group as lessor

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

The lessor classifies the lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases other than finance lease shall be classified as operating leases.

A lease is usually classified as a finance lease when one or more of the following conditions are satisfied: ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee. ② The lessee has the option to purchase the leased asset. The purchase price entered into is sufficiently low compared to the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined at the commencement date of the lease that the lessee will exercise the option. ③ Although the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased assets (not lower than 75% of the useful life of the leased assets). ④ On the commencement date of the lease, the present value of the lease receivable amount is basically equivalent to the fair value of the leased asset (not lower than 90% of the fair value of the leased assets). ⑤ The leased assets are of a special nature. If no major modifications are made to them, only the lessee can use them. If one or more of the following conditions exist in a lease, the Company may also be classified as a finance lease: ① If the lessee stops the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor; ② The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee; ③ The lessee can continue to lease at a rental rate far below the market level for the next period.

###### 1) Accounting treatment for finance lease

###### Initial measurement

At the beginning of the lease term, the Company confirms the finance lease receivable on the finance lease and terminates the recognition of the finance lease assets. When the initial measurement of the finance lease receivable is made by the Group, the Group uses the net lease investment as the entry value of the finance lease receivables.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 37. Lease — Continued

##### (3) The Group as lessor — Continued

###### 1) Accounting treatment for finance lease — Continued

###### Initial measurement — Continued

The net lease investment is the sum of the unsecured residual value and the present value of rental receipts that has not been received on the start date of the lease term, which is discounted according to the interest rate implicit in lease. The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including: ①The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted; ②Variable lease payments depending on the index or ratio, and such amounts are determined at the initial measurement based on the index or proportion at the beginning of the lease period; ③The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option; ④The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease; ⑤The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

###### Subsequent measurement

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate. Such periodic interest rate refers to the embedded discount rate used to determine the net lease investment. In the case of intermediate lease, if it is impossible to determine the embedded discount rate under such intermediate lease, discount rate of the original lease shall be adopted and adjustments shall be made based on initial direct costs of such intermediate lease. For a finance lease modification that is not accounted for as a separate lease, if the lease is classified as a finance lease when the change becomes effective on the lease start date, its discount rate shall be revised according to relevant regulations.

###### Accounting treatment for lease modification

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate case for accounting treatment: ①The modification expands the scope of the lease by increasing the right to use one or more leased assets; ②The increased consideration is equal to the individual price of the expanded portion of the lease as adjusted by the contractual situation.

For a finance lease modification that is not accounted for as a separate lease, if the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 37. Lease — *Continued*

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

##### 2) *Accounting treatment for operating lease*

Treatment of lease payment

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

Incentive measures provided

Total rental is recognised on a straight-line basis over the period of the lease, without excluding the rent-free period, rental fee are recognised during the rent-free period. If the Group has undertaken certain expenses of the lessee, the expenses will be deducted from total rental income, and the rental income will be allocated according to the balance of the rental income after deduction.

Initial direct costs

The initial direct costs incurred by the Group in relation to the operating leases shall be capitalized as the costs of the subject leased asset and apportioned on the same basis as the rental income recognition during the lease term, and included in current profit or loss.

Depreciation

For fixed assets in operating lease, the Group measures the depreciation in accordance with depreciation policies for similar assets; for other operating lease assets, the Group adopts a systematic and reasonable method on amortization.

Variable lease payments

The variable lease payments received by the Group that are not included in the lease receivables related to the operating leases are recognised in profit or loss in the period in which they are actually incurred.

Operating lease modification

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 38. Changes in critical accounting policies and estimates

##### (1) *Changes in critical accounting policies*

There are no changes in critical accounting policies of the Group in the current period.

##### (2) *Changes in critical accounting estimates*

There are no changes in critical accounting estimates of the Group in the current period.

### V. TAXATION

#### 1. The main types and rates of taxes

Type of taxes	Tax basis	Tax rate
Value-added tax	Sales tax is computed at 13%, 9%, 6%, 5% and 3%, respectively, of taxable income. Value-added tax is computed on the difference after deduction of input value-added tax of the current period. Input value-added tax is not deductible for value-added tax to which simple collection method is applicable.	13%, 9%, 6%, 5%, 3%
City maintenance and construction tax	Turnover tax payable	5%, 7%
Education surcharges	Turnover tax payable	3%
Enterprise income tax	Taxable income	25%/for details, please see the table below

Note: The overseas subsidiaries of the Company shall pay tax in accordance with local tax laws where they are located.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### V. TAXATION — Continued

#### 1. The main types and rates of taxes — Continued

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense Air-Conditioning Co., Ltd.	15.00%
Hisense Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Mould Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	15.00%
Guangdong Kelon Mould Co., Ltd.	15.00%
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15.00%
Foshan Shunde Rongsheng Plastic Co., Ltd.	15.00%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	15.00%
Foshan Hisense 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%
Kelon International Incorporation (KII)	8.25%/16.5%
Pearl River Electric Refrigerator Co., Ltd.	16.50%
Kelon Development Co., Ltd.	16.50%
Hisense (Hong Kong) America Manufacturing Co., Ltd.	16.50%
Hisense Mould (Deutschland) GmbH	15.00%
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	30.00%
Hisense Monterrey Property Management, S.de R.L. de C.V..	30.00%
Sanden Corporation	30.50%
SANDEN INTERNATIONAL (EUROPE) GmbH	30.00%
SANDEN MANUFACTURING EUROPE S.A.S.	28.00%
SANDEN MANUFACTURING POLAND SP.ZO.O.	17.00%
SANDEN INTERNATIONAL (U.S.A.), INC.	21.00%
SANDEN VIKAS (INDIA) LTD.	35.00%
SANDEN THAILAND CO., LTD.	20.00%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15.00%
Other overseas subsidiaries	5%-34%



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### V. TAXATION — *Continued*

#### 2. Tax preferences

Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202044005977) dated 19 December 2020 which was jointly issued by the Guangdong Science and Technology Department, Guangdong Finance Department, State Taxation Administration and Guangdong Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022. The re-assessment of High/New Technology Enterprise status for Hisense Ronshen (Guangdong) Refrigerator Co., Ltd. in 2023 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202044002017) dated 1 December 2020 which was jointly issued by the Guangdong Science and Technology Department, Guangdong Finance Department, State Taxation Administration and Guangdong Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022. The re-assessment of High/New Technology Enterprise status for Guangdong Kelon Mould Co., Ltd. in 2023 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

Hisense Refrigerator Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202037100323) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022. The re-assessment of High/New Technology Enterprise status for Hisense Refrigerator Co., Ltd. in 2023 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

Hisense Air-Conditioning Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202037100677) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022. The re-assessment of High/New Technology Enterprise status for Hisense Air-Conditioning Co., Ltd. in 2023 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

Qingdao Hisense Mould Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202037100274) dated 1 December 2020 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, State Taxation Administration and Qingdao Local Taxation Bureau, with an effective period of three years (2020, 2021 and 2022). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2020, 2021 and 2022. The re-assessment of High/New Technology Enterprise status for Qingdao Hisense Mould Co., Ltd. in 2023 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### V. TAXATION — *Continued*

#### 2. Tax preferences — *Continued*

According to the "Administrative Measures for the Recognition of High-tech Enterprises" (CTP No. [2016] 32) and the "Guidelines for the Recognition Management Work of High-tech Enterprises" (CTP No. [2016] 195), the Leading Group Office of National High-tech Enterprises Recognition and Management publicly issued the 2020 second batch of proposed high-tech enterprises of Guangdong Province on 19 December 2022. Hisense (Guangdong) Kitchen and Bath System Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2022, 2023 and 2024). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2022, 2023 and 2024.

According to the "Administrative Measures for the Recognition of High-tech Enterprises" (CTP No. [2016] 32) and the "Guidelines for the Recognition Management Work of High-tech Enterprises" (CTP No. [2016] 195), the Leading Group Office of National High-tech Enterprises Recognition and Management publicly issued the 2022 first batch of proposed high-tech enterprises of Guangdong Province on 19 December 2022. Foshan Shunde Rongsheng Plastic Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2022, 2023 and 2024). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2022, 2023 and 2024.

According to the "Administrative Measures for the Recognition of High-tech Enterprises" (CTP No. [2016] 32) and the "Guidelines for the Recognition Management Work of High-tech Enterprises" (CTP No. [2016] 195), the Leading Group Office of National High-tech Enterprises Recognition and Management publicly issued the 2022 fourth batch of proposed high-tech enterprises of Jiangsu Province on 22 December 2022. Hisense Rongsheng (Yangzhou) Refrigerator Co., Ltd., a subsidiary of the Company, was assessed as a high-tech enterprise, with an effective period of three years (2022, 2023 and 2024). According to the relevant tax preference regulation on Hightech Enterprises, the applicable enterprise income tax rate for this subsidiary is 15% in 2022, 2023 and 2024.

Hisense Rongsheng (Guangdong) Freezer Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Number: GR202144001612) dated 20 December 2021 which was jointly issued by the Guangdong Science and Technology Department, Guangdong Finance Department, State Taxation Administration and Guangdong Local Taxation Bureau, with an effective period of three years (2021, 2022 and 2023). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2021, 2022 and 2023.

Guangdong Foshan Shunde Kelon Property Service Co., Ltd., a subsidiary of the Company, meets the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2019] No. 13: engaging in industries not restricted or prohibited by the state and meeting the annual taxable income of no more than RMB3 million, the number of employees of no more than 300, and total assets of not exceeding RMB50 million; according to the relevant tax preferences for small and micro-sized enterprises, in 2023, the portion of the annual taxable income of no more than RMB1 million shall be deducted into the taxable income by 25%, and the enterprise income tax shall be prepaid at the rate of 20%; the annual taxable income between RMB1 million and RMB3 million shall be deducted into the taxable income by 50%, and the enterprise income tax shall be prepaid at the rate of 20%.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### V. TAXATION — Continued

#### 2. Tax preferences — Continued

Qingdao Hisense Commercial Cold Chain Co., Ltd., a subsidiary of the Company, received the Certificate of Hightech Enterprise (Number: GR202137100462) dated 4 November 2021 which was jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department and the State Administration of Taxation Qingdao Municipal Taxation Bureau, with an effective period of three years (2021, 2022 and 2023). According to the relevant tax preference regulation on High-tech Enterprise, the applicable enterprise income tax rate for this subsidiary is 15% in 2021, 2022 and 2023.

The subsidiaries of the Company which were incorporated in Hong Kong are subject to an enterprise income tax on the estimated assessable profits derived from or arising in Hong Kong at the following rates: (1) for KII: a rate of 8.25% is applied to the part which does not exceed HK\$2,000,000, while a rate of 16.5% is applied to the part which exceeds HK\$2,000,000; (2) for other Hong Kong subsidiaries: a rate of 16.5% is applied to all of them.

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

For the following disclosed financial statement information, unless otherwise noted, "Opening Balance" refers to the balance as at 1 January 2023; and "Closing Balance" refers to the balance as at 30 June 2023. "Current Period" refers to the period from 1 January to 30 June 2023; "Previous Period" refers to the period from 1 January to 30 June 2022. The Currency is denominated in RMB.

#### 1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	526,232.08	716,500.30
Bank deposits	2,602,109,031.37	2,468,795,515.31
Other cash at bank and on hand	1,960,903,628.29	3,531,783,411.76
<b>Total</b>	<b>4,563,538,891.74</b>	<b>6,001,295,427.37</b>
Including: Total amount deposited overseas	1,072,146,316.75	610,462,587.09

Notes to cash at bank and on hand:

Other cash at bank and on hand at the end of the period represented mainly security deposit for setting up bank acceptance notes (at the end of the period: RMB1,895,680,026.54, at the beginning of the period: RMB3,476,294,153.37).

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

Item	Closing balance	Opening balance
Security deposit	1,946,307,370.81	3,522,949,351.97
<b>Total</b>	<b>1,946,307,370.81</b>	<b>3,522,949,351.97</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 2. Transactional financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss for the current period	11,414,578,935.10	6,758,233,998.86
Including: Derivative financial assets	1,697,553.82	21,039,135.56
Wealth management products	11,412,881,381.28	6,737,194,863.30
<b>Total</b>	<b>11,414,578,935.10</b>	<b>6,758,233,998.86</b>

Notes to transactional financial assets:

The Group did not have high-risk entrusted wealth management of which the individual amount was significant, and no any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management. For details of fair value, please refer to Note X, 1. Assets and liabilities measured at fair value.

#### 3. Notes receivable

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

Category	Closing balance	Opening balance
Bank acceptance notes	131,048,514.08	62,225,000.00
Commercial acceptance notes	68,844,344.85	81,963,330.26
<b>Total</b>	<b>199,892,858.93</b>	<b>144,188,330.26</b>

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

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

Item	Pledged amount at the end of the period
Bank acceptance notes	131,048,514.08
<b>Total</b>	<b>131,048,514.08</b>

Note: For details of pledging, please refer to Note VI, 65. Assets with limited ownership or use rights.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 3. Notes receivable — Continued

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

Item	Amount reclassified into accounts receivable as at the end of the period
Commercial acceptance notes	187,743,670.12
<b>Total</b>	<b>187,743,670.12</b>

(4) As shown by provision for bad debts

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debts					
Provision for bad debts on					
a group basis	200,888,810.92	100.00	995,951.99	0.50	199,892,858.93
Including:					
Bank acceptance notes	131,048,514.08	65.23			131,048,514.08
Commercial acceptance notes	69,840,296.84	34.77	995,951.99	1.43	68,844,344.85
<b>Total</b>	<b>200,888,810.92</b>	<b>100.00</b>	<b>995,951.99</b>	<b>0.50</b>	<b>199,892,858.93</b>

(Continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt					
receivables for notes receivable					
Provision for bad debts for notes					
receivable on a group basis	144,680,985.53	100.00	492,655.27	0.34	144,188,330.26
Including:					
Bank acceptance notes	62,225,000.00	43.01			62,225,000.00
Commercial acceptance notes	82,455,985.53	56.99	492,655.27	0.60	81,963,330.26
<b>Total</b>	<b>144,680,985.53</b>	<b>100.00</b>	<b>492,655.27</b>	<b>0.34</b>	<b>144,188,330.26</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 3. Notes receivable — Continued

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

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

Item	Closing balance		%
	Book value	Provision for bad debts	
Acceptor being a bank with less credit risk	131,048,514.08		
<b>Total</b>	<b>131,048,514.08</b>		<b>-</b>

2) Among the group, provision for bad debts for Notes receivable by Commercial acceptance notes

Item	Closing balance		%
	Book value	Provision for bad debts	
Acceptor being a third party	69,840,296.84	995,951.99	1.43
<b>Total</b>	<b>69,840,296.84</b>	<b>995,951.99</b>	<b>1.43</b>

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

Item	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversal	Write-off	
Commercial acceptance notes	492,655.27	503,296.72			995,951.99
<b>Total</b>	<b>492,655.27</b>	<b>503,296.72</b>			<b>995,951.99</b>

4) Notes receivable written-off during the period

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 4. Accounts receivable

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

Category	Closing balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debts for accounts receivable	82,430,735.02	0.83	82,430,735.02	100.00	
Provision for bad debts for accounts receivable on a group basis	9,864,084,126.79	99.17	209,068,369.06	2.12	9,655,015,757.73
Including:					
Ageing analysis method	1,693,147,051.28	17.02	132,681,067.36	7.84	1,560,465,983.92
Receivables from related parties	5,391,465,565.37	54.20	4,025,813.07	0.07	5,387,439,752.30
Other amount	2,779,471,510.14	27.95	72,361,488.63	2.60	2,707,110,021.51
<b>Total</b>	<b>9,946,514,861.81</b>	<b>100.00</b>	<b>291,499,104.08</b>	<b>2.93</b>	<b>9,655,015,757.73</b>

(Continued)

Category	Opening balance				Carrying amount
	Book value		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debts for accounts receivable	84,543,983.28	1.06	84,543,983.28	100.00	
Provision for bad debts for accounts receivable on a group basis	7,891,388,433.48	98.94	225,686,133.57	2.86	7,665,702,299.91
Including:					
Ageing analysis method	1,689,953,878.88	21.19	133,906,891.31	7.92	1,556,046,987.57
Receivables from related parties	3,826,829,100.36	47.98	4,275,612.89	0.11	3,822,553,487.47
Other amount	2,374,605,454.24	29.77	87,503,629.37	3.68	2,287,101,824.87
<b>Total</b>	<b>7,975,932,416.76</b>	<b>100.00</b>	<b>310,230,116.85</b>	<b>3.89</b>	<b>7,665,702,299.91</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 4. Accounts receivable — Continued

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

1) Accounts receivable subject to separate provision for bad debts

Ageing	Closing balance			Reasons for provision
	Book value	Provision for bad debts	%	
Domestic customers	82,430,735.02	82,430,735.02	100.00	Expected to be difficult to recover in full
<b>Total</b>	<b>82,430,735.02</b>	<b>82,430,735.02</b>	<b>-</b>	<b>-</b>

2) Among the group, provision for bad debts for Accounts receivable by ageing analysis method:

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within three months	1,520,349,298.59	3,088,799.64	0.20
Over three months but within six months	22,380,211.50	2,238,021.15	10.00
Over six months but within one year	46,126,589.24	23,063,294.62	50.00
Over one year	104,290,951.95	104,290,951.95	100.00
<b>Total</b>	<b>1,693,147,051.28</b>	<b>132,681,067.36</b>	<b>7.84</b>

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

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

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within one year	5,387,439,752.30		
Over one year	4,025,813.07	4,025,813.07	100.00
<b>Total</b>	<b>5,391,465,565.37</b>	<b>4,025,813.07</b>	<b>0.07</b>

4) Among the group, provision for bad debts for Accounts receivable by other amounts:

Category	Closing balance		
	Book value	Provision for bad debts	%
Other amounts	2,779,471,510.14	72,361,488.63	2.60
<b>Total</b>	<b>2,779,471,510.14</b>	<b>72,361,488.63</b>	<b>2.60</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 4. Accounts receivable — Continued

##### (2) Accounts receivable presented by ageing

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

Ageing	Closing balance	Opening balance
Within three months	8,662,988,865.88	6,536,005,628.49
Over three months but within six months	292,941,925.40	447,891,643.76
Over six months but within one year	411,159,097.38	520,314,101.55
Over one year	579,424,973.15	471,721,042.96
<b>Total</b>	<b>9,946,514,861.81</b>	<b>7,975,932,416.76</b>

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

Category	Opening balance	Change during the period			Closing balance	
		Provision	Received or reversal	Exchange rate Write-off movement		
Separate provision	84,543,983.28		2,113,248.26		82,430,735.02	
Ageing analysis method	133,906,891.31	10,451,918.55	10,168,596.28	1,511,261.64	2,115.42	132,681,067.36
Receivables from related Parties	4,275,612.89	21,249.94	265,381.54		-5,668.22	4,025,813.07
Other amount	87,503,629.37	2,112,096.43	14,102,040.06	1,493,600.96	-1,658,596.15	72,361,488.63
<b>Total</b>	<b>310,230,116.85</b>	<b>12,585,264.92</b>	<b>26,649,266.14</b>	<b>3,004,862.60</b>	<b>-1,662,148.95</b>	<b>291,499,104.08</b>

##### (4) Accounts receivable written-off during the year

Item	Written-off amount
Account receivable written-off	3,004,862.60

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

The total top five accounts receivable of the Group by closing balance of debtors amounted to RMB5,320,224,184.53, accounting for 53.49% of the closing balance of account receivable. A provision for bad debts of RMB4,676,043.38 in total was made as at the end of the period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 5. Factoring of accounts receivable

##### (1) *By Category*

Item	Closing balance	Opening balance
Bank acceptance notes	8,305,275,290.25	4,817,127,421.42
Commercial acceptance notes	505,140,602.02	255,832,049.34
<b>Total</b>	<b>8,810,415,892.27</b>	<b>5,072,959,470.76</b>

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

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

Item	Amount derecognised as at the end of the period	Amount not derecognised as at the end of the period
Bank acceptance notes	4,097,528,078.73	
Commercial acceptance notes	23,907,546.28	
<b>Total</b>	<b>4,121,435,625.01</b>	

#### 6. Prepayments

##### (1) *Prepayments presented by ageing as follows*

Ageing	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	239,877,132.82	98.88	257,754,590.89	98.21
Over one year	2,712,656.15	1.12	4,689,384.67	1.79
<b>Total</b>	<b>242,589,788.97</b>	<b>100.00</b>	<b>262,443,975.56</b>	<b>100.00</b>

The Company had no prepayments of significant amount with ageing of over one year as at the end of the period.

##### (2) *Top five prepayments by supplier based on closing balance*

The total top five prepayments by supplier based on closing balance amounted to RMB158,657,205.90, accounting for 65.40% of total closing balance of prepayments.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	164,518,912.17	152,634,355.75
Other receivables	240,958,370.54	322,399,984.85
<b>Total</b>	<b>405,477,282.71</b>	<b>475,034,340.60</b>

##### 7.1 Dividends receivable

(1) Classification of dividends receivable

Item (or investee)	Closing balance	Opening balance
Huayu Sanden Auto Air-Conditioning CO., LTD.	163,597,886.89	152,634,355.75
SANPAK ENGINEERING INDUSTRIES	921,025.28	
<b>Total</b>	<b>164,518,912.17</b>	<b>152,634,355.75</b>

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

##### 7.2 Other receivables

(1) Classification of other receivables by nature of the amount

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	91,729,090.50	108,282,510.45
Refund of tax for exports		88,528,435.69
Other current account	343,848,328.98	277,592,801.28
<b>Total</b>	<b>435,577,419.48</b>	<b>474,403,747.42</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 7. Other receivables — Continued

##### 7.2 Other receivables — Continued

###### (2) Provision for bad debts for other receivables

	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (without credit impairment)	Third stage Lifetime expected credit loss (with credit impairment)	Total
Provision for bad debts				
Balance as at 1 January 2023	46,192,685.88	30,906,760.01	74,904,316.68	152,003,762.57
During the period, the balance of other receivables as at 1 January 2023:	-	-	-	-
- transferred to second stage	-28,218,154.33	28,218,154.33		
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period	16,708,217.15	25,000,000.00		41,708,217.15
Reversal for the period	1,013,043.45	3,044,262.93		4,057,306.38
Written-off for the period				
Charge off for the period			5,704,955.36	5,704,955.36
Other changes	10,669,330.96			10,669,330.96
Balance as at 30 June 2023	<b>44,339,036.21</b>	<b>81,080,651.41</b>	<b>69,199,361.32</b>	<b>194,619,048.94</b>

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

###### (3) Other receivables presented by ageing as follows

Ageing	Book value as at the end of the period
Within three months	196,893,106.04
Over three months but within six months	19,904,863.91
Over six months but within one year	24,768,770.71
Over one year	194,010,678.82
<b>Total</b>	<b>435,577,419.48</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 7. Other receivables — Continued

##### 7.2 Other receivables — Continued

###### (4) Provision for bad debts for other receivables

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recoveries or reversals	Write-off	Exchange rate movement	
Individual provision	58,030,000.00					58,030,000.00
Ageing analysis method	75,195,403.14	27,844,510.43	3,446,643.53	5,704,955.36	-19,308.29	93,869,006.39
Receivables from related parties	1,002,664.56		610,662.85			392,001.71
Other amount	17,775,694.87	13,863,706.72			10,688,639.25	42,328,040.84
<b>Total</b>	<b>152,003,762.57</b>	<b>41,708,217.15</b>	<b>4,057,306.38</b>	<b>5,704,955.36</b>	<b>10,669,330.96</b>	<b>194,619,048.94</b>

###### (5) Other receivables written-off during the period

Item	Amount
Other receivables written-off	5,704,955.36

###### (6) Top five other receivables by debtor as at the end of the period

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)	Provision for bad debts Closing balance
Top 1	Other current account	58,030,000.00	Over three years	13.32	58,030,000.00
Top 2	Security deposit	50,000,000.00	One to two years	11.48	50,000,000.00
Top 3	Other current accounts	8,169,266.32	Within three months	1.88	
Top 4	Other current accounts	6,754,710.03	Within three months	1.55	
Top 5	Other current accounts	4,200,000.00	Within three months	0.96	
<b>Total</b>	<b>-</b>	<b>127,153,976.35</b>	<b>-</b>	<b>29.19</b>	<b>108,030,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 8. Inventories

##### (1) *Classification of inventories*

Item	Closing balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,437,258,660.90	45,009,575.13	1,392,249,085.77
Works in progress	427,357,535.32	3,355,110.37	424,002,424.95
Finished goods	4,323,848,644.12	55,212,438.25	4,268,636,205.87
<b>Total</b>	<b>6,188,464,840.34</b>	<b>103,577,123.75</b>	<b>6,084,887,716.59</b>

(continued)

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,333,153,151.93	35,133,945.83	1,298,019,206.10
Works in progress	729,409,203.90	6,197,076.20	723,212,127.70
Finished goods	4,605,205,146.85	73,601,045.11	4,531,604,101.74
<b>Total</b>	<b>6,667,767,502.68</b>	<b>114,932,067.14</b>	<b>6,552,835,435.54</b>

##### (2) *Provision for declines in value of inventories*

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision for the year	Others	Recovered or written-off	Others	
Raw materials	35,133,945.83	13,541,479.84	817,125.88	4,312,393.20	170,583.22	45,009,575.13
Works in progress	6,197,076.20	826,389.13		3,504,474.55	163,880.41	3,355,110.37
Finished goods	73,601,045.11	51,850,376.05	583,443.19	70,383,235.58	439,190.52	55,212,438.25
<b>Total</b>	<b>114,932,067.14</b>	<b>66,218,245.02</b>	<b>1,400,569.07</b>	<b>78,200,103.33</b>	<b>773,654.15</b>	<b>103,577,123.75</b>

##### (3) *Basis of the provision for declines in value of inventories and reasons for the reversal or write-off during the period*

Item	Basis of the provision for declines in value of inventories	Reasons for the write-off of provision for declines in value of inventories during the period
Raw materials	The lower of the cost and net realizable value	Removal due to sales and consumption for production
Works in progress		
Finished goods		

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 9. Contract assets

##### (1) Contract assets

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Guarantee	16,853,572.65	3,758,315.64	13,095,257.01	10,729,193.43	3,810,825.36	6,918,368.07
<b>Total</b>	<b>16,853,572.65</b>	<b>3,758,315.64</b>	<b>13,095,257.01</b>	<b>10,729,193.43</b>	<b>3,810,825.36</b>	<b>6,918,368.07</b>

##### (2) Provision for impairment of contract assets during the period

Item	Provision for the period	Reversal for the period	Written-off/charged off for the period	Reason
Guarantee		52,509.72		
<b>Total</b>		<b>52,509.72</b>		—

#### 10. Non-current assets due within one year

Item	Closing balance	Opening balance
Time deposits due within one year	2,436,387,000.00	1,986,840,000.00
<b>Total</b>	<b>2,436,387,000.00</b>	<b>1,986,840,000.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 11. Other current assets

Item	Closing balance	Opening balance
Time deposits and interest	250,398,726.73	864,357,351.72
Prepaid tax and tax deductible	793,071,839.62	673,725,104.02
Prepaid expenses	174,680,315.19	164,655,734.25
<b>Total</b>	<b>1,218,150,881.54</b>	<b>1,702,738,189.99</b>

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

#### 12. Long-term equity investments

Investee	Opening balance	Increase in investment	Decrease in investment	Change for the period						Closing balance	Closing balance of provision for impairment
				Gains or losses from investment recognised using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made	Others		
I. Joint ventures											
Hisense Marketing Management Co., Ltd.	51,737,850.74			6,038,753.68							57,776,604.42
<b>Subtotal</b>	<b>51,737,850.74</b>			<b>6,038,753.68</b>							<b>57,776,604.42</b>
II. Associates											
Qingdao Hisense Financial Holdings Co., Ltd.	391,512,863.29			9,068,096.27							400,580,959.56
Qingdao Hisense International Co., Ltd.	136,533,516.26			45,071,171.84	3,842,849.26	91,077.65	-33,337,400.00				152,201,215.01
Associates of Sanden Company	938,556,326.44			125,999,803.56	182,975.14		-164,432,193.50		1,933,760.66	902,240,672.30	
<b>Subtotal</b>	<b>1,466,602,705.99</b>			<b>180,139,071.67</b>	<b>4,025,824.40</b>	<b>91,077.65</b>	<b>-197,769,593.50</b>		<b>1,933,760.66</b>	<b>1,455,022,846.87</b>	
III. Others											
Jiangxi Kelon Combine Electrical Appliances Co., Ltd.	11,000,000.00										11,000,000.00
<b>Subtotal</b>	<b>11,000,000.00</b>										<b>11,000,000.00</b>
<b>Total</b>	<b>1,529,340,556.73</b>			<b>186,177,825.35</b>	<b>4,025,824.40</b>	<b>91,077.65</b>	<b>-197,769,593.50</b>		<b>1,933,760.66</b>	<b>1,523,799,451.29</b>	<b>11,000,000.00</b>



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 12. Long-term equity investments — Continued

Note:

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

Including:

Item	Closing balance	Opening balance
Unlisted investments:		
Equity method	1,512,799,451.29	1,518,340,556.73
Joint ventures	57,776,604.42	51,737,850.74
Associates	1,455,022,846.87	1,466,602,705.99
<b>Total</b>	<b>1,512,799,451.29</b>	<b>1,518,340,556.73</b>

#### 13. Other equity instrument investments

Item	Closing balance	Opening balance
Non-trading equity investments	39,598,562.87	36,399,028.71
<b>Total</b>	<b>39,598,562.87</b>	<b>36,399,028.71</b>

#### 14. Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss for the current period	27,730,626.75	25,748,931.39
<b>Total</b>	<b>27,730,626.75</b>	<b>25,748,931.39</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VI. 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	272,561,387.36	41,666,850.83	314,228,238.19
2. Increase for the period		1,770,468.00	1,770,468.00
(1) Additions		1,770,468.00	1,770,468.00
3. Decrease for the period	5,224,108.37	5,819,111.00	11,043,219.37
(1) Disposal	782,588.19		782,588.19
(2) Exchange rate movement	4,441,520.18	5,819,111.00	10,260,631.18
4. Closing balance	267,337,278.99	37,618,207.83	304,955,486.82
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	105,511,832.00		105,511,832.00
2. Increase for the period	11,139,346.49	663,240.00	11,802,586.49
(1) Provision or amortisation	11,139,346.49	663,240.00	11,802,586.49
3. Decrease for the period	1,529,200.90		1,529,200.90
(1) Disposal			
(2) Exchange rate movement	1,529,200.90		1,529,200.90
4. Closing balance	115,121,977.59	663,240.00	115,785,217.59
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
3. Decrease for the period			
4. Closing balance			
IV. Carrying amount			
1. Carrying amount as at the end of the period	152,215,301.40	36,954,967.83	189,170,269.23
2. Carrying amount as at the beginning of the period	167,049,555.36	41,666,850.83	208,716,406.19

##### (2) Investment properties without ownership certificates

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

(3) Depreciation expenses amounted to RMB11,802,586.49 for the first half of 2023, compared to that of RMB11,054,937.39 for the first half of 2022.

(4) As at 30 June 2023, no investment properties were pledged by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 16. Fixed assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	5,334,224,263.07	5,317,673,134.03
Disposal of fixed assets	4,207,166.11	601,686.53
<b>Total</b>	<b>5,338,431,429.18</b>	<b>5,318,274,820.56</b>

#### 16.1 Fixed assets

(1) Particulars of fixed assets

Item	Lands	Buildings and structures	Machinery and equipment	Electronics, furniture and fixtures	Motor vehicles	Total
I. Original carrying amount						
1. Opening balance	301,471,043.71	3,898,186,333.64	4,871,545,780.05	3,357,313,876.06	55,366,087.13	12,483,883,120.59
2. Increase for the period	52,729,536.08	63,937,828.00	297,055,744.92	112,187,724.32	7,473,886.30	533,384,719.62
(1) Additions		1,817,897.33	40,441,501.98	47,510,744.76	3,355,058.21	93,125,202.28
(2) Transfer from construction in progress		45,908,401.38	251,760,762.91	61,469,870.18	3,487,233.37	362,626,267.84
(3) Exchange rate movement	52,729,536.08	16,211,529.29	4,853,480.03	3,207,109.38	631,594.72	77,633,249.50
3. Decrease for the period	359,499.97	279,046.97	113,859,851.95	77,646,602.93	3,112,088.18	195,257,090.00
(1) Disposal or retirement	359,499.97	279,046.97	113,859,851.95	77,646,602.93	3,112,088.18	195,257,090.00
(2) Exchange rate movement						
<b>4. Closing balance</b>	<b>353,841,079.82</b>	<b>3,961,845,114.67</b>	<b>5,054,741,673.02</b>	<b>3,391,854,997.45</b>	<b>59,727,885.25</b>	<b>12,822,010,750.21</b>
II. Accumulated depreciation						
1. Opening balance		1,547,977,253.92	2,670,788,393.90	2,715,512,116.18	31,420,532.06	6,965,698,296.06
2. Increase for the period		108,082,406.77	224,193,335.19	154,282,948.04	2,834,594.92	489,393,284.92
(1) Provision		107,772,027.65	223,743,122.97	154,138,488.18	2,793,096.09	488,446,734.89
(2) Exchange rate movement		310,379.12	450,212.22	144,459.86	41,498.83	946,550.03
3. Decrease for the period		6,609,234.97	96,205,359.69	77,792,397.14	1,725,752.88	182,332,744.68
(1) Disposal or retirement		160,339.67	91,835,471.81	72,556,628.37	1,591,489.22	166,143,929.07
(2) Exchange rate movement		6,448,895.30	4,369,887.88	5,235,768.77	134,263.66	16,188,815.61
<b>4. Closing balance</b>		<b>1,649,450,425.72</b>	<b>2,798,776,369.40</b>	<b>2,792,002,667.08</b>	<b>32,529,374.10</b>	<b>7,272,758,836.30</b>
III. Provision for impairment						
1. Opening balance		9,076,269.26	142,189,286.99	48,836,772.16	409,362.09	200,511,690.50
2. Increase for the period			13,344,933.22	10,314,728.09		23,659,661.31
(1) Provision			13,344,933.22	10,314,728.09		23,659,661.31
(2) Exchange rate movement						
3. Decrease for the period			7,090,184.23	2,033,947.39	19,569.35	9,143,700.97
(1) Disposal or retirement			4,525,425.21	9,634.59	2,084.70	4,537,144.50
(2) Exchange rate movement			2,564,759.02	2,024,312.80	17,484.65	4,606,556.47
<b>4. Closing balance</b>		<b>9,076,269.26</b>	<b>148,444,035.98</b>	<b>57,117,552.86</b>	<b>389,792.74</b>	<b>215,027,650.84</b>
IV. Carrying amount						
<b>1. Carrying amount as at the end of the period</b>	<b>353,841,079.82</b>	<b>2,303,318,419.69</b>	<b>2,107,521,267.64</b>	<b>542,734,777.51</b>	<b>26,808,718.41</b>	<b>5,334,224,263.07</b>
2. Carrying amount as at the beginning of the period	301,471,043.71	2,341,132,810.46	2,058,568,099.16	592,964,987.72	23,536,192.98	5,317,673,134.03

The fixed assets transferred from construction in progress amounted to RMB362,626,267.84 for the first half of 2023, compared to that of RMB457,997,345.40 for the first half of 2022.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 16. Fixed assets — Continued

##### 16.1 Fixed assets — Continued

- (2) Depreciation expenses amounted to RMB488,446,734.89 for the first half of 2023, compared to that of RMB509,990,172.83 for the first half of 2022.
- (3) There were no fixed assets leased through finance leases at the end of the period.
- (4) *Fixed assets rented out under operating lease*

Item	Closing carrying amount
Buildings and structures	237,875,641.14
Machinery and equipments, etc.	7,394,726.51
<b>Total</b>	<b>245,270,367.65</b>

- (5) *Fixed assets which have not obtained the ownership certificate*

Item	Carrying amount	Reason for failure to obtain ownership certificates
Buildings and structures	290,344,685.55	Achieved scheduled availability and were reclassified as fixed assets, the issuance of ownership certificate is in progress

##### 16.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	4,207,166.11	601,686.53
<b>Total</b>	<b>4,207,166.11</b>	<b>601,686.53</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 17. Constructions in progress

Item	Closing balance	Opening balance
Construction in progress	531,026,421.21	525,171,610.80
<b>Total</b>	<b>531,026,421.21</b>	<b>525,171,610.80</b>

#### (1) Breakdown of constructions in progress

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Air conditioning infrastructure project	3,220,211.80		3,220,211.80	3,220,211.80		3,220,211.80
Refrigerator production line project	198,295,039.88		198,295,039.88	260,161,490.98		260,161,490.98
Others	393,678,544.06	64,167,374.53	329,511,169.53	296,891,339.52	35,101,431.50	261,789,908.02
<b>Total</b>	<b>595,193,795.74</b>	<b>64,167,374.53</b>	<b>531,026,421.21</b>	<b>560,273,042.30</b>	<b>35,101,431.50</b>	<b>525,171,610.80</b>

#### (2) Movements in key constructions in progress during the period

Name of construction	Opening balance	Decrease for the year				Closing balance	Budget	Accumulative contribution in budget (%)	Progress	Source of funding
		Increase for the period	Transferred to fixed assets	Other decrease						
Air conditioning infrastructure project	3,220,211.80				3,220,211.80	433,753,816.31	87.22	non-completion	self-financed	
Refrigerator production line project	260,161,490.98	80,395,155.91	137,391,955.54	4,869,651.47	198,295,039.88	767,677,318.00	83.29	non-completion	self-financed	
Others	296,891,339.52	340,413,925.17	225,234,312.30	18,392,408.33	393,678,544.06			non-completion	self-financed	
<b>Total</b>	<b>560,273,042.30</b>	<b>420,809,081.08</b>	<b>362,626,267.84</b>	<b>23,262,059.80</b>	<b>595,193,795.74</b>	<b>1,201,431,134.31</b>	—	—	—	

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

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

Items	Provision amount during the Period	Reason for provision
Other items	30,751,884.26	Recoverable amount below carrying value
<b>Total</b>	<b>30,751,884.26</b>	—

Note: Provision for impairment of construction in progress during the period decreased by RMB1,685,941.23 due to exchange rate movement.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 18. Right of use assets

Item	Buildings and structures	Machinery and equipment and other	Total
I. Original carrying amount			
1. Opening balance	289,397,637.38	26,924,353.17	316,321,990.55
2. Increase for the period	25,453,994.86	9,276,478.42	34,730,473.28
(1) Rental	24,932,192.51	9,267,917.66	34,200,110.17
(2) Exchange rate movement	521,802.35	8,560.76	530,363.11
3. Decrease for the period	20,845,263.63	431,433.02	21,276,696.65
(1) Disposal	15,606,614.38	168,864.94	15,775,479.32
(2) Exchange rate movement	5,238,649.25	262,568.08	5,501,217.33
<b>4. Closing balance</b>	<b>294,006,368.61</b>	<b>35,769,398.57</b>	<b>329,775,767.18</b>
II. Accumulated depreciation			
1. Opening balance	118,888,481.16	16,190,189.18	135,078,670.34
2. Increase for the period	29,279,980.05	3,326,258.51	32,606,238.56
(1) Provision	29,279,980.05	3,326,258.51	32,606,238.56
(2) Exchange rate movement			
3. Decrease for the period	18,024,790.36	929,587.10	18,954,377.46
(1) Disposal	14,737,443.92	168,864.94	14,906,308.86
(2) Exchange rate movement	3,287,346.44	760,722.16	4,048,068.60
<b>4. Closing balance</b>	<b>130,143,670.85</b>	<b>18,586,860.59</b>	<b>148,730,531.44</b>
III. Provision for impairment			
1. Opening balance	51,258.48		51,258.48
2. Increase for the period		198,268.13	198,268.13
(1) Provision		198,268.13	198,268.13
(2) Exchange rate movement			
3. Decrease for the period	2,216.46	1,098.15	3,314.61
(1) Provision			
(2) Exchange rate movement	2,216.46	1,098.15	3,314.61
<b>4. Closing balance</b>	<b>49,042.02</b>	<b>197,169.98</b>	<b>246,212.00</b>
IV. Carrying amount			
<b>1. Carrying amount as at the end of the period</b>	<b>163,813,655.74</b>	<b>16,985,368.00</b>	<b>180,799,023.74</b>
2. Carrying amount as at the beginning of the period	170,457,897.74	10,734,163.99	181,192,061.73

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 19. Intangible assets

##### (1) Particulars of intangible assets

Item	Land use rights	Trademarks	Know-how	Sales channels	Others	Total
I. Original carrying amount						
1. Opening balance	1,067,174,847.14	663,195,362.44	90,417,537.30	794,759,590.57	462,605,680.42	3,078,153,017.87
2. Increase for the period	4,936,733.99		148,259.66		20,258,120.02	25,343,113.67
(1) Additions			144,528.90		20,258,120.02	20,402,648.92
(2) Exchange rate movement	4,936,733.99		3,730.76			4,940,464.75
3. Decrease for the period	1,770,468.00	2,551,500.00			4,897,524.47	9,219,492.47
(1) Disposal	1,770,468.00	2,551,500.00			3,101,914.79	7,423,882.79
(2) Exchange rate movement					1,795,609.68	1,795,609.68
<b>4. Closing balance</b>	<b>1,070,341,113.13</b>	<b>660,643,862.44</b>	<b>90,565,796.96</b>	<b>794,759,590.57</b>	<b>477,966,275.97</b>	<b>3,094,276,639.07</b>
II. Accumulated amortisation						
1. Opening balance	318,056,287.76	258,830,098.31	50,441,588.25	309,798,506.10	337,720,127.28	1,274,846,607.70
2. Increase for the period	10,995,778.27	3,794,654.09	2,652,909.30	48,020,282.98	20,796,375.45	86,260,000.09
(1) Provision	10,995,778.27	3,794,654.09	2,652,909.30	48,020,282.98	20,796,375.45	86,260,000.09
(2) Exchange rate movement						
3. Decrease for the period	227,754.57		15,029.92		3,791,121.01	4,033,905.50
(1) Provision	195,759.00				3,101,914.79	3,297,673.79
(2) Exchange rate movement	31,995.57		15,029.92		689,206.22	736,231.71
<b>4. Closing balance</b>	<b>328,824,311.46</b>	<b>262,624,752.40</b>	<b>53,079,467.63</b>	<b>357,818,789.08</b>	<b>354,725,381.72</b>	<b>1,357,072,702.29</b>
III. Provision for impairment						
1. Opening balance	50,012,843.19	286,061,116.40			7,616,102.89	343,690,062.48
2. Increase for the period					5,217,383.48	5,217,383.48
(1) Provision					5,217,383.48	5,217,383.48
(2) Exchange rate movement						
3. Decrease for the period					335,762.25	335,762.25
(1) Provision						
(2) Exchange rate movement					335,762.25	335,762.25
<b>4. Closing balance</b>	<b>50,012,843.19</b>	<b>286,061,116.40</b>			<b>12,497,724.12</b>	<b>348,571,683.71</b>
IV. Carrying amount						
<b>1. Carrying amount as at the end of the period</b>	<b>691,503,958.48</b>	<b>111,957,993.64</b>	<b>37,486,329.33</b>	<b>436,940,801.49</b>	<b>110,743,170.13</b>	<b>1,388,632,253.07</b>
2. Carrying amount as at the beginning of the period	699,105,716.19	118,304,147.73	39,975,949.05	484,961,084.47	117,269,450.25	1,459,616,347.69

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 19. Intangible assets — Continued

##### (3) Notes to intangible assets

- 1) Amortization of intangible assets amounted to RMB86,260,000.09 for the first half of 2023, compared to that of RMB117,975,307.15 for the first half of 2022.
- 2) As at the end of the period, no land use rights were pledged.
- 3) As of 30 June 2023, the useful life of the trademark rights with a carrying value of RMB104,217,827.00 is uncertain. The Group can apply for extension of the trademark rights at a lower fee upon the expiration of the protection period of the trademark rights, and the trademark rights will bring economic benefits to the Group during the operation period based on the comprehensive judgment of the product life cycle and market conditions.

The Company calculated the cash flows generated from the trademark rights using the relief from royalty method, and therefore the recoverable amount was estimated based on the trademark rights assets, which is determined based on the present value of expected future cash flows. The Company predicted revenue growth rate and prepared net profit and cash flow forecasts for the next 5 years based on historical actual operating data, long-term planning, signed contracts and other data, combined with market capacity growth rate, market share and external competition and other factors, and the pre-tax discount rate used in the cash flow forecast was 20.70% assuming that the cash flow remains unchanged after 5 years.

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

#### 20. Goodwill

##### (1) The original value of goodwill

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

##### (2) Impairment provision for goodwill

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

##### (3) Relevant information on the asset group or asset portfolio to which goodwill belongs

The goodwill formed by the Company's acquisition of Hisense Hitachi is reflected in the operation of air conditioning business asset group of Hisense Hitachi at the acquisition date. Since it can generate cash flow independently, the Company regards development, design, manufacturing and sales of air-conditioning products of Hisense Hitachi as an individual asset group and allocated the goodwill of RMB132,571,746.36 to the asset group.

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



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 20. Goodwill — Continued

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

The recoverable amount of asset group containing goodwill is determined based on the present value of expected future cash flows. The Company predicted revenue growth rate and gross profit margin and prepared net profit and cash flow forecasts for the next 5 years based on historical actual operating data, long-term planning, signed contracts and other data, combined with market capacity growth rate, market share and external competition and other factors, assuming that the cash flow remains unchanged after 5 years. A pre-tax rate that reflects the specific risk of the relevant asset groups is adopted as the discount rate.

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

#### 21. Long-term prepaid expenses

Item	Opening balance	Increase for the period	Amortization for the period	Other deductions for the period	Closing balance
Long-term prepaid expenses	41,623,003.89	9,805,544.79	7,474,900.84		43,953,647.84
<b>Total</b>	<b>41,623,003.89</b>	<b>9,805,544.79</b>	<b>7,474,900.84</b>		<b>43,953,647.84</b>

#### 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	307,306,976.90	62,062,862.49	258,208,504.90	52,526,517.83
Accrued expenses	4,210,501,168.03	825,176,888.25	4,209,763,962.61	824,763,309.51
Others	1,008,861,832.58	182,372,443.96	963,402,196.04	170,563,594.88
<b>Total</b>	<b>5,526,669,977.51</b>	<b>1,069,612,194.70</b>	<b>5,431,374,663.55</b>	<b>1,047,853,422.22</b>

(2) *Undeducted deferred tax liabilities*

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	508,009,674.72	81,591,554.71	463,758,822.06	74,852,682.89
Transactional financial assets	40,609,867.36	10,152,466.84	10,917,458.18	2,729,364.55
Asset appraisal appreciation due to business combination involving entities not under common control	223,922,942.62	52,503,830.27	285,886,349.64	55,938,555.95
Others	326,915,046.26	99,709,089.11	322,466,708.69	98,345,276.74
<b>Total</b>	<b>1,099,457,530.96</b>	<b>243,956,940.93</b>	<b>1,083,029,338.57</b>	<b>231,865,880.13</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 22. Deferred tax assets and deferred tax liabilities — Continued

##### (3) Deferred income tax assets or liabilities stated after offsetting

Item	Deferred income tax assets and liabilities offset amounts at the end of the period	Closing balance of deferred income tax assets and liabilities balance after offsetting	Deferred income tax assets and liabilities offset amounts at the beginning of the period	Opening balance of deferred income tax assets or liabilities after offsetting
Deferred tax assets	66,151,239.16	1,003,460,955.54	63,685,918.19	984,167,504.03
Deferred tax liabilities	66,151,239.16	177,805,701.77	63,685,918.19	168,179,961.94

#### 23. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	8,144,640,972.22	7,978,930,444.45
Others	243,880,595.82	241,771,437.81
<b>Total</b>	<b>8,388,521,568.04</b>	<b>8,220,701,882.26</b>

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. Short-term borrowings

##### (1) Categories of short-term borrowings

Categories of borrowings	Closing balance	Opening balance
Credit borrowings	121,295,021.71	26,012,347.63
Guarantee borrowings	2,743,436,689.59	1,414,315,667.74
Mortgage borrowings	24,297,182.52	21,925,697.87
<b>Total</b>	<b>2,889,028,893.82</b>	<b>1,462,253,713.24</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 25. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	223,221,756.61	1,745,488.01
Including: Derivative financial liabilities	223,221,756.61	1,745,488.01
<b>Total</b>	<b>223,221,756.61</b>	<b>1,745,488.01</b>

Notes to transactional financial liabilities:

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

#### 26. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	7,978,514,150.91	8,301,493,794.02
Commercial acceptance notes	4,986,042,518.19	3,020,777,415.52
<b>Total</b>	<b>12,964,556,669.10</b>	<b>11,322,271,209.54</b>

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

#### 27. Accounts payable

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

Ageing	Closing balance	Opening balance
Within one year	11,316,017,440.39	9,581,962,727.38
Over one year	70,232,546.39	135,704,099.06
<b>Total</b>	<b>11,386,249,986.78</b>	<b>9,717,666,826.44</b>

Note: As at 30 June 2023, accounts payable with ageing of over one year amounted to RMB70,232,546.39 (31 December 2022: RMB135,704,099.06), which represented mainly raw material payable and was not settled yet.

#### 28. Advances

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

Ageing	Closing balance	Opening balance
Rental receipts in advance	3,804,068.60	
<b>Total</b>	<b>3,804,068.60</b>	

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 29. Contract liability

Item	Closing balance	Opening balance
Advance payments	1,881,335,289.07	1,145,145,334.78
<b>Total</b>	<b>1,881,335,289.07</b>	<b>1,145,145,334.78</b>

Note: The balance of contract liability at the beginning of the year recognised as revenue during the period amounted to RMB1,037,278,685.39.

#### 30. Employee remunerations payable

##### (1) Categories of employee remunerations payable

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term compensations	996,858,178.13	4,031,028,990.86	4,085,746,268.21	942,140,900.78
Post-employment benefits - defined contribution plans	3,964,377.13	219,801,433.86	222,518,550.64	1,247,260.35
Termination benefits	1,444,799.55	7,920,364.33	9,365,163.88	
<b>Total</b>	<b>1,002,267,354.81</b>	<b>4,258,750,789.05</b>	<b>4,317,629,982.73</b>	<b>943,388,161.13</b>

##### (2) Short-term remunerations

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Wages and salaries, bonuses, allowances and subsidies	949,337,384.44	3,500,010,281.19	3,546,275,714.39	903,071,951.24
Staff welfare	32,503,119.72	257,555,962.76	263,067,546.67	26,991,535.81
Social insurance	10,465,757.60	154,282,698.42	158,979,562.08	5,768,893.94
Including: Medical insurance	9,524,973.42	141,323,503.45	145,646,103.86	5,202,373.01
Work-related injury insurance	873,791.81	12,651,195.26	12,987,239.32	537,747.75
Maternity insurance	66,992.37	307,999.71	346,218.90	28,773.18
Housing provident funds	1,541,997.16	100,362,143.81	99,702,693.47	2,201,447.50
Labour union funds and employee education funds	3,009,919.21	18,817,904.68	17,720,751.60	4,107,072.29
<b>Total</b>	<b>996,858,178.13</b>	<b>4,031,028,990.86</b>	<b>4,085,746,268.21</b>	<b>942,140,900.78</b>

##### (3) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Basic pension insurance	3,813,859.98	211,619,395.13	214,236,542.75	1,196,712.36
Unemployment insurance	150,517.15	8,182,038.73	8,282,007.89	50,547.99
<b>Total</b>	<b>3,964,377.13</b>	<b>219,801,433.86</b>	<b>222,518,550.64</b>	<b>1,247,260.35</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 31. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	227,960,139.77	147,919,026.32
Enterprise income tax	327,987,147.84	426,130,125.08
Others	165,133,363.49	131,772,712.63
<b>Total</b>	<b>721,080,651.10</b>	<b>705,821,864.03</b>

#### 32. Other payables

Item	Closing balance	Opening balance
Dividends payable	717,394,351.60	67,374,222.13
Other payables	4,556,746,744.98	5,151,780,641.91
<b>Total</b>	<b>5,274,141,096.58</b>	<b>5,219,154,864.04</b>

##### (1) Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	717,394,351.60	67,374,222.13
<b>Total</b>	<b>717,394,351.60</b>	<b>67,374,222.13</b>

##### (2) Other payables by nature

Item	Closing balance	Opening balance
Current account	3,339,263,838.35	4,157,585,503.74
Deposit and margin	948,133,805.71	812,260,063.15
Payment for project and equipment	269,349,100.92	181,935,075.02
<b>Total</b>	<b>4,556,746,744.98</b>	<b>5,151,780,641.91</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 33. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	12,107,053.05	14,044,590.55
Lease liabilities due within one year	118,987,520.61	131,125,568.68
<b>Total</b>	<b>131,094,573.66</b>	<b>145,170,159.23</b>

#### 34. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	1,570,474,568.97	951,227,502.35	Installation fee provided for but not yet paid in respect of goods sold
Sales discounts	4,321,700,488.87	3,052,934,508.66	Incurred but not yet settled
Others	1,868,080,267.74	1,639,283,379.49	Incurred but not yet settled
<b>Total</b>	<b>7,760,255,325.58</b>	<b>5,643,445,390.50</b>	

#### 35. Long-term borrowings

Categories of borrowings	Closing balance	Opening balance
Mortgage borrowings	44,673,705.74	25,959,502.17
Guarantee borrowings	2,376,353.39	6,673,784.72
Credit borrowings	1,155,357.00	1,219,543.50
Less: Long-term borrowings due within one year	12,107,053.05	14,044,590.55
<b>Total</b>	<b>36,098,363.08</b>	<b>19,808,239.84</b>

#### 36. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	242,250,848.93	277,195,821.24
<b>Total</b>	<b>242,250,848.93</b>	<b>277,195,821.24</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 37. Long-term employee remunerations payable

##### *Classification of long-term employee remunerations payable*

Item	Closing balance	Opening balance
Post-employment benefits - Net liability for defined benefit plans	119,345,844.16	116,092,710.65
<b>Total</b>	<b>119,345,844.16</b>	<b>116,092,710.65</b>

#### 38. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	117,338,765.49	130,363,423.59	Estimated litigation compensation
Provision for warranties	855,539,755.29	834,505,618.74	Estimated quality guarantee of products
Others	360,027,358.42	348,869,373.67	Estimated other expenditures
<b>Total</b>	<b>1,332,905,879.20</b>	<b>1,313,738,416.00</b>	-

#### 39. Deferred income

##### *(1) Categories of deferred income*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for occurrence
Government grants	145,835,582.02	11,328,817.70	11,972,094.03	145,192,305.69	Amortization of government grants
<b>Total</b>	<b>145,835,582.02</b>	<b>11,328,817.70</b>	<b>11,972,094.03</b>	<b>145,192,305.69</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 39. Deferred income — Continued

##### (2) Government grants

Government grants	Opening balance	New grants received during the period	Amount included in other income during the period	Other movements	Closing balance	Related to assets/revenue
State debenture projects for technical advancement and industry upgrade	21,450,000.00				21,450,000.00	Related to assets
Technological transformation project for system integration of green supply chain of freezers	7,606,614.62		690,597.42		6,916,017.20	Related to assets
The invested guidance fund within the budget of central government for development of national service industry for 2018	2,915,000.00		265,000.00		2,650,000.00	Related to assets
Technological transformation projects	8,882,735.09		1,437,680.86		7,445,054.23	Related to assets
Other related to assets	104,581,232.31	8,037,000.00	9,578,815.75	3,291,817.70	106,331,234.26	Related to assets
Other related to revenue	400,000.00				400,000.00	Related to revenue
<b>Total</b>	<b>145,835,582.02</b>	<b>8,037,000.00</b>	<b>11,972,094.03</b>	<b>3,291,817.70</b>	<b>145,192,305.69</b>	

#### 40. Other non-current liabilities

Item	Closing balance	Opening balance
Long-term dividends payable	650,463,797.80	667,927,206.75
Others	17,087,800.11	23,065,694.36
<b>Total</b>	<b>667,551,597.91</b>	<b>690,992,901.11</b>

#### 41. Share capital

Item	Opening balance	Change for the period (+,-)				Subtotal	Closing balance
		Issue of new shares	Bonus issue	Conversion from reserve	Others		
Total number of shares	1,362,725,370.00	25,422,000.00				25,422,000.00	1,388,147,370.00

Note: The change during the period was due to the targeted issue of 25,422,000 restricted shares by the Company to the incentive recipients under the Restricted Share Incentive Scheme for A Shares, as verified by the verification report No. XYZH/2023QDAA4B0226 issued by ShineWing Certified Public Accountants LLP.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 42. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	1,956,375,474.70	143,380,080.00	139,622,143.89	1,960,133,410.81
Other capital reserve	117,793,130.79	83,099,330.97		200,892,461.76
<b>Total</b>	<b>2,074,168,605.49</b>	<b>226,479,410.97</b>	<b>139,622,143.89</b>	<b>2,161,025,872.57</b>

Notes:

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

Increase in share capital premium by RMB143,380,080.00 as a result of the issue of restricted shares during the period;

The difference between the repurchase price and the grant price of the Employee Stock Ownership Plan reduced the equity premium by RMB123,541,956.03;

Equity incentive expenses borne in proportion to the shareholdings of minority shareholders of the subsidiaries decreased by RMB14,843,297.75 in equity premium;

The equity premium was reduced by RMB1,200,230.02 from equity transactions of subsidiaries;

The handling fee for repurchase of treasury shares reduced the capital premium by RMB36,660.09.

② Main reason for the change in other capital surplus

Costs and expenses recognised in equity-settled share-based payment for the period increased other capital surplus by RMB77,992,638.59;

Increase in other capital reserves by RMB5,015,614.73 for deferred income tax assets recognised in the current period for share-based payment;

The equity method of accounting for other changes in the Company's equity increased other capital surplus by RMB91,077.65.

#### 43. Treasury shares

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Treasury shares		433,244,886.78	195,320,356.03	237,924,530.75
<b>Total</b>		<b>433,244,886.78</b>	<b>195,320,356.03</b>	<b>237,924,530.75</b>

Description of changes in treasury shares:

The repurchase of 11,699,989 shares of the Company during the period increased treasury shares by RMB211,401,111.66; the granting of 10,810,000 shares to employees under the Employee Stock Ownership Plan during the period decreased treasury shares by RMB195,320,356.03; and the recognition of the obligation to repurchase under the Share Incentive Scheme increased treasury shares by RMB221,843,775.12.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 44. Other comprehensive income

Item	Opening balance	Amount before income tax for the period	Amount incurred in the period		Less: income tax expense	Attributable to parent after tax	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: Included in other comprehensive income in the previous period and transferred in retained earnings in current period				
1. Other comprehensive income that would not be reclassified to profit or loss	-100,000.00							-100,000.00
Including: Changes in the fair value of other equity instruments investment	-100,000.00							-100,000.00
2. Other comprehensive income that would be reclassified to profit or loss	121,367,445.50	64,434,240.60				77,006,788.64	-12,572,548.04	198,374,234.14
Including: Other comprehensive income that would be reclassified into profit or loss under equity method	-1,599,624.23	4,025,824.40				3,979,861.04	45,963.36	2,380,236.81
Difference arising from translation of financial statements presented in foreign currency	88,445,849.65	57,198,377.35				70,623,250.51	-13,424,873.16	159,069,100.16
Other	34,521,220.08	3,210,038.85				2,403,677.09	806,361.76	36,924,897.17
<b>Total other comprehensive income</b>	<b>121,267,445.50</b>	<b>64,434,240.60</b>				<b>77,006,788.64</b>	<b>-12,572,548.04</b>	<b>198,274,234.14</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 45. Special reserves

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Safety Production Fee		45,013,172.39	35,791,701.91	9,221,470.48
<b>Total</b>		<b>45,013,172.39</b>	<b>35,791,701.91</b>	<b>9,221,470.48</b>

#### 46. Surplus reserve

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

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.

#### 47. Undistributed profits

Item	Amount for the period	Amount for the previous year
<b>Balances at the end of the previous period</b>	<b>7,248,124,550.56</b>	<b>6,104,843,404.90</b>
Add: Adjustment of undistributed profits at the beginning of the period		
Including: Retroactive adjustment of new regulations of "Business Accounting Standards" (Changes in accounting policies)		
Correcting key errors made in early stage		
<b>Balances at the beginning of the period</b>	<b>7,248,124,550.56</b>	<b>6,104,843,404.90</b>
Add: Net profits attributable to owners of the parent company for the period	1,497,562,724.59	1,434,904,374.84
Less: Appropriation of statutory surplus reserve		
Dividends payable on ordinary shares	717,394,351.60	291,623,229.18
<b>Balances at the end of the period</b>	<b>8,028,292,923.55</b>	<b>7,248,124,550.56</b>

#### 48. Operating revenue and costs

##### (1) Particulars of operating revenue and operating costs

Item	Amount for the period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Principal operations	38,703,106,875.81	29,688,988,010.28	34,975,874,128.91	27,819,958,638.29
Other operations	4,240,868,743.57	4,009,127,338.06	3,331,364,569.94	3,113,077,759.11
<b>Total</b>	<b>42,943,975,619.38</b>	<b>33,698,115,348.34</b>	<b>38,307,238,698.85</b>	<b>30,933,036,397.40</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 48. Operating revenue and costs — Continued

##### (2) Principal operating revenue generated from contracts

Category of contract	Amount for the period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Category of product:				
Air-conditioners	21,160,441,372.37	15,021,273,899.13	18,946,839,080.54	14,234,562,708.07
Refrigerators and washing machines	11,586,519,085.22	9,490,125,512.86	10,426,711,894.49	8,728,393,838.82
Others	5,956,146,418.22	5,177,588,598.29	5,602,323,153.88	4,857,002,091.40
By operating regions:				
Domestic	24,466,006,890.61	16,849,058,987.45	20,654,298,103.61	14,721,242,144.61
Overseas	14,237,099,985.20	12,839,929,022.83	14,321,576,025.30	13,098,716,493.68
<b>Total</b>	<b>38,703,106,875.81</b>	<b>29,688,988,010.28</b>	<b>34,975,874,128.91</b>	<b>27,819,958,638.29</b>

#### 49. Tax and surcharges

Item	Amount for the period	Amount for the previous period
City maintenance and construction tax	86,214,726.80	62,972,493.14
Education surcharges	56,428,786.69	44,010,701.77
Others	156,269,470.29	134,248,453.13
<b>Total</b>	<b>298,912,983.78</b>	<b>241,231,648.04</b>

#### 50. Sales expenses

Item	Amount for the period	Amount for the previous period
Sales expenses	4,492,848,251.67	4,060,709,601.69
<b>Total</b>	<b>4,492,848,251.67</b>	<b>4,060,709,601.69</b>

Note: In the first half of 2023, sales expenses mainly include after-sale expenses, publicity and promotion, and employee compensation, with the percentage to the total sales expenses of over 70% (first half of 2022: over 70%).

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 51. Management expenses

Item	Amount for the period	Amount for the previous period
Management expenses	1,024,738,874.90	856,747,306.06
<b>Total</b>	<b>1,024,738,874.90</b>	<b>856,747,306.06</b>

Note: In the first half of 2023, management expenses mainly included employee compensation, depreciation and amortisation expenses and executive office fee, with the percentage to the total management expenses over 80% (first half of 2022: over 80%).

#### 52. Research and development expenses

Item	Amount for the period	Amount for the previous period
Research and development expenses	1,244,057,032.04	1,067,706,086.41
<b>Total</b>	<b>1,244,057,032.04</b>	<b>1,067,706,086.41</b>

Note: In the first half of 2023, research and development expenses mainly included employee compensation, depreciation and amortisation expenses and direct investment expenses, with the percentage to the total research and development expenses over 80% (first half of 2022: over 80%).

#### 53. Financial expenses

Item	Amount for the period	Amount for the previous period
Interest expenses	75,243,787.91	40,469,080.28
Less: Interest income	27,834,239.17	26,064,751.83
Add: Exchange losses	-339,059,620.75	-89,240,636.87
Other expenses	6,783,921.52	8,031,634.33
<b>Total</b>	<b>-284,866,150.49</b>	<b>-66,804,674.09</b>

Note: In the first half of 2023, interest expenses included interest expenses on lease liabilities of RMB5,317,011.14 (first half of 2022: RMB5,443,195.70). Other interest expenses for the first half of 2023 and the first half of 2022 were all the interests on bank borrowings, of which the repayment date for the final installment shall be within five years.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 54. Other income

Sources of other income	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Immediate refund of value-added tax	158,364,342.56	112,459,513.84	
Others government subsidies related to general activities	38,038,777.73	75,536,089.51	38,038,777.73
Others	1,545,130.70		
<b>Total</b>	<b>197,948,250.99</b>	<b>187,995,603.35</b>	<b>38,038,777.73</b>

#### 55. Investment gain

Item	Amount for the period	Amount for the previous period
Gains on long-term equity investment accounted for under equity method	186,177,825.35	83,163,879.24
Investment gains on disposal of transactional financial assets	84,368,124.31	61,486,216.54
Interest income from time deposits	139,858,586.05	136,197,662.20
Others	621,513.69	-4,762,516.76
<b>Total</b>	<b>411,026,049.40</b>	<b>276,085,241.22</b>

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

Investee	Amount for the period	Amount for the previous period
Hisense Financial Holdings	9,068,096.27	6,184,125.13
Hisense Marketing Management	6,038,753.68	4,107,217.61
Hisense International	45,071,171.84	4,753,961.16
Associates of Sanden Company	125,999,803.56	68,118,575.34
<b>Total</b>	<b>186,177,825.35</b>	<b>83,163,879.24</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 56. Gains from changes in fair value

Sources of gains from changes in fair value	Amount for the period	Amount for the previous period
Transactional financial assets	29,286,325.30	36,366,241.82
Including: Gains from changes in fair value of derivative financial instruments	-17,048,769.95	-5,174,807.00
Transactional financial liabilities	-225,016,200.55	-8,027,673.00
Including: Gains from changes in fair value of derivative financial instruments	-225,016,200.55	-8,027,673.00
<b>Total</b>	<b>-195,729,875.25</b>	<b>28,338,568.82</b>

#### 57. Impairment losses on credit

Item	Amount for the period	Amount for the previous period
Losses on bad debts of notes receivable	-503,296.72	1,114,732.69
Losses on bad debts of accounts receivable	14,064,001.22	7,797,463.74
Losses on bad debts of other receivables	-37,650,910.77	3,411,404.81
<b>Total</b>	<b>-24,090,206.27</b>	<b>12,323,601.24</b>

#### 58. Impairment losses on assets

Item	Amount for the period	Amount for the previous period
Decline in value of inventories	-27,816,207.88	-29,128,670.86
Impairment loss on fixed assets	-23,659,661.31	-30,298,894.06
Impairment loss on contract assets	52,509.72	760,515.87
Impairment loss on construction in progress	-30,751,884.26	-13,142,362.83
Impairment loss on intangible assets	-5,217,383.48	
Impairment loss on right-of-use assets	-198,268.13	
<b>Total</b>	<b>-87,590,895.34</b>	<b>-71,809,411.88</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 59. Gains on disposal of assets (Loss denoted by “-”)

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on disposal of non-current assets	5,350,381.51	-417,676.97	5,350,381.51
Including: Gains on disposal of non-current assets not classified as held for sale	5,350,381.51	-417,676.97	5,350,381.51
Including: Gains on disposal of fixed assets	2,677,836.89	-444,400.49	2,677,836.89
Gains on disposal of intangible assets	2,637,179.25	26,723.52	2,637,179.25
<b>Total</b>	<b>5,350,381.51</b>	<b>-417,676.97</b>	<b>5,350,381.51</b>

#### 60. Non-operating income

##### (1) Particulars of non-operating income

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on retirement of non-current assets	2,285,987.93	1,917,116.33	2,285,987.93
Government grants	50,396,852.18	51,468,359.25	50,396,852.18
Others	146,685,601.84	68,683,378.27	146,685,601.84
<b>Total</b>	<b>199,368,441.95</b>	<b>122,068,853.85</b>	<b>199,368,441.95</b>

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

Item under the grant	Amount for the period		Amount for the previous period		Related to assets/income
	Included in non-operating revenue	Included in other income	Included in non-operating income	Included in other income	
Immediate refund of value-added tax		158,364,342.56		112,459,513.84	Related to income
Technological transformation project for design and manufacture of high-precision smart moulds				140,000.00	Related to assets
Technological transformation project for system integration of green supply chain of freezers		690,597.42		690,597.42	Related to assets
Invested guidance fund within the budget of central government for development of national service industry for 2018		265,000.00		265,000.00	Related to assets
Technological transformation projects		1,437,680.86		1,099,394.46	Related to assets
Other government grants related to assets		9,578,815.75		10,585,525.42	Related to assets
Other government grants related to daily operation		26,066,683.70		62,755,572.21	Related to income
Government grants not related to daily operation	50,396,852.18		51,468,359.25		Related to income
<b>Total</b>	<b>50,396,852.18</b>	<b>196,403,120.29</b>	<b>51,468,359.25</b>	<b>187,995,603.35</b>	



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 61. Non-operating expenses

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Losses on retirement of non-current assets	2,822,923.96	5,521,284.22	2,822,923.96
Others	14,959,976.87	29,210,770.62	14,959,976.87
<b>Total</b>	<b>17,782,900.83</b>	<b>34,732,054.84</b>	<b>17,782,900.83</b>

#### 62. Income tax expense

##### (1) Income tax expense

Item	Amount for the period	Amount for the previous period
Current income tax expense	473,636,708.09	349,955,068.71
Including: PRC enterprise income tax	448,544,068.44	321,631,512.71
Hong Kong profit tax		
Deferred income tax expense	-1,445,544.69	21,422,693.07
<b>Total</b>	<b>472,191,163.40</b>	<b>371,377,761.78</b>

##### (2) Reconciliation of accounting profit and income tax expense

Item	Amount for the period
Total profits	2,958,668,525.30
Income tax expense calculated at the statutory (or applicable) tax rate	742,111,456.29
Effect of different tax rates applicable to certain subsidiaries	-182,508,161.99
Adjustments of income tax for the previous period	-3,756,650.65
Effect of non-taxable income	-15,044,505.45
Effect of non-deductible costs, expenses and losses	42,526,852.07
Effect of the utilisation of deductible losses and deductible differences not recognised as deferred income tax assets for the previous period	-136,570,065.89
Effect of deductible temporary differences or deductible losses not recognised as deferred income tax assets for the period	99,068,587.17
Effect of additional deduction relating to costs of research and development	-73,479,353.33
Others	-156,994.82
<b>Income tax expense</b>	<b>472,191,163.40</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 63. Other comprehensive income

For details, please refer to relevant information as set out in note "VI.44. Other comprehensive income".

#### 64. Items in the cash flows statement

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

##### 1) Other cash received related to operating activities

Item	Amount for the period	Amount for the previous period
Interest income	30,984,780.63	32,747,454.58
Government grants	85,348,902.75	125,855,748.28
Others	419,687,553.37	492,750,774.12
<b>Total</b>	<b>536,021,236.75</b>	<b>651,353,976.98</b>

##### 2) Other cash paid related to operating activities

Item	Amount for the period	Amount for the previous period
Cash payments	3,856,394,214.88	3,548,713,208.30
Others	286,266,594.07	378,681,741.99
<b>Total</b>	<b>4,142,660,808.95</b>	<b>3,927,394,950.29</b>

##### 3) Other cash received related to investing activities

Item	Amount for the period	Amount for the previous period
Recovery of wealth management products of banks and time deposits upon maturity	7,738,817,317.98	7,851,048,662.54
Net cash paid for acquisitions of subsidiaries and other operating units	0.00	0.00
<b>Total</b>	<b>7,738,817,317.98</b>	<b>7,851,048,662.54</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 64. Items in the cash flows statement — Continued

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

##### 4) Other cash paid related to investing activities

Item	Amount for the period	Amount for the previous period
Purchases of wealth management products of banks and time deposits	12,221,116,375.32	6,055,544,534.91
<b>Total</b>	<b>12,221,116,375.32</b>	<b>6,055,544,534.91</b>

##### 5) Other cash received related to financing activities

Item	Amount for the period	Amount for the previous period
Security deposit	1,580,614,126.83	191,925,955.47
Borrowings	137,445,161.64	770,769,596.57
<b>Total</b>	<b>1,718,059,288.47</b>	<b>962,695,552.04</b>

##### 6) Other cash paid related to financing activities

Item	Amount for the period	Amount for the previous period
Payment for the principal and interest on lease liabilities	18,342,284.80	14,906,142.14
Repayment of loans	1,280,429,544.58	419,000,000.00
<b>Total</b>	<b>1,298,771,829.38</b>	<b>433,906,142.14</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 64. Items in the cash flows statement — Continued

##### (2) Supplementary information to consolidated statement of cash flows

Item	Amount for the period	Amount for the previous period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>	-	-
Net profit	2,486,477,361.90	1,363,087,296.35
Add: Provision for asset impairment	87,590,895.34	71,809,411.88
Impairment losses on credit	24,090,206.27	-12,323,601.24
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	500,249,321.38	521,045,110.22
Depreciation of right-of-use assets	32,606,238.56	57,731,035.10
Amortisation of intangible assets	86,260,000.09	117,975,307.15
Amortisation of long-term deferred expenses	7,474,900.84	7,645,763.19
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain denoted in "-")	-5,350,381.51	417,676.97
Losses on retirement of fixed assets (Gain denoted in "-")	536,936.03	3,604,167.89
Losses from changes in fair value (Gain denoted in "-")	195,729,875.25	-28,338,568.82
Financial expenses (Gain denoted in "-")	-263,815,832.84	40,469,080.28
Investment losses (Gain denoted in "-")	-411,026,049.40	-276,085,241.22
Decrease in deferred income tax assets (Increase denoted in "-")	-19,293,451.51	16,257,887.37
Increase in deferred income tax liabilities (Decrease denoted in "-")	9,625,739.83	-956,926.68
Decrease in inventories (Increase denoted in "-")	479,302,662.34	1,502,093,144.60
Decrease in operating receivables (Increase denoted in "-")	-5,822,434,480.06	-2,207,343,912.85
Increase in operating payables (Decrease denoted in "-")	6,424,020,226.83	-457,059,051.92
Others		
Net cash flows from operating activities	3,812,044,169.34	720,028,578.27
<b>2. Significant investing and financing activities not involving cash receipts and payments:</b>		
Liabilities transferred to capital		
Convertible corporate bonds due within one year		
Fixed assets under finance leases		
<b>3. Net movement in cash and cash equivalents:</b>		
Cash balances at the end of the period	2,617,231,520.93	3,814,351,610.20
Less: Cash balances at the beginning of the period	2,478,346,075.40	2,879,176,794.68
Add: Cash equivalent balances at the end of the period		
Less: Cash equivalent balances at the beginning of the period		
Net increase in cash and cash equivalents	138,885,445.53	935,174,815.52

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 64. Items in the cash flows statement — Continued

##### (3) Cash and cash equivalents

Item	Closing balances	Opening balances
Cash	2,617,231,520.93	2,478,346,075.40
Including: Cash on hand	526,232.08	716,500.30
Bank deposits readily available for payment	2,602,109,031.37	2,468,795,515.31
Other cash at bank and on hand readily available for payment	14,596,257.48	8,834,059.79
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalent balances at the end of the period	2,617,231,520.93	2,478,346,075.40
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

#### 65. Assets with restricted ownership or use rights

Item	Closing carrying amount	Reason for limitation
Cash at bank and on hand	1,946,307,370.81	Restricted Margin
Notes receivable	131,048,514.08	As collaterals for bank acceptance bill
Non-current assets due within one year	400,000,000.00	As collaterals for bank acceptance bill
Other non-current assets	2,100,000,000.00	As collaterals for bank acceptance bill
Others	404,162,259.52	Borrowings of Sanden Company
<b>Total</b>	<b>4,981,518,144.41</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 66. Monetary items in foreign currencies

##### (1) Major monetary items in foreign currencies

Item	Closing balances in foreign currencies	Translation rate	Closing balances translated into RMB
Cash at bank and on hand	-	-	-
Including: USD	42,960,956.18	7.2258	310,427,277.17
EUR	21,912,648.03	7.8771	172,608,119.80
HKD	2,268,039.31	0.9220	2,091,132.24
JPY	3,147,851,079.00	0.050094	157,688,451.95
Accounts receivable	-	-	-
Including: USD	92,838,027.97	7.2258	670,829,022.51
EUR	18,820,621.82	7.8771	148,251,920.14
JPY	4,196,925,177.00	0.050094	210,240,769.82
Other receivables	-	-	-
Including: USD	791,237.48	7.2258	5,717,323.78
EUR	337,000.00	7.8771	2,654,582.70
JPY	1,787,503,000.00	0.050094	89,543,175.28
Short-term borrowings	-	-	-
Including: EUR	2,430,000.00	7.2258	17,558,694.00
JPY	56,230,000,000.00	0.050094	2,816,785,620.00
INR	272,489,770.00	0.113048	30,804,423.52
Accounts payable	-	-	-
Including: USD	13,158,003.60	7.2258	95,077,102.41
EUR	22,070,861.84	7.8771	173,854,385.80
JPY	18,496,421,178.00	0.050094	926,559,722.49
Other payables	-	-	-
Including: USD	109,636,177.76	7.2258	792,209,093.26
EUR	2,535,000.00	7.8771	19,968,448.50
JPY	6,433,220,639.00	0.050094	322,265,754.69
Long-term borrowings	-	-	-
Including: INR	391,881,028.04	0.113048	44,301,366.46

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 66. Monetary items in foreign currencies — Continued

##### (2) Major overseas operating entities

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

#### 67. Government grants

##### (1) Basic information of government grants

Category	Amount	Item presented	Amount included in profit or loss for the period
Related to assets	8,037,000.00	Deferred income	11,972,094.03
Related to assets		Deferred income	
Related to income	184,431,026.26	Other income	184,431,026.26
Related to income	50,396,852.18	Non-operating revenue	50,396,852.18

##### (2) Refund of government grants

Nil.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 68. Segment reporting

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

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

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

Continued from above table

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



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 68. Segment reporting — *Continued*

##### (2) *Geographical information*

Region	Amount for the period/closing balances	Amount for the previous period/opening balances
Revenue from domestic transactions	24,466,006,890.61	20,654,298,103.61
Revenue from overseas transactions	14,237,099,985.20	14,321,576,025.30
<b>Total</b>	<b>38,703,106,875.81</b>	<b>34,975,874,128.91</b>
Non-current assets – Domestic	15,301,028,932.99	15,359,106,902.59
Non-current assets – Overseas	3,569,504,153.53	3,387,254,129.15
<b>Total</b>	<b>18,870,533,086.52</b>	<b>18,746,361,031.74</b>

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

### VII. CHANGE IN SCOPE OF CONSOLIDATION

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VIII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Major composition of enterprise group

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	Guangdong Refrigerator	USD26.80 million	Foshan	Foshan	Manufacturing	100.00		Establishment or investment
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	Guangdong Freezer	RMB237.00 million	Foshan	Foshan	Manufacturing	100.00		Establishment or investment
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	Hisense K&B	RMB77.5751 million	Foshan	Foshan	Manufacturing	74.00		Establishment or investment
Foshan Shunde Rongsheng Plastic Co., Ltd.	Rongsheng Plastic	USD15.8274 million	Foshan	Foshan	Manufacturing	44.92	25.13	Establishment or investment
Guangdong Kelon Mould Co., Ltd.	Kelon Mould	USD15.0561 million	Foshan	Foshan	Manufacturing	70.11		Establishment or investment
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	Yangzhou Refrigerator	USD44.4479 million	Yangzhou	Yangzhou	Manufacturing	100.00		Establishment or investment
Pearl River Electric Refrigerator Co., Ltd.	Pearl River Refrigerator	HKD0.4 million	Hong Kong	Hong Kong	Trading		100.00	Establishment or investment
Kelon Development Co., Ltd.	Kelon Development	HKD10.00 million	Hong Kong	Hong Kong	Investment	100.00		Establishment or investment
Kelon International Incorporation	KII	USD0.05 million	Hong Kong	British Virgin Islands	Trading		100.00	Establishment or investment
Hisense (Chengdu) Refrigerator Co., Ltd.	Chengdu Refrigerator	RMB50.00 million	Chengdu	Chengdu	Manufacturing	100.00		Establishment or investment
Hisense Refrigerator Ltd.	Shandong Refrigerator	RMB275.00 million	Qingdao	Qingdao	Manufacturing	100.00		Establishment or investment
Guangdong Hisense Refrigerator Marketing Co., Ltd.	Refrigerator Marketing Company	RMB200.8190 million	Foshan	Foshan	Trading		78.82	Establishment or investment
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Air-conditioner Marketing Company	RMB100.91 million	Qingdao	Qingdao	Trading		75.57	Establishment or investment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	RMB200.00 million	Jiangmen	Jiangmen	Manufacturing	100.00		Establishment or investment
Hisense (Guangdong) Mould Plastic Company Limited	Hisense Guangdong Mould Plastic	RMB10.00 million	Jiangmen	Jiangmen	Manufacturing	100.00		Establishment or investment
Jiangmen Hisense Electrical Appliances Co., Ltd.	Jiangmen Hisense Electrical Appliances	RMB10.00 million	Jiangmen	Jiangmen	Manufacturing	100.00		Establishment or investment
Hisense AirConditioning Co., Ltd.	Hisense Airconditioning	RMB500.00 million	Qingdao	Qingdao	Manufacturing	100.00		Business combination involving entities under common control
Hisense (Zhejiang) Air-Conditioning Co., Ltd.	Zhejiang Airconditioning	RMB110.00 million	Huzhou	Huzhou	Manufacturing	100.00		Business combination involving entities under common control
Qingdao Hisense Mould Co., Ltd.	Hisense Mould	RMB36.0664 million	Qingdao	Qingdao	Manufacturing	82.41		Business combination involving entities under common control
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	RMB450.00 million	Huzhou	Huzhou	Manufacturing	100.00		Business combination involving entities not under common control

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VIII. INTERESTS IN OTHER ENTITIES — Continued

#### 1. Interests in subsidiaries — Continued

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

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50.00 million	Qingdao	Qingdao	Manufacturing		70.00	Establishment or investment
Hisense Mould(Deutschland) GmbH	German Hisense Mould	EUR2.00 million	Germany	Germany	Manufacturing		100.00	Establishment or investment
Qingdao Hisense Hitachi AirConditioning Systems Co., Ltd.0	Hisense Hitachi	USD150.00 million	Qingdao	Qingdao	Manufacturing	49.20		Business combination involving entities not under common control
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Hitachi Marketing	RMB247.11 million	Qingdao	Qingdao	Trading		70.00	Business combination involving entities not under common control
Qingdao Johnson Controls AirConditioning Co., Ltd.	Johnson Controls	RMB400.00 million	Qingdao	Qingdao	Trading		100.00	Business combination involving entities not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	RMB600.00 million	Qingdao	Qingdao	Manufacturing		100.00	Business combination involving entities not under common control
Hisense (Hong Kong) America Manufacturing Co., Limited.	Hong Kong Home Appliance Manufacturing	HKD1,016.6257 million	Hong Kong	Hong Kong	Manufacturing		100.00	Business combination involving entities under common control
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Hisense Monterrey Manufacturing	MXN462.2451 million	Mexico	Mexico	Manufacturing		100.00	Business combination involving entities not under common control
Hisense Monterrey Property Management, S.de R.L. de C.V.	Monterrey Property	MXN1,071.2871 million	Mexico	Mexico	Provision of services		100.00	Business combination involving entities under common control
Qingdao Gorenje Electrical Co., Ltd.	Qingdao Gorenje	RMB21.00 million	Qingdao	Qingdao	Trading	70.00		Establishment or investment
Hisense (Shandong) Kitchen and Bath Co., Ltd.	K & B	RMB35.00 million	Qingdao	Qingdao	Manufacturing		100.00	Establishment or investment
Hisense Japan Automotive Air-Conditioning Systems Corporation (海信日本汽車空調系統合同會社)	SPV	JPY1	Japan	Japan	Investment		100.00	Establishment or investment
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd.°	Hitachi Air Conditioning Technology	RMB1 million	Qingdao	Qingdao	Manufacturing		100.00	Establishment or investment
Sanden Corporation	SDHD	JPY21,741.869287 million	Japan	Japan	Provision of services		74.88	Business combination involving entities not under common control
Sanden International (Europe) GmbH	SIE	EUR25,000	Germany	Germany	Manufacturing		100.00	Business combination under common control

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VIII. INTERESTS IN OTHER ENTITIES — Continued

#### 1. Interests in subsidiaries — Continued

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

Name of subsidiary	Abbreviation of subsidiary	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
SANDEN MANUFACTURING EUROPE S.A.S.	SME	EUR21.00 million	France	France	Manufacturing	100.00		Business combination involving entities not under common control
SANDEN MANUFACTURING POLAND SP.ZO.O.	SMP	EUR36.3602 million	Poland	Poland	Manufacturing	100.00		Business combination involving entities not under common control
SANDEN INTERNATIONAL (U.S.A.), INC.	SIA	USD18.00 million	USA	USA	Manufacturing	100.00		Business combination involving entities not under common control
SANDEN VIKAS (INDIA) PRIVATE LIMITED.	SVL	INR296.25 million	India	India	Manufacturing	50.00		Business combination involving entities not under common control
SANDEN THAILAND CO., LTD.	STC	THB100.00 million	Thailand	Thailand	Manufacturing	95.00		Business combination involving entities not under common control
Tianjin Sanden Auto Air-Conditioning CO., LTD.	TSA	RMB143.6290 million	Tianjin	Tianjin	Manufacturing	51.46		Business combination involving entities not under common control

Notes:

- ① All subsidiaries incorporated in the PRC are companies with limited liability, save for Refrigerator Marketing Company, Air-conditioner Marketing Company, Commercial Cold Chain, Hitachi Marketing and Qingdao Gorenje which are joint-stock companies with limited liability.
- ② The Company holds 49.20% equity interests in Hisense Hitachi, and according to the articles of association of Hisense Hitachi, the Company holds five-ninth voting rights of the board of directors, the highest authority of Hisense Hitachi.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VIII. INTERESTS IN OTHER ENTITIES — *Continued*

#### 1. Interests in subsidiaries — *Continued*

##### (2) *Principal non-wholly-owned subsidiary*

Name of subsidiary	Percentage of minority interest	Profit or loss attributable to minority interest for the period	Dividends declared to minority interest for the period	Closing balances attributable to minority interest
Hisense Hitachi	50.80%	821,268,613.11	832,931,024.00	3,220,305,881.17

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

Name of subsidiary	Closing balances					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	1,117,368.88	1,034,732.06	2,152,100.94	1,296,136.10	162,423.95	1,458,560.05

(continued)

Name of subsidiary	Opening balances					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hisense Hitachi	861,858.78	1,058,469.61	1,920,328.39	1,053,117.28	163,801.87	1,216,919.15

Continued table:

Name of subsidiary	Amount for the period				Amount for the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hisense Hitachi	1,130,298.16	161,667.05	161,667.05	182,537.92	1,004,661.13	128,851.81	128,851.81	27,439.42

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### 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*

In January 2023, the minority shareholders of Hisense Mould, a subsidiary of the Company, carried out a capital increase. The Company's shareholding in Hisense Mould changed from 83.47% to 82.41%, the Company still has control over Hisense Mould after the capital increase.

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

*The Company increased its capital contribution in Hisense Mould*

Item	Hisense Mould
Fair value of non-cash assets	9,379,313.06
Total cost of purchase/consideration for disposal	9,379,313.06
Less: Share of net assets of subsidiary based on the shareholding percentage acquired/disposed of	10,577,661.26
Difference	-1,198,348.20
Including: Adjustment to capital reserves	-1,198,348.20

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### VIII. INTERESTS IN OTHER ENTITIES — Continued

#### 3. Interests in joint ventures or associates

##### (1) Major joint ventures or associates

Name of joint venture or associate	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Accounting method for investment in joint venture or associate
				Direct	Indirect	
Hisense Financial Holdings	Qingdao	Qingdao	Financial services	21.44		Equity method
Hisense Marketing Management	Qingdao	Qingdao	Trading	50.00		Equity method
Hisense International	Overseas	Qingdao	Trading	12.67		Equity method
Sanden Huayu Automotive Air-Conditioning Co., Ltd.	Shanghai	Shanghai	Manufacturing		43.00	Equity method
Shenyang Sanden Automotive Air-Conditioning Co. Ltd.	Shenyang	Shenyang	Manufacturing		47.50	Equity method
SANPAK ENGINEERING INDUSTRIES PVT.LTD.	Pakistan	Pakistan	Manufacturing		36.84	Equity method

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

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

Item	Closing balances/ Amount for the period	Opening balances/ Amount for the previous period
<b>Joint ventures</b>	-	-
Total carrying amounts of investments	5,777.66	5,173.79
Aggregated amounts of the following items in proportion to the shareholdings	-	-
- Net profit	603.88	410.72
- Other comprehensive income		
- Total comprehensive income	603.88	410.72
<b>Associates</b>	-	-
Total carrying amounts of investments	145,502.28	146,660.27
Aggregated amounts of the following items in proportion to the shareholdings	-	-
- Net profit	18,013.91	7,905.67
- Other comprehensive income	402.58	1,093.75
- Total comprehensive income	18,416.49	8,999.42

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS

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

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

#### 1. Credit risk

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

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

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

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

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

#### 2. Liquidity risk

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

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



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

#### 2. Liquidity risk — Continued

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

#### 30 June 2023

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash at bank and on hand	4,563,538,891.74				4,563,538,891.74
Transactional financial assets	11,414,578,935.10				11,414,578,935.10
Notes receivable	199,892,858.93				199,892,858.93
Accounts receivable	9,655,015,757.73				9,655,015,757.73
Accounts receivable financing	8,810,415,892.27				8,810,415,892.27
Other receivables	405,477,282.71				405,477,282.71
Other non-current assets	250,398,726.73				250,398,726.73
Non-current assets due within one year	2,436,387,000.00				2,436,387,000.00
Other non-current financial assets				27,730,626.75	27,730,626.75
Other non-current assets		2,856,288,472.22	5,288,352,500.00		8,144,640,972.22
<b>Total</b>	<b>37,735,705,345.21</b>	<b>2,856,288,472.22</b>	<b>5,288,352,500.00</b>	<b>27,730,626.75</b>	<b>45,908,076,944.18</b>
<b>Financial liabilities</b>					
Short-term borrowings	2,889,028,893.82				2,889,028,893.82
Transactional financial liabilities	223,221,756.61				223,221,756.61
Notes payable	12,964,556,669.10				12,964,556,669.10
Accounts payable	11,386,249,986.78				11,386,249,986.78
Other payables	5,274,141,096.58				5,274,141,096.58
Other current liabilities	7,760,255,325.58				7,760,255,325.58
Non-current liabilities due within one year	136,365,234.43				136,365,234.43
Lease liabilities		105,714,839.39	108,987,944.52	40,524,219.64	255,227,003.55
Long-term borrowings		1,155,357.00	34,943,006.08		36,098,363.08
<b>Total</b>	<b>40,633,818,962.90</b>	<b>106,870,196.39</b>	<b>143,930,950.60</b>	<b>40,524,219.64</b>	<b>40,925,144,329.53</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

#### 2. Liquidity risk — *Continued*

##### 31 December 2022

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash at bank and on hand	6,001,295,427.37				6,001,295,427.37
Transactional financial assets	6,758,233,998.86				6,758,233,998.86
Notes receivable	144,188,330.26				144,188,330.26
Accounts receivable	7,665,702,299.91				7,665,702,299.91
Accounts receivable financing	5,072,959,470.76				5,072,959,470.76
Other receivables	475,034,340.60				475,034,340.60
Other current assets	864,357,351.72				864,357,351.72
Non-current assets due within one year	1,986,840,000.00				1,986,840,000.00
Other non-current financial assets				25,748,931.39	25,748,931.39
Other non-current assets		3,545,074,611.12	4,433,855,833.33		7,978,930,444.45
<b>Total</b>	<b>28,968,611,219.48</b>	<b>3,545,074,611.12</b>	<b>4,433,855,833.33</b>	<b>25,748,931.39</b>	<b>36,973,290,595.32</b>
<b>Financial liabilities</b>					
Short-term borrowings	1,462,253,713.24				1,462,253,713.24
Transactional financial liabilities	1,745,488.01				1,745,488.01
Notes payable	11,322,271,209.54				11,322,271,209.54
Accounts payable	9,717,666,826.44				9,717,666,826.44
Other payables	5,219,154,864.04				5,219,154,864.04
Other current liabilities	5,643,445,390.50				5,643,445,390.50
Non-current liabilities due within one year	146,539,109.09				146,539,109.09
Lease liabilities		114,995,774.57	121,816,855.82	45,185,161.05	281,997,791.44
Long-term borrowings			19,808,239.84		19,808,239.84
<b>Total</b>	<b>33,513,076,600.86</b>	<b>114,995,774.57</b>	<b>141,625,095.66</b>	<b>45,185,161.05</b>	<b>33,814,882,632.14</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### IX. RISKS RELATING TO FINANCIAL INSTRUMENTS — Continued

#### 3. Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks, of which the variable interest rates are mostly short-term in nature whereas interest-bearing financial liabilities are primarily short-term bank borrowings. As at 30 June 2023, the Group's bank borrowings carried interest at fixed rate. As such, any change in the interest rate is not considered to have significant impact on the Group's performance.

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.

#### 4. Currency risk

Currency risk refers to the risk of losses arisen from the adverse change in exchange rates with respect to investments and transactions denominated in foreign currencies. The Group's monetary assets and transactions are denominated in RMB, HKD, USD, JPY and EUR. The exchange rates between RMB, HKD, USD, JPY and EUR are not pegged, and there is fluctuation in exchange rates between RMB, USD, JPY and EUR.

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

Currency	Closing balances		Opening balances	
	Assets	Liabilities	Assets	Liabilities
USD	986,973,623.46	887,286,195.67	474,814,252.59	1,358,606,224.39
EUR	323,514,622.64	211,381,528.30	127,696,160.14	336,877,464.66

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

Sensitivity analysis of changes in exchange rates:

Item	Current period Increase/Decrease in profit after taxation	Previous period Increase/Decrease in profit after taxation
<b>USD to RMB</b>		
Appreciates by 5%	3,738,278.54	9,135,478.86
Depreciates by 5%	-3,738,278.54	-9,135,478.86
<b>EUR to RMB</b>		
Appreciates by 5%	4,204,991.04	20,535,771.57
Depreciates by 5%	-4,204,991.04	-20,535,771.57

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### X. DISCLOSURE OF FAIR VALUE

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

Item	Fair value at the end of the period			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Fair value measurement on a recurring basis	-	-	-	-
(i) Transactional financial assets		1,697,553.82	11,412,881,381.28	11,414,578,935.10
1. Financial assets at fair value through profit or loss		1,697,553.82	11,412,881,381.28	11,414,578,935.10
(1) Wealth management products			11,412,881,381.28	11,412,881,381.28
(2) Derivative financial assets		1,697,553.82		1,697,553.82
(ii) Other debt investments			8,810,415,892.27	8,810,415,892.27
1. Accounts receivable financing			8,810,415,892.27	8,810,415,892.27
(iii) Other equity instrument investments			39,598,562.87	39,598,562.87
(iv) Other non-current financial assets			27,730,626.75	27,730,626.75
<b>Total assets measured at fair value on a recurring basis</b>		<b>1,697,553.82</b>	<b>20,290,626,463.17</b>	<b>20,292,324,016.99</b>
(v) Transactional financial liabilities		223,221,756.61		223,221,756.61
1. Financial liabilities at fair value through profit or loss		223,221,756.61		223,221,756.61
(1) Derivative financial liabilities		223,221,756.61		223,221,756.61
<b>Total liabilities measured at fair value on a recurring basis</b>		<b>223,221,756.61</b>		<b>223,221,756.61</b>

#### 2. 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.

#### 3. 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 information. The market value of other non-current financial assets is determined based on the recoverable amount of the corresponding financial assets.

A gain or loss from change in fair value of RMB46,335,095.25 was recognised in respect of the wealth management products during the period. Changes in the unobservable input (expected rate of return) do not result in significant changes in fair value. At the end of the period, the Group determined the fair value to be the forecast future cash flows based on the expected rate of return, and the changes in valuation techniques had a relatively insignificant impact on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS

#### (I) Relationship with related parties

##### 1. Controlling shareholder and the ultimate holding company

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

Name of controlling shareholder and the ultimate holding company	Place of registration	Business nature	Registered capital	Percentage of shareholding in the Company (%)	Percentage of voting rights in the Company (%)
Qingdao Hisense Air-conditioning	Qingdao	Manufacture of air-conditioners and moulds and provision of aftersale services	67,479	37.23	37.23

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

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

Controlling shareholder	Opening balances	Increase during the period	Decrease during the period	Closing balances
Qingdao Hisense Air-conditioning	67,479.00			67,479.00

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

Controlling shareholder	Number of shares held		Percentage of shareholding (%)	
	Closing balance	Opening balance	Percentage at the end of the period	Percentage at the beginning of the period
Qingdao Hisense Air-conditioning	516,758,670.00	516,758,670.00	37.23	37.92

##### 2. Subsidiaries

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

##### 3. Joint ventures and associates

For details of the Company's joint ventures or associates, please refer to relevant information as set out in note "VIII.3. (1) Major joint ventures or associates".

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

#### (I) Relationship with related parties — *Continued*

##### 4. *Other related parties of the Company*

Name of other related parties	Relationship with the Company
Hisense Group and its subsidiaries ("Hisense Group Company and its subsidiaries")	Indirect holding company and other subsidiaries controlled by them
Hisense Finance Co., Ltd. ("Hisense Finance")	Subsidiary of the indirect holding company
Hisense Visual Technology Co., Ltd. ("Hisense Visual Technology")	Subsidiary of the indirect holding company
Beijing Xuehua Group Company Limited ("Xuehua Group")	Minority shareholder of Beijing Refrigerator
Hisense (Hong Kong) Company Limited ("Hisense Hong Kong")	Subsidiary of the indirect holding company
Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd. ("Johnson Hitachi")	Controlling shareholder of the minority shareholder of Hisense Hitachi

##### 5. *The Greencool Companies, controlled by the original de facto controller of the Company, had a series of transactions or unusual cash inflows and outflows through the following "Specific Third Party Companies"*

Name of related party	Relationship with the Company
Shangqiu Bingxiong Freezing Facilities Co., Ltd. ("Shangqiu Bingxiong")	Specific Third Party Company

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

#### (II) Related party transactions

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

###### (1) Purchase of goods/receipt of services

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	125,595,400.48	0.37	119,906,692.00	0.39
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	2,969,756.86	0.01	307,740.00	0.00
Johnson Hitachi and its subsidiaries	Finished goods	Agreed price	17,423,703.61	0.05	34,971,483.58	0.11
Associates of Sanden company	Finished goods	Agreed price	204,985,343.35	0.61	144,202,963.67	0.47
<b>Subtotal purchase of finished goods</b>			<b>350,974,204.30</b>	<b>1.04</b>	<b>299,388,879.25</b>	<b>0.97</b>
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	875,765,954.48	2.59	478,714,166.95	1.55
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	170,922,460.78	0.51	29,441,156.92	0.10
Johnson Hitachi and its subsidiaries	Raw materials	Agreed price	291,360,856.79	0.86	372,962,555.47	1.20
<b>Subtotal purchase of raw materials</b>			<b>1,338,049,272.05</b>	<b>3.96</b>	<b>881,117,879.34</b>	<b>2.85</b>
Hisense Group Company and its subsidiaries	Receipt of services	Agreed price	590,892,949.95	1.76	515,906,379.13	1.66
Hisense Visual Technology and its subsidiaries	Receipt of services	Agreed price	27,620,909.68	0.08	18,756,988.19	0.06
Johnson Hitachi and its subsidiaries	Receipt of services	Agreed price	3,600,276.65	0.01	12,076,590.32	0.04
Xuehua Group	Receipt of services	Agreed price	231,135.02	0.00	395,283.55	0.00
Associates of Sanden Company	Receipt of services	Agreed price			11,210,427.54	0.04
<b>Subtotal purchase of receipt of services</b>			<b>622,345,271.30</b>	<b>1.85</b>	<b>558,345,668.73</b>	<b>1.80</b>

Note: The lease payment amounted to RMB34,451,900 recognized by the Company as a lessee was included in the "receipt of services" under related party transactions in the Reporting Period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

#### (II) Related party transactions — *Continued*

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

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

- ① The Company and Hisense Group Company and Hisense Visual Technology and Hisense International and Hisense Marketing Management and Hisense Hong Kong entered into the Business Cooperation Framework Agreement on 7 November 2022. During the effective period of the agreement, the transaction amount of the Company as the purchaser and recipient of services was capped at a total of RMB5,484.47 million (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into the H Share Announcement-Continuing Connected Transactions on 9 January 2023. During the effective period of the agreement, the transaction amount of the Company as the purchaser was capped at a total of RMB1,303.81 million (exclusive of value-added tax).

The above agreements were considered and approved at the eighth interim meeting of the Company's eleventh session of the board of directors in 2022 convened on 7 November 2022.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

#### (II) Related party transactions — Continued

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

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

Related party	Particulars of related party transactions	Pricing and decision-making procedures of related party transactions	Amount for the period		Amount for previous period	
			Amount	Percentage of the amount for similar transactions (%)	Amount	Percentage of the amount for similar transactions (%)
Hisense Group Company and its subsidiaries	Finished goods	Agreed price	10,576,706,455.18	24.63	10,313,662,282.58	26.93
Hisense Visual Technology and its subsidiaries	Finished goods	Agreed price	561,849.38	0.00	6,011,569.17	0.02
Johnson Hitachi	Finished goods	Agreed price	107,807,196.76	0.25	118,510,562.42	0.31
Associates of Sanden Company	Finished goods	Agreed price	606,339,256.15	1.41	530,364,833.15	1.38
<b>Subtotal of sale of finished goods</b>			<b>11,291,414,757.47</b>	<b>26.29</b>	<b>10,968,549,247.32</b>	<b>28.64</b>
Hisense Group Company and its subsidiaries	Raw materials	Agreed price	259,972,833.54	0.60	173,670,680.06	0.45
Hisense Visual Technology and its subsidiaries	Raw materials	Agreed price	351,821,668.44	0.82		
Johnson Hitachi	Raw materials	Agreed price	2,057,302.93	0.00	3,964,901.14	0.01
<b>Subtotal of sale of raw materials</b>			<b>613,851,804.91</b>	<b>1.42</b>	<b>177,635,581.20</b>	<b>0.46</b>
Hisense Group Company and its subsidiaries	Moulds	Market price	9,402,085.17	0.02	15,635,760.91	0.04
Hisense Visual Technology and its subsidiaries	Moulds	Market price	19,658,991.14	0.05	24,745,474.39	0.06
<b>Subtotal of sale of moulds</b>			<b>29,061,076.31</b>	<b>0.07</b>	<b>40,381,235.30</b>	<b>0.10</b>
Hisense Group Company and its subsidiaries	Provision of services	Agreed price	25,726,322.29	0.06	9,811,755.71	0.02
Hisense Visual Technology and its subsidiaries	Provision of services	Agreed price	2,901,807.06	0.01	87,798,772.90	0.23
<b>Subtotal of rendering of services</b>			<b>28,628,129.35</b>	<b>0.07</b>	<b>97,610,528.61</b>	<b>0.25</b>

Note: The lease revenue amounted to RMB5,396,800 recognized by the Company as a lessor was included in the "rendering of services" under related party transactions in the Reporting Period.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

#### (II) Related party transactions — *Continued*

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

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

- ① The Company and Hisense Group Company and Hisense Visual Technology and Hisense International and Hisense Marketing Management and Hisense Hong Kong entered into the Business Cooperation Framework Agreement on 7 November 2022. During the effective period of the agreement, the transaction amount of the Company as the supplier and provider of services was capped at a total of RMB32,587,580,000 (exclusive of value-added tax).
- ② The Company and Johnson Hitachi entered into the H Share Announcement-Continuing Connected Transactions on 9 January 2023. During the effective period of the agreement, the transaction amount of the Company as the supplier and provider of services was capped at a total of RMB417,690,000 (exclusive of value-added tax).

The above agreements were considered and approved at the eighth interim meeting of the Company's eleventh session of the board of directors in 2022 convened on 7 November 2022.

##### 2. *Related guarantees*

###### (1) *As guarantor*

There were no guarantees given in favour of related parties during the period.

###### (2) *As guaranteed party*

Name of Guarantor	Amount of Guarantee	Guarantee Start Date	Guarantee Expiry Date	Whether the guarantee has been fulfilled
Hisense (Hong Kong) Company Limited	JPY 12,000,000,000.00	2022-5-30	2023-5-26	Completed
Hisense (Hong Kong) Company Limited	JPY 12,000,000,000.00	2023-5-25	2024-5-24	Uncompleted

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

#### (II) Related party transactions — Continued

##### 2. Related guarantees — Continued

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

Name of related parties	Borrowing amount	Inception date	Expiry date	Remarks
<b>Borrowed from</b>				
Hisense Group Company and its subsidiaries	USD64,000,000	2022-4-8	2023-4-6	Repaid, an interest expense of RMB7,867,078.26 was paid during the period
Hisense Group Company and its subsidiaries	EUR41,000,000	2022-4-8	2023-4-6	Repaid, an interest expense of RMB2,821,154.93 was paid during the period
Hisense Group Company and its subsidiaries	USD13,200,000	2022-4-20	2023-4-20	Repaid, an interest expense of RMB1,845,081.29 was paid during the period
Hisense Group Company and its subsidiaries	USD41,500,000	2022-4-29	2023-4-28	Repaid, an interest expense of RMB6,573,719.17 was paid during the period
Hisense Group Company and its subsidiaries	USD56,000,000	2022-5-20	2023-5-19	Repaid, an interest expense of RMB10,369,062.02 was paid during the period
Hisense Group Company and its subsidiaries	USD4,000,000	2022-5-30	2023-5-30	Repaid, an interest expense of RMB796,713.67 was paid during the period
Hisense Group Company and its subsidiaries	JPY4,000,000,000	2022-7-11	2023-7-11	
Hisense Group Company and its subsidiaries	JPY4,000,000,000	2022-8-12	2023-2-13	Repaid, an interest expense of RMB926,739.00 was paid during the period
Hisense Group Company and its subsidiaries	USD7,800,000	2023-1-19	2023-2-1	Repaid, an interest expense of RMB111,329.13 was paid during the period
Hisense Group Company and its subsidiaries	USD 41,500,000	2023-4-28	2024-4-26	An interest expense of RMB2,994,372.39 was paid during the period
Hisense Group Company and its subsidiaries	USD 1,100,000	2023-5-15	2024-5-14	An interest expense of RMB54,716.65 was paid during the period
Hisense Group Company and its subsidiaries	USD 56,000,000	2023-5-19	2024-5-17	An interest expense of RMB2,494,073.39 was paid during the period
Hisense Group Company and its subsidiaries	USD 4,000,000	2023-5-30	2024-5-29	An interest expense of RMB121,439.76 was paid during the period
Hisense Group Company and its subsidiaries	USD 1,000,000	2023-6-19	2024-6-19	An interest expense of RMB2,740.89 was paid during the period

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

#### (II) Related party transactions — *Continued*

##### 2. *Related guarantees* — *Continued*

##### (4) *Other connected transactions*

As at 30 June 2023, the Group had balance of deposit of RMB11,988,481,000 (listed in bank deposits, other current assets, non-current assets and other non-current assets according to holding intention and liquidity), and balance of notes receivables of RMB670,356,500 with Hisense Finance. The balance of loan was RMB102,141,000. The amount of loan interest for Hisense Finance of RMB741,000 was recognized. The amount of discounted interest paid for notes was RMB142,600. The amount of settlement service for receipt and payment of funds paid by the Company to Hisense Finance amounted to RMB261,100 and RMB569,400. Interest income from bank deposits of RMB158,997,700 was recognized. The actual amount involved for the provision of settlement and sale of foreign exchange services provided by Hisense Finance to the Group was RMB47,692,900. The amount for provision of discounted notes was RMB19,867,900.

Pursuant to the Trademark Licensing Agreement entered into between the Company and Hisense Group, the Group is entitled to use the trademark of “海信” and “Hisense” within the scope of permission and during the licensing period in the agreement at nil consideration.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

#### (III) Receivables from and payables to related parties

##### (1) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Receivables Financing	Hisense Visual and its subsidiaries	234,794,774.28		292,961,372.58	
Receivables Financing	Hisense Group Company and its subsidiaries	399,861,248.16		245,335,521.69	
<b>Subtotal</b>		<b>634,656,022.44</b>		<b>538,296,894.27</b>	
Other current assets	Hisense Finance	366,248,992.98		305,146,673.85	
<b>Subtotal</b>		<b>366,248,992.98</b>		<b>305,146,673.85</b>	
Accounts receivable	Hisense Visual and its subsidiaries	77,662,145.87		38,379,414.56	53.78
Accounts receivable	Hisense Group Company and its subsidiaries	4,995,876,306.95	4,014,496.14	3,293,667,509.15	3,993,192.42
Accounts receivable	Johnson Hitachi and its subsidiaries	57,840,494.57		75,283,087.23	
Accounts receivable	Associates of Sanden Company	260,086,617.98	11,316.93	419,499,089.42	282,366.69
<b>Subtotal</b>		<b>5,391,465,565.37</b>	<b>4,025,813.07</b>	<b>3,826,829,100.36</b>	<b>4,275,612.89</b>
Other receivables	Hisense Visual and its subsidiaries	366,473.65		84,813.15	18,000.00
Other receivables	Hisense Group Company and its subsidiaries	19,507,070.36	392,001.71	15,533,884.06	984,664.56
Other receivables	Associates of Sanden Company	23,787,884.48		38,772,232.79	
<b>Subtotal</b>		<b>43,661,428.49</b>	<b>392,001.71</b>	<b>54,390,930.00</b>	<b>1,002,664.56</b>
Dividends receivable	Associates of Sanden Company	164,518,912.17		152,634,355.75	
<b>Subtotal</b>		<b>164,518,912.17</b>		<b>152,634,355.75</b>	
Prepayment	Hisense Visual and its subsidiaries	2,254,718.66		47,972.80	
Prepayment	Hisense Group Company and its subsidiaries	44,633,450.06		36,331,999.75	
<b>Subtotal</b>		<b>46,888,168.72</b>		<b>36,379,972.55</b>	
Other non-current assets	Hisense Holdings and its subsidiaries	51,016,792.02		51,728,324.82	
<b>Subtotal</b>		<b>51,016,792.02</b>		<b>51,728,324.82</b>	

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

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

##### (2) Payables to related parties

Item	Related party	Closing balance	Opening balance
Notes payable	Hisense Group Company and its subsidiaries	40,695,216.31	27,656,165.47
Notes payable	Hisense Visual and its subsidiaries	4,281,161.50	26,769,657.01
Notes payable	Johnson Hitachi and its subsidiaries	185,345,824.16	295,057,130.98
Notes payable	Associates of Sanden Company		1,518,715.00
<b>Subtotal</b>		<b>230,322,201.97</b>	<b>351,001,668.46</b>
Accounts payable	Hisense Group Company and its subsidiaries	421,135,451.07	851,629,758.98
Accounts payable	Hisense Visual and its subsidiaries	7,962,915.45	329,137.24
Accounts payable	Johnson Hitachi and its subsidiaries	127,340,307.11	37,129,015.58
Accounts payable	Associates of Sanden Company	17,771,798.29	26,483,074.76
<b>Subtotal</b>		<b>574,210,471.92</b>	<b>915,570,986.56</b>
Dividends payable	Johnson Hitachi and its subsidiaries		64,986,946.54
Dividends payable	Hong Kong Hisense	64,358,036.99	
<b>Subtotal</b>		<b>64,358,036.99</b>	<b>64,986,946.54</b>
Other payables	Hisense Group Company and its subsidiaries	898,479,729.13	2,069,583,306.23
Other payables	Hisense Visual and its subsidiaries	2,690,553.51	436,321.32
Other payables	Johnson Hitachi and its subsidiaries	200,000.00	200,000.00
Other payables	Associates of Sanden Company	5,016,262.88	8,917,679.48
Other payables	Xuehua Group	100,859.01	100,859.00
<b>Subtotal</b>		<b>906,487,404.53</b>	<b>2,079,238,166.03</b>
Contract liabilities	Hisense Group Company and its subsidiaries	18,684,473.74	60,071,489.34
Contract liabilities	Hisense Visual and its subsidiaries		187,630.70
Contract liabilities	Johnson Hitachi and its subsidiaries	21,114.74	1,428,854.04
<b>Subtotal</b>		<b>18,705,588.48</b>	<b>61,687,974.08</b>
Other non-current liabilities	Johnson Hitachi and its subsidiaries	650,463,797.80	644,260,494.71
<b>Subtotal</b>		<b>650,463,797.80</b>	<b>644,260,494.71</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XI. RELATED PARTY AND RELATED TRANSACTIONS — Continued

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

(3) Transactions with "specific third party companies"

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

### XII. SHARE-BASED PAYMENT

#### 1. General information about share-based payments

Total equity instruments granted during the period	36,232,000
Total equity instruments exercised during the period	Nil
Total equity instruments expired during the period	212,000
Range of exercise price of share options outstanding and remaining contractual term as the end of the period	Nil
Range of exercise prices and remaining contractual maturity of other equity instruments at the end of the period	RMB6.64 per share; the validity period of the equity incentive scheme shall commence on the date of completion of the registration of the grant of restricted shares and end on the date on which all restricted shares granted to the target of the incentive scheme are released from restriction or repurchased and cancelled, and shall not exceed 48 months at the longest.

#### 2. Equity settled share-based payments

Determination on fair value of equity instruments at 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.
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 current period and previous period	No
Accumulated amount of equity-settled share-based payment included in the capital surplus	63,149,340.84
Total amount of equity-settled share-based payment recognized in the current period	77,992,638.59

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XII. SHARE-BASED PAYMENT — *Continued*

#### 3. Modification and cancellation of share-based payment

After the Company grants restricted shares to the Participants, some of the Participants give up all/part of the incentive shares for personal reasons or withdraw from the scope of the incentive for reasons of duty adjustment, and the Company adjusts the amount of share-based payment accordingly for the changes in the number of restricted shares granted as a result of such changes.

### XIII. CONTINGENCIES

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

As at 30 June 2023, the Group was involved, as defendant, in litigations with amount of RMB124,056,144.76, and provision of RMB117,338,765.49 had been made.

### XIV. COMMITMENTS

#### 1. Capital commitments

*Unit: RMB'0000*

Item	Closing balance	Opening balance
Commitments in respect of investment in subsidiaries and jointly controlled entity (commitment to purchase long-term assets):		
- Authorized but not contracted		
- Contracted but not paid	15,495.02	14,286.39
Commitments in respect of acquisition of the property, plant and equipment of subsidiaries (commitment for external investment):		
- Contracted but not paid		

#### 2. Operating lease commitment

Please see note XVI.3. Leases for details.

### XV. SUBSEQUENT EVENTS

Nil.



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XVI. OTHER SIGNIFICANT EVENTS

#### 1. Capital management

The primary objectives of the Company's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital as at 30 June 2023 and during the year ended 31 December 2022.

The Company monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes bank and other borrowings, accounts payable, notes payable, other payables and debentures payables, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

Item	End of the period	Beginning of the period
<b>Total debt</b>	46,899,307,012.77	39,096,785,837.42
Including: Short-term borrowings	2,889,028,893.82	1,462,253,713.24
Accounts payable	11,386,249,986.78	9,717,666,826.44
Notes payable	12,964,556,669.10	11,322,271,209.54
Other payables	4,556,746,744.98	5,151,780,641.91
Less: Cash and cash equivalents	2,617,231,520.93	2,478,346,075.40
<b>Net debt</b>	44,282,075,491.84	36,618,439,762.02
<b>Equity attributable to shareholders of parent</b>	12,259,008,649.98	11,518,257,281.54
<b>Capital and net debt</b>	56,541,084,141.82	48,136,697,043.56
<b>Gearing ratio</b>	78.32%	76.07%

#### 2. Pension scheme

According to relevant laws and regulations of the PRC, the Group contributes mainly to a defined contribution pension scheme, which is administered by the provincial government, in respect of employees of the Group. According to such scheme, the Group shall make contributions to the pension fund at certain percentage of the total salaries and wages of its employees.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XVI. OTHER SIGNIFICANT EVENTS — Continued

#### 3. Leases

(1) *Different categories of leased assets of the Group are as follows:*

*Unit: RMB'0000*

Categories of leased assets under operating leases	Closing carrying amount	Opening carrying amount
Buildings and structures	23,787.56	19,397.57
Machinery and equipment, etc	739.47	489.55
<b>Total</b>	<b>24,527.03</b>	<b>19,887.12</b>

(2) *The Group as lessor under operating lease*

The Group's investment properties are also leased to a number of tenants for different terms. The rental income for the first half of 2023 amounted to RMB22.1061 million (first half of 2022: RMB14.1570 million). The minimum lease payments receivable under non-cancellable operating leases at the end of the reporting periods were as follows:

*Unit: RMB'0000*

Item	Amount for the period	Amount for previous period
Within one year	5,884.48	1,433.13
Over one year but within five years	16,900.18	39.38
<b>Total</b>	<b>22,784.66</b>	<b>1,472.51</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XVI. OTHER SIGNIFICANT EVENTS — Continued

#### 3. Leases — Continued

##### (3) The Group as lessee under operating lease

The Group leases certain leasehold building or structure and others under operating leases with lease terms ranging from one to five years. The operating lease payments for the period ended 30 June 2023 were as follows:

Unit: RMB'0000

Operating lease payments	Amount for the period	Amount for previous period
Buildings and structures	8,688.46	3,941.90
Others	5,807.54	194.34
<b>Total</b>	<b>14,496.00</b>	<b>4,136.24</b>

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

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

Unit: RMB'0000

Item	Amount for the period	Amount for previous period
Within one year	18,293.10	4,500.68
Over one year but within five years	24,981.10	3,834.84
Over five years	4,992.39	27.79
<b>Total</b>	<b>48,266.59</b>	<b>8,363.31</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 1. Accounts receivable

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

Category	Closing balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and accounts receivable					
Provision for bad debts for accounts receivable on a group basis	478,664,966.98	100.00	107,107,619.63	22.38	371,557,347.35
Including:					
Ageing analysis method	107,142,470.38	22.38	107,107,619.63	99.97	34,850.75
Receivables from related parties	371,522,496.60	77.62			371,522,496.60
<b>Total</b>	<b>478,664,966.98</b>	<b>100.00</b>	<b>107,107,619.63</b>	<b>22.38</b>	<b>371,557,347.35</b>

(Continued)

Category	Opening balance				Book value
	Book value		Provision for bad debts		
	Amount	(%)	Amount	(%)	
Separate provision for bad debt receivables and accounts receivable					
Provision for bad debts for accounts receivable on a group basis	313,937,517.54	100.00	107,107,632.82	34.12	206,829,884.72
Including:					
Ageing analysis method	107,149,061.30	34.13	107,107,632.82	99.96	41,428.48
Receivables from related parties	206,788,456.24	65.87			206,788,456.24
<b>Total</b>	<b>313,937,517.54</b>	<b>100.00</b>	<b>107,107,632.82</b>	<b>34.12</b>	<b>206,829,884.72</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 1. Accounts receivable — Continued

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

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

Ageing	Closing balance		
	Book value	Provision for bad debts	(%)
Including: within three months	34,920.59	69.84	0.20
Over one year	107,107,549.79	107,107,549.79	100.00
<b>Total</b>	<b>107,142,470.38</b>	<b>107,107,619.63</b>	<b>99.97</b>

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

2) Among the group, provision for bad debts for accounts receivable by receivables from related parties:

Ageing	Closing balance		
	Book value	Provision for bad debts	(%)
Within one year	371,522,496.60		
<b>Total</b>	<b>371,522,496.60</b>		

##### (2) Accounts receivable shown by ageing analysis

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

Ageing	Closing balance	Opening balance
Within three months	371,557,417.19	206,829,967.75
Over one year	107,107,549.79	107,107,549.79
<b>Total</b>	<b>478,664,966.98</b>	<b>313,937,517.54</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 1. Accounts receivable — *Continued*

##### (3) *Provision for bad debts for accounts receivable for the period*

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Ageing analysis method	107,107,632.82		13.19		107,107,619.63
<b>Total</b>	<b>107,107,632.82</b>		<b>13.19</b>		<b>107,107,619.63</b>

##### (4) *Top five accounts receivable by debtor as at the end of the period*

The total top five accounts receivable by debtor as at the end of the period amounted to RMB358,609,496.10, accounting for 74.92% of the closing balance of accounts receivable. Provision for bad debts of RMB24,988,826.34 in total was made as at the end of the period.

#### 2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable	17,774,596.15	83,026,795.53
Other receivables	1,188,859,746.42	1,344,021,935.48
<b>Total</b>	<b>1,206,634,342.57</b>	<b>1,427,048,731.01</b>

##### 2.1 *Dividends receivable*

###### (1) *Classification of dividends receivable*

Project (or investee)	Closing balance	Opening balance
Hisense Hitachi		65,252,199.38
Hisense Mould	17,774,596.15	17,774,596.15
<b>Total</b>	<b>17,774,596.15</b>	<b>83,026,795.53</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 2. Other receivables — Continued

##### 2.2 Other receivables

(1) Classification of other receivables by nature of the amount

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	20,385.50	
Other current account	1,203,409,650.72	1,364,286,987.89
<b>Total</b>	<b>1,203,430,036.22</b>	<b>1,364,286,987.89</b>

(2) 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
Opening balance		3,390,735.73	16,874,316.68	20,265,052.41
During the period, the opening balance of other receivables	-	-	-	-
– transferred to second stage				
– transferred to third stage				
– reversed to second stage				
– reversed to first stage				
Provision for the period	10,192.75			10,192.75
Reversal for the period				
Written-off for the period				
Charge-off for the period			5,704,955.36	5,704,955.36
Other changes				
<b>Closing balance</b>	<b>10,192.75</b>	<b>3,390,735.73</b>	<b>11,169,361.32</b>	<b>14,570,289.80</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 2. Other receivables — Continued

##### 2.2 Other receivables — Continued

(3) Other receivables presented by ageing as follows

Ageing	Closing balance
Within three months	866,019,379.44
Over three months but within six months	1,785,210.72
Over six months but within one year	34,697,740.10
Over one year	300,927,705.96
<b>Total</b>	<b>1,203,430,036.22</b>

(4) Provision for bad debts of other receivables

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off	
Ageing analysis method	20,265,052.41	10,192.75		5,704,955.36	14,570,289.80
<b>Total</b>	<b>20,265,052.41</b>	<b>10,192.75</b>		<b>5,704,955.36</b>	<b>14,570,289.80</b>

(5) Top five other receivables by debtor as at the end of the period

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)	Provision for bad debts Closing balance
Top 1	Inter-group current account payments	372,699,354.39	Within one year	30.97	
Top 2	Inter-group current account payments	214,219,944.44	Within two years	17.80	
Top 3	Inter-group current account payments	150,359,230.51	Within one year	12.49	
Top 4	Inter-group current account payments	145,350,693.05	Within one year	12.08	
Top 5	Inter-group current account payments	107,109,972.22	Within two years	8.90	
<b>Total</b>	-	<b>989,739,194.61</b>	-	<b>82.24</b>	



## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 3. Long-term equity investments

##### (1) Breakdown of long-term equity investments

Item	Closing balance			Opening balance		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Investments in subsidiaries	5,191,988,191.80	59,381,641.00	5,132,606,550.80	5,128,386,892.23	59,381,641.00	5,069,005,251.23
Investments in associates and joint ventures	610,558,778.99		610,558,778.99	579,784,230.29		579,784,230.29
<b>Total</b>	<b>5,802,546,970.79</b>	<b>59,381,641.00</b>	<b>5,743,165,329.79</b>	<b>5,708,171,122.52</b>	<b>59,381,641.00</b>	<b>5,648,789,481.52</b>

##### (2) Investments in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made during the period	Closing balance of provision for impairment
Guangdong Refrigerator		1,811,821.62		1,811,821.62		
Guangdong Air-conditioner	281,000,000.00			281,000,000.00		59,381,641.00
Guangdong Freezer		571,548.06		571,548.06		
Hisense K&B		1,232,864.91		1,232,864.91		
Rongsheng Plastic	53,270,064.00	608,526.35		53,878,590.35		
Wangao I&E	600,000.00			600,000.00		
Kelon Jiake	42,000,000.00			42,000,000.00		
Yingkou Refrigerator	84,000,000.00			84,000,000.00		
Jiangxi Kelon	147,763,896.00			147,763,896.00		
Hangzhou Kelon	24,000,000.00			24,000,000.00		
Yangzhou Refrigerator		680,414.36		680,414.36		
Zhuhai Kelon	189,101,850.00			189,101,850.00		
Shenzhen Kelon	95,000,000.00			95,000,000.00		
Kelon Development	11,200,000.00			11,200,000.00		
Guangdong Freezer		45,360.96		45,360.96		
Beijing Refrigerator	92,101,178.17			92,101,178.17		
Shandong Air-conditioning	567,175,477.74	8,210,632.60		575,386,110.34		
Hisense Mould	207,212,141.79	592,399.52		207,804,541.31		
Shandong Refrigerator	748,578,303.85	10,859,202.48		759,437,506.33		
Kelon Property	4,441,400.00	226,804.79		4,668,204.79		
Hisense Hitachi	2,566,242,580.68	9,202,659.58		2,575,445,240.26		
Qingdao Gorenje	14,700,000.00	1,477,105.06		16,177,105.06		
Shandong K & B		1,827,307.85		1,827,307.85		
Commercial Cold Chain		2,136,794.55		2,136,794.55		
Refrigerator Marketing		6,355,643.59		6,355,643.59		
Zhejiang Air-conditioning		190,516.01		190,516.01		
Air-conditioner Marketing		6,725,209.24		6,725,209.24		
Kelon Mould		222,507.96		222,507.96		
Jiangmen Home Appliances		632,069.42		632,069.42		
Hitachi Marketing		7,501,594.08		7,501,594.08		
Johnson Controls		158,763.36		158,763.36		
Jiangmen Air-conditioning		2,331,553.22		2,331,553.22		
<b>Total</b>	<b>5,128,386,892.23</b>	<b>63,601,299.57</b>		<b>5,191,988,191.80</b>		<b>59,381,641.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

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

#### 3. Long-term equity investments — Continued

##### (3) Investments in associates and joint ventures

Investee	Opening balance	Change for the period							Closing balance	Closing balance of provision for impairment	
		Increase in investment	Decrease in investment	Gains or losses from investment recognized using equity method	Adjustment for other comprehensive income	Other change in equity	Declaration of cash dividend or profit	Provision for impairment made			Others
I. Joint ventures											
Hisense Marketing Management	51,737,860.74			6,038,753.68						57,776,604.42	
II. Associates											
Hisense Financial Holdings	391,512,863.29			9,068,096.27						400,580,959.56	
Hisense International	136,533,516.26			45,071,171.84	3,842,849.26	91,077.65	-33,337,400.00			152,201,215.01	
<b>Total</b>	<b>579,784,230.29</b>			<b>60,178,021.79</b>	<b>3,842,849.26</b>	<b>91,077.65</b>	<b>-33,337,400.00</b>			<b>610,558,778.99</b>	

#### 4. Operating revenue and operating costs

##### Breakdown of operating revenue and operating costs

Item	Amount for the period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	2,363,446,815.71	2,123,200,003.66	1,801,000,126.31	1,795,487,820.83
Other operations	103,897,348.34	88,816,702.94	69,919,614.69	48,881,255.97
<b>Total</b>	<b>2,467,344,164.05</b>	<b>2,212,016,706.60</b>	<b>1,870,919,741.00</b>	<b>1,844,369,076.80</b>

#### 5. Investment gain

Item	Amount for the period	Amount for previous period
Gain from long-term equity investment under the cost method	851,575,300.95	527,653,867.82
Gain from long-term equity investment under the equity method	60,178,021.79	15,045,303.90
Gain from disposal of transactional financial assets	20,647,866.74	14,767,606.11
<b>Total</b>	<b>932,401,189.48</b>	<b>557,466,777.83</b>

### XVIII. APPROVAL OF FINANCIAL REPORT

This financial report was approved by the Board of the Company on 28 August 2023.

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XIX. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT

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

Item	Amount for the period	Notes
Profit or loss from disposal of non-current assets	4,813,445.48	
Return, reduction and exemption of taxes surpassing approval or without official approval document		
Government grants included in the gain or loss (excluding those government grants that are closely related to the enterprise's business and are received with fixed amounts or with fixed percentage in compliance with national unified policies)	88,435,629.91	
Capital occupation fees received from non-financial enterprises that are included in current profits or losses		
Gain arising under the circumstance where the investment cost for acquisition of subsidiaries, associates and joint ventures is lower than the fair value of the net assets attributable to the enterprise		
Gain or loss arising from non-monetary assets exchange		
Gain or loss arising from entrusted investment or entrusted asset management	104,404,935.90	
Asset impairment provided due to forced majeure (e.g. natural disasters)		
Gain or loss arising from debt restructuring		
Corporate restructuring expenses (e.g. staff placement costs and integration expenses)		
Gain or loss arising from the difference between the fair value and transaction price in obviously unfair transactions		
Net current profit or loss of subsidiaries arising from business combination under common control from beginning of year to the combination date		
Gain or loss arising from contingencies irrelevant to the Company's normal business		
Gain or loss from changes in fair values of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities and investment gain from disposal of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities and other investment in debt	48,368,859.14	
Reversal of impairment provision for accounts receivable and impairment provision for contract liabilities individually tested for impairment		
Gain or loss arising from entrusted loan		
Gain or loss arising from changes in fair value of investment properties measured subsequently by using fair value model		
Effect on current profit or loss of one-off adjustment to current profit or loss as required by taxation, accounting and other laws and regulations		
Custody fee income from entrusted operations		
Other non-operating income and expense other than the aforementioned items	131,725,624.97	
Other profit or loss items within the meaning of non-recurring profit or loss		
<b>Subtotal</b>	<b>377,748,495.40</b>	
Less: Effect of income tax	87,283,174.35	
Effect of minority interests (after tax)	56,129,963.61	
<b>Total</b>	<b>234,335,357.44</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XIX. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — Continued

#### 2. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average of return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Parent	12.28	1.09	1.09
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	10.36	0.92	0.92

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

Statement item	Closing balance or amount for the period	Opening balance of or amount for the previous period	Change (%)	Reason for change
Transactional financial assets	11,414,578,935.10	6,758,233,998.86	68.90	Mainly due the increase in wealth management products
Notes receivable	199,892,858.93	144,188,330.26	38.63	Mainly due to the growth of the Company's scale during the Reporting Period
Accounts receivable financing	8,810,415,892.27	5,072,959,470.76	73.67	Mainly due to the growth of the Company's scale during the Reporting Period
Short-term borrowings	2,889,028,893.82	1,462,253,713.24	97.57	Mainly due to the increase in the conversion of borrowings of subsidiaries into bank borrowings at the end of the Reporting Period
Contract liabilities	1,881,335,289.07	1,145,145,334.78	64.29	Mainly due to the increase in merchant returns during the Reporting Period
Other current liabilities	7,760,255,325.58	5,643,445,390.50	37.51	Mainly due to the growth of the Company's scale during the Reporting Period
Long-term borrowings	36,098,363.08	19,808,239.84	82.24	Mainly due to the increase in bank borrowings of subsidiaries at the end of the Reporting Period
Other comprehensive income	198,274,234.14	121,267,445.50	63.50	Mainly due to the increase in the translation balance of foreign currency statement formed by the change of exchange rate
Financial expenses	-284,866,150.49	-66,804,674.09	N/A	Mainly due to the increase in foreign exchange gains on foreign currency valuation
Investment income	411,026,049.40	276,085,241.22	48.88	Mainly due to the increase in income from long-term equity investments accounted for under the equity method and investment income from wealth management products

## NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2023 to 30 June 2023

### XIX. SUPPLEMENTARY INFORMATION OF FINANCIAL REPORT — Continued

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

Statement item	Closing balance or amount for the period	Opening balance of or amount for the previous period	Change (%)	Reason for change
Gains from changes in fair value	-195,729,875.25	28,338,568.82	N/A	Mainly due to the increase in loss on valuation of foreign currency forward exchange lock business
Credit impairment losses	-24,090,206.27	12,323,601.24	N/A	Mainly due to the increase in bad debt losses on other receivables
Cash received from investment income	290,829,445.10	61,471,044.22	373.12	Mainly due to the increase in dividends received and investment income from wealth management products during the period
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7,987,778.76	93,012,900.04	-91.41	Mainly due to the decrease in disposal of assets during the period
Cash paid relating to other investing activities	12,221,116,375.32	6,055,544,534.91	101.82	Mainly due to the increase in new fixed deposits and wealth management
Cash received from borrowings	1,832,161,656.52	624,527,436.50	193.37	Mainly due to the increase in borrowings of subsidiaries during the Reporting Period
Cash received relating to other financing activities	1,718,059,288.47	962,695,552.04	78.46	Mainly due to the changes in guarantee deposits for bills
Cash paid for repayment of borrowings	349,869,107.59	1,787,837,800.17	-80.43	Mainly due to the decrease in repayment of bank borrowings by subsidiaries
Cash paid for distribution of dividends, profit or payment of interest expenses	1,134,825,701.83	600,820,852.88	88.88	Mainly due to the increase in dividend distribution from subsidiaries during the period
Cash paid relating to other financing activities	1,298,771,829.38	433,906,142.14	199.32	Mainly due to repayment of borrowings and repurchase of shares

Hisense Home Appliances Group Co., Ltd.

28 August 2023