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Hisense 海信家電

HISENSE HOME APPLIANCES GROUP CO., LTD.
海信家電集團股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00921)*

ANNOUNCEMENT OF RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “**Board**”) of Hisense Home Appliances Group Co., Ltd. (the “**Company**”) hereby announces the audited financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the 2021 comparative figures in accordance with China Accounting Standards for Business Enterprises. The following financial information is prepared in accordance with China Accounting Standards for Business Enterprises:

FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(Unless otherwise specified, all amounts are denominated in RMB)

Audited Consolidated Balance Sheet

Item	Note	31 December 2022	31 December 2021
Assets			
Current assets			
Cash at bank and on hand		6,001,295,427.37	7,022,572,498.74
Including: Deposited with finance company		4,620,904,868.10	5,549,268,664.51
Transactional financial assets		6,758,233,998.86	5,625,841,633.95
Derivative financial assets			
Notes receivable		144,188,330.26	228,252,631.50
Accounts receivable	5	7,665,702,299.91	8,757,077,378.05
Factoring of accounts receivable		5,072,959,470.76	3,669,679,060.94
Prepayments		262,443,975.56	346,069,599.65
Other receivables		475,034,340.60	484,042,296.38

Including: Interest receivable			
Dividends receivable		152,634,355.75	153,473,105.41
Inventories		6,552,835,435.54	8,436,699,059.69
Contract assets		6,918,368.07	10,202,598.50
Assets held for sale			
Non-current assets due within one year		1,986,840,000.00	2,210,937,867.57
Other current assets		1,702,738,189.99	2,908,448,659.96
Total current assets		36,629,189,836.92	39,699,823,284.93
Non-current assets			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments		1,518,340,556.73	1,436,216,842.15
Other equity investment		36,399,028.71	38,707,912.25
Other non-current financial assets		25,748,931.39	
Investment properties		208,716,406.19	235,340,080.78
Fixed assets		5,318,274,820.56	5,188,754,013.36
Construction in progress		525,171,610.80	665,964,066.15
Productive biological assets			
Oil and gas assets			
Right-of-use assets		181,192,061.73	209,678,045.05
Intangible assets		1,459,616,347.69	1,644,453,450.06
Development costs			
Goodwill		226,408,877.76	226,408,877.76
Long-term prepaid expenses		41,623,003.89	26,229,463.77
Deferred tax assets		984,167,504.03	897,868,944.38
Other non-current assets		8,220,701,882.26	5,679,104,506.34
Total non-current assets		18,746,361,031.74	16,248,726,202.05
Total assets		55,375,550,868.66	55,948,549,486.98
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings		1,462,253,713.24	2,858,984,229.49
Transactional financial liabilities		1,745,488.01	244.38
Derivative financial liabilities			
Notes payable	6	11,322,271,209.54	11,513,955,689.58
Accounts payable	7	9,717,666,826.44	11,779,280,708.56

Advances from customers			
Contract liabilities		1,145,145,334.7	1,147,112,513.32
Employee remunerations payable		1,002,267,354.81	928,635,430.98
Taxes payable		705,821,864.03	725,413,062.43
Other payables		5,219,154,864.04	3,425,374,535.37
Including: Interest payable			
Dividends payable		67,374,222.13	
Liabilities held for sale			
Non-current liabilities due within one year		145,170,159.23	171,349,860.51
Other current liabilities		5,643,445,390.50	5,462,375,607.34
Total current liabilities		36,364,942,204.62	38,012,481,881.96
Non-current liabilities			
Long-term borrowings		19,808,239.84	32,382,835.84
Bonds payable			
Including: Preferred shares			
Perpetual debts			
Lease liabilities		277,195,821.24	395,949,053.40
Long-term payables			
Long-term employee remunerations payable		116,092,710.65	143,732,252.27
Provisions		1,313,738,416.00	1,417,289,726.72
Deferred income		145,835,582.02	152,987,034.48
Deferred tax liabilities		168,179,961.94	174,217,456.30
Other non-current liabilities		690,992,901.11	28,258,009.23
Total non-current liabilities		2,731,843,632.80	2,344,816,368.24
Total liabilities		39,096,785,837.42	40,357,298,250.20
Shareholders' equity			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preferred shares			
Perpetual debts			
Capital reserves		2,074,168,605.49	2,069,245,101.87
Less : Treasury shares			
Other comprehensive income		121,267,445.50	93,569,998.57
Special reserves			
Surplus reserves		711,971,309.99	711,971,309.99

General risk provisions			
Undistributed profits		7,248,124,550.56	6,104,843,404.90
Total equity attributable to shareholders of the parent		11,518,257,281.54	10,342,355,185.33
Minority interests		4,760,507,749.70	5,248,896,051.45
Total shareholders' equity		16,278,765,031.24	15,591,251,236.78
Total liabilities and shareholders' equity		55,375,550,868.66	55,948,549,486.98

Audited Consolidated Income Statement

Item	Note	2022	2021
1. Total operating revenue		74,115,151,039.29	67,562,603,666.81
Operating revenue	8	74,115,151,039.29	67,562,603,666.81
2. Total operating costs		71,261,426,810.30	65,691,393,364.71
Including : Operating costs	8	58,783,119,200.03	54,250,065,251.13
Taxes and surcharges		479,236,001.09	399,106,248.38
Sales expenses		8,070,720,273.85	7,672,002,974.36
Management expenses		1,821,201,420.18	1,326,886,898.17
Research and development expenses		2,289,313,746.54	1,986,668,028.13
Financial expenses	9	-182,163,831.39	56,663,964.54
Including: Interest expense	9	88,136,778.11	40,547,610.76
Interest income	9	79,204,113.83	81,915,216.18
Add: Other income		402,784,997.75	413,902,690.78
Investment gain (loss expressed with “-”)	10	512,712,041.01	507,115,258.30
Including: Share of profit of associates and joint ventures	10	253,464,775.11	150,205,515.55
Income from derecognition of financial assets at amortised cost		-8,626,472.16	
Gain from changes in fair values (loss expressed with “-”)		22,522,221.59	34,055,721.68
Impairment losses on credit (loss expressed with “-”)		-150,871,087.49	9,779,279.79
Impairment losses on assets (loss expressed with “-”)		-275,152,336.56	-61,428,800.86
Gains on disposal of asset (loss expressed with “-”)		1,384,257.12	6,261,684.40
3. Operating profits (loss expressed with “-”)		3,367,104,322.41	2,780,896,136.19
Add: Non-operating income		531,249,812.33	191,496,961.57
Less: Non-operating expenses		74,544,406.53	55,856,093.22
4. Total profits (loss expressed with “-”)		3,823,809,728.21	2,916,537,004.54

Less: Income tax expenses	11	754,575,397.82	573,736,027.17
5. Net profits (loss expressed with “-”)		3,069,234,330.39	2,342,800,977.37
(1) Classified on a going concern basis			
1) Net profit from continuing operations (loss expressed with “-”)		3,069,234,330.39	2,342,800,977.37
2) Net profit from discontinued operations (loss expressed with “-”)			
(2) Classification by ownership of equity			
1) Net profit attributable to shareholders of the parent		1,434,904,374.84	972,581,491.39
2) Profit and loss of minority interests		1,634,329,955.55	1,370,219,485.98
6. Other comprehensive income after tax, net		20,116,688.31	74,466,916.41
Other comprehensive income after tax attributable to owners of the parent, net		27,697,446.93	55,991,705.15
(1) Items not to be reclassified into profit or loss			
1) Changes arising from remeasurement of defined benefit plan			
2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3) Changes in fair value of other equity instruments investment			
4) Changes in the fair value of the Company’s own credit risk			
5) Others			
(2) Items to be reclassified into profit or loss		27,697,446.93	55,991,705.15
1) Other comprehensive income that is convertible gains and losses under the equity method		-9,868,592.45	-13,361,344.65
2) Changes in fair value of other investments in debt			
3) Amount of financial assets reclassified into other comprehensive income			
4) Credit impairment provisions for other debt investment			
5) Cash flow hedge reserve (effective portion of cash flow hedge profit and loss)			
6) Differences on translation of foreign currency financial statements		21,841,340.30	50,556,528.80
7) Others		15,724,699.08	18,796,521.00
Other comprehensive income after tax attributable to minority interests, net		-7,580,758.62	18,475,211.26
7. Total comprehensive income		3,089,351,018.70	2,417,267,893.78

Total comprehensive income attributable to shareholders of the parent		1,462,601,821.77	1,028,573,196.54
Total comprehensive income attributable to minority interests		1,626,749,196.93	1,388,694,697.24
8. Earnings per share :			
(1) Basic earnings per share	12	1.05	0.71
(2) Diluted earnings per share	12	1.05	0.71

Notes:

1. General information

The Company was incorporated in the PRC on 16 December 1992. The Company's overseas public shares (the “**H Shares**”) were listed on the Hong Kong Stock Exchange on 23 July 1996, whereas the Company's domestic shares (the “**A Shares**”) were listed on the Shenzhen Stock Exchange on 13 July 1999.

On 29 January 2007, a share reform scheme was set up by the Company for converting the non-freely transferable domestic legal person shares into freely transferable A Shares. The scheme was approved by the holders of the A Shares at a general meeting, and further approved by the Ministry of Commerce of the PRC on 22 March 2007.

On 31 August 2009, the Company constituted a major asset reorganisation and entered into a conditional sale and purchase agreement regarding the acquisition of the white goods assets and business of Hisense Air-Conditioning. The acquisition was approved by the CSRC (China Securities Regulatory Commission) on 23 March 2010. On 10 June 2010, the Company allotted and issued 362,048,187 A Shares to Hisense Air-Conditioning in consideration of the acquisition.

On 18 June 2013, 612,221,909 restricted A Shares held by Hisense Air-Conditioning were no longer subject to selling moratorium and were listed for trading.

On 23 May 2014, the exercise conditions were satisfied for the Company's first exercise period of the first phase of its stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration and the listing of the 4,440,810 new stocks which would be issued upon the exercise of the stock options.

On 19 June 2015, the exercise conditions were satisfied for the Company's second exercise period of the first phase of its stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration and the listing of the 4,229,810 new stocks which would be issued upon the exercise of the stock options.

As at 31 December 2022, the total number of issued shares of the Company was 1,362,725,370 and the registered capital of the Company was RMB1,362,725,370.00, of which Hisense Air-Conditioning held 516,758,670 Shares, representing approximately 37.92% of the Company's total issued share capital.

The Group is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc and automotive air conditioner compressor and integrated thermal management system.

The address of the registered office and principal place of business of the Company is No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC.

2. Basis of preparation

The financial statements are prepared based on going-concern assumption and actual transactions and events according to the Accounting Standards for Business Enterprises - Basic Standard (the Ministry of Finance Order No. 33 Issue, the Ministry of Finance Order No. 76 Amendment) issued by the Ministry of Finance, and 42 specific accounting standards, application guidelines for Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as "**Accounting Standards For Business Enterprises**") issued and revised on 15 February 2006 or later, and the Information Disclosure Regulations for Companies Publicly Issuing Securities No. 15 - General Provisions for Financial Statements (Revised 2014) issued by China Securities Regulatory Commission.

According to the relevant provisions of the Accounting Standards for Business Enterprises, the Company's financial accounting is conducted on accrual basis. Except for certain financial instruments, these financial statements take the historical cost as the accounting basis. If an asset is impaired, the provision for impairment shall be accrued in accordance with the relevant provisions.

The Company's A Shares are listed on the Shenzhen Stock Exchange while the H Shares are listed on the Hong Kong Stock Exchange. Besides the relevant regulations as mentioned above, the financial statements of the Company also comply with the applicable disclosure requirements under the Rules Governing Listing of Shares on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Hong Kong Listing Rules**") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

3. Changes in accounting policies

There were no changes in accounting policies of the Company during the Reporting Period.

4. Segment information

The Group manages its business by divisions which are organised by a mixture of both business lines and geographical areas.

(1) Segment information as at and for the year is as follows:

Unit: RMB

Amount for current period	air-conditioner	Refrigerators and washing machines	Others	Elimination	Total
1. Revenue from external sales	34,499,733,925.58	21,207,092,434.08	11,787,912,833.04	0.00	67,494,739,192.70
2. Revenue from inter-segment sales	1,001,205.93	12,092,073.41	2,520,058,040.12	-2,533,151,319.46	0.00
3. Gain from investment in associates and joint ventures	720,511.15	720,511.15	252,023,752.81	0.00	253,464,775.11
4. Depreciation and amortisation	578,212,144.80	366,557,127.40	426,330,115.69	0.00	1,371,099,387.89
5. Gain from changes in fair value	-42,920.00	11,446,773.25	11,118,368.34	0.00	22,522,221.59
6. Impairment losses on credit and assets	-98,258,731.21	-132,615,991.81	-195,148,701.03	0.00	-426,023,424.05
7. Total profit (Total loss)	3,452,041,902.34	282,337,472.47	89,430,353.40	0.00	3,823,809,728.21
8. Total assets	31,187,806,718.59	28,652,214,278.81	15,651,116,404.12	-20,115,586,532.86	55,375,550,868.66
9. Total liabilities	20,810,902,742.15	17,966,094,914.07	11,451,687,077.60	-11,131,898,896.40	39,096,785,837.42
10. Additions to other non-current assets other than long-term equity investments	2,604,525,196.46	25,307,181.32	-213,198,062.67	-1,123,200.00	2,415,511,115.11

Segment information as at and for the year ended 31 December 2021 is as follows:

Unit: RMB

Amount for last period	air-conditioner	Refrigerators and washing machines	Others	Elimination	Total
1. Revenue from external sales	30,402,508,314.77	23,017,878,500.74	7,341,840,221.47	0.00	60,762,227,036.98
2. Revenue from inter-segment sales	732,118.01	8,590,026.50	2,529,105,962.70	-2,538,428,107.21	0.00
3. Gain from investment in associates and joint ventures	1,336,113.05	1,336,113.05	147,533,289.45	0.00	150,205,515.55
4. Depreciation and amortisation	597,845,804.89	400,962,498.78	173,200,345.57	0.00	1,172,008,649.24
5. Gain from changes in fair value	0.00	34,348,313.32	-292,591.64	0.00	34,055,721.68
6. Impairment losses on credit and assets	-967,761.60	-2,111,566.31	-48,570,193.16	0.00	-51,649,521.07
7. Total profit (Total loss)	2,702,306,776.48	234,648,990.75	-20,418,762.69	0.00	2,916,537,004.54
8. Total assets	26,654,064,975.95	24,979,775,010.69	16,859,588,692.82	-12,544,879,192.48	55,948,549,486.98
9. Total liabilities	18,534,823,509.91	18,260,015,452.25	13,090,771,062.71	-9,528,311,774.67	40,357,298,250.20
10. Additions to other non-current assets other than long-term equity investments	1,193,536,166.12	231,383,519.65	2,331,129,795.98	0.00	3,756,049,481.75

(2) Geographic information

Unit: RMB

Category	2022	2021
Revenues from domestic customers	42,624,208,014.02	37,601,996,641.67
Revenues from overseas customers	24,870,531,178.68	23,160,230,395.31
Total	67,494,739,192.70	60,762,227,036.98
Domestic non-current assets	15,359,106,902.59	12,954,700,539.65
Overseas non-current assets	3,387,254,129.15	3,294,025,662.40
Total	18,746,361,031.74	16,248,726,202.05

The business of the Company is mainly operated in Mainland China, where the majority of the non-current assets of the Company are held. As such, it is not necessary to present more detailed regional information.

5. Accounts receivable

The ageing of accounts receivable is analysed as follows:

Unit: RMB

Item	31 December 2022	31 December 2021
Within three months	6,536,005,628.49	7,549,514,577.52
Over three months but within six months	447,891,643.76	449,245,994.77
Over six months but within one year	520,314,101.55	693,372,760.15
Over one year	471,721,042.96	248,784,996.52
Total	7,975,932,416.76	8,940,918,328.96
Less: provision for bad debts	310,230,116.85	183,840,950.91
Book value	7,665,702,299.91	8,757,077,378.05

6. Notes payable

Unit: RMB

Item	31 December 2022	31 December 2021
Bank acceptance notes	8,301,493,794.02	8,297,769,116.19
Commercial acceptance notes	3,020,777,415.52	3,216,186,573.39
Total	11,322,271,209.54	11,513,955,689.58

7. Accounts payable

The ageing of accounts payable is analysed as follows:

Unit: RMB

Item	31 December 2022	31 December 2021
Within one year	9,581,962,727.38	11,686,087,910.82

Over one year	135,704,099.06	93,192,797.74
Total	9,717,666,826.44	11,779,280,708.56

8. Operating revenues and costs

Unit: RMB

Item	2022	2021
Revenue from principal operations	67,494,739,192.70	60,762,227,036.98
Revenue from other operations	6,620,411,846.59	6,800,376,629.83
Total	74,115,151,039.29	67,562,603,666.81
Item	2022	2021
Cost of principal operations	52,573,262,431.34	47,781,456,257.13
Cost of other operations	6,209,856,768.69	6,468,608,994.00
Total	58,783,119,200.03	54,250,065,251.13

9. Financial expenses

Unit: RMB

Item	2022	2021
Interest expenses	88,136,778.11	40,547,610.76
Less: interest income	79,204,113.83	81,915,216.18
Loss on foreign exchange	-205,797,333.01	80,181,325.55
others	14,700,837.34	17,850,244.41
Total	-182,163,831.39	56,663,964.54

10. Investment gain

(1) Particulars of investment gain

Unit: RMB

Item	2022	2021
Gain from long-term equity investment by the equity method	253,464,775.11	150,205,515.55
Investment gains on disposal of transactional financial assets	-52,786,004.23	157,031,168.53
Interest income from time deposits	247,540,002.04	212,695,346.68
Others	64,493,268.09	-12,816,772.46
Total	512,712,041.01	507,115,258.30

(2) Gain from long-term equity investments by the equity method

Unit: RMB

Investee	2022	2021
Hisense Financial Holdings	12,968,049.38	-5,188,467.76
Hisense Marketing Management	1,441,022.29	2,672,226.10

Hisense International	61,776,387.44	64,315,643.46
Associated companies of Sanden Company	177,279,316.00	88,406,113.75
Total	253,464,775.11	150,205,515.55

Note: All the investment income calculated by equity method of the Company in this period is generated by non-listed equity investment.

11. Income tax expenses

Unit: RMB

Item	2022	2021
Current income tax expenses	846,911,451.83	807,118,837.42
Including: PRC enterprise income taxes	807,415,277.51	781,494,087.49
Hong Kong profit taxes	910,933.90	1,893.93
Deferred tax expenses	-92,336,054.01	-233,382,810.25
Total	754,575,397.82	573,736,027.17

The reconciliation from income tax calculated based on the applicable tax rates and total profits to the income tax expenses is as follows:

Unit: RMB

Item	2022
Total profits	3,823,809,728.21
Income tax expenses calculated at statutory (or applicable) tax rates	955,952,432.05
Tax effects of different tax rates applicable to certain subsidiaries	-330,168,087.86
Adjustments of income tax in previous period	-21,309,933.21
Effects of non-taxable incomes	-19,046,364.78
Effects of non-deductible costs, expenses and losses	137,238,906.53
Effects of deductible losses not recognised as deferred tax assets in previous period	-30,384,600.07
Effects of deductible temporary differences or deductible losses not recognised as deferred tax assets in current period	276,136,471.10
Effects of additional deduction relating to costs of research and development	-214,016,657.71
Others	173,231.77
Income tax expenses	754,575,397.82

Certain subsidiaries have been either recognised as “high technology” companies, or in other cases in accordance with other local laws and regulations, and are entitled to a preferential tax rate of 15% or 20% (2021: 15% or 20%).

Hong Kong profits tax is calculated at the rate of 8.25% on the estimated assessable profits up to HK\$2,000,000 and 16.5% on the excess of HK\$2,000,000 on the estimated assessable profits (2021: 8.25% and 16.5%).

Except as disclosed above, other subsidiaries of the Company which are established and operated in the PRC are subject to enterprise income tax at a standard rate of 25% (2021: 25%).

12. Earnings per share

(1) Basic earnings per share

The calculation of basic earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the Company divided by the weighted average number of issued ordinary shares of the Company:

Unit: RMB

Item	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company	1,434,904,374.84	972,581,491.39
Weighted average number of issued ordinary shares of the Company	1,362,725,370.00	1,362,725,370.00
Basic earnings per share	1.05	0.71

(2) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the Company adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares of the Company in issue. The Company has no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

13. Dividends

The Board proposes to distribute a cash dividend of RMB5.31 (tax inclusive) for every 10 shares to all shareholders on the basis of the total share capital of the Company of 1,351,025,381 shares which represents the total share capital of 1,362,725,370 shares deducting the repurchased shares from the repurchase account as at the date of this announcement (as at the date of this announcement, the Company has repurchased 11,699,989 shares in total), without bonus issue and issue of shares by way of conversion of capital reserve. (2021: a cash dividend of RMB2.14 (tax inclusive) per 10 shares was declared and paid)

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

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

(1) Central air-conditioner market

During the Reporting Period, the domestic central air-conditioner market faced downward pressure beyond expectations due to multiple factors such as the slowing domestic demand and downturn of real estate market, resulting in a slight decrease in market capacity. According to the statistics from AICON (www.aicon.com.cn), the domestic central air-conditioner market in 2022 declined by 2.6% on a year-on-year basis. In the home furnishings retail market, the trend showed an upward movement before declining and then a downward trend with fluctuations as compared to the 30%

market growth in 2021. As the main product category accounting for approximately 70% of the home furnishings retail market share, the market share of multi-unit products showed a decline for the first time. In terms of engineering projects market, according to the statistics from AICON (www.aicon.com.cn), the decline was 2.8% in 2022. Except for medical, education and other livelihood area and some industrial projects, the area of large public and commercial buildings continued to be sluggish. On the other hand, with the implementation of a series of property relief policies such as the government's policy to guarantee the delivery of houses, the completion of construction has been gradually restored, and the central air-conditioner market has turned the corner. Meanwhile, with the implementation of the dual carbon strategy and improvement in the users' quality of life, there are huge market opportunities for energy saving, health, comfort and intelligent products.

(2) Household air-conditioner market

During the Reporting Period, the household air-conditioner market entered the inventory competition era. Despite the growth in retail of home air-conditioners driven by the seasonal increasing consumption due to high temperature in summer and online channel promotional activities of the Double Eleven in the fourth quarter, it was difficult to fundamentally change consumers demand, and retail sales in the household air-conditioner industry remained virtually at the same level throughout the Report Period as compared to the same period 1 in 2021. According to the AVC (奧維雲網) inferential statistics, the year-on-year increase in retail sales of the household air-conditioner in 2022 was only 0.4%. However, on the other hand, the household air-conditioner products with functions such as fresh air, purification and antibacterial were more popular among users, and such sub-category of household air-conditioner was growing rapidly. According to the inferential statistics of China Market Monitor Company Limited (CMM), the retail sales of fresh air conditioners in the online and offline sectors increased by 160.8% and 14.6% respectively on a year-on-year basis in 2022, which is much higher than the overall industry growth rate of the household air-conditioner retail market. The household air-conditioner market continued to upgrade to healthy, intelligent, energy-saving and comfortable products.

2. Overview of the Domestic Refrigerator and Washing Machine Market

(1) Refrigerator market

During the Reporting Period, the domestic refrigerator market in the PRC was under greater growth pressure due to factors such as the declining consumer demand and changes in the supply chain. According to the AVC all channel inferential statistics, the cumulative retail volume of the refrigerator market decreased by 6.3% on a year-on-year basis and the cumulative retail sales decreased by 4.7% on a year-on-year basis during the Reporting Period, while the offline refrigerator retail market was also declining, with the retail volume dropping by 20.0% on a year-on-year basis in 2022. In light of homogenisation of product structure and technology in the industry, product and technology innovation became a strong driving force to drive growth. Under the influence of the national "double carbon" strategy, users' awareness of family health protection

has increased significantly, and the demand for large volume and healthy refrigerator products has become urgent. In addition, the built-in refrigerators in the kitchen also became the breakthrough of the refrigerator industry. Large capacity, green and energy saving, intelligent, detailed and high-end products are still the market trend of refrigerator market. At the same time, the performance of freezer market, a sub-segment of refrigerator market, was outstanding. According to the AVC inferential statistics, the retail volume of freezer market increased by 5.6% on a year-on-year basis in 2022, and products such as vertical freezer, ice bar and wine cooler were favored by users for their multi- application and quality.

(2) Washing Machine Market

According to the AVC all-channel inferential statistics, the all-channel retail volume of washing machine market decreased by 9.0% on a year-on-year basis and the all-channel retail volume decreased by 10.4% on a year-on-year basis in 2022. With the trend of users pursuing a refined quality life and focusing on the product experience, the features of washing machine products such as good-looking, intelligent, health-conscious and high-end have become the main innovation direction of the washing machine industry, which results in the growth in the online retail volume of mini washing machine products by 10.5% on a year-on-year basis and increase in the offline retail volume of separate drums washing machine products by 6.1% on a year-on-year basis in 2022. Meanwhile, the function needs from users for a washing machine have evolved from a simple washing function to multiple functions such as washing, drying and protection, and stand-alone dryers are being recognized by more and more users.

3. Overview of Smart Home Market

With the acceleration of digital transformation, the integration of 5G, cloud computing, Internet of Things, big data and other new generation information technologies with various industries are getting more prominent. Under the trend of technological advancement, the average price of upstream components of smart home equipment is showing a significant decrease, which has laid a solid foundation for the rapid growth of smart home market. At the same time, against the background of consumer upgrading and the increase in the market share by young consumers, continuous growth in users' requirements for home comfort and convenience and the rapid penetration of home intelligent products accelerated the development of the smart home industry. In addition, during the “14th Five-Year Plan” period, various industrial policies of smart home have attached great importance to the development of smart home and digital home industry. On 14 December 2022, the State Council issued the “Strategic Plan for Expanding Domestic Demand (2022-2035) (《擴大內需戰略規劃綱要 (2022 – 2035年)》)” suggesting the enhancement of traditional consumption continuously to promote household renovation consumption, increase consumption of smart home appliances, and promote the development of digital home. The smart home industry has great growth potential, and the upgrade of user consumption and the growing demand for informatization, digitalization and intelligent in household provides huge room for the scale development of smart home market. According to telecom industry research firm OVUM's

forecast, the scale of China's smart home market will reach US\$53.7 billion by 2025, and the total shipment of related smart home products will grow to 810 million units, with a compound annual growth rate of over 20.0%.

4. Overview of the Automobile Air Conditioner Compressor and Integrated Thermal Management System Market

In 2022, the production and sales of new energy vehicle continued to lead the automobile market despite the multiple impacts of the Russo-Ukrainian war and the disruption of semiconductor supply. According to the statistic from EV-volumes, a new energy vehicle think tank, global production of new energy vehicles reached 10.52 million units in 2022, representing a year-on-year increase of 55%. According to the statistics of IHS, the total cumulative production volume of compressors in the global automobile industry reached 77.63 million units in 2022, representing a year-on-year increase of approximately 4%, of which, the total cumulative production volume of electric compressors was approximately 14.96 million units, representing a year-on-year increase of over 45%.

Electrification, intelligence, internet-driven and co-sharing deepen changes in the automobile industry, and the thermal management of new energy vehicles is also developing in the direction of “green, integrating, modularizing and intelligent”. At the same time, the battery life of new energy vehicles drives the rapid development of high-capacity, high-voltage, fast charging and other industry technologies, the use of 800V and other voltage platform compressors has become a preferred choice for battery electric passenger vehicles. The demand for thermal management of the whole vehicle is upgraded from “thermal comfort of traditional vehicles” to “battery pack safety + range performance+ thermal comfort”, and the research of new refrigerant systems such as R744 and R290 is on track, while waste heat recovery technologies such as electric motors and electronic control open new market opportunities. With impetus from both supply and demand, the development of automobile technology and the rapid growth of the new energy vehicle market have brought an increasing demand for lightweight and integrated vehicle thermal management systems and high-pressure components.

5. Overview of Overseas Markets for Home Appliances Exports

According to online industry data, for the year 2022, the export volume of refrigerator industry decreased by 21.6% on a year-on-year basis, the export volume of washing machine industry decreased by 7.1% on a year-on-year basis, and the export volume of household air-conditioner industry decreased by 5.8% on a year-on-year basis. Due to factors such as the energy crisis caused by geopolitical factors, the escalation of inflation in major economies, the downturn of overseas real estates, and the high channel inventories, the demand in overseas consumer markets is weak and the export market of home appliances has been declining. Despite that the overseas market environment has put pressure on home appliance exports, new opportunities can still be found amid the sluggish environment, i.e. Europe's energy transformation to non-reliance is accelerating in the background of the energy crisis, which is expected to further benefit China's air source heat pump exports,

markets such as Southeast Asia and Central and East Africa have great potential, and economic recovery will drive the growth of demand in home appliances; meanwhile, the further stabilization of shipping costs will also boost export business.

II. ANALYSIS OF THE COMPANY'S OPERATION

During the Reporting Period, in light of adverse factors such as the complex and severe domestic and international environment and the slowdown in global economic growth, the Company has always adhered to technology innovation, continuously creating healthy, low-carbon and environment-friendly products of quality which are popular to consumers based on the new intelligent living strategy. At the same time, the Company has adhered to the advance manufacturing strategy, optimized and enhanced industrial competitiveness, reduced cost and improved efficiency to achieve stable scale and profitability. The Company achieved operating revenue of RMB74.115 billion, representing a year-on-year increase of 9.70%. In terms of products, the HVAC business achieved principal operating revenue of RMB34.500 billion, representing a year-on-year increase of 13.48%, the refrigerator and washing machine business achieved principal operating revenue of RMB21.207 billion, representing a year-on-year decrease of 7.87%, and the Sanden Company achieved operating revenue of RMB9.055 billion. In terms of domestic and overseas revenues, principal operating revenue of domestic sales business and export sales business amounted to RMB42.624 billion and RMB24.871 billion respectively, representing year-on-year increases of 13.36% and 7.38% respectively. Net profits attributable to shareholders of the Company amounted to RMB1.435 billion, representing a year-on-year increase of 47.54%. The details of principal businesses of the Company are set out as follows.

1. HVAC Business Work

(1) Central air-conditioner business

The Company actively responds to the national “double carbon” policy and adheres to the spirit of continuous technological innovation, integrates energy-efficient technology into product innovation and focuses on in-depth insight into users’ experience and demand, strengthens the brand's strategic and precise positioning, and builds a more solid foundation for the industry. With the development of users’ needs changing from precise temperature control to comfort, health, energy saving, environmental protection and multi-function, the central air business has combined the brand characteristics and differentiated leading products are launched for different occasions and needs. The Hitachi brand takes users’ comfort and health needs as the driving force to create a comfortable space scenario solution with “home feel” such as control of temperature, humidity, atmosphere and oxygen to meet the demand on quality of life which “suits different tastes of different people”. Of which, its central air conditioner is leading the industry since it has been awarded 5A class air quality certification by the building indoor air quality rating. According to the statistics by AICON (www.aicon.com.cn), the Hitachi brand had a market share of over 15% in multi-link products in 2022. The Hisense brand focuses on the different needs of users such as health, dual carbon and intelligence, and continuously researches technology in depth to achieve brand value enhancement.

During the Reporting Period, Hisense Ai household central air conditioner combining 5G Internet of Things technology with PLC power line communication technology managed to realize the joint control of users' home appliances and equipment and satisfy users' great living experience of "intelligence" and "health". In the seventh "11.28 National Air Purification Festival (11.28 全民空淨節)", as the industry's first scene central air conditioner, Hisense Ai household central air conditioner won the highest honour in the air purification industry – "Nanshan Award (南山獎)", which is also the only brand in the industry that has won the "Nanshan Award" for three consecutive years. The York brand has been working in the segmented market, focusing on users' needs for clean air, diversified heating, air conditioning, hot water, and intelligent control, and other functions. The Company insists on the leading strategy of the product of 'Tianfudishui' (天氟地水) and launches intelligent one air scenario solutions with innovative and differentiated technology. During the Reporting Period, the "Blue Book on the Technology and Market Development of the Tianfudishui Heat Pump with Two Connections(2022) (天氟地水熱泵兩聯供技術與市場發展藍皮書(2022))", jointly compiled by the Company and the Heat Pump Professional Committee of China Energy Saving Association (中國節能協會熱泵專業委員會), was released during the "2022 China Heat Pump Industry Annual Conference (2022中國熱泵行業年會)" to further assist in the industry's carbon reduction, promote the upgrade of energy saving and emission reduction, and provide support for the wide application of heat pump with two connections products in the market.

(2) Household air-conditioner business

The Company keeps abreast with the development trend of the industry and continues to innovate and make breakthroughs for its various brands of household air conditioner products following the strategy of differentiation. During the Reporting Period, the Hisense brand continued to adhere to the fresh air and health value concept of "Oxygenating fresh air and enjoy deep breathing", created the most natural air experience for users through all-day air management technology, launched a series of high-quality products such as trésor C200 and X6 to realize the natural integration of fresh air and air conditioning air, significantly increasing the air delivery distance and loop speed of the fresh air system so as to satisfy users' growing demand for fresh air and health, and allow users to take deep breathing freely. According to AVC monitoring data, the trésor C200 floor-standing type product has ranked the industry's top 1 in more than 20,000 floor-standing type products for over 30 consecutive weeks after its launch, and the X6 fresh air series hangers have quickly led the fresh air sub-market and became the industry's top 1 within 2 months after its launch. Realising young users' demand for household air conditioner products for good-looking and economical products, the Kelon brand has promoted the "rebranding" strategy in three dimensions, which are product power, brand power and market power, and established the positioning of a "professional air conditioner brand for the young generation" by transformation to cater for young consumers. The key product "Sleeping Air-Conditioner Small Ear LZ" was launched to cultivate the sleeping air conditioner sub-market, aiming to raise brand awareness with its youthful appearance and interactive experience, and has gained the attention of users. In response to the characteristics and needs of overseas markets, the Company has made new breakthroughs in technologies such as ultra-low temperature heating, ultra-high temperature cooling, high energy-efficiency expansion, intelligent

interconnection, energy conservation and environmental protection, and communication control, and has launched a new generation of high-efficiency products with features such as easy disassembly, easy maintenance, and environmental protection and energy conservation in key markets such as Europe, North America, the Middle East, and Asia-Pacific. In addition, the Company presided over the formulation of four trade standards, namely the “Comfortability Assessment Specification for Artificial Thermal Environments Section 4: Room Air Conditioners with Zone Control (人工熱環境舒適性測評規範第4部分：分溫區控制的房間空氣調節器)” and “Technical Specification for Aluminum Fin Type Heat Exchangers for Room Air Conditioners (房間空氣調節器用鋁管翅式熱交換器技術規範)”, to actively respond to the policies of green manufacturing and low carbon and environmental protection.

2. Refrigerator and Washing Machine Business Work

(1) Refrigerator Business

During the Reporting Period, the Company focused on user needs and continued to invest in technological innovation and brand promotion, constantly creating green, healthy and intelligent products that meet users' needs and empower high-quality life. In order to meet the high-end needs of users for fresh and healthy food, the Hisense brand further implemented its vacuum ecological strategy and launched the online vacuum dormant series refrigerators, which can form an advantage on “vacuum all area ecology chain (真空全領域生態鏈)” by creating a vacuum environment in all-compartment, and users can then enjoy the original taste and full nutrition of food. The 505W vacuum ultra-thin refrigerator won the “2022 China Refrigerator Industry Vacuum Preservation Leading Products”. In order to satisfy the users' demand for large space, large storage and freshness in the refrigerator, the Rongshen brand launched its Ultra Space series of products, allowing larger capacity with the same floor space, leading the industry with a comprehensive upgrade of all-compartment freshness preservation technology, and precisely controlling the freezing temperature through the double net ionization bacteria preservation function of the refrigerator to achieve better preservation effect. The WILL core function of the full metal liner refrigerator succeeds in upgrading the refrigerator from low-temperature preservation to constant-temperature freshness, becoming the pioneer in the industry of maintaining the smallest temperature difference while doubling the fresh keeping time of food compared to ordinary refrigerators, redefining the industry's standard for freshness preservation, of which the cumulated sales volume of ultra-thin 415 wind II series has achieved top 1 in such category in the industry. At the China Refrigerator Industry Symposium jointly organised by the Information Resources Development Department of the State Information Centre (國家信息中心信息資源開發部) and CHEAA (中國家電網), Rongshen refrigerators were awarded the “2022 China Refrigerator Industry Healthy Refrigerator Leading Brand (2022中國冰箱行業健康冰箱領軍品牌)” for excellent performance in the field of health and freshness, and the Rongshen WILL559 refrigerator was also awarded the “2022 China Refrigerator Industry Healthy Freshness Product of Choice (2022中國冰箱行業健康養鮮優選產品)” and ranked Top 1 of the industry's best-selling more than 20,000 refrigerators released by AVC. In addition, the Hisense brand also appeared in the CCTV variety show “A Thousand Years of Food

and Drinks (一饌千年)” to show the Company’s home appliance sets to users in an intelligent kitchen scene. The Rongshen brand created the theme of “looking for fresh and pull off an upset” for the World Cup, and extended its frontier of marketing, joining hand with the new media platform to create and disseminate the promotional content from the perspective of national sentiment and Chinese elements, further presenting the brand marketing method of integrated product sales to users.

(2) Washing Machine Business

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

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

During the Reporting Period, the Company focused on the “dual carbon” policy and the trend of high pressure in the industry and the “new four” direction of thermal management of new energy vehicles, by combining Sanden Company’s own technical advantages and Hisense Group’s resource advantages, the Company continuously promoted the green upgrade and key technology breakthrough of electric compressors, integrated thermal management systems and their core components, continued to strengthen communication with key customers at multiple levels around the world, integrated supply chain resources to reduce system costs, significantly improved the effectiveness of expense investment, and realized the transformation from a compressor-based component supplier to a supplier of integrated thermal management systems for new energy vehicles.

During the Reporting Period, the Company continued to increase its investment in research and development to consolidate its product competitiveness and strengthen its thermal management system integration capabilities. The Company achieved industry leadership in the areas of high pressure, miniaturization, low vibration and noise, and new refrigerant in electric compressors, and delivered the fifth generation of electric compressors on schedule, and stood in the forefront of the

world in the practical application of ultra-high voltage compressors. At the same time, the Company has achieved independent development and production of core components for thermal management systems, and has been the first in the industry to develop a mini mid-mounted dual-layer HVAC and a third-generation ECH featuring miniaturization and rapid heating to gain competitiveness in system costs. In addition, Sanden Company newly developed integrated thermal management system has been well received by experts and has received multiple million yen of funding from the Japanese government for technology projects.

Meanwhile, the Company continued to build confidence in strategic customer cooperation and deepen the implementation of its global customer development strategy. During the Reporting Period, the Company successfully secured many key project orders from global customers and obtained various new franchises from European and American automobile makers. The 800V 60CC large electric compressor was the first to obtain orders from major international customers, and R290 refrigerant system has been selected for key development by international automobile makers. New orders for the newly developed integrated thermal management system were received in the domestic market, laying a solid foundation for the strategic transformation from a compressor-based component supplier to a system supplier. In response to the growing demand for localized production and supply from global customers, the Company rode on and strengthened Sanden Company's competitive advantages in product cost and supply chain optimization on customers leveraging advantages in the major global market of local manufacturing.

Lastly, the Company continued to lower cost and increase efficiency to help improve the operation quality. During the Reporting Period, the Company made continuous efforts in cost reduction and supply chain integration of manufacturing, and took multiple measures to improve operational efficiency. In terms of manufacturing efficiency improvement, Sanden Company has made reference to the manufacturing efficiency improvement management system of the Company and achieved a year-on-year improvement in output efficiency per capita, while carrying out cost reduction projects in automation, process optimization, energy saving and consumption reduction and other directions. The efficiency of manufacturing cost reduction in all factories around the world has been increased significantly. At the same time, through the integration of supply chain resources with Hisense Group, Sanden Company has been able to save huge procurement costs and effectively curb the impact of cost increases brought by the fluctuation in bulk raw materials, semiconductors and exchange rates in 2022, through measures such as procurement strategy synergy, joint procurement of bulk resources, introduction of domestic and advantageous suppliers and cost optimization of key product projects.

4. Smart Home Business Work

Based on the core theme of “Hisense AiLife”, users can gain access to five major themes, nine major spaces and 56 scenes of household solutions through the “Hisense Smart Home” app, to achieve the layout of smart home's whole scene of “intelligent, set, scene, ecological”. During the Reporting Period, the Company launched the new C2 series of trésor high-end smart set home

appliances. The product matrix of trésor high-end set continued its improvement to fully meet the needs of families through intelligence interconnection and personalization interaction to bring users a brand-new experience of integrated household design and intelligence. The trésor sets of home appliances C2 series' refrigerators, cooktops and dishwashers provide users with a full-line solution to buy, eat, store, cook and wash through intelligent grouping and recipe flow, realizing intelligent cooking and perfectly replicating star chef's dishes. The trésor n sets of home appliances C2 series air conditioner products also realized intelligent Ai whole-house air management in five dimensions: temperature, humidity, wind, cleanliness and freshness, producing comfortable and good air for users. The trésor sets of washing machines realized self-adjustment in the environment such as water quality, weather and air quality through Ai intelligent sensor, equipped with liquid laundry detergent identification and automatic precise input to provide users a comfortable washing experience. According to the data of AVC, in 2022, the trésor sets of home appliances topped the list with a brand price index of 306, and has accumulated more than 100,000 quality households so far, becoming one of the most popular high-end home appliance sets in the industry. At the same time, the Company obtained the smart home intelligent scene certification to create an intelligent home ecological platform with experience and data security and multi-brand compatibility, providing a simple and loving interactive experience which leads to a new intelligent life.

5. Overseas Markets for Home Appliances Business Work

During the Reporting Period, the Company deepened its globalization plan for R&D, production, and channels, with highly synergized production and sales to gain further empowerment in product, marketing, manufacturing and branding, actively expanded its sales channels globally, and continuously launched high-end, variable frequency and intelligent products to enhance its competitiveness overseas and increase the market share of its own brand. During the Reporting Period, the Hisense brand's central air-conditioner seized the market opportunity of fossil fuel substitution and rising natural gas prices in Europe, opened up a new business of overseas heating products, successively developed Hi-therma Split, Monobloc, Integra and other series of air source heat pump products, and simultaneously launched such products in Italy, Poland, Spain, Germany and France after winning the 2022 German Red Dot Design Award on product appearance, and effectively helped to capture the mid-to-high-end heating market in Europe. In 2022, the export volume of Hisense household air-conditioners posted a year-on-year increase of more than 30% according to customs data, the newly developed C1A window-type air conditioner, D2K dehumidifier miniaturized new platform products successfully obtained bulk overseas orders. For overseas markets, the Company accelerated the research and development of technology and application promotion of refrigerator intelligence, and realized the launch of intelligent refrigerator products in Europe, Australia, South Africa, Middle East and Africa and other major markets. In November 2022, the refrigerator production line of Hisense Mexico Monterrey Home Appliances Industrial Park was officially put into production, helping consumers in the Americas to obtain more intelligent and convenient services and experiences, accelerating the implementation of the regional strategy in the Americas and effectively promoted the progress of Hisense's global expansion.

6. Implementing the Advanced Manufacturing Strategy Work

The Company grasped the positioning of advanced manufacturing strategy, actively constructed clean factories, continuously strengthened the foundation of advanced manufacturing, continued to bring in core talents, and explore opportunities in reducing procurement cost. During the Reporting Period, the Company introduced core talents, facilitated technical experience sharing, and established talented team. Meanwhile, with integration and sharing as the guiding principles, supplier optimization and tender integration as the main process line to carry out reformation measures, the Company significantly optimized and improved its supplier team, effectively enhanced the competitiveness of procurement costs to help promote the construction of a globalized and collaborative, safe and efficient, green and low-carbon supply system. The Company will systematically set up a clean innovation system under its blue print and aided by internal diagnosis and external consultation to build a digital lean model and a foundation for advanced manufacturing.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years due to changes in accounting policies and correction of accounting errors?

Yes No

Item	2022	2021	Increase or decrease as compared to last year (%)	2020
Operating revenue (RMB)	74,115,151,039.29	67,562,603,666.81	9.70	48,392,870,703.11
Net profits attributable to shareholders of listed company (RMB)	1,434,904,374.84	972,581,491.39	47.54	1,578,882,732.14
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	905,503,359.78	666,126,470.35	35.94	1,096,068,604.60
Net cash flow from operating activities (RMB)	4,032,382,602.38	4,313,780,760.27	-6.52	5,962,707,809.84
Basic earnings per share (RMB/share)	1.05	0.71	47.89	1.16
Diluted earnings per share (RMB/share)	1.05	0.71	47.89	1.16
Weighted average rate of return on net assets (%)	13.13	9.64	Increase 3.49 percentage points	16.99
Item	At the end of 2022	At the end of 2021	Increase or decrease as compared to last year (%)	At the end of 2020
Total assets (RMB)	55,375,550,868.66	55,948,549,486.98	-1.02	41,811,635,813.53
Net assets attributable to shareholders of listed company (RMB)	11,518,257,281.54	10,342,355,185.33	11.37	9,779,115,580.43

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

Unit: RMB

Item	2022	2021	2020	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	47,140,615.81	3,535,383.13	23,149,183.27	
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)	225,922,958.46	219,822,004.71	236,769,593.38	
Profit and losses from assets which entrust others to invest or manage	187,413,275.48	103,919,806.78	103,945,862.69	
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	16,533,562.48	39,567,358.88	10,010,794.53	
Other non-operating income and expenses other than the aforementioned items	366,457,850.14	57,837,694.36	204,984,818.62	
Other profit and loss items that satisfy the definition of non- recurring profit and loss			10,012,040.17	
Less: Effect of income tax	194,250,687.61	78,433,576.30	61,586,354.09	
Effect of minority interests (after tax)	119,816,559.70	39,793,650.52	44,471,811.03	
Total	529,401,015.06	306,455,021.04	482,814,127.54	

(III) ANALYSIS OF PRINCIPAL BUSINESS

1. Analysis of operating revenue, operating costs and gross profit margin

Unit: RMB

Item	Revenue from major operating businesses	Costs of major operating businesses	Gross profit margin (%)	Increase or decrease in revenue from operating businesses as compared to corresponding period last year (%)	Increase or decrease in costs of operating businesses as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
By industry						
manufacturing industry	67,494,739,192.70	52,573,262,431.34	22.11	11.08	10.03	0.75
By products						
HVAC	34,499,733,925.58	24,865,299,572.62	27.93	13.48	10.95	1.65
Refrigerators and washing machines	21,207,092,434.08	17,489,202,653.17	17.53	-7.87	-8.75	0.80
Others	11,787,912,833.04	10,218,760,205.55	13.31	60.56	64.75	-2.21
Domestic	42,624,208,014.02	30,048,541,796.87	29.50	13.36	12.98	0.23

Overseas	24,870,531,178.68	22,524,720,634.47	9.43	7.38	6.33	0.90
Direct sales	45,135,900,814.62	38,019,950,033.16	15.77	13.35	11.90	1.10
Distribution	22,358,838,378.08	14,553,312,398.18	34.91	6.76	5.42	0.82

2. Expenses

Unit: RMB

Expense Item	2022	2021	Increase or decrease as compared to corresponding period last year (%)	Reason for the significant changes
Sales expense	8,070,720,273.85	7,672,002,974.36	5.20	No significant changes
Management expense	1,821,201,420.18	1,326,886,898.17	37.25	Mainly due to the growth of the Company's scale and the consolidation of Sanden Company and increased fees for the construction of the Mexico plant during the Reporting Period
Research and development expenses	2,289,313,746.54	1,986,668,028.13	15.23	No significant changes
Finance expense	-182,163,831.39	56,663,964.54	N/A	Mainly due to the increase in foreign exchange gai

3. Cash Flow

Unit: RMB

Item	2022	2021	Increase or decrease as compared to corresponding period last year (%)
Cash inflows from operating activities	66,773,741,495.44	60,633,707,570.46	10.13
Cash outflows from operating activities	62,741,358,893.06	56,319,926,810.19	11.40
Net cash flows from operating activities	4,032,382,602.38	4,313,780,760.27	-6.52
Cash inflows from investing activities	22,483,763,618.07	17,544,425,926.76	28.15
Cash outflows from investing activities	25,081,409,578.99	21,967,714,447.82	14.17
Net cash flows from investing activities	-2,597,645,960.92	-4,423,288,521.06	N/A
Cash inflows from financing activities	3,348,695,041.76	5,920,569,096.47	-43.44
Cash outflows from financing activities	5,127,326,548.62	4,445,646,368.95	15.33
Net cash flows from financing activities	-1,778,631,506.86	1,474,922,727.52	N/A
Net increase in cash and cash equivalents	-400,830,719.28	1,261,974,222.42	N/A

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

√ Applicable Not applicable

The decrease in cash inflows from financing activities was mainly due to the decrease in new borrowings of subsidiaries.

(IV) PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB ten thousand

Product Type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 31 December 2022	Amount of undue principal and return as at 31 December 2022	Overdue balance return as at 31 December 2022
Wealth management products of banks	Self-owned funds	871,900.00	672,119.06	
Total		871,900.00	672,119.06	

During the Reporting Period, the Company has invested in various wealth management products of banks. The Company did not have high-risk entrusted wealth management product which has significant individual amount, or low security, poor liquidity or no assurance on investment principal, and the Company was not aware of any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management.

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

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

Name of company	Company type	Major business	Registered capital	Total assets (RMB ten thousand)	Net assets (RMB ten thousand)	Operating revenue (RMB ten thousand)	Operating profit (RMB ten thousand)	Net profit attributable to shareholders of the Company (RMB ten thousand)
Hisense Hitachi	Subsidiary	Production and sale of commercial air-conditioners	USD150 million	1,920,328.39	644,678.69	2,013,457.15	354,400.33	271,818.61

IV. OUTLOOK

(I) The Company's development strategy

With the mission of "pursuing scientific and technological innovation, taking the lead in the advanced manufacturing, and bring happiness to millions of families with high-quality products and services", the Company abides by the values of "users first, pragmatic innovation, honesty and integrity, sustainable management", and is committed to creating high quality products and become the most trusted brand for consumers worldwide.

(II) Business highlights for 2023

In 2023, the Company will continue to adhere to the strategic concept of “doing longer and better”, stimulate the vitality of the team, actively embrace changes, focus on the long-term capacity enhancement, improve the operating quality and seek for new breakthrough point by focusing on the following measures:

- 1. Improving the talent structure and stimulating vitality of the team:** implementing a long-term incentive mechanism, improving the mechanism of talent work, attracting and retaining outstanding talents, mobilizing the enthusiasm of all kinds of talents, enhancing the competition capability, efficiency and winning rate of the team, and giving full play to the overall effectiveness;
- 2. Promoting the implementation of “big R&D” and enhancing technology and product competitiveness:** adhering to the strategy of technology leading development, continuously strengthening the foundation of R&D management, increasing technology investment and technology cooperation, achieving research and breakthroughs in forward-looking technologies and future technologies to lead the development of enterprises with innovation, and accelerating the transformation of high-end, intelligent and green industry;
- 3. Focusing on user needs and promoting the construction of smart life stores:** focusing on the strength of smart product and home appliances integrated scenario to enhance the implementation effect, grasping the user's mind, providing consumers with smart and convenient intelligent life solutions, and helping the home appliances industry to establish its competitive advantage;
- 4. Pursuing an advanced manufacturing strategy and continuously improving product quality:** actively pursuing the mission of advanced and smart manufacturing enterprises, promoting the transformation and upgrade of manufacturing mode to digitalization, intelligentization and informatization, and vigorously improving the standard of advanced manufacturing. By benchmarking peer experience, continuing to improve quality standards and to build up the ultimate strength of Hisense home appliances;
- 5. Building a safe, stable, high quality and competitive supply system:** continuously deepening the optimization and integration of the supply system, conducting regulated management from service, entry level and other perspectives, and constantly improving the quality, technology, management and other aspects of the segment standard to help build the solid power of “made by Hisense”;
- 6. Continuously improving the product and channel structure and establishing its footholds in local markets:** continuously enhancing product strength by long-term capacity building, continuously improving product structure and actively creating a high-end image. Meanwhile, implementing the strategy of prioritizing Hisense specialty store, continuously improving online operation capability, and effectively enhancing marketing efficiency;
- 7. Breakthroughs in key markets and improving overseas operations:** strictly following the strategic direction of self-owned brand, connecting the global integration of procurement, supply,

sales, research and management, rapidly adjusting to market changes, timely responding to customers' needs, realizing new breakthroughs in key overseas markets, and promoting healthy and sustainable growth in export sales.

(III) Risks faced by the Group include:

- 1. Macroeconomic fluctuation risk:** there are more uncertainties in current domestic and international macro environments. If the economic growth continues to slow down, it may lead to a lack of consumer momentum, which will in turn affect the consumer demand for home appliances.
- 2. Risk of fluctuations in raw material prices:** if the prices of raw materials fluctuate, or the labor and service costs and installation and maintenance costs continue to rise, the Company's profitability will be adversely affected.
- 3. Exchange rate fluctuation risk:** if the RMB exchange rate fluctuates sharply, it will directly affect the cost competitiveness of the Company's overseas products, thereby affecting the profitability of its overseas business.
- 4. Market risks brought about by protectionism and trade barriers:** if some countries and regions increase trade barriers by means of have imposing higher tariffs and compulsory certification to protect their own economic interests, this will result in increased operating costs which many indirectly affect the competitiveness of the Company's overseas business.

FINAL DIVIDEND

The Board proposes to distribute a cash dividend of RMB5.31 (tax inclusive) for every 10 shares to all shareholders (the “**Proposed Dividend**”) on the basis of the total share capital of the Company of 1,351,025,381 shares which represents the total share capital of 1,362,725,370 shares deducting the repurchased shares from the repurchase account as at the date of this announcement (as at the date of this announcement, the Company has repurchased 11,699,989 shares in total), without bonus issue and issue of shares by way of conversion of capital reserve. (For the year ended 31 December 2021, the Company paid to all shareholders a cash dividend of RMB2.14 (tax inclusive) per 10 shares held by the shareholders on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2021).

The Proposed Dividend is subject to approval by the shareholders at the 2022 annual general meeting (the “**Annual General Meeting**”). Subject to the approval of the Proposed Dividend by the shareholders, the Proposed Dividend is expected to be paid on or about 15 August 2023. The total amount of profits to be distributed is expected to be RMB717,394,477.31. Details of the payment of the Proposed Dividend will be announced after the conclusion of the Annual General Meeting.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and the majority of the overseas sales of the Group during the Reporting Period were denominated in foreign currency, the Group is exposed to certain risk of exchange rate

fluctuation. The Group has used financial instruments such as import/export documentary bills and forward contracts for exchange rate hedging purpose.

AUDIT COMMITTEE

The eleventh session of the audit committee of the Company has reviewed the financial results of the Group for the year ended 31 December 2022.

CAPITAL EXPENDITURE

The capital expenditure of the group for 2022 was RMB883.48million. The Group has sufficient funds to meet the funding requirement for purposes such as capital expenditure plans and daily operations.

GEARING RATIO

As at 31 December 2022, the Group's gearing ratio (calculated according to the formula: total liabilities/total assets) was 70.60% (2021: 72.13%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS LLP

The figures in respect of the consolidated balance sheet and consolidated income statement of the Company, and the related notes thereto, for the Reporting Period as set out in this announcement have been agreed by ShineWing Certified Public Accountants LLP, the auditor of the Company, to the amounts set out in audited consolidated financial statements of the Company for the Reporting Period. The work performed by ShineWing Certified Public Accountants LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ShineWing Certified Public Accountants LLP on this announcement.

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

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

1. 2022 Restricted A Share Incentive Scheme

On 28 February 2023, the 2023 second extraordinary general meeting (the “EGM”), the 2023 first A Share class meeting and the 2023 first H Share class meeting considered and approved (i) the resolution on the 2022 Restricted A Share Incentive Scheme (Draft) of the Company and its summary, (ii) the resolution on the Administrative Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme of the Company and (iii) the resolution to propose the general meeting of shareholders to authorize the Board to deal with matters in relation to the 2022 Restricted A Share Incentive Scheme of the Company, respectively. For details, please refer to the Company’s circular dated 13 February 2023 and the Company’s announcement dated 28 February 2023.

As at the date of this announcement, the Company has not yet administered the 2022 Restricted A Share Incentive Scheme.

2. 2022 A Share Employee Stock Ownership Plan

On 28 February 2023, the EGM considered and approved (i) the resolution on the 2022 A Share Employee Stock Ownership Plan (Draft) of the Company and its summary, (ii) the resolution on the Administrative Measures for the 2022 A Share Employee Stock Ownership Plan of the Company and (iii) the resolution to propose the general meeting of shareholders to authorize the Board to deal with matters in relation to the 2022 A Share Employee Stock Ownership Plan of the Company. For details, please refer to the Company’s circular dated 13 February 2023 and the Company’s announcement dated 28 February 2023.

As at the date of this announcement, the Company has not yet administered the 2022 A Share Employee Stock Ownership Plan.

3. Repurchase of A Shares

On 30 December 2022, the Company convened the 10th extraordinary meeting of the eleventh session of the Board, in which the resolution relating to the plan of the repurchase of A Shares of the Company through centralized bidding trading (the “A Share Repurchase Plan”) was considered and approved. The A Shares repurchased under the A Share Repurchase Plan are intended to be used for the 2022 A Share Employee Stock Ownership Plan.

On 14 March 2023, the Company convened the fourth extraordinary meeting of the eleventh session of the Board, in which the resolution relating to adjust the plan of the repurchase of A Shares of the Company through centralized bidding trading was considered and approved. The upper limit of the repurchase price under the A Share Repurchase Plan was adjusted from not more than RMB17.00

per Share to not more than RMB21.00 per Share, and the total repurchase funds were adjusted from not less than RMB99.45 million and not more than RMB198.90 million to not less than RMB122.85 million and not more than RMB245.70 million.

From 16 January 2023 to 16 March 2023, the Company repurchased 11,699,989 A Shares of the Company through centralized bidding trading at a total transaction amount of RMB211,401,111.66 (excluding transaction fees).

Please refer to the Company's announcement dated 2 January 2023 and 14 March 2023 for details.

As at the date of this announcement, the repurchase of A shares under the A Share Repurchase Plan has been completed.

4. Changes of President and executive Directors

With effect from 28 February 2023, (i) Mr. Dai Hui Zhong, the chairman of the Company, ceased to be the president of the Company (the "**President**"), (ii) Mr. Lin Lan ceased to be an executive Director, a member of the Strategic Committee and a member of the Renumeration & Appraisal Committee of the Company and (iii) Mr. Fei Li Cheng ceased to be an executive Director and a member of the Strategic Committee of the Company.

On even date, (i) Mr. Hu Jian Yong was appointed as the President with the effect from 28 February 2023, and (ii) Mr. Hu Jian Yong and Mr. Yu Zhi Tao were nominated as executive Directors of the eleventh session of the Board while their formal appointments are subject to approval by the Shareholders at the general meeting.

Please refer to the Company's announcement dated 28 February 2023 and 24 March 2023 for details.

An extraordinary general meeting will be convened on 19 April 2023 for the purpose of considering and, if thought fit, approving, among other things, the election of Mr. Hu Jian Yong and Mr. Yu Zhi Tao as executive Directors of the eleventh session of the Board.

PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT

This announcement is published on the websites of the Company (<http://hxjd.hisense.cn/>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2022 annual report of the Company will be despatched to the shareholders of the Company and will also be available on the websites of the Company and the Hong Kong Stock Exchange stated above in due course.

This announcement is published in both English and Chinese. If there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.

DEFINITIONS

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

“Company”	Hisense Home Appliances Group Co., Ltd., (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“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 Holdings, which holds approximately 37.92% of the issued shares of the Company as at the date of this announcement
“Hisense Financial Holdings”	Qingdao Hisense Financial Holdings Co., Ltd. (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Holdings
“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 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 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 Holdings
“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

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company, comprising the A Shares and the H Shares
“Sanden Company”	Sanden Holdings Corporation
“USD”	United States dollars, the lawful currency of the United States of America

**For identification purposes only*

By order of the Board

Hisense Home Appliances Group Co., Ltd.

Dai Hui Zhong

Chairman

Foshan City, Guangdong, the PRC, 30 March 2023

As at the date of this announcement, the Company’s executive directors are Mr. Dai Hui Zhong, Mr. Jia Shao Qian, Mr. Xia Zhang Zhua and Ms. Gao Yu Ling; and the Company’s independent non-executive directors are Mr. Zhong Geng Shen, Mr. Cheung Sai Kit and Mr. Li Zhi Gang.