

Hisense 海信家電

海信家電集團股份有限公司

Hisense Home Appliances Group Co., Ltd.

Stock Code: 000921 (A Shares)

00921 (H Shares)

2025 INTERIM
REPORT

Hisense



AI美食管家



AI洗护管家



AI空气管家



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CORPORATE INFORMATION

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

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MANAGEMENT DISCUSSION AND ANALYSIS

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

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

(1) *Central air-conditioner market*

According to the statistics from HVAC Network, the overall market capacity of the central air-conditioner industry decreased by 15.9% year-on-year in the first half of 2025, while the brand concentration continued to increase. Based on third-party data, the prosperity degree of demand across different scenarios in the commercial fit-out market showed significant divergence in the first half of the year. On one hand, demand in traditional application scenarios such as commercial and public construction sectors decreased by 5.6% year-on-year; on the other hand, emerging scenarios such as the industrial sectors, driven by industries like pharmaceuticals and electronics, increased by 6.4%. The cultural, entertainment, sports and fitness sector reached a growth rate of 9.9% due to the expanded application of specialized air treatment solutions in venues for events. Meanwhile, the renewal rate of existing equipment in data centers exceeded 60%. Against this backdrop, emerging application scenarios are accelerating the market penetration of energy-saving products such as high-temperature heat pumps and high-efficiency multi-connected air conditioners.

Although the home fit-out retail market declined by 18% due to the sluggish real estate market, it achieved high-end breakthroughs and demand restructuring driven by industry trends such as AI intelligence and omni-channel integration. Users focus on the overall experience of AI intelligence and pursue multi-constant system solutions that integrate health, comfort, and energy efficiency. Meanwhile, the omni-channel integration has catalyzed an end-to-end service model integrating design, installation, operation and maintenance, promoting the transformation of channel partners into comprehensive air solution providers and turning value-added services into a new profit engine.

(2) *Household air-conditioner market*

According to the omni-channel monitoring data from AVC (奧維雲網), the air-conditioner market overall demonstrated robust performance overall in the first half of 2025, with retail volume and sales increasing by 28.5% and 24.9% year-on-year respectively.

Fueled by the dual forces of sustained stimulus from trade-in policies and users' increasing demand for healthier air, the fresh air-conditioner market is experiencing rapid growth momentum. According to monitoring data from AVC, the online and offline retail sales of fresh air-conditioners increased by 14.8% and 42.2% year-on-year respectively, while the penetration rate of offline retail sales of fresh air-conditioners reached 9.8%, increasing by 1% year-on-year. Products such as fresh air-conditioners, which represent health, high energy efficiency, and AI intelligence, have become the core driving force for market growth.

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

(1) *Domestic refrigerator and freezer market*

According to the omni-channel aggregated data from AVC, the retail volume and sales of the domestic refrigerator market increased by 2.9% and 3.9% year-on-year respectively in the first half of 2025. The refrigerator market witnessed a remarkable industry structural upgrade, with high-end, built-in models and intelligence becoming the dominant development trends. Driven by the consumers' increasing demand for high-quality home appliances, the retail sales of refrigerator products priced above RMB8,000 increased by 25.7% year-on-year. The penetration rate of embedded refrigerators continued to improve, with the proportion of retail volume in the offline market reaching 67.6% in the first half of 2025, growing by 16.9% year-on-year. For intelligent appliances, consumers' demand for the refrigerators equipped with AI technologies continued to increase.

According to the omni-channel aggregated data from AVC, the retail volume and sales of the freezer market declined by 5.2% and 5.1% year-on-year respectively. Freezer products are accelerating their transformation towards intelligence, with performance features such as fresh preservation, temperature control, and quiet operation gradually becoming the industry trends.

MANAGEMENT DISCUSSION AND ANALYSIS

- I. STATUS OF THE INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD — *Continued*
 2. Overview of the Domestic Refrigerator, Washing Machine and Kitchen Appliances Market — *Continued*

(2) Domestic washing machine market

Due to the national subsidy policy of "trade-ins for home appliances", the consumption potential of the domestic washing machine industry was released in the first half of 2025. According to monitoring data from AVC, the retail volume of washing machines increased by 7.3% year-on-year in the first half of 2025. Along with the diminishing effect of the policy dividend on the saturated market, the industry has turned to the transformation to high-quality development coinciding with mounting consumer demand for washer-dryers, large-capacity models and partitioned washing and care functions.

(3) Domestic kitchen appliance market

According to the omni-channel aggregated data from AVC, the large kitchen and bathroom market showed a slow growth in the first half of 2025, with the retail volume increased by 3.9% year-on-year.

By category, essential products such as range hoods and stoves were penetrating into the third and fourth-tier markets, while the market penetration rates of categories like dishwashers, disinfection cabinets, and water purifiers continued to rise. The trade-in policy effectively boosted the accelerating growth of the mid-to-high-end markets. The industry is intensifying brand-building initiatives to consolidate core category advantages and improve product matrix.

3. Overseas Home Appliance Market

Global home appliance market demonstrated strong resilience in the first half of 2025, despite challenges such as geopolitical risks and rising shipping costs. According to the data from the Industry Online, from January to May 2025, export volumes increased year-on-year by 6.5% for the refrigerator, 10% for washing machines, and 15.2% for air-conditioners. The demand for trade-ins and high-end upgrades in European and American markets continued to boost the market growth, with rising consumers' preference for energy-efficient and smart home appliances. Emerging markets such as Latin America and ASEAN have large populations coupled with huge consumption potential, driving the continuous increase in the penetration rate of home appliances.

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

According to the statistics from IHS, the cumulative production volume of compressors in the global automotive industry in the first half of 2025 was approximately 43.53 million units, representing a year-on-year decrease of approximately 0.11%. Among which, the Greater China region, benefited from the policies such as automotive trade-ins, recorded a total production volume of approximately 14.28 million units, representing a year-on-year growth of 7.67%. New energy vehicle (electric, plug-in hybrid, hydrogen fuel cells), benefiting from rapid industry expansion, recorded a total production volume of approximately 10.09 million units globally in the first half of 2025, with a year-on-year growth of 33.89%. Among which, the production volume of new energy vehicles in the Greater China market was approximately 6.9 million units, representing a year-on-year growth of approximately 39.8%.

The global automotive market continues its transition towards new energy whilst facing uncertainties brought about by trade protectionism. The US tariff policy has changed the cost structure and competitive pattern of the global automotive industry, while the relaxation of EU carbon dioxide emission standards has further increased the uncertainties of the transition of the European and American automotive markets towards new energy.

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. HVAC Business

(1) *Central air-conditioner business*

The Company actively responded to the country's call for carbon neutrality and adhered to the market orientation focusing on the demand of users. Through accurately deploying segmented industries, the Company led the development of the emerging industries and promoted the development of the HVAC industry towards integration and intelligence. During the Reporting Period, the Company maintained an industry leading position in the multi-connected machine business with a market share of over 20%.

① *In terms of home fit-out business, the Company tailored high-quality air solutions focusing on "functional integration, intelligent interaction, and energy efficiency" to users by leveraging on the cutting-edge technologies and innovative concepts.*

The Hitachi brand re-defines the standard of modern home environment. Through functional integration and technological innovation, the new generation of Wisdom Villa All Sense Ai Ground Temperature Control System incorporates the five core functions of refrigeration, floor heating, fresh air, dehumidification and humidification, and deeply integrates AI intelligent control system to build a comprehensive and personalized indoor environment management system, bringing a new paradigm for modern home environment regulation. With its forward-looking technological innovation, outstanding product strength, and quality assurance, the system successfully won the 2025 AWE "Innovation Award". At the same time, Hitachi's household water business scale achieved a year-on-year growth of 13%.

Hisense brand led the whole house smart air solutions with innovative technologies, and launched the fresh air indoor units by incorporating all three of air purification, cleanliness, and oxygen enrichment equipped with self-developed Think Air healthy air management system, achieving active multi-dimensional adjustment of temperature, humidity, purification, and fresh air through deep integration of AI. According to the research data from AVC, Hisense 5G central air conditioners led the industry with the user satisfaction scoring 9.0 in the evaluation of the user satisfaction of 5G home central air conditioner. At the same time, through making forward-looking deployment of the heat pump new sector, the flagship Red Flame III series won the 2025 HPE China Heat Pump Exhibition Innovation Gold Award with leading technologies such as vapor injection enhanced heating (EVA) and full DC low-temperature booster enhanced compressor, providing our users with energy-saving, intelligent and comfortable experience.

York's VRF brand continued to lead the top-freon and floor-water market, with a year-on-year growth of over 20% in scale. Meanwhile, it accelerated the layout of channel construction, with more than 140 new built stores in the first half of 2025, including nearly 20 new built large stores, further strengthening the market coverage and brand influence. The YES-design series, launched to meet the demand of mid-end customers, innovatively upgraded the fan cowl and dual joint heat dissipation technology. The series are equipped with five high-precision temperature control sensors and multiple purification and antibacterial systems, which achieve refined indoor temperature control and 45°C high temperature outdoor cooling without attenuation, comprehensively improve the clean and comfortable experience, and strengthen the competitiveness of mid-end multi-connected machines.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

1. HVAC Business — *Continued*

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

② *In terms of the engineering business, the Company deployed the segmented industry, with commercial multi-connected machine products continuously leading the industry in the deployment of cutting-edge technologies.*

To further enlarge the scale of the old renovation market, the Company launched the new generation of commercial multi-connected Hitachi SET-FREE RIII and Hisense M3 series refresh machines. Utilizing the technological advantages of the new generation of commercial multi-connected machines, the Company developed a one-stop refresh and renovation plan through energy consumption analysis and digital management of old equipment. The signed contract amount of the old renovation projects in the first half of the year increased by 110% year-on-year. Specifically, the Hitachi SET-FREE RIII series won the Innovation Product Award at the 2025 International Refrigeration Exhibition.

At the same time, the Company expedited the implementation of its strategy of carbon neutrality by actively promoting the development of “photovoltaic-storage-direct current-flexible” buildings. Hisense’s direct drive series commercial multi-connected systems were implemented in low-carbon demonstration projects of the high-end manufacturing industries in Fangshan District, Beijing, which is the largest direct drive commercial multi-connected project in the country. Hitachi’s standard IoT module SET-FREE AIII series was launched, setting new benchmark for imported brands with industry-leading APF 6.45 efficiency and three globally advanced technologies. York’s new generation YES-super III series has significantly enhanced its competitiveness in high-end office spaces, smart healthcare, and other scenarios through its golden fin anti-corrosion technology, wide-adaptation refrigerant management technology, and Balance dynamic load control technology. Since its market debut in June, the series has achieved a year-on-year sales growth of over 25%.

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

In the water heater segment, leveraging the industry’s first positive-pressure, liquid-floating, oil-free variable-frequency centrifugal technology featuring 10kV high-voltage, the centrifugal chiller applying this technology was awarded the 2025 Innovation Product Award at the Refrigeration Exhibition. In the industrial energy-saving retrofit sector, the Company successfully completed the commissioning and delivery of a positive-pressure, liquid-floating oil-free variable-frequency centrifuge for Foxconn Industrial Park.

Hisense Central Air Conditioner’s self-developed Smart HVAC ECO-B 2.0 System was awarded the sole Gold Medal in the Control Equipment & Systems category at the 2025 China Refrigeration Expo, earning high recognition in the industry. With the functional advantages of multi-dimensional air control, refined energy management, and predictive intelligent operation and maintenance, the system has been widely used in industrial and mining plants, large-scale venues, research institutions, and other scenarios. The contract amount for HVAC intelligent control increased by 140% compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

1. HVAC Business — *Continued*

(2) *Household air-conditioner business*

Taking “building air conditioner as the central indoor air housekeeper, improving the living environment and benefiting hundreds of millions of families” as the mission in household air-conditioner business, the Company focused on upgrading the technologies and products of Hisense and Kelon.

① *Hisense Air Conditioner integrates technologies for healthy, comfort, intelligence and energy efficiency, delving into sports marketing and technological renovation and continuously pioneering the fresh air industry.*

Hisense Air Conditioner has committed to providing users with high-quality products. During the Reporting Period, the Company collaborated with authoritative institutions including the Chinese Sleep Research Society and the China Household Electric Appliance Research Institute to release the White Paper on Fresh Air Conditioner for Sleeping (《新風空調睡眠白皮書》), which demonstrated that users can achieve 7 hours of good sleeping effect in the air environment comprehensively optimized by Hisense Fresh Air Conditioner-equivalent to 8 hours of sleeping under traditional air conditioner environment, thus successfully developing the consumers’ awareness of “Quiet operation with oxygenation, an extra hour of sleeping with deep sleeping one night.” Simultaneously, it launched multiple models of the official customized fresh air conditioner products for the FIFA Club World Cup 2025. The X3Pro series is equipped with the technologies of dual-flow fresh air for deep sleeping and AI evolutionary energy conservation. The X7Pro Series delivers breeze-free cooling comfort through its ceiling air control technology, and has won the 2025 AWE Innovation Award for its industry-leading “dual-flow fresh air exchange” and “triple purification” technologies. The high-end flagship Tresor C3Pro series made innovation in the AI air housekeeper function, delivering an all-round experience on 6-in-1. According to the monitoring data from AVC, Hisense Air Conditioner ranked Number 1 in terms of the online market share of the fresh air, among which sales of fresh air accounted for 43.9%, increasing by 12.3 percentage points year-on-year. This fully demonstrated Hisense Air Conditioner’s strong strength and users’ recognition in the fresh air sector.

② *Kelon Air Conditioners “quiet operation and energy-saving Max” series leads the technological upgrade in the industry, driving brand younger transformation.*

Kelon Air Conditioner continued to deepen its brand proposition of “youth defines the trend”, relying on the marketing of the Club World Cup to strengthen the connection with young people. In the first half of 2025, Kelon Air Conditioner launched the flagship product “quiet operation and energy-saving Max” series, positioning it as a “quiet operation and energy-saving ceiling” to achieve rapid cooling and heating of cabinets and wall-hung machines in 15 seconds and 30 seconds respectively, with the noise level of wall-hung machines down to 15 decibel and the highest APF of cabinets reaching 5.1. This series won the dual certification of “ultra-high energy efficiency” from China Household Electric Appliance Research Institute and “ultra-high energy efficiency and rapid cooling and heating” from Jiadian Evaluation (嘉電評測) for its outstanding performance. After its launch in March, it had strong performance, driving a year-on-year increase of 24.7% in brand voice in the first half of 2025 and accelerating the process of brand rejuvenation strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

2. Refrigerator, Washing Machine and Kitchen Appliance Business

(1) *Refrigerator Business*

① *Ronshen refrigerator deepens the ecological layout of intelligent kitchen with intelligent-inspired freshness technology*

With a 42-year history, Ronshen refrigerator is committed to becoming a leader in terms of the healthy food freshness-preservation technology. Through continuous innovation of "freshness preservation" technology, optimization of space utilization efficiency and implementation of green low-carbon concepts, it delivers healthy, convenient and sustainable intelligent kitchen living solutions for consumers. According to the omni-channel monitoring data from AVC, retail sales of Ronshen refrigerators increased by 9.7% year-on-year in the first half of 2025, boosting its market share by 1.3%, while the market share of Ronshen's mid-to-high-end and high-end refrigerator products was 12.7%, a year-on-year increase of 1.4%.

In order to implement the concept of "maintaining the vitality of fruits and vegetables in the refrigerator", the Company has launched the 606WILL Fresh Preservation Embedded Refrigerator, which adopts the WILL Natural Fresh Preservation System to create a "growth chamber" for fruits and vegetables that simulates a natural environment. The 60CM ultra-slim embedded design is consistent with the thickness of standard cabinets, reducing the wall thickness of the refrigerator by 44% and expanding the internal space by 25%, so as to fully meet the storage needs of users. To address consumers' concern about odors and bacteria, the 506 Dual Clean Max Refrigerator is equipped with the innovated and upgraded i-Smell Smart Sensing Dual Clean Max Technology. Equipped with built-in odor sensors, it can intelligently identify over 100 types of food odor sources, and monitor air quality in the refrigerator in real-time for instant alerting and activating purification procedure. The 506 Dual Clean Max Refrigerator achieved the "six-fold 9" (六重9) sterilization standard for the first time in the industry, and was awarded the title of "the 2025 Health Sterilization Pioneer Brand in the China Refrigerator Industry". In response to the national subsidy policy for household electric appliances, Ronshen Refrigerator actively echoed and launched the policy of "enjoying up to 20% subsidy, with the national subsidy of up to RMB2,000, Ronshen offering subsidy for any excess amount" to activate the trade-in demand in the saturated market.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

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

(1) *Refrigerator Business* — *Continued*

② *Hisense refrigerator taps into vacuum freshness preservation to pioneer the molecular-level freshness preservation*

Hisense Refrigerator focuses on vacuum magnetic field preservation technology. With the iteration of vacuum 4.0 technology, Hisense Refrigerator has meticulously provided a vacuum molecular freshness locking solution for users to fully meet their personalized preservation needs in different scenarios. According to the omni-channel monitoring data from AVC, retail sales of Hisense Refrigerator increased by 8.6% year-on-year in the first half of 2025.

In order to keep every ingredient in an optimal condition and achieve "first-class freshness after seven-day sealed storage", Hisense Tresor 606U7 delves into the cellular and molecular levels, creating a vacuum environment to inhibit the oxidation process of ingredients and constructing a dual protection system of "external resistance and internal inhibition". It can also achieve independent temperature control in the refrigeration, freezing and variable temperature zones. When the variable temperature zone can be freely switched between -20°C and 5°C, it can not only meet the -18°C deep freezing needs of French foie gras, but also provide the -2°C micro-freezing environment for sashimi platters, perfectly solving the problem of differences in food storage. Through its molecular-level technology breakthrough and excellent freshness preservation effect, Hisense Tresor 606U7 won the 2025 AWE Innovation Award. In order to satisfy the demand for intelligence in modern households, Hisense Refrigerator is equipped with the built-in AI food housekeeper system and integrated with advanced Hi-Star intelligent models to establish a comprehensive food database. Users can freely choose the freshness preservation mode according to different needs such as ice freshness, fruits and vegetables, mothers and infants, etc, while the system will automatically adjust the vacuum degree, temperature and humidity, and oxygen concentration to ensure that the food is in an optimal condition. Focusing on vacuum freshness preservation with the "MVP OF FRESHNESS" as the starting point during the Club World Cup, Hisense Refrigerator enhanced the "Zzz" vacuum super symbol and created the advertising song "Zzz-fresh MVP" to significantly boost brand visibility and consumer recognition. In active response to the national green consumption policy, Hisense Refrigerator continued the after-sales service policy of "three-year full warranty for Hisense refrigerators and a twelve-year warranty for compressors and vacuum pumps", to facilitate the development of national subsidies and accelerate the innovation of industrial models and structural upgrades.

③ *Hisense Freezer, setting high-end freezer quality benchmark through innovative air cooling technology*

Leveraging the forward-looking layout and constant innovation in the field of air cooling technology, Hisense Freezer introduced the fifth generation of air circulation technology products to solve the three major core problems existing in the traditional air cooling freezers for a long time: ingredients air-drying, limited storage space, and the operation of the noise problem. During the first half of 2025, according to the omni-channel monitoring data from AVC, retail sales of Hisense Freezer increased by 4.4% year-on-year, and the market share of offline mid-to-high-end and high-end segments for Hisense Freezer product was 8.6%, representing an increase of 1.5% year-on-year; the market share of offline mid-to-high-end and high-end segments for Ronshen Freezer product was 12.0%, representing an increase of 2.0% year-on-year.

To create a storage environment for premium ingredients comparable to professional cold storage, Ronshen 203 Floor Standing Freezer integrates the -40°C ultra-fast fresh-freezing technology that leads the industry, to instantly keep the nutrition and freshness of the ingredients. Combining a 585mm ultra-slim seamless flat embedding design with efficient air-cooling frost-free technology, it provides more space and eliminates the trouble of defrosting. With its outstanding product performance, this model has continued to lead the industry in the first half of 2025 and has repeatedly been listed on TOP 1 Floor Standing Freezer in Terms of Sales of AVC.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

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

(2) Washing Machine Business

Hisense Washing Machines concentrate its efforts on technological upgrades and scenario-based innovation, driving a growth of 37.58% in domestic main business revenue year-on-year, outpacing the industry growth rate. The brand has doubled its market share in mid-to-high-end and high-end segments, demonstrating sustained product mix enhancement. During the 6/18 shopping festival of 2025, the e-commerce sales scale of Hisense washing machines increased by 83% year-on-year, far exceeding the growth rate of the industry.

Leveraging on sustained technological innovation and partitioned laundry needs, Hisense launched the revolutionary Cotton Candy Ultra Family Drum in 2025, the world's first 4-in-1 heat pump washer-dryer. Equipped with the Zeus integrated heat pump drying system, it perfectly combines a washing machine and a dryer in a standard size, achieving the same drying effect as a dedicated dryer. It significantly saves users' space occupation and truly realizes one-step washing and drying. The "split-type" design allows free splitting and stacking, enabling users to mix and match according to their needs, thus achieving a flexible experience of "having as many drums as desired". It is also equipped with Hisense's patented Living Water Washing technology, which activates, purifies, softens and sanitizes water during the washing process. This effectively removes special stains, achieving over 90% removal of lint and impurities from clothes, over 93% scale inhibition rate, and 99.99% fungi elimination. Moreover, it has raised the key indicator of washing ratio to 1.33, once again setting a new industry record and continuing its technological leadership advantage.

Hisense's Family Series consists of three models, namely the Flagship Edition, Lite Edition, and Youth Edition, catering precisely to the laundry needs of different households and regions. Within just 30 days of launch, sales neared 10,000 units, with demand outstripping supply in the domestic market. Moreover, as a pioneer in category-specific washing and triple-drum washing machines, Hisense washing machines have taken the step of open-sourcing 66 patented triple-drum technologies to the entire industry. This move has drawn significant attention and marks a milestone transformation in the field of triple-drum partitioned laundry care.

(3) Kitchen Appliance Business

Kitchen appliances business adheres to user-centric approach to deliver high-quality products, and accelerates channel expansion to ensure high-speed growth with quality.

Adhering to the brand concept of "Global Technology and Healthy Kitchen", in the domestic market, Hisense kitchen appliances leveraged hoods as a breakthrough driver while simultaneously aligning the core technologies of hoods, stoves, and dishwashers with industry benchmarks. By combining aesthetic innovation and differentiated technology, Hisense accelerated product iteration through a dual-track strategy. Offline, Hisense strengthened its foundation by capitalizing on its proprietary channel advantages, while also strengthening the coordinated integration of professional channels for kitchen appliances and traditional home appliance channels. Focusing on key models to boost terminal efficiency, Hisense sustained high growth in its kitchen appliance business. During the Reporting Period, offline retail revenue surged 52% year-on-year. The sales structure of online range hoods and stoves has been continuously upgraded, promoting a dual increase in the average price and gross profit margin of online channels.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

3. Domestic Channel Development

(1) *Seizing the Opportunities of the Nation's "Two New" Policies to Lead Industrial and Consumption Upgrades*

The Company has proactively responded to the government's "trade-in" initiative by continuously upgrading its product mix. On one front, it has increased R&D investment in low-carbon, green and smart products, integrating carbon-reduction technologies into product design while focusing on energy efficiency improvements and accelerating the commercialization of green technologies. Concurrently, the Company has actively launched joint promotional campaigns with government/channels, offering consumer benefits through trade-in subsidies, package purchase discounts, and consumption voucher schemes. Driven by the "trade-in" policy, the Company has continuously achieved product mix upgrades. The installation completions of fresh air conditioner grew 83% year-on-year in the first half of 2025. The Tresor premium product series delivered strong performance with revenue growing 48% year-on-year in the first half of 2025.

(2) *Capturing Channel Touch Point Dividends to Transform Retail Model Driven by Data*

The Company is committed to accelerating the integration of online and offline sales channels across its nationwide distribution network, seizing opportunities in diversified channel development, and driving continuous innovation in its omni-channel new retail ecosystem.

In terms of channel development, the Company's self-operated channels maintained strategic focus, accelerated the coverage of its dual-channel sales network, enhanced capabilities in scenario-based experience, localised services, and brand trust building. In the first half of 2025, 1821 specialty stores were newly opened under self-operated channels, with revenue of specialty store increasing by 18% year-on-year; Emerging channels strengthened ecosystem collaboration with content-driven e-commerce platforms, achieving integrated traffic monetization and enhanced reach among high-net-worth individuals, thereby unlocking new growth drivers in existing markets. Notably, Douyin channel revenue surged 51% year-on-year in the first half of 2025, while the assets of the 5A group, which was engaged in repurchasing and actively recommended products, increased by 82% year-on-year.

In terms of digital transformation of channels, it integrated local lifestyle services through traffic platforms such as Douyin, Meituan, and Gaode, enabling full-chain innovation in user interaction, transactions, and fulfillment. In addition, by advancing transformation initiatives in digital channels, digital stores, and digital marketing, it expedited the evolution of its retail model and enhanced channel operational efficiency, warehouse and delivery performance, as well as the return on marketing investments.

4. Overseas Markets for Home Appliances Business

During the Reporting Period, Hisense sponsored FIFA Club World Cup 2025 and capitalized on sports marketing to actively build five regional engines overseas and deepen localization efforts.

(1) *Europe Region*

During the Reporting Period, Hisense's European Division fully leveraged the opportunity of the World Cup, continually refined the mid-to-high-end product portfolio, enhanced cost competitiveness, improved channel efficiency, and drove revenue growth of 22.7% year-on-year in the first half of 2025. Specifically, the market share of refrigerators in Europe Region from January to May 2025 increased by 1.75% year-on-year. The European Air Conditioner R&D centre was successfully launched, with revenue of air-conditioner business in Europe increased by 34.5% year-on-year; washing machine revenue increased by 38.9% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

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

(2) Americas Region

During the Reporting Period, leveraging the World Cup as a super IP, Hisense's Americas region intensified its digital marketing efforts. Through initiatives such as the "KOL City Mission Challenge", the Company enhanced its technology-driven brand image, strengthened the penetration of event-related benefits at the consumer level, and boosted sales conversion during the tournament. In the first half of 2025, the American Division achieved a year-on-year revenue growth of 26.2%. Among them, the revenue of home air-conditioner increased by 19.3% year-on-year; revenue from washing machines increased by 71% year-on-year; the revenue of central air-conditioner increased by 59% year-on-year.

(3) Middle East and Africa (MEA) Region

During the Reporting Period, leveraging the advantages of operations and R&D centers of the Middle East and Africa (MEA) Region, the Company continued to deepen its understanding of users' needs, vigorously promoted high-end premium products, and fully utilized sponsorship rights for the World Cup and Real Madrid to further enhance the Hisense brand. In the first half of 2025, the MEA Division's revenue increased by 22.8% year-on-year. Among them, household air-conditioner business launched the MEA R&D centre to quickly capture market changes, with revenue increased by 28.9% year-on-year, and light commercial appliance revenue increased by 20.1% year-on-year; Washing machine revenue increased by 21.7% year-on-year.

(4) Asia-Pacific Region

During the Reporting Period, Hisense restructured its brand value in Asia-Pacific Region, strengthened the construction of channels, accelerated the iteration of mid-to-high-end products such as over \$1,000 refrigerators, air conditioners with functions such as self-cleaning and WiFi, and drum washing machines, and promoted customized solutions to consumers. In the first half of 2025, the Asia-Pacific Region's revenue increased by 14.5% year-on-year. Among them, household air-conditioner and light commercial appliance revenue increased by 12.3% year-on-year, and washing machine revenue increased by 9% year-on-year.

(5) ASEAN Region

The ASEAN region focused on core product categories, expanded the chain network, improved the efficiency of the retail system, and increased resources to promote mid-to-high-end products such as side-by-side and multi-door refrigerators, washer-dryers, and fresh air conditioners. In the first half of 2025, the sales volume of side-by-side refrigerators increased by 46% year-on-year; the washing machine business continuously upgraded the running water washing technology, thereby achieving a 55% year-on-year revenue growth. The air conditioner business has been continuously making efforts in professional channels and brand building, with its self-owned brand revenue accounting for over 80%. The central air conditioner business revenue increased by 26% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

II. STATUS OF PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD — *Continued*

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

Under the global energy transition and automotive intelligence trend, facing intensified price competition among automakers as well as geopolitical and exchange rate fluctuations, Sanden Company aimed to achieve performance improvement by focusing on the new energy sector and providing efficient, energy-saving, and reliable thermal management solutions, continuously serving global automotive customers. In the first half of 2025, Sanden Company represented a year-on-year revenue growth of 3%.

(1) *Significant breakthroughs were made in both traditional and new energy businesses by fully leveraging the global collaboration mechanism.*

In the first half of 2025, Sanden Company obtained new franchises RMB6.9 billion, laying a solid foundation for the continuous and stable growth of subsequent orders. Meanwhile, Sanden Company attached great importance to R&D investment, driving the Company to achieve industry leadership in new-generation compressor, natural refrigerant integrated units and others, and enabling rapid improvement in its revenue structure within the next few years.

Sanden actively expanded its global market through measures such as front-end marketing technology. In China, Sanden successfully secured new customers and received orders for new products such as ECH, while accelerating collaborative innovation with key customers in new product technologies, particularly in areas like new refrigerants ITMS and advanced HVAC systems. In Europe, Sanden expanded and deepened its collaboration with European strategic partners, leveraging its strengths in mechanical compressors to secure orders for mechanical compressors on strategic customers' main platforms, thereby solidifying its industry position. In the Americas, Sanden secured orders for electric compressors from key customers, continuing to expand its new energy business footprint. In Japan, Sanden deepened collaboration with key customers on new product technology development, securing orders for its flagship electric compressor platform.

(2) *Continue to promote cost reduction and efficiency improvement, enhance asset operation efficiency, strengthen capital management, and restore independent and autonomous operational capabilities.*

In the face of increasingly fierce competition in the automotive parts market, Sanden Company made great strides in cost optimisation in the first half of the year, continuing to implement measures to improve manufacturing and management efficiency. It also significantly improved personnel and operational efficiency through organisational and process optimisation, functional integration, and the divestiture of low value-added businesses. Concurrently, Sanden Company strengthened management of fixed asset investments and operating cash flows, optimised existing fixed assets to enhance their utilisation efficiency, conducted thorough and prudent assessments of fixed asset investment projects, improved operating cash flows by reducing inventory and accounts receivable levels, gradually reduced reliance on external borrowing and guaranteed loans, and implemented necessary counter-guarantee measures.

Organisational structure optimisation would increase operating costs in the short term, but in the long term, structural optimisation and efficiency improvements would effectively enhance the company's long-term competitiveness, gradually improve its profitability, improve its debt structure, and bring about sustained development for the company.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) Major Accounting Data and Financial Indicators

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

Yes No

Unit: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	49,340,344,981.85	48,641,673,374.79	1.44
Net profits attributable to shareholders of the Company (RMB)	2,076,581,358.73	2,015,831,383.14	3.01
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	1,817,610,114.41	1,703,110,186.47	6.72
Net cash flow from operating activities (RMB)	5,321,988,827.78	2,099,973,482.47	153.43
Basic earnings per share (RMB/share)	1.52	1.48	2.70
Diluted earnings per share (RMB/share)	1.52	1.48	2.70
Weighted average rate of return on net assets (%)	12.55	14.00	Decrease of 1.45 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)	74,812,977,278.50	69,701,939,817.33	7.33
Net assets attributable to shareholders of the Company (RMB)	16,012,366,733.33	15,455,626,606.63	3.60

(II) Accounting Data Differences Under Domestic and Foreign Accounting Standards

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Unit: RMB

Item	Amount	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	18,693,337.84	
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)	62,698,065.41	
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	76,641,468.99	
Profit and losses from assets which entrust others to invest or manage	129,858,712.05	
Gain or loss on debt restructuring	10,587,751.15	
Other non-operating income and expenses other than the aforementioned items	21,142,673.81	
Less: Effect of income tax	57,090,449.32	
Effect of minority interests (after tax)	3,560,315.61	
Total	258,971,244.32	

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) Analysis of Principal Business

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

Unit: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reasons of change
Operating revenue	49,340,344,981.85	48,641,673,374.79	1.44	No significant changes
Operating costs	38,743,597,232.06	38,531,710,125.29	0.55	No significant changes
Sales expenses	4,869,442,985.61	4,719,717,716.22	3.17	No significant changes
Management expenses	1,232,915,731.34	1,199,136,901.69	2.82	No significant changes
Financial expenses	41,636,947.45	-105,016,702.42	N/A	Mainly due to the fluctuation of foreign exchange gains and losses
Income tax expenses	436,679,453.25	469,196,871.14	-6.93	No significant changes
Investment in research and development	1,674,893,303.26	1,643,979,097.19	1.88	No significant changes
Net cash flows from operating activities	5,321,988,827.78	2,099,973,482.47	153.43	Mainly due to the increase in cash received from sales of goods and provision of services
Net cash flows from investing activities	-3,621,352,263.48	493,052,678.68	-834.48	Mainly due to the net increase in wealth management products
Net cash flows from financing activities	-668,288,088.93	-2,612,982,815.10	N/A	Mainly due to the decrease in cash related to other financing activities
Net increase in cash and cash equivalents	1,075,732,900.97	-127,424,266.33	N/A	Mainly due to the net cash inflow from operating activities
Notes receivable	278,975,395.97	459,013,499.65	-39.22	Mainly due to the decrease in commercial acceptance bills receivable of the Company during the Reporting Period
Contract assets	80,847,519.43	56,210,047.88	43.83	Mainly due to the increase in the Company's quality assurance deposit with business development
Other current assets	1,147,251,897.45	1,687,051,443.98	-32.00	Mainly due to the decrease in the company's time deposits and input tax to be deducted/certified
Transactional financial liabilities	44,449,742.26	3,552,841.18	1,151.10	Mainly due to the fluctuation in the fair value of forward exchange rate hedges
Accounts payable	17,469,018,721.95	12,848,289,233.62	35.96	Mainly due to changes in procurement scale and payment timing
Taxes payable	706,065,325.93	537,713,772.43	31.31	Mainly due to the increase in value-added tax payable

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) Analysis of Principal Business — *Continued*

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

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
Gain from changes in fair values	75,736,420.19	170,272,953.38	-55.52	Mainly due to wealth management and forward exchange rate assessment fluctuations
Impairment losses on credit	15,511,648.66	32,676,076.37	-52.53	Mainly due to changes in bad debt provisions and reversals
Impairment losses on assets	-73,425,223.25	-17,846,374.49	N/A	Mainly due to changes in inventory impairment provisions
Gains on disposal of asset	21,786,782.78	857,010.80	2,442.18	Mainly due to the disposal of certain long-term assets by subsidiaries
Non-operating incomes	63,639,458.45	154,188,740.82	-58.73	Mainly due to the decrease in income unrelated to the Company's daily operations during the current period compared to the same period last year
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	29,126,827.23	2,802,246.65	939.41	Mainly due to the disposal of certain long-term assets by subsidiaries
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	718,647,575.97	539,690,593.60	33.16	Mainly due to the increase in long-term assets purchased by subsidiaries
Cash paid relating to other investing activities	21,747,156,113.20	14,001,882,721.62	55.32	Mainly due to the purchase of financial products
Cash received from borrowings	2,219,815,567.38	325,347,689.44	582.29	Mainly due to loans from subsidiaries
Cash received relating to other financing activities	391,834,125.12	1,604,632,245.40	-75.58	Mainly due to the change in bill margin
Cash paid for repayment of borrowings	1,683,062,186.07	243,575,921.60	590.98	Mainly due to the repayment of loans by overseas subsidiaries
Cash paid relating to other financing activities	68,197,954.90	2,962,575,537.77	-97.70	Mainly due to the repayment of loans by overseas subsidiaries and the repurchase of shares/minority interests during the same period

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(IV) Analysis of Principal Business — *Continued*

2. Composition of operating revenue

Unit: RMB

	The Reporting Period		The corresponding period last year		
	Amount	Weighting to operating revenue (%)	Amount	Weighting to operating revenue (%)	Change (%)
Total operating revenue	49,340,344,981.85		48,641,673,374.79		1.44
By industry					
Manufacturing industry	45,699,772,461.92	92.62	43,533,451,261.12	89.50	4.98
By product					
HVAC	23,694,226,316.45	48.02	22,767,026,154.35	46.81	4.07
Refrigerators and washing machines	15,392,341,672.05	31.20	14,692,881,715.23	30.21	4.76
Other main business	6,613,204,473.42	13.40	6,073,543,391.54	12.48	8.89
By region					
Mainland	25,248,768,513.67	51.17	25,328,122,655.20	52.07	-0.31
Overseas	20,451,003,948.25	41.45	18,205,328,605.92	37.43	12.34

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

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating costs	Gross profit margin (%)	Increase or decrease in operating revenue as compared to corresponding period last year	Increase or decrease in operating costs as compared to corresponding period last year	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
				(%)	(%)	(%)
By industry						
manufacturing industry	45,699,772,461.92	35,345,347,444.42	22.66	4.98	5.00	-0.01
By product						
HVAC	23,694,226,316.45	17,268,329,601.85	27.12	4.07	6.35	-1.56
Refrigerators and washing machines	15,392,341,672.05	12,508,479,977.23	18.74	4.76	2.10	2.12
Other main business	6,613,204,473.42	5,568,537,865.34	15.80	8.89	7.62	0.99
By region						
Mainland	25,248,768,513.67	17,415,927,681.47	31.02	-0.31	-0.23	-0.06
Overseas	20,451,003,948.25	17,929,419,762.95	12.33	12.34	10.63	1.35

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF ASSETS AND LIABILITIES

1. Significant Changes in the Composition of Assets

Unit: RMB

	At the end of the Reporting Period		At the end of 2024		Percentage change in proportion (%)	Explanation of significant changes
	Amount	Weighting to total assets (%)	Amount	Weighting to total assets (%)		
Monetary Funds	5,157,253,114.76	6.89	4,397,693,443.73	6.31	0.58	No significant changes
Accounts receivable	12,467,487,459.89	16.66	10,480,609,898.16	15.04	1.62	Mainly due to the impact of sales timing
Contract assets	80,847,519.43	0.11	56,210,047.88	0.08	0.03	No significant changes
Inventories	6,258,888,422.70	8.37	7,566,932,954.39	10.86	-2.49	Mainly due to the disposal of inventory reserves during peak sales seasons and major promotional events
Investment properties	254,764,895.89	0.34	253,998,555.64	0.36	-0.02	No significant changes
Long-term equity investment	2,050,827,531.07	2.74	1,764,936,952.09	2.53	0.21	No significant changes
Fixed assets	5,827,242,669.53	7.79	5,648,643,079.56	8.10	-0.31	No significant changes
Construction in progress	800,629,861.33	1.07	674,456,905.57	0.97	0.10	No significant changes
Right-of-use assets	181,137,390.98	0.24	163,180,643.61	0.23	0.01	No significant changes
Short-term borrowings	3,365,328,105.01	4.50	2,708,715,351.46	3.89	0.61	No significant changes
Contract liabilities	1,471,759,913.98	1.97	1,838,591,086.05	2.64	-0.67	No significant changes
Long-term borrowings	62,877,406.73	0.08	49,371,196.64	0.07	0.01	No significant changes
Lease liabilities	161,648,951.48	0.22	161,471,272.87	0.23	-0.01	No significant changes

2. Major Foreign Assets

Applicable Not applicable

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ASSETS AND LIABILITIES POSITION — *Continued*

3. Assets and Liabilities Measured at Fair Value

Unit: RMB

Item	Amount at the beginning of the Reporting Period	Gain or loss from change in fair value during the Reporting Period	Accumulated changes in fair value accounted in equity	Impairment provided during the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Amount at the end of the Reporting Period	
							Reporting Period	Other changes
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	16,162,709,563.22	144,196,567.02			21,169,405,424.52	17,081,472,712.12	-140,126,701.47	20,254,712,141.17
2. Derivative financial assets	46,567,199.63	-27,563,245.75					-12,746.24	18,991,207.64
3. Other debt investments	6,000,519,893.99						-199,154,200.94	5,801,365,693.05
4. Other investments in equity instruments	42,364,813.88		-2,060,026.48		571,820.68		3,049,605.48	43,926,213.56
5. Other non-current financial assets	21,332,417.54						-455,194.88	20,877,222.66
Sub-total of financial assets	22,273,493,888.26	116,633,321.27	-2,060,026.48		21,169,977,245.20	17,081,472,712.12	-336,699,238.05	26,139,872,478.08
Investment properties								
Productive biological assets								
Other								
The above total	22,273,493,888.26	116,633,321.27	-2,060,026.48		21,169,977,245.20	17,081,472,712.12	-336,699,238.05	26,139,872,478.08
Financial liabilities	3,552,841.18	-40,896,901.08						44,449,742.26

4. Restrictions on Asset Rights at the End of the Reporting Period

For details, please refer to Note V. (XXIV).

V. ANALYSIS OF INVESTMENT POSITION

1. Overall situation

Applicable Not applicable

Amount invested during the Reporting Period (RMB)	Investment for the same period last year (RMB)	Range of changes
16,122,921.57	933,291,882.04	-98.27%

2. Significant equity investments acquired during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

4. Financial assets investment

(1) *securities investment*

Type of Securities	Securities code	Abbreviation of securities	Initial investment cost	Accounting measurement model	Opening book value	Gains or losses on changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount for the period	Amount sold during the period	Profit and loss for the Reporting Period	Other changes	Closing book value	Accounting accounts	Fund source
stock	7267	Honda Motor Co., Ltd. (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	15,554,161.53	-2,060,026.48	571,820.68				1,100,551.90	15,166,507.63	Other equity instruments	Own funds
stock	8795	T&D Holdings (Listed on the Tokyo Stock Exchange)	-	Fair value measurement	18.49					1.35		19.84	Other equity instruments	Own funds
stock	PRU	Prudential (Listed on the New York Stock Exchange)	-	Fair value measurement	1,996,486.11	-180,688.46					-34,734.28	1,781,063.37	Trading financial assets	Own funds
stock	000980	ZOTYE AUTOMOBILE - (10757)		Fair value measurement	23,307.89	-3,105.47					2,416.71	22,619.13	Trading financial assets	Own funds
stock	601777	Lifan Technology (4452)	-	Fair value measurement	372,302.18	45,533.57					45,064.04	462,899.79	Trading financial assets	Own funds
Other securities investments held at the end of the period				-	-							-	-	-
Total	-	-	-		17,946,276.20	-138,260.36	-2,060,026.48	571,820.68			1,113,299.72	17,433,109.76	-	-
Date of the announcement disclosing the approval of securities investment by the Board														N/A
Date of the announcement disclosing the approval of securities investment during shareholders' meetings (if any)														N/A

(2) *derivatives investment*

Applicable Not applicable

The company's derivative investments mainly consist of foreign exchange derivative businesses such as forward foreign exchange settlement and sales.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

4. Financial assets investment — *Continued*

(2) derivatives investment — *Continued*

1) Derivative investments for hedging purposes during the Reporting Period

Applicable Not applicable

Unit: RMB (in ten thousand)

Types of Derivative Investments	Initial investment amount	Opening balance	Cumulative fair value changes			Sales amount during the Reporting Period	Ending balance	Ratio of the ending investment amount to the Company's net assets at the end of the Reporting Period
			recognized in equity	Purchase amount during the Reporting Period	Sales amount during the Reporting Period			
Forward foreign exchange contracts	4,301.44		-6,846.01				-2,545.85	
Total		4,301.44		-6,846.01			-2,545.85	

Explanation of the accounting policies and specific accounting principles for hedging business during the reporting period, as well as whether there have been any material changes compared with the previous Reporting Period

Explanation of the actual profit and loss during the Reporting Period

Explanation of Hedging Effectiveness

Sources of funds for derivatives investment

Risk Analysis and Control Measures for Derivative Positions During the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

The accounting principles are based on the Enterprise Accounting Standards. The Company has conducted accounting treatments for its business activities in accordance with the relevant provisions and guidance of the Ministry of Finance's Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, No. 37 - Presentation of Financial Instruments, and No. 39 - Fair Value Measurement, reflecting the related items in the balance sheet and income statement. There is no change compared with the previous Reporting Period.

The actual loss amount was RMB31.8435 million during the Reporting Period.

During the reporting period, the Company's main exposure was foreign exchange risk, including foreign currency asset and liability exposures arising from import and export foreign exchange settlement and receipt, financing and other businesses. By purchasing derivative contracts of equivalent value, maturity, and opposite direction, the Company effectively hedged against uncertainties risks from exchange rate fluctuations.

Own funds

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

4. Financial assets investment — *Continued*

(2) *derivatives investment* — *Continued*

1) *Derivative investments for hedging purposes during the Reporting Period* — *Continued*

Types of Derivative Investments	Initial investment amount	Opening balance	Cumulative fair value changes			Sales amount during the Reporting Period	Ending balance	Ratio of the ending investment amount to the Company's net assets at the end of the Reporting Period
			Fair value changes for the period	recognized in equity	Purchase amount during the Reporting Period			
The market price or changes in the fair value of products for invested derivatives during the reporting period shall be analysed. The analysis of the fair value of derivatives shall disclose the specific methodology employed, along with the relevant assumptions and parameter settings.						The Company recognised and measured derivatives in accordance with Chapter 7 'Determination of Fair Value' of Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.		
Litigation Status (if applicable)						The fair value change recognised for derivatives during the Reporting Period amounted to RMB-68,4601 million. The fair value of foreign exchange contracts was determined based on the bank's quoted prices for foreign exchange products.		
Disclosure date of the Board announcement on derivatives investment approval (if applicable)						N/A		
Disclosure date of the shareholders' general meeting announcement on derivatives investment approval (if applicable)						29 March 2025		
						25 June 2025		

2) *Derivative investments for speculative purposes during the Reporting Period*

Applicable Not applicable

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

5. Fund raising

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

6. Significant asset and equity disposals

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

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF INVESTMENT POSITION — *Continued*

7. Major controlling companies in which the Company has equity interest

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

Unit: RMB (in ten thousand)

Name of company	Company type	Major business	Registered capital	Total asset	Net asset	Operating income	Operating profit	Net profit
Hisense Hitachi	Subsidiary	Production and sale of central air-conditioners	US\$150 million	1,865,932.19	570,381.89	1,065,526.10	219,283.10	186,069.90

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Description of major holding and participating companies

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

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Trusteeship, Contracting and Leasing Matters

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

Note: The Company has no material leases. For non-material leases occurring during the Reporting Period, please refer to Note XVI.3.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

2. Major Guarantees

Name of the guaranteed party	Disclosure date of announcements related to guarantee limits	Guarantee limits	External guarantees by the Company and its subsidiaries (excluding guarantees to subsidiaries)					Counter-guarantee status (if any)	Guarantee period	Whether fully performed	Whether related party guarantee
			Actual occurrence date	Actual guaranteed amount	Guarantee type	Collateral (if any)					
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
Guarantee status of the Company for its subsidiaries											
Name of the guaranteed party	Disclosure date of announcements related to guarantee limits	Guarantee limits	Actual occurrence date	Actual guaranteed amount	Guarantee type	Collateral (if any)	Counter-guarantee status (if any)	Guarantee period	Whether fully performed	Whether related party guarantee	
SANDEN CORPORATION			22 December 2022	RMB0.385 billion	Joint and several liability guarantee			22 December 2022 - 3 January 2025	Yes	No	
SANDEN CORPORATION	14 December 2024	RMB8.38 billion	18 April 2023	RMB0.093 billion	Joint and several liability guarantee			18 April 2023 - 25 April 2025	Yes	No	
SANDEN CORPORATION			21 April 2023	RMB0.185 billion	Joint and several liability guarantee			21 April 2023 - 30 April 2025	Yes	No	
SANDEN CORPORATION			22 March 2024	1.0 billion yen (equivalent to RMB0.05 billion)	Joint and several liability guarantee			22 March 2024 - 24 March 2025	Yes	No	
SANDEN CORPORATION			28 March 2024	2.8 billion yen (equivalent to RMB0.139 billion)	Joint and several liability guarantee			28 March 2024 - 28 March 2025	Yes	No	
SANDEN CORPORATION			21 June 2024	RMB0.031 billion	Joint and several liability guarantee			21 June 2024 - 24 June 2025	Yes	No	
SANDEN CORPORATION			23 July 2024	RMB0.07 billion	Joint and several liability guarantee			23 July 2024 - 24 July 2025	No	No	
SANDEN CORPORATION			23 July 2024	RMB0.1 billion	Joint and several liability guarantee			23 July 2024 - 24 July 2025	No	No	
SANDEN CORPORATION			29 July 2024	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			29 July 2024 - 10 February 2025	Yes	No	
SANDEN CORPORATION			21 August 2024	RMB0.039 billion	Joint and several liability guarantee			21 August 2024 - 22 August 2025	No	No	
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			23 August 2024 - 10 February 2025	Yes	No	

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

2. Major Guarantees — *Continued*

Name of the guaranteed party	Disclosure date of announcements related to guarantee limits	Guarantee limits	Guarantee status of the Company for its subsidiaries				Counter-guarantee status (if any)	Guarantee period	Whether fully performed	Whether related party guarantee
			Actual occurrence date	Actual guaranteed amount	Guarantee type	Collateral (if any)				
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			23 August 2024 - 8 May 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			23 August 2024 - 4 June 2025	Yes	No
SANDEN CORPORATION			23 August 2024	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			23 August 2024 - 4 July 2025	No	No
SANDEN CORPORATION			13 September 2024	3 billion yen (equivalent to RMB0.149 billion)	Joint and several liability guarantee			13 September 2024 - 12 September 2025	No	No
SANDEN CORPORATION			23 September 2024	RMB0.165 billion	Joint and several liability guarantee			23 September 2024 - 19 September 2025	No	No
SANDEN CORPORATION			21 February 2025	1,236 billion yen (equivalent to RMB0.061 billion)	Joint and several liability guarantee			21 February 2025 - 31 July 2025	No	No
SANDEN CORPORATION			21 March 2025	3,914 billion yen (equivalent to RMB0.191 billion)	Joint and several liability guarantee			21 March 2025 - 21 April 2025	Yes	No
SANDEN CORPORATION			18 April 2025	RMB0.342 billion	Joint and several liability guarantee			18 April 2025 - 30 April 2026	No	No
SANDEN CORPORATION			24 April 2025	RMB0.215 billion	Joint and several liability guarantee			24 April 2025 - 8 May 2026	No	No
SANDEN CORPORATION			7 May 2025	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			7 May 2025 - 31 July 2025	No	No
SANDEN CORPORATION			4 June 2025	5.15 billion yen (equivalent to RMB0.255 billion)	Joint and several liability guarantee			4 June 2025 - 31 July 2025	No	No
SANDEN CORPORATION			24 June 2025	RMB0.071 billion	Joint and several liability guarantee			24 June 2025 - 6 July 2026	No	No
SANDEN INTERNATIONAL (U.S.A.), INC.			2 July 2024	RMB0.35 billion	Joint and several liability guarantee			2 July 2024 - 2 July 2029	No	No
SANDEN CORPORATION			30 April 2024	N/A	General guarantee			N/A	No	No
SANDEN CORPORATION			1 July 2024	N/A	General guarantee			N/A	No	No

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

2. Major Guarantees — *Continued*

Name of the guaranteed party	Disclosure date of announcements related to guarantee limits	Guarantee limits	Guarantee status of the Company for its subsidiaries					Counter-guarantee status (if any)	Guarantee period	Whether fully performed	Whether related party guarantee
			Actual occurrence date	Actual guaranteed amount	Guarantee type	Collateral (if any)					
SANDEN CORPORATION			26 August 2024	N/A	General guarantee				N/A	No	No
SANDEN CORPORATION			26 November 2024	N/A	General guarantee				N/A	No	No
SANDEN CORPORATION			15 January 2025	N/A	General guarantee				N/A	No	No
Guangdong Hisense Refrigerator Marketing Co.			27 April 2025	RMB0.7 billion	Joint and several liability guarantee				27 April 2025 - 9 April 2026	No	No
Hisense (Guangdong) Air Conditioning Co.			27 April 2025	RMB0.4 billion	Joint and several liability guarantee				27 April 2025 - 9 April 2026	No	No
Hisense Air-Conditioning Co., Ltd.			27 April 2025	RMB0.2 billion	Joint and several liability guarantee				27 April 2025 - 9 April 2026	No	No
Qingdao Hisense Hitachi Air-Conditioner Marketing Co., Ltd.			27 April 2025	RMB0.1 billion	Joint and several liability guarantee				27 April 2025 - 9 April 2026	No	No
Hisense (Zhejiang) Air-Conditioner Co., Ltd.			27 April 2025	RMB0.1 billion	Joint and several liability guarantee				27 April 2025 - 9 April 2026	No	No
Total quota of guarantees to subsidiaries approved during the reporting period (B1)		RMB8.38 billion	Total actual amount incurred for guarantees to subsidiaries during the reporting period (B2)							RMB5.921 billion	
Total quota of guarantees to subsidiaries approved at the end of the reporting period (B3)		RMB8.38 billion	Total actual guarantee balances to subsidiaries at the end of the reporting period (B4)							RMB3.827 billion	

MANAGEMENT DISCUSSION AND ANALYSIS

VI. MAJOR CONTRACTS AND THEIR PERFORMANCE — *Continued*

2. Major Guarantees — *Continued*

Name of the guaranteed party	Related to guarantee limits	Disclosure date of announcements	Subsidiary-to-subsidiary guarantees					Counter-guarantee status (if any)	Guarantee period	Whether fully performed	Whether related party guarantee
			Guarantee limits	Actual occurrence date	Actual guaranteed amount	Guarantee type	Collateral (if any)				
Hisense (Guangdong) Kitchen & Bath Systems Co.	30 November 2022	RMB12.2 million	30 November 2022	RMB0	Joint and several liability guarantee			30 November 2022 - 20 May 2025		Yes	No
Total quota of guarantees to subsidiaries approved during the reporting period (C1)		0		Total actual amount incurred for guarantees to subsidiaries during the reporting period (C2)						0	
Total quota of guarantees to subsidiaries approved at the end of the reporting period (C3)		RMB12.2 million		Total actual guarantee balances to subsidiaries at the end of the reporting period (C4)						0	
Total company guarantees (the sum of the first three major items)											
Total quota of guarantee approved during the reporting period (A1+B1+C1)		RMB8.38 billion		Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)						RMB5.921 billion	
Total amount of approved guarantees at the end of the reporting period (A3+B3+C3)		RMB8.392 billion		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						RMB3.827 billion	
Total actual guarantees (i.e. A4+B4+C4) as a percentage of the company's net assets										23.90%	
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)										RMB3.827 billion	
Amount of the portion of total guarantees exceeding 50% of net assets (F)										N/A	
Total amount of the above three guarantees (D+E+F)										RMB3.827 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)										None	
Description of external guarantees provided in violation of prescribed procedures (if any)										None	

3. Particulars of Entrusted Wealth Management

Unit: RMB ten thousand

Product type	Source of funding for entrusted wealth management	Subscription amount of entrusted wealth management	Amount of undue principal and return	Overdue balance return	Impairment amount of overdue wealth management
Wealth management products of banks	Own funds	2,008,521.79	2,008,521.79	0.00	0.00
Total		2,008,521.79	2,008,521.79	0.00	0.00

During the Reporting Period, the Company did not have any high-risk entrusted wealth management with significant individual amounts or low safety and liquidity, and the Company was not aware of any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the entrusted wealth management.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. CORE COMPETITIVENESS ANALYSIS

(I) Technical Advantages

The Company remains steadfast in its “technology-driven enterprise” philosophy, continuously advancing innovation under its smart life strategy with a focus on intelligence, health, and energy efficiency. The Company boasts more than 20 provincial-level and above scientific and technological innovation platforms, including national-level enterprise technology centers, postdoctoral research workstations and national-level industrial design centers. The Company continuously promoted the transformation of IPD process and the building of the Hisense Value Thinking Model, and achieved major breakthroughs in multiple directions such as low-carbon energy-saving, two-way fresh air, AI freshness, zoned washing and drying, tank energy storage, and thick-film heating, with comprehensive low-carbon, intelligent and healthy technology systems being established, leading the industry in technological innovation and product upgrades.

1. **HVAC Business**

- (1) **In terms of central air-conditioner**, the technologies such as the first four-pipe multi-connected units efficient heat recovery system, multi-connected units, multi-temperature difference, dual-control of temperature & humidity with dynamic pressure optimization technology, multi-system dynamic coordination-based high-efficiency multi-split cascade control technology, frost thickness prediction and mode recognition-based uninterrupted defrosting technology for terminal units developed by the Company have been appraised as reaching the international leading level through the appraisal of scientific and technological achievements by the China National Light Industry Council. The invention of triple-stage humidity control technology that combines total heat recovery, evaporative cooling-assisted dehumidification and module-based adsorption and the development of the temperature and humidity independent control system based on the coordinated operation of high-efficiency fresh air dehumidifiers and high-sensible-capacity multi-connected units realize energy-efficient operation of the fresh air and multi-connected systems and the relevant technologies have been appraised as reaching the international leading level through the appraisal of scientific and technological achievements by the Chinese Association of Refrigeration (CAR). The breakthrough achievements include key core technologies such as high-efficiency, large-pressure-ratio aerodynamic design for centrifugal compressors, multi-layer anti-surge protection, and precise refrigerant level control in chillers have led to the development of a dual-stage, Class-1 energy efficiency magnetic levitation oil-free centrifugal compressor and water-cooled chiller product platform. These advanced solutions are widely applicable in business scenarios, such as industrial and commercial central air-conditioning energy-saving retrofits and data center cooling applications, delivering higher efficiency, more reliable, and greener, low-carbon solutions for customers.
- (2) **In terms of household air-conditioner**, the Company has innovatively developed key technologies for intelligent, collaborative control over air – conditioner energy efficiency and comfort, achieving precise 0.1°C temperature control and comprehensive operational energy savings of 16.8%, and enhancing user comfort. These technologies were evaluated by the Chinese Association of Refrigeration as reaching internationally leading levels. In terms of core technological advancements, the Company pioneered bidirectional fresh air exchange technology, which increases fresh air exchange efficiency by 21%, developed China’s first Halbach array magnetic levitation external rotor motor with a noise reduction – dynamic rpm compensation algorithm (boosting efficiency by up to 15% across the entire speed range while reducing noise to 13.5 dB(A)), and invented a biomimetic water – ion electrode with ‘Carbon Fiber + Hydrogel + MOFs’ composition and Hi – nano Pro purification technology (releasing trillions of water ions per second for a >99.99% bacteria removal rate). Research into the zoned temperature control algorithm has enabled reliable operation in extreme conditions across an ultra – wide temperature range from -36°C to 66°C. Additionally, the Company spearheaded the first industry standard for fresh air conditioners in China, setting a new benchmark for the sector and advancing healthy, comfortable living environments while driving growth in the energy – saving and carbon – reduction industry.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(I) Technical Advantages — *Continued*

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

- (1) **In terms of refrigerator**, anchoring on user needs, the Company focuses on core domains including food preservation, energy efficiency enhancement, smart applications, and rapid ice-making to build technological advantages. Ronshen continues to upgrade its "WILL Fresh-Keeping" system, leveraging multi-frequency pulsed light spectra and AI-powered seasonal freshness preservation to enhance the nutritional value of fruits and vegetables, while Hisense emphasizes developing and promoting its "Vacuum Magnetic Preservation" technology matrix. The development of compound throttling and split-flow condensation technologies contributes to a 20% improvement in energy efficiency, meeting Australia's highest 9-star international standard; its AI energy-saving algorithm further elevates product efficiency, enabling up to 15% operational energy savings. The self-developed direct-cooling ice-making module debuted in flagship Australian models, achieving industry-leading ice production speed of 4.3kg/24h. The Company globally launched the first dual-axis hinge system, enabling a 45mm ultra-slim door to open at 115°. The Company has taken the lead in formulating industry standards and building patent barriers, with its technical level leading the world.
- (2) **In terms of washing machine**, the Company has centered on user needs, continuously making breakthroughs in product form innovation and key core technology R&D. The newly launched "Cotton Candy Family Drum" series of zoned washing and care products have consolidated its position in the industry of classified washing. This series not only boasts an industry-leading washing ratio of 1.33, but also achieves a significant leap in drying performance through innovative technologies such as heat pump low-temperature gentle drying and fresh air condensation. In terms of key technology research, three core technologies – "Healthy, Energy-saving and High-efficiency Drying and Care Technology for Washer-dryers", "Water Quality Activation Washing and Care Technology for Washing Machines", and "Multi-field Coupling Energy-saving and Intelligent Sensing Technology for Heat Pump Dryers" – have all been appraised as "internationally leading". Overseas products continue to lead in energy efficiency, with the energy efficiency of drum washing machines exceeding the European standard of A-65%. New breakthroughs have been made in healthy washing and care, with a lint removal rate as high as 92.9% and excellent deep cleaning effect, accurately addressing the pain points of families with pets. In respect of green and environmental protection design, the Company has collaborated with authoritative institutions such as SGS and TUV Rheinland to promote carbon footprint research and accounting, and deepen product carbon reduction design. For dryer components, more than 30% of environmentally friendly recycled materials (PCR) have been applied as substitutes.
- (3) **In terms of kitchen appliances**, the dishwasher has made breakthroughs by adopting technologies such as residual water-free, UVC full waterway sterilization, dual-air-duct condensation and intelligent humidity control, enabling unlimited-duration utensil storage. The Company's dual inverter technology operates at an ultra-low 38dB(A) noise level, while hydroxyl sterilization technology effectively removes pesticide residues from fruits and vegetables, significantly enhancing user experience. The tank energy storage technology jointly developed with Gorenje, a European company, achieves A-20% in the European energy efficiency standard, leading the industry. For range hoods, the newly engineered ultra-slim 7-shaped platform delivers 1,450Pa static pressure for high-heat stir-frying with airflow exceeding 31m³/min, while maintaining ultra-quiet operation at 45dB(A) to reach the industry-leading level. The one-key stir-frying technology achieves instant 5.7kW power, with forced-air combustion technology improving energy efficiency by approximately 10%, achieving top-tier industry performance.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(I) Technical Advantages — *Continued*

3. *Automobile Air Conditioner Compressor and Integrated Thermal Management Business*

Focusing on its transformation into an integrated thermal management system provider for new energy vehicles, the Company addresses electrification and carbon neutrality demands through technological breakthroughs with prominent core innovations. In thermal system advancements, it has completed the development of the next-generation ITMS refrigerant integration unit (CRU), achieving high-efficiency integration of core components including compressors, refrigerant valves and heat exchangers. This breakthrough enables simultaneous refrigeration and ultra-low-temperature heat pump heating, boosting winter range by 25% while reducing weight by 15% compared to first-generation products. The solution precisely addresses customer priorities for platform-based development, mitigation of range degradation, and cost optimization.

In terms of core components, the fifth-generation electric compressor platform adopts a modular architecture featuring co-designed scroll compression mechanisms, motors, and inverter systems. This realizes multiple compatibility of R1234yf, CO₂ and R290 refrigerants, while enhancing performance, quietness, and modularity and delivering dual breakthroughs in high energy efficiency and low noise. Concurrently developed ultra-high-voltage heating and next-generation thick-film heating technologies address battery and cabin heating demands in ultra-low-temperature conditions. These innovations strike a precise balance between rapid heating and noise control, achieving breakthroughs in compact design, light weighting, and cost efficiency. Air handling unit technology advances across multiple dimensions. In terms of the mute design of the fan system, the aerodynamic parameters of the impeller blade shape are optimized through aerodynamic simulation to reduce aerodynamic noise from the source, which has been applied in many domestic and foreign customer projects. In terms of energy-saving technology, the double-layer flow technology adapts to various layout requirements with dual-path air circulation, and at the same time, the energy efficiency is improved by 15% through the collaboration of moisture and heat separation technology and double-layer flow technology.

(II) Brand Matrix

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

Along with the continuous advancement of Hisense's internationalization strategy and ongoing intensification of sports marketing efforts, the overseas popularity and influence of the brand have been constantly improved. Hisense continued to sponsor the global top sports events such as Euro 2016, World Cup 2018, Euro 2020, World Cup 2022 and Euro 2024. In 2025, Hisense joined hands with FIFA to co-host an all-new FIFA Club World Cup. This marks the third collaboration between Hisense and FIFA following its successful sponsorship of the 2018 FIFA World Cup Russia and 2022 FIFA World Cup Qatar. By continuously engaging in top international sports events, Hisense is enhancing its brand influence in the global market.

Years of sustained sports marketing have significantly accelerated Hisense's global brand expansion. According to Ipsos, Hisense's global brand awareness surged to 56% following the Germany-hosted European Cup. Additionally, the brand has maintained its position in the Top 10 of BrandZ Top 50 2025 Chinese Global Brand Builders (co-published by Google and Kantar) for nine consecutive years.

MANAGEMENT DISCUSSION AND ANALYSIS

VII. CORE COMPETITIVENESS ANALYSIS — *Continued*

(III) Corporate Culture

Corporate culture is the core of the Company's firm confidence and stable navigation ability, the driving force for countless Hisense employees to work hard on their endeavors, and the ultimate answer for the Company in the face of difficulties and chaos.

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

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

In the future, the Company will intensify cultural empowerment of Hisense staff, accelerating mindset refresh and organizational transformation. This will embed each core value into the mindset, behavior and principle of Hisense staff, driving employee growth, strategic and operating objectives. These efforts not only provide concept for tackling challenges, but also continuously fuel the Company's mission to become a world-class enterprise with global premium brands.

VIII. THE RISKS FACED BY THE GROUP AND OUTLOOK

Risks faced by the Group include:

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

To address multiple operational challenges and risks, the Company is accelerating the transformation of its high-end product portfolio and deepening its development in emerging markets to enhance its resilience to economic cycles. Through measures such as strategic raw material reserves, smart manufacturing upgrades, and global supply chain adjustments, the Company has effectively mitigated the pressure from rising costs. Additionally, it is utilising foreign exchange financial instruments to stabilise overseas revenues and hedge against currency fluctuation risks. The Company will continue to strengthen its technology-driven capabilities and global resource allocation capabilities, adhere to a long-term perspective, and maintain stable and healthy sustainable development in a complex environment.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS

1. Connected transactions in relation to ordinary business occurred

Connected party	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)	Approved transaction amount
Hisense Group Holdings	Purchase	Finished goods	Agreed price by reference to market price	19,664.45	0.51	692,000.00
Hisense Group Holdings	Purchase	Materials	Agreed price by reference to market price	107,557.37	2.78	
Hisense Group Holdings	Receipt of services	Receipt of services	Agreed price by reference to market price	111,975.81	2.89	
Hisense Group Holdings	Sale	Finished goods	Agreed price by reference to market price	1,722,126.10	34.90	4,033,000.00
Hisense Group Holdings	Sale	Materials	Agreed price by reference to market price	63,512.20	1.29	
Hisense Group Holdings	Sale	Moulds	Market price	2,546.07	0.05	
Hisense Group Holdings	Provision of services	Provision of services	Agreed price by reference to market price	4,163.84	0.08	
Johnson Hitachi	Purchase	Products	Agreed price by reference to market price	8,292.70	0.21	186,258.00
HASCO Sanden	Purchase	Products	Agreed price by reference to market price	5,473.41	0.14	30,000.00
Johnson Hitachi	Sale	Products	Agreed price by reference to market price	5,967.24	0.12	60,711.00
HASCO Sanden	Sale	Products	Agreed price by reference to market price	32,457.77	0.66	340,000.00

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB11.929 billion, recognised interest income of approximately RMB0.139 billion, the actual balance of loan of RMB1.113 billion with loan interest recognised of RMB14.5917 million, the balance of electronic finance company acceptance bill of approximately RMB1.143 billion, and the handling fee for opening accounts for electronic finance company acceptance bill of approximately RMB0.5761 million. The actual amount of discounted interest for the provision of draft discount services of approximately RMB0.00 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately US\$4.8912 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 RMB0.4384 million.

2. Connected transactions in acquisition and sale of assets or equity rights

During the Reporting Period, the Company did not engage in any related-party transactions involving the acquisition or disposal of assets or equity interests.

OTHER INFORMATION

MAJOR CONNECTED TRANSACTIONS — *Continued*

3. Connected transactions in relation to joint external investment

During the Reporting Period, the Company did not engage in any related-party transactions involving joint external investments.

4. Connected creditor's rights and liabilities

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

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

Deposit services

Unit: RMB (in ten thousand)

Related parties	Relationships	Maximum daily deposit limit	Deposit rate range	Opening balance	Amount incurred during the period		Closing balance
					Total amount deposited during the period	Total amount taken out during the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	2,700,000.00	0.2%-2.80%	1,209,990.03	10,890,325.29	10,873,224.26	1,192,889.00

Loan services

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	repayment amount for the period	
Hisense Finance	Subsidiary of an indirect controlling shareholder	500,000.00	3.00%-5.57%	47,500.00	63,806.18	-	111,306.18

Credit granting or other financial services

Unit: RMB (in ten thousand)

Related parties	Relationships	Business type	Total amount	Actual amount
Hisense Finance	Subsidiary of an indirect controlling shareholder	Credit granting	993,000.00	178,099.83

6. Transactions between the Company's controlling financial company and related parties

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

OTHER INFORMATION

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net cash generated from operating activities of the Group was approximately RMB5,322 million for the six months ended 30 June 2025 (for the six months ended 30 June 2024: RMB2,100 million).

As at 30 June 2025, the Group had cash and cash equivalents (including bank deposits, cash and guarantee balances) amounting to approximately RMB5,157 million (as at 30 June 2024: RMB5,219 million), of which more than RMB4,129 million are denominated in Renminbi (as at 30 June 2024: RMB4,735 million), and loans amounting to RMB4,458 million (as at 30 June 2024: RMB3,135 million).

Total capital expenditures of the Group for the six months ended 30 June 2025 amounted to approximately RMB719 million (for the six months ended 30 June 2024: RMB540 million).

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

TRUST DEPOSITS

As at 30 June 2025, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institutions in the PRC and Hong Kong.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

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

AUDIT COMMITTEE

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

GEARING RATIO

As at 30 June 2025, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 73.91% (as at 30 June 2024: 73.12%).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2025, the Group had approximately 36,546 employees, mainly comprising 9,394 technical staff, 8,211 sales representatives, 512 financial staff, 711 administrative staff and 17,718 production staff. The Group had 87 employees with a doctorate degree, 2,468 with a master's degree and 33,991 with a bachelor's degree or below. For the six months ended 30 June 2025, the Group's staff payroll amounted to RMB4,965 million (for the six months ended 30 June 2024: RMB4,893 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 2025, the Group did not have major property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2024: no major) which were pledged as security for the Group's borrowings.

OTHER INFORMATION

SHARE CAPITAL STRUCTURE

As at 30 June 2025, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total issued share capital
A Shares	926,026,997	66.83%
H Shares	459,589,808	33.17%
Total	1,385,616,805	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2025, there were 41,209 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	37.29%	55.80%	0
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	458,944,527	33.12%	99.86%	0
The Hong Kong Securities Clearing Company Limited ("HKSCC") ^{Note 2}	Foreign legal person	28,219,082	2.04%	3.05%	0
Qingdao Hisense Communications Company Limited	Domestic non-state-owned legal person	13,860,028	1.00%	1.50%	0
Hisense Home Appliances Group Co., Ltd. - the 2024 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司—2024年A股員工持股計劃)	Other	13,180,050	0.95%	1.42%	0
National Social Security Fund 101 Portfolio* (全國社保基金一零一組合)	Other	11,900,632	0.86%	1.29%	0
Agricultural Bank of China Co., Ltd - China Securities 500 Traded Open-End Index Securities Investment Fund * (中國農業銀行股份有限公司—中證500交易型開放式指數證券投資基金)	Other	6,830,833	0.49%	0.74%	0
National Social Security Fund 103 Portfolio* (全國社保基金一零三組合)	Other	6,000,000	0.43%	0.65%	0
Industrial and Commercial Bank of China - Southern Performance Growth Equity Securities Investment Fund* (中國工商銀行—南方績優成長股票型證券投資基金)	Other	4,613,559	0.33%	0.50%	0
Basic Pension Insurance Fund Portfolio 1204* (基本養老保險基金一二零四組合)	Other	4,596,100	0.33%	0.50%	0

OTHER INFORMATION

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADEABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited	516,758,670	RMB ordinary shares
HKSCC Nominees Limited	458,944,527	Overseas listed foreign shares
HKSCC	28,219,082	RMB ordinary shares
Qingdao Hisense Communications Company Limited	13,860,028	RMB ordinary shares
Hisense Home Appliances Group Co., Ltd. – the 2024 A Share Employee Stock Ownership Plan* (海信家電集團股份有限公司 – 2024年A股員工持股計劃)	13,180,050	RMB ordinary shares
National Social Security Fund 101 Portfolio* (全國社保基金一零一組合)	11,900,632	RMB ordinary shares
Agricultural Bank of China Co., Ltd - China Securities 500 Traded Open-End Index Securities Investment Fund * (中國農業銀行股份有限公司 – 中證500交易型開放式指數證券投資基金)	6,830,833	RMB ordinary shares
National Social Security Fund 103 Portfolio* (全國社保基金一零三組合)	6,000,000	RMB ordinary shares
Industrial and Commercial Bank of China-Southern Performance Growth Equity Securities Investment Fund* (中國工商銀行 – 南方績優成長股票型證券投資基金)	4,613,559	RMB ordinary shares
Basic Pension Insurance Fund Portfolio 1204* (基本養老保險基金一二零四組合)	4,596,100	RMB ordinary shares

Notes:

- 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) Company Limited, 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 8.98% of the total number of the shares of the Company.
- HKSCC is the nominee holder of the shares held by non-registered A shareholders of the Company through Shenzhen-Hong Kong and Shanghai-Hong Kong Stock Connect. The shares held by HKSCC are held on behalf of a number of its account participants.

Among the above-mentioned shareholders, Qingdao Hisense Air Conditioning Company Limited, Qingdao Hisense Communications Company Limited and Hisense (Hong Kong) Company Limited are related parties to each other. They have not related-party relationship with other shareholders and are not acting in concert as stipulated in the Measures for the Administration of Takeovers of Listed Companies (《上市公司收購管理辦法》). Except for the aforesaid, the Company is not aware of any shareholders having a related-party relationship with each other, or any of them being an acting in concert party with another within the meaning of the Measures for the Administration of Takeovers of Listed Companies.

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 2025, 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 total number of shares in issue	Percentage of the respective type of shares
Hisense Air-conditioning	Beneficial owner A shares	A Shares	516,758,670(L)	37.29%	55.80%
Hisense Communications	Beneficial owner A shares	A Shares	13,860,028(L)	1.00%	1.50%
Hisense Group Holdings	Controlled corporate interests	A Shares	530,618,698(L)	38.29%	57.30%
Hisense Hong Kong	Beneficial owner A shares	H Shares	124,452,000(L)	8.98%	27.08%
Hisense Group Holdings	Controlled corporate interests	H Shares	124,452,000(L)	8.98%	27.08%

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

Note: Hisense Air Conditioning is a company directly owned by Hisense Group Holdings with a 93.33% stake; Hisense Communications and Hisense (Hong Kong) are companies directly owned by Hisense Group Holdings with a 100% stake. Pursuant to the SFO, Hisense Group Holdings was deemed to be interested in the same batch of A shares in Hisense Air Conditioning and Hisense Communications and in the same batch of H shares in Hisense (Hong Kong).

Save as disclosed above, as at 30 June 2025, 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 2025, save as disclosed below, none of the members of the Board, supervisors and the chief executives of the Company held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Long position in the shares of the Company

Name of Director	Nature of interest	Number of shares	Approximately represents the proportion of issued A-shares	Approximately represents the proportion of total issued share capital
Mr. Jia Shao Qian	Beneficial owner	404,360	0.04%	0.03%

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE CODE

To the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules.

INTERIM DIVIDENDS

The declaration and payment of a final dividend of RMB12.30 per 10 shares (inclusive of tax) was approved at the annual general meeting of the Company held on 25 June 2025 for the year ended 31 December 2024. The final dividend of approximately RMB1.7 billion in total had been paid to the Shareholders of the Company as of the date of this report.

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

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Method of appointment	Appointment Date	Reasons for change
Liu Zhen Shun	Supervisor	Resignation	25 June 2025	No longer serve as a supervisor due to the abolition of the board of supervisors in the Articles of Association
Sun Jia Hui	Supervisor	Resignation	25 June 2025	No longer serve as a supervisor due to the abolition of the board of supervisors in the Articles of Association
Bao Yi	Employee representative Supervisor	Resignation	25 June 2025	No longer serve as an employee representative supervisor due to the abolition of the board of supervisors in the Articles of Association

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, amendments have been made to the Articles of Association of the Company pursuant to the special resolution passed at the 2024 annual general meeting held on 25 June 2025. For details of the amendments to the Articles of Association, please refer to the circular of the Company dated 30 May 2025. The full text of the amended Articles of Association can be downloaded on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://hxjd.hisense.cn>).

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 Holdings, and holds approximately 37.29% of the issued shares of the Company as at the date of this report
"Hisense Communications"	Qingdao Hisense Communications Company Limited* (青島海信通信有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, and holds approximately 1.00% of the issued shares of the Company as at the date of this report
"Hisense Finance"	Hisense Finance Co., Ltd.* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
"Hisense Group Holdings"	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 8.98% of the issued shares of the Company as at the date of this report
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HASCO Sanden"	Sanden HASCO Automotive Air-Conditioning Co., Ltd.
"Intelligent Electronic"	Qingdao Hisense Intelligent Electronic Technology Co., Ltd* (青島海信智能電子科技有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of Hisense Visual
"Johnson Hitachi"	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
"RMB"	Renminbi, the lawful currency of the PRC
"Sanden company"	Sanden Holdings 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.

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

I. AUDITOR'S REPORT

Whether the interim report has already been audited or not

Yes No

The interim financial statements of the Company are unaudited.

II. FINANCIAL STATEMENTS

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

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

1. CONSOLIDATED BALANCE SHEETS

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

30 June 2025

Item	Note	Closing balance	Unit: RMB
			Opening balance
Current assets:			
Cash at bank and on hand	V.1	5,157,253,114.76	4,397,693,443.73
Balances with clearing companies			
Lending capital			
Transactional financial assets	V.2	20,273,703,348.81	16,209,276,762.85
Derivative financial assets			
Notes receivable	V.3	278,975,395.97	459,013,499.65
Accounts receivable	V.4	12,467,487,459.89	10,480,609,898.16
Receivables Financing	V.6	5,801,365,693.05	6,000,519,893.99
Prepayment	V.8	426,214,894.35	524,090,978.17
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Other receivables	V.7	238,875,388.39	242,816,255.92
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	V.9	6,258,888,422.70	7,566,932,954.39
Of which: data resources			
Contract assets	V.5	80,847,519.43	56,210,047.88
Assets held for sale			
Non-current assets due within one year	V.10	5,674,583,611.10	4,883,695,277.78
Other current assets	V.11	1,147,251,897.45	1,687,051,443.98
Total current assets		57,805,446,745.90	52,507,910,456.50

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

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Item	Note	Closing balance	Opening balance
Non-current assets:			
Disbursement of loans and advances			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments	V.12	2,050,827,531.07	1,764,936,952.09
Other equity investment	V.13	43,926,213.56	42,364,813.88
Other non-current financial assets	V.14	20,877,222.66	21,332,417.54
Investment properties	V.15	254,764,895.89	253,998,555.64
Fixed assets	V.16	5,827,242,669.53	5,648,643,079.56
Construction in progress	V.17	800,629,861.33	674,456,905.57
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V.18	181,137,390.98	163,180,643.61
Intangible assets	V.19	1,358,566,439.21	1,406,841,869.56
Of which: data resources			
Development costs			
Of which: data resources			
Goodwill	V.20	226,408,877.76	226,408,877.76
Long-term prepaid expenses	V.21	45,998,889.13	44,778,274.65
Deferred tax assets	V.22	1,201,451,566.48	1,087,501,760.54
Other non-current assets	V.23	4,995,698,975.00	5,859,585,210.43
Total non-current assets		17,007,530,532.60	17,194,029,360.83
Total assets		74,812,977,278.50	69,701,939,817.33

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

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Item	Note	Unit: RMB	
		Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	V.25	3,365,328,105.01	2,708,715,351.46
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities	V.26	44,449,742.26	3,552,841.18
Derivative financial liabilities			
Notes payable	V.27	13,640,613,047.28	16,132,766,497.33
Accounts payable	V.28	17,469,018,721.95	12,848,289,233.62
Advances from customers	V.29	2,173,017.55	2,745,211.29
Contractual liabilities	V.30	1,471,759,913.98	1,838,591,086.05
Proceeds from disposal of financial assets under agreements to repurchase			
Receipt of deposits and deposits from other banks			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee remunerations payable	V.31	1,063,336,547.75	1,441,919,470.92
Taxes payable	V.32	706,065,325.93	537,713,772.43
Other payables	V.33	6,784,859,002.59	5,389,842,305.97
Including: Interest payable			
Dividends payable		1,703,379,240.33	89,718,011.42
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	V.34	109,946,612.09	101,928,336.06
Other current liabilities	V.35	8,186,366,978.54	6,913,302,837.03
Total Current Liabilities		52,843,917,014.93	47,919,366,943.34

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

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Item	Note	Closing balance	Opening balance
<i>Non-current Liabilities:</i>			
Reserves for reinsurance contract			
Long-term borrowings	V.36	62,877,406.73	49,371,196.64
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities	V.37	161,648,951.48	161,471,272.87
Long-term payables			
Long-term employee remunerations payable	V.38	78,332,981.07	77,923,347.90
Provisions	V.39	1,082,560,453.67	1,102,337,190.50
Deferred income	V.40	377,155,422.84	334,592,888.16
Deferred tax liabilities	V.22	173,483,283.95	148,942,326.29
Other non-current liabilities	V.41	517,973,406.42	533,409,940.50
Total non-current liabilities		2,454,031,906.16	2,408,048,162.86
Total liabilities		55,297,948,921.09	50,327,415,106.20
<i>Shareholders' equity:</i>			
Share capital	V.42	1,385,616,805.00	1,386,010,405.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve	V.43	2,170,549,219.72	2,099,080,199.65
Less: Treasury shares	V.44	189,706,074.05	264,243,096.35
Other comprehensive income	V.45	234,786,551.23	200,747,044.66
Special reserves	V.46	13,168,851.37	9,282,792.01
Surplus reserves	V.47	724,682,309.99	724,682,309.99
General risk provisions			
Undistributed profits	V.48	11,673,269,070.07	11,300,066,951.67
Total equity attributable to owners of the parent		16,012,366,733.33	15,455,626,606.63
Minority interests		3,502,661,624.08	3,918,898,104.50
Total owners' equity		19,515,028,357.41	19,374,524,711.13
Total liabilities and shareholders' equity		74,812,977,278.50	69,701,939,817.33

Legal representative: Gao Yu Ling

Chief financial officer: Sun Changchun

Accounting supervisor: Zhou Shan

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

2. BALANCE SHEETS OF PARENT COMPANY

30 June 2025

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		306,711,410.45	83,431,684.91
Transactional financial assets		3,292,351,221.49	2,335,470,084.17
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII.1	666,615,163.86	603,535,442.54
Receivables Financing		41,170,587.77	36,727,135.61
Prepayment		31,306,204.33	38,299,611.93
Other receivables	XVII.2	871,103,060.96	1,167,291,561.49
Including: Interest receivable			
Dividends receivable			71,598,383.60
Inventories		10,669,176.66	9,524,489.02
Of which: data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		56,225,720.06	58,094,649.76
Total current assets		5,276,152,545.58	4,332,374,659.43
Non-current assets:			
Investments in debt			
Other investments in debt			
Long-term receivables		1,093,198,540.28	1,131,550,066.93
Long-term equity investments	XVII.3	7,555,709,936.13	6,763,469,751.87
Other equity investment			
Other non-current financial assets			
Investment properties		2,091,120.00	2,091,120.00
Fixed assets		39,776,681.00	40,158,494.35
Construction in progress		26,681.40	4,689,141.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		157,088,790.30	157,986,067.36
Of which: data resources			
Development costs			
Of which: data resources			
Goodwill			
Long-term prepaid expenses		86,351.91	130,347.10
Deferred tax assets			
Other non-current assets		218,175.00	92,682.50
Total non-current assets		8,848,196,276.02	8,100,167,671.70
Total assets		14,124,348,821.60	12,432,542,331.13

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

2. BALANCE SHEETS OF PARENT COMPANY — *Continued*

Unit: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		54,329,973.94	45,208,805.22
Accounts payable		47,868,683.73	63,192,120.14
Advances from customers			
Contractual liabilities		124,251.87	1,499,899.68
Employee remunerations payable		11,156,896.75	25,996,886.40
Taxes payable		8,970,478.38	6,074,332.78
Other payables		2,632,994,107.63	975,680,870.90
Including: Interest payable			
Dividends payable		1,703,379,240.33	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		120,370,378.90	144,509,951.60
Total Current Liabilities		2,875,814,771.20	1,262,162,866.72
Non-current Liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities			
Long-term payables			
Long-term employee remunerations payable			
Provisions		220,866,979.59	240,589,748.09
Deferred income		25,170,074.67	24,406,184.40
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		246,037,054.26	264,995,932.49
Total liabilities		3,121,851,825.46	1,527,158,799.21
Shareholders' equity:			
Share capital		1,385,616,805.00	1,386,010,405.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserve		2,470,571,118.31	2,387,231,218.73
Less: Treasury shares		189,706,074.05	264,243,096.35
Other comprehensive income		13,015,648.99	-30,344,604.64
Special reserves			
Surplus reserves		694,073,685.00	694,073,685.00
Undistributed profits		6,628,925,812.89	6,732,655,924.18
Total owners' equity		11,002,496,996.14	10,905,383,531.92
Total liabilities and shareholders' equity		14,124,348,821.60	12,432,542,331.13

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

3. CONSOLIDATED INCOME STATEMENT

January to June 2025

Item	Note	Unit: RMB	
		First half of 2025	First half of 2024
I. Total operating revenue		49,340,344,981.85	48,641,673,374.79
Including: Operating revenue	V.49	49,340,344,981.85	48,641,673,374.79
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		46,785,652,816.07	46,206,400,614.00
Including: Operating costs	V.49	38,743,597,232.06	38,531,710,125.29
Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance reserves provided			
Policyholder dividend expenses			
Reinsurance premium expenses			
Taxes and surcharges	V.50	223,166,616.35	216,873,476.03
Sales expenses	V.51	4,869,442,985.61	4,719,717,716.22
Management expenses	V.52	1,232,915,731.34	1,199,136,901.69
R&D expenses	V.53	1,674,893,303.26	1,643,979,097.19
Financial expenses	V.54	41,636,947.45	-105,016,702.42
Including: Interest expense		86,914,991.88	69,061,921.52
Interest income		20,067,405.94	33,471,921.44
Add: Other income	V.55	273,364,514.91	318,536,900.93
Investment gain (loss expressed with "-")	V.56	511,260,446.36	418,984,235.75
Including: Share of profit of associates and joint ventures		236,560,862.88	193,121,101.07
Income from derecognition of financial assets at amortised cost			
		-491,638.54	-470,289.12
Foreign exchange gains (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")			
Gain from changes in fair values (loss expressed with "-")	V.57	75,736,420.19	170,272,953.38
Impairment losses on credit (loss expressed with "-")	V.58	15,511,648.66	32,676,076.37
Impairment losses on assets (loss expressed with "-")	V.59	-73,425,223.25	-17,846,374.49
Gains on disposal of asset (loss expressed with "-")	V.60	21,786,782.78	857,010.80
III. Operating profits (loss expressed with "-")		3,378,926,755.43	3,358,753,563.53
Add: Non-operating incomes	V.61	63,639,458.45	154,188,740.82
Less: Non-operating expenses	V.62	17,220,897.46	13,592,692.61
IV. Total profit (total loss expressed with "-")		3,425,345,316.42	3,499,349,611.74
Less: Income tax expense	V.63	436,679,453.25	469,196,871.14

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

3. CONSOLIDATED INCOME STATEMENT — *Continued*

Item	Note	First half of 2025	First half of 2024 <i>Unit: RMB</i>
V. Net profits (net loss expressed with “-”)		2,988,665,863.17	3,030,152,740.60
(1) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss denoted by “-”)		2,988,665,863.17	3,030,152,740.60
2. Net profit from discontinued operations (Net loss denoted by “-”)			
(2) Classified by ownership of equity			
1. Net profit attributable to shareholders of the parent (Net loss denoted by “-”)		2,076,581,358.73	2,015,831,383.14
2. Profit and loss of minority interests (Net loss denoted by “-”)		912,084,504.44	1,014,321,357.46
VI. Other comprehensive income after tax, net		26,559,201.76	74,765,838.10
Other comprehensive income after tax attributable to owners of the parent, net		34,039,506.57	55,433,755.31
(1) Other comprehensive income that would not be reclassified to profit or loss		-138,567.34	1,199,128.63
1. Changes arising from remeasurement of defined benefit plan		1,405,422.51	-207,776.74
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment		-1,543,989.85	1,406,905.37
4. Changes in the fair value of the company's own credit risk			
5. Others			
(2) Other comprehensive income that would be reclassified to profit or loss		34,178,073.91	54,234,626.68
1. Other comprehensive income that is convertible into gains and losses under the equity method		42,930,048.86	-11,876,110.06
2. Changes in fair value of other investments in debt			
3. The amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investment			
5. Cash flow hedge reserve			
6. Differences on translation of foreign currency financial statements		-8,751,974.95	66,110,736.74
7. Others			
Other comprehensive income after tax attributable to minority interests, net		-7,480,304.81	19,332,082.79
VII. Total comprehensive income		3,015,225,064.93	3,104,918,578.70
Total comprehensive income attributable to shareholders of the parent		2,110,620,865.30	2,071,265,138.45
Total comprehensive income attributable to minority interests		904,604,199.63	1,033,653,440.25
VIII. Earnings per share:			
(1) Basic earnings per share		1.52	1.48
(2) Diluted earnings per share		1.52	1.48

Legal representative: Gao Yu Ling

Chief financial officer: Sun Changchun

Accounting supervisor: Zhou Shan

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

4. INCOME STATEMENT OF PARENT COMPANY

January to June 2025

Item	Note	Unit: RMB	
		First half of 2025	First half of 2024
I. Total operating revenue		2,630,421,797.47	2,733,618,739.29
Less: Operating costs	XVII.4	2,310,327,927.65	2,565,482,641.16
Taxes and surcharges		4,117,451.97	4,671,401.49
Sales expenses		83,809,118.66	213,445,922.30
Management expenses		40,474,579.22	64,523,241.39
R&D expenses		64,178,219.96	94,988,639.31
Financial expenses		-28,464,439.57	-32,445,193.89
Including: Interest expense			
Interest income		28,325,245.36	32,499,066.41
Add: Other income		1,224,846.80	787,270.13
Investment gain (loss expressed with "-")	XVII.5	1,421,041,428.44	1,369,551,760.69
Including: Share of profit of associates and joint ventures		114,113,239.16	69,870,818.25
Income from derecognition of financial assets at amortised cost (loss expressed with "-")			
Net exposure hedge income (loss expressed with "-")		18,763,056.82	5,187,754.84
Gain from changes in fair values (loss expressed with "-")		384,408.73	404,071.20
Impairment losses on credit (loss expressed with "-")		8,414.50	
Impairment losses on assets (loss expressed with "-")		22,116.06	10,631.77
Gains on disposal of asset (loss expressed with "-")			
II. Operating profits (loss expressed with "-")		1,597,423,210.93	1,198,893,576.16
Add: Non-operating incomes		1,810,805.40	4,295,902.62
Less: Non-operating expenses		-415,112.71	-104,370.17
III. Total profit (total loss expressed with "-")		1,599,649,129.04	1,203,293,848.95
Less: income tax expense			14,693.36
IV. Net profits (net loss expressed with "-")		1,599,649,129.04	1,203,279,155.59
(1) Net profit from continuing operations (net loss expressed with "-")		1,599,649,129.04	1,203,279,155.59
(2) Net profit from discontinued operations (net loss expressed with "-")			

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

4. INCOME STATEMENT OF PARENT COMPANY — *Continued*

Item	Note	First half of 2025	Unit: RMB First half of 2024
V. Other comprehensive income after tax, net		43,360,253.63	-12,260,696.68
(1) Other comprehensive income that would not be reclassified to profit or loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investment			
4. Changes in the fair value of the company's own credit risk			
5. Others			
(2) Other comprehensive income that would be reclassified to profit or loss		43,360,253.63	-12,260,696.68
1. Other comprehensive income that is convertible into gains and losses under the equity method		43,360,253.63	-12,260,696.68
2. Changes in fair value of other investments in debt			
3. The amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investment			
5. Cash flow hedge reserve			
6. Differences on translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		1,643,009,382.67	1,191,018,458.91
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

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

5. CONSOLIDATED CASH FLOW STATEMENT

January to June 2025

Item	Note	Unit: RMB	
		First half of 2025	First half of 2024
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		41,540,621,502.58	36,322,660,974.82
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business capital			
Net income from trading securities as broker			
Tax rebates received		1,909,388,133.48	1,794,789,651.68
Cash received relating to other operating activities	V.65	540,511,520.69	544,075,284.11
Subtotal of cash inflows from operating activities		43,990,521,156.75	38,661,525,910.61
Cash paid for purchases of commodities and receipt of labor services		27,205,730,464.41	25,269,666,368.17
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements from banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policyholders' dividend			
Cash paid to and for employees		4,964,845,766.41	4,892,792,824.43
Cash paid for taxes and surcharges		1,617,348,042.70	1,934,102,203.66
Cash paid relating to other operating activities	V.65	4,880,608,055.45	4,464,991,031.88
Subtotal of cash outflow from operating activities		38,668,532,328.97	36,561,552,428.14
Net cash flows from operating activities		5,321,988,827.78	2,099,973,482.47
II. Cash flow from investing activities:			
Cash received from recovery of investments		100,000.00	
Cash received from investment income		305,559,408.21	288,755,704.85
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		29,126,827.23	2,802,246.65
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities	V.65	18,525,788,111.82	14,841,068,042.40
Subtotal of cash inflows from investing activities		18,860,574,347.26	15,132,625,993.90
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		718,647,575.97	539,690,593.60
Cash paid for investments		16,122,921.57	98,000,000.00
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities	V.65	21,747,156,113.20	14,001,882,721.62
Subtotal of cash outflows from investing activities		22,481,926,610.74	14,639,573,315.22
Net cash flows from investing activities		-3,621,352,263.48	493,052,678.68

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

5. CONSOLIDATED CASH FLOW STATEMENT — *Continued*

Item	Note	First half of 2025	First half of 2024 <i>Unit: RMB</i>
III. Cash flows from financing activities:			
Cash received from capital contribution			5,000,000.00
Including: Cash contribution to subsidiaries from minority shareholders' investment			5,000,000.00
Cash received from borrowings		2,219,815,567.38	325,347,689.44
Cash received relating to other financing activities	V.65	391,834,125.12	1,604,632,245.40
Subtotal of cash inflows from financing activities		2,611,649,692.50	1,934,979,934.84
Cash paid for repayment of borrowings		1,683,062,186.07	243,575,921.60
Cash paid for distribution of dividends, profit or payment of interest expenses		1,528,677,640.46	1,341,811,290.57
Including: Dividend and profit paid to minority shareholders by subsidiaries		1,483,281,193.65	1,295,271,944.21
Cash paid relating to other financing activities	V.65	68,197,954.90	2,962,575,537.77
Subtotal of cash outflows from financing activities		3,279,937,781.43	4,547,962,749.94
Net cash flows from financing activities		-668,288,088.93	-2,612,982,815.10
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		43,384,425.60	-107,467,612.38
Add: Balance of cash and cash equivalents at the beginning of the period		1,075,732,900.97	-127,424,266.33
VI. Balance of cash and cash equivalents at the end of the period		2,191,268,606.55	2,877,140,400.54
		3,267,001,507.52	2,749,716,134.21

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

6. CASH FLOW STATEMENT OF PARENT COMPANY

January to June 2025

Unit: RMB

Item	Note	First half of 2025	First half of 2024
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,978,276,510.71	2,085,862,294.57
Tax rebates received			
Cash received relating to other operating activities		221,652,649.14	220,287,181.46
Subtotal of cash inflows from operating activities		2,199,929,159.85	2,306,149,476.03
Cash paid for purchases of commodities and receipt of labor services		1,613,905,915.26	1,611,284,807.19
Cash paid to and for employees		147,924,163.40	178,755,166.94
Cash paid for taxes and surcharges		3,621,718.08	3,918,702.32
Cash paid relating to other operating activities		499,592,840.29	508,590,265.64
Subtotal of cash outflow from operating activities		2,265,044,637.03	2,302,548,942.09
Net cash flows from operating activities		-65,115,477.18	3,600,533.94
II. Cash flow from investing activities:			
Cash received from recovery of investments			
Cash received from investment income		1,423,707,793.95	408,869,352.98
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		33,286.19	110.00
Net cash received from disposals of subsidiaries and other operation units			
Cash received relating to other investing activities		2,605,738,472.95	1,040,712,508.35
Subtotal of cash inflows from investing activities		4,029,479,553.09	1,449,581,971.33
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		6,096,509.11	11,394,646.74
Cash paid for investments		580,473,750.00	302,821,117.29
Net cash paid for acquisition of subsidiaries and other operation units			
Cash paid relating to other investing activities		3,145,000,000.00	955,000,000.00
Subtotal of cash outflows from investing activities		3,731,570,259.11	1,269,215,764.03
Net cash flows from investing activities		297,909,293.98	180,366,207.30
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings			
Cash received relating to other financing activities		7,441,692.72	156,019,707.00
Subtotal of cash inflows from financing activities		7,441,692.72	156,019,707.00
Cash paid for repayment of borrowings			
Cash paid for distribution of dividends, profit or payment of interest expenses		3,597,091.99	1,742,467.87
Cash paid relating to other financing activities		8,896,117.28	340,686,488.73
Subtotal of cash outflows from financing activities		12,493,209.27	342,428,956.60
Net cash flows from financing activities		-5,051,516.55	-186,409,249.60
IV. Effects of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		227,764,325.64	-2,395,430.03
Add: Balance of cash and cash equivalents at the beginning of the period		59,068,601.24	78,796,769.09
VI. Balance of cash and cash equivalents at the end of the period		286,832,926.88	76,401,339.06

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

7. CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Amount for current period

Unit: RMB

Item	Attributable to the owners of the parent												First half of 2025			
	Other equity instruments				Attributable to the owners of the parent											
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	Less: comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotal	Minority interests	Total owners' equity	
I. Closing balance in previous year	1,386,010,405.00				2,099,080,199.65	264,243,096.35	200,747,044.66	9,282,792.01	724,682,309.99		11,300,066,951.67		15,455,626,606.63	3,918,898,104.50	19,374,524,711.13	
Add: Changes in accounting policies																
Correction for error in previous period																
Others																
II. Opening balance for the year	1,386,010,405.00				2,099,080,199.65	264,243,096.35	200,747,044.66	9,282,792.01	724,682,309.99		11,300,066,951.67		15,455,626,606.63	3,918,898,104.50	19,374,524,711.13	
III. Movements in the current period	-393,600.00				71,469,020.07	-74,537,022.30	34,039,506.57	3,886,059.36			373,202,118.40		556,740,126.70	-416,236,480.42	140,503,646.28	
(Decreases expressed with "-")																
(1) Total comprehensive income							34,039,506.57				2,076,581,358.73		2,110,620,866.30	904,604,199.63	3,015,225,064.93	
(2) Owners' contributions and capital reductions	-393,600.00				72,558,622.39	-74,537,022.30							146,702,044.69	11,638,137.18	158,340,181.87	
1. Ordinary shares contributed by owners	-393,600.00					-1,638,265.05								-2,031,865.05	-2,031,865.05	
2. Capital contributions by holders of other equity instruments																
3. Amount of share-based payment included in shareholders' equity					74,196,887.44								74,196,887.44	11,638,137.18	85,835,024.62	
4. Others						-74,537,022.30							74,537,022.30		74,537,022.30	
(3) Profit Distribution													-1,703,379,240.33	-1,703,379,240.33	-1,330,192,920.00	-3,033,572,160.33
1. Appropriations to surplus reserve																
2. Appropriations to general risk provisions																
3. Distribution to owners (shareholders)													-1,703,379,240.33	-1,703,379,240.33	-1,330,192,920.00	-3,033,572,160.33
4. Others																
(4) Transfer of owners' equity																
1. Transfer to capital (or share capital) from capital reserve																
2. Transfer to capital (or share capital) from surplus reserve																
3. Surplus reserves for making up losses																
4. Changing amount of defined benefit plan carried forward to retained earnings																
5. Other comprehensive income carried forward to retained earnings																
6. Others																
(5) Special reserves							3,886,059.36						3,886,059.36	653,047.44	4,539,106.80	
1. Provided during the period							44,513,936.01						44,513,936.01	5,850,946.54	50,364,882.55	
2. Used during the period							40,627,876.65						40,627,876.65	5,191,899.09	45,826,775.74	
(6) Others					-1,089,602.32								-1,089,602.32	-2,938,944.67	-4,028,546.99	
IV. Closing balance for the period	1,385,616,805.00				2,170,549,219.72	189,706,074.05	234,786,551.23	13,168,851.37	724,682,309.99		11,673,269,070.07		16,012,346,733.33	3,502,661,624.08	19,515,028,357.41	

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

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

Amount for previous year

Unit: RMB

First half of 2024

Item	Attributable to the owners of the parent												Minority interests	Total owners' equity		
	Other equity instruments				Less:				Other							
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others				
I. Closing balance in previous year	1,387,935,370.00				2,115,407,718.05	236,626,482.61	226,997,819.74	6,319,636.53	724,682,309.99		9,355,458,114.25		13,580,174,485.95	5,815,884,640.69	19,396,059,126.64	
Add: Changes in accounting policies																
Correction for error in previous period																
Others																
II. Opening balance for the year	1,387,935,370.00				2,115,407,718.05	236,626,482.61	226,997,819.74	6,319,636.53	724,682,309.99		9,355,458,114.25		13,580,174,485.95	5,815,884,640.69	19,396,059,126.64	
III. Movements in the current period	-1,924,965.00				-16,327,518.40	27,616,613.74	-26,250,775.08	2,963,155.48			1,944,608,837.42		1,875,452,120.68	-1,896,986,536.19	-21,534,415.51	
(Decreases expressed with “-”)																
(1) Total comprehensive income							-26,250,775.08				3,347,881,773.89		3,321,630,998.81	1,793,954,113.73	5,115,585,112.54	
(2) Owners' contributions and capital reductions	-1,924,965.00				-23,422,371.87	27,616,613.74					-52,963,950.61		-850,650,713.16	-903,614,663.77		
1. Ordinary shares contributed by owners	-1,924,965.00				-9,861,342.75						-11,786,307.75		-910,690,125.76	-922,476,433.51		
2. Capital contributions by holders of other equity instruments																
3. Amount of share-based payment included in shareholders' equity					195,669,559.97						195,669,559.97		38,682,800.25	234,352,360.22		
4. Others					-209,230,589.09	27,616,613.74					-236,847,202.83		21,356,612.35	-215,490,590.48		
(3) Profit Distribution											-1,403,272,936.47		-1,403,272,936.47	-2,844,055,083.10	-4,247,328,019.57	
1. Appropriations to surplus reserve																
2. Appropriations to general risk provisions																
3. Distribution to owners (shareholders)											-1,403,272,936.47		-1,403,272,936.47	-2,844,055,083.10	-4,247,328,019.57	
4. Others																
(4) Transfer of owners' equity																
1. Transfer to capital (or share capital) from capital reserve																
2. Transfer to capital (or share capital) from surplus reserve																
3. Surplus reserves for making up losses																
4. Changing amount of defined benefit plan carried forward to retained earnings																
5. Other comprehensive income carried forward to retained earnings																
6. Others																
(5) Special reserves								2,963,155.48			2,963,155.48		811,995.90	3,775,151.38		
1. Provided during the period								86,854,043.85			86,854,043.85		11,900,466.24	98,754,530.09		
2. Used during the period								83,890,888.37			83,890,888.37		11,088,490.34	94,979,378.71		
(6) Others					7,094,853.47						7,094,853.47		2,953,150.44	10,048,003.91		
IV. Closing balance for the period	1,386,010,405.00				2,099,080,199.65	264,243,096.35	200,747,044.66	9,282,792.01	724,682,309.99		11,300,066,951.67		15,455,626,606.63	3,918,898,104.50	19,374,524,711.13	

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

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

Amount for current period

Unit: RMB

Item	First half of 2025										Total owners' equity	
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits		
	Share capital	Preference shares	Perpetual debts	Others								
I. Closing balance in previous year	1,386,010,405.00				2,387,231,218.73	264,243,096.35	-30,344,604.64		694,073,685.00	6,732,655,924.18	10,905,383,531.92	
Add: Changes in accounting policies												
Correction for error in previous period												
Others												
II. Opening balance for the year	1,386,010,405.00				2,387,231,218.73	264,243,096.35	-30,344,604.64		694,073,685.00	6,732,655,924.18	10,905,383,531.92	
III. Movements in the current period	-393,600.00				83,339,999.58	-74,537,022.30	43,360,253.63			-103,730,111.29	97,113,464.22	
(Decreases expressed with "-")												
(1) Total comprehensive income							43,360,253.63			1,599,649,129.04	1,643,009,382.67	
(2) Owners' contributions and capital reductions	-393,600.00				84,197,071.90	-74,537,022.30					158,340,494.20	
1. Ordinary shares contributed by owners	-393,600.00				-1,637,952.72						-2,031,552.72	
2. Capital contributions by holders of other equity instruments												
3. Amount of share-based payment included in shareholders' equity					85,835,024.62						85,835,024.62	
4. Others						-74,537,022.30					74,537,022.30	
(3) Profit Distribution										-1,703,379,240.33	-1,703,379,240.33	
1. Appropriations to surplus reserve												
2. Distribution to owners (shareholders)										-1,703,379,240.33	-1,703,379,240.33	
3. Others												
(4) Transfer of owners' equity												
1. Transfer to capital (or share capital) from capital reserve												
2. Transfer to capital (or share capital) from surplus reserve												
3. Surplus reserves for making up losses												
4. Changing amount of defined benefit plan carried forward to retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
(5) Special reserves												
1. Provided during the period												
2. Used during the period												
(6) Others					-857,172.32						-857,172.32	
IV. Closing balance for the period	1,385,616,805.00				2,470,571,118.31	189,706,074.05	13,015,648.99		694,073,685.00	6,628,925,812.89	11,002,496,996.14	

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

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

Amount for previous year

Unit: RMB

Item	First half of 2024									Total owners' equity	
	Other equity instruments				Less:						
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Treasury shares	comprehensive income	Special reserves	Surplus reserves		
I. Closing balance in previous year	1,387,935,370.00				2,352,730,955.68	236,826,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24	9,490,393,117.09
Add: Changes in accounting policies											
Correction for error in previous period											
Others											
II. Opening balance for the year	1,387,935,370.00				2,352,730,955.68	236,826,482.61	1,507,133.78		694,073,685.00	5,290,772,455.24	9,490,393,117.09
III. Movements in the current period	-1,924,965.00				34,500,263.05	27,616,613.74	-31,851,738.42			1,441,883,468.94	1,414,990,414.83
(Decreases expressed with "-")											
(1) Total comprehensive income							-31,851,738.42			2,845,156,405.41	2,813,304,666.99
(2) Owners' contributions and capital reductions	-1,924,965.00				36,617,040.73	27,616,613.74					7,075,461.99
1. Ordinary shares contributed by owners	-1,924,965.00					-9,861,342.75					-11,788,307.75
2. Capital contributions by holders of other equity instruments											
3. Amount of share-based payment included in shareholders' equity					234,352,360.22						234,352,360.22
4. Others					-187,873,976.74	27,616,613.74					-215,490,590.48
(3) Profit Distribution										-1,403,272,936.47	-1,403,272,936.47
1. Appropriations to surplus reserve											
2. Distribution to owners (shareholders)										-1,403,272,936.47	-1,403,272,936.47
3. Others											
(4) Transfer of owners' equity											
1. Transfer to capital (or share capital) from capital reserve											
2. Transfer to capital (or share capital) from surplus reserve											
3. Surplus reserves for making up losses											
4. Changing amount of defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(5) Special reserves											
1. Provided during the period											
2. Used during the period											
(6) Others					-2,116,777.68						-2,116,777.68
IV. Closing balance for the period	1,386,010,405.00				2,387,231,218.73	264,243,096.35	-30,344,604.64		694,073,685.00	6,732,655,924.18	10,905,383,531.92

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

I. COMPANY PROFILE

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

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

The financial statements were approved for publication by the Board of the Company on 30 July 2025.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Going-concern

The Group has evaluated its ability to continue as a going concern for twelve months as of 30 June 2025, and has found no events or circumstances that cast significant doubt on its ability to continue as a going concern. The financial statements are presented on a going concern basis.

III. IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates: The accounting policies and accounting estimates developed by the Group according to characteristics of actual production and operation include bad debts provision for receivables, provision for decline in value of inventories, depreciation of fixed assets, amortization of intangible assets, conditions for capitalizing R&D expenses, recognition and measurement of incomes, etc.

1. Declaration on compliance with the Accounting Standards for Business

These financial statements give a true, accurate and complete view of the consolidated and company financial position as at 30 June 2025, consolidated and company operation results, cash flows and other information for the first half of 2025 of the Company in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Business cycle

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

4. Functional currency

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

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

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

Disclosures involving judgements about materiality criteria	Disclosure sections of matters in the notes to the financial statements	Method for determination and basis for selection of materiality criteria
Write-off of significant accounts receivable/other receivables during the Period	V.4.(4); V.7.1.(5)	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Significant accounts payable/contract liabilities/other payables with an ageing of over one year or overdue	V.28.(2); V.30.(2); V.33.2.(2)	Individual amount accounts for 0.5% of the net assets attributable to shareholders of the listed company
Significant cash received/paid in relation to investing activities	V.65.(2)	Individual amount accounts for 5% of cash inflow/outflow from/to investing activities of listed companies
Important overseas business entities	V.67.(2)	Subsidiaries with normal business operations and with their net assets accounting for over 0.5% of the Group's consolidated net assets
Main components of the enterprise group	VIII.1.(1)	Subsidiaries with normal business operations and with their net assets accounting for over 0.5% of the Group's consolidated net assets
Important non-wholly-owned subsidiaries	VIII.1.(2)	Subsidiaries with their net assets accounting for over 15% of the Group's consolidated net assets

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

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

(1) *Business combinations involving entities under common control*

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

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

(2) *Business combinations involving entities not under common control*

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

The acquiree's identifiable assets, liabilities and contingent liabilities obtained by the Group as an acquirer in a business combination not under common control shall be measured at fair value on the acquisition date. Where the cost of combination exceeds the acquirer's share of the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is less than the acquirer's share of the fair value of the acquiree's identifiable net assets, the fair values of all the identifiable assets, liabilities and contingent liabilities obtained in the business combination and the cost of combination shall be firstly reviewed. If, after that review, the cost of combination is still less than the acquirer's share of the fair value of the acquiree's identifiable net assets in the business combination, the difference shall be included in the consolidated non-operating revenue for the period.

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

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

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

The impact of internal transactions between the Company and its subsidiaries or between subsidiaries on the consolidated financial statements shall be offset at the time of consolidation. Proportion of shareholder's equity of the subsidiaries which do not belong to the Company, and proportion of profit or loss for current period, other comprehensive income and total comprehensive income which belong to the equity of minority shareholders shall be listed under "equity of minority shareholders, gain or loss attributable to minority interests, other comprehensive income attributable to minority shareholders and total comprehensive income attributable to minority shareholders" in the consolidated financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

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

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

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

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

As for joint operation projects, the Group, as the joint venture party in the joint operation, recognises assets and liabilities that it holds and assumes individually, and the assets and liabilities that it holds or assume in proportion, and related income and fees will be recognized according to the related agreed individual or in proportion assets and liabilities. For assets transactions that are purchased or sold under joint operation that do not constitute business, only the profit or loss incurred from that transaction attributable to the other parties under the joint operation is recognized.

9. Cash and cash equivalents

Cash in the cash flow statement of the Group represents the cash on hand and the deposit in bank available for payment at any time. Cash equivalents in the cash flow statement represent investments which are held for less than three months, highly liquid and are readily convertible to known amounts of cash and subject to an insignificant risk of value change.

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

(1) Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

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

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

When preparing the consolidated financial statements, the Group translates the financial statements on overseas operations into RMB, in which, asset and liability items in the balance sheet denominated in foreign currency are translated at the spot exchange rate prevailing on the balance sheet date; the owners' equity items, except for the "undistributed profits", are translated at the spot exchange rate when a business takes place; income and expense items in the income statement are translated at the spot exchange rate or approximate exchange rate on the date when the transaction takes place. The translation differences arising from the above translation of statements denominated in foreign currency are presented in other comprehensive income item. Cash flows dominated in foreign currency are translated using the spot exchange rate or approximate exchange rate on the date when the cash flow occurs. Effects on cash arising from the changes in exchange rate are presented separately in the cash flow statement.

11. Financial instruments

(1) *Recognition and derecognition of financial instruments*

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

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

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

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

(2) *Classification and measurement of financial assets*

At the time of initial recognition, the Group classifies financial assets into financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. All affected related financial assets will be reclassified only when the Group changes its business model for managing financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(2) *Classification and measurement of financial assets* — *Continued*

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

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

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

The subsequent measurement of financial assets depends on their classification:

1) *Financial assets measured at amortised cost*

Financial assets that simultaneously meet the following conditions are classified as financial assets measured at amortised cost: ① the financial assets are managed within a business model whose objective is achieved by collecting contractual cash flow; ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets in this category mainly include: currency funds, accounts receivable, notes receivable, other receivables, etc.

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

Financial assets that simultaneously meet the following conditions are classified as financial assets at fair value through other comprehensive income: ① the financial assets are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income on such financial assets is recognised using the effective interest method. Except for interest income, impairment losses and exchange differences, other changes in fair value are recognised in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred out and be included in the profit or loss for the period. The Group's financial assets in this category mainly include: receivables financing.

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

The Group irrevocably designates part of the investments in equity instruments not held for trading as financial assets at fair value through other comprehensive income. Such designation cannot be revoked once made. The Group only recognises relevant dividend income (except for dividend income that is clearly recovered as part of the investment cost) in profit or loss for the period, and subsequent changes in fair value are included in other comprehensive income without making the provision for impairment. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred out and be included in retained earnings. The Group's financial assets in this category are investments in other equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(2) *Classification and measurement of financial assets* — *Continued*

4) *Financial assets at fair value through profit or loss*

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

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

Except for the signed financial guarantee contracts, the loan commitments at a rate lower than the market interest rate, and financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continuing involvements in the transferred financial assets, the Group classifies its financial liabilities as financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost at the time of initial recognition. As for financial liabilities at fair value through profit or loss, relevant transaction costs are directly included in profit or loss for the period; as for financial liabilities measured at amortised cost, relevant transaction costs are included in their initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

1) *Financial liabilities measured at amortised cost*

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

2) *Financial liabilities at fair value through profit or loss*

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

(4) *Impairment of financial instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(4) *Impairment of financial instruments* — *Continued*

1) *Measurement of the expected credit losses*

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the present value of all cash shortages, which is the difference between all contractual cash flows receivable under the contract and all expected cash flows received, discounted at the original effective interest rate by the Group.

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

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

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

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

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that their credit risk has not significantly increased since initial recognition. Please refer to Note X. 1 for the disclosure of the criteria for significantly increasing credit risk and the definition of credit impairment assets that have occurred in the Group.

When assessing the impairment of financial instruments and contract assets using the expected credit loss model, the Group infers expected changes in the debtor's credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks, and other factors. Different estimates may affect the provision for impairment, and the accrued provision for impairment may not be equal to the actual amount of future impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(4) *Impairment of financial instruments* — *Continued*

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

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

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

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

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

② Combination categories and determination basis of notes receivable

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(4) *Impairment of financial instruments* — *Continued*

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

③ Grouping of other receivables and basis of determination

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

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

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

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

4) *Write-off of impairment provision*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(5) *Recognition and measurement of transfer of financial assets*

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

If the whole transfer of the financial asset meets the conditions for derecognition, the difference between the carrying amount of the transferred financial asset at the date of derecognition and the sum of the consideration received for the transfer and the accumulative amount of fair value changes originally recorded into other comprehensive income which is relevant to the portion of derecognition (The transferred financial asset shall meet all of the following conditions: ① the Group's financial assets are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.) is included in the profit or loss for the period.

If the transfer of financial asset partially satisfies the conditions of derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognised and the portion which is not, apportioned according to their respective relative fair value, and the difference between the sum of the consideration received from the transfer and the accumulative amount of the changes of the fair value originally included in other comprehensive income which shall be apportioned to the derecognised portion (The transferred financial asset shall meet all of the following conditions: ① the Group's financial assets are managed within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and ② the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.), and the apportioned entire carrying amount of the said financial assets are included in the profit or loss for the period.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

11. Financial instruments — *Continued*

(6) Classification and treatment of financial liabilities and equity instruments

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

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

(7) Derivative financial instruments

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

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

(8) Offsetting of financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

12. Inventories

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

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

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

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

13. Contract assets and contract liabilities

(1) *Contract assets*

A contract asset represents the Group's right, which depends on factors other than the passage of time, to receive consideration in exchange for goods that the Group has transferred to a customer. For method of determination and accounting treatment of expected credit loss of contract assets, please refer to relevant contents in "Note III. 11. (4) Impairment of financial instruments" described above.

(2) *Contract liabilities*

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

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

14. Assets relating to contract costs

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

The Group's assets relating to contract costs include contract performance cost and contract acquisition cost. According to the liquidity, contract performance costs are presented separately in inventory and other non-current assets, while contract acquisition costs are presented separately in other current assets and other non-current assets.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

14. Assets relating to contract costs — *Continued*

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

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

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

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

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

If the carrying amount of the Group's assets relating to contract costs is higher than the difference between the following two items, the Group makes a provision for impairment and recognises the excess as an asset impairment loss: ① the remaining consideration expected to be received from transfer of the goods relating to the asset; and ② the cost expected to be incurred for transfer of the relevant goods. After the provision for impairment is made, if the factors of impairment in previous periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and included in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment being made.

15. Long-term equity investments

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

(1) *Determination of significant influence and common control*

The Group's investment in associates refers to the equity investment that has a significant influence on the investee. Significant influence means that the Group has the power to participate in decision-making on the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. When the Group directly or indirectly throughout its subsidiary owns 20% (inclusive) or more but less than 50% shares with voting rights in the investee, it is generally considered that the Group has significant influence on the investee, unless there is clear evidence that the Group cannot participate in the production and operation decisions of the investee or form control over the investee. For voting rights less than 20% in the investee, the Group considers that the board or representative in similar authority in the investee/the implementation processes of financial and operation policies of investee which have also been taken into account/significant transaction with the investee/management personnel sent to the investee/significant technology information provided to the investee has significant influence to the investee.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

15. Long-term equity investments — *Continued*

(1) *Determination of significant influence and common control* — *Continued*

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

(2) *Accounting treatment method*

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

For long-term equity investments obtained through business combination under common control, proportion of carrying amount of net assets obtained on the date of combination in the consolidated financial statements of the ultimate controller shall be accounted as the initial investment cost. For carrying amount of net assets of the acquiree which is negative on the date of combination, investment cost of long-term equity investment is calculated as zero.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

15. Long-term equity investments — *Continued*

(2) Accounting treatment method — *Continued*

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

16. Investment properties

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

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

17. Fixed assets

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

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

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

No.	Category	Useful life (year)	Rate of residual value (%)	Annual depreciation rates (%)
1	Offshore land	Unlimited	Not applicable	Not applicable
2	Buildings and structures	20 – 50	0 – 10	1.8 – 5
3	Machinery and equipment	5 – 20	3 – 10	4.5 – 19.4
4	Electronic equipment, appliances and furniture	3 – 10	0 – 10	9 – 33.33
5	Transportation equipment	5 – 10	3 – 10	9 – 19.4

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

18. Construction in progress

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

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

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

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

19. Borrowing costs

The Group will capitalise the borrowing costs that can be directly attributed to the construction or production of assets eligible for capitalisation, and include them in the relevant asset costs. Other borrowing costs will be recognised in the profit or loss for current period. Assets identified by the Group as eligible for capitalization include borrowing cost incurred from fixed assets, investment properties and inventories which require construction or production activities for more than 1 year, and can reach usable or sale condition after that. Borrowing costs start capitalization when the assets expense and borrowing costs were incurred and the construction or production activities, in order to make assets to reach the expected usable or sale condition have started; When construction or assets that fulfil the capitalization conditions reached the expected usable or sale condition, the capitalization have to be terminated. Borrowing costs incurred afterward are included into the profit or loss for current period. If assets that fulfil capitalization conditions interrupted abnormally during construction or production progress, and such interruption occurred for more than three consecutive months, capitalization of borrowing costs have to terminate, until construction of assets or production activities resumed.

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

20. Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

20. Intangible assets — *Continued*

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

The Group amortizes land use right on the basis of its useful life by straight line method since it is acquired. Other intangible assets are amortized evenly on the basis of shorter of estimated useful life, stipulated beneficial year by contract, and legal available year, the Group's intangible assets with limited useful lives are as follows:

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

Note: The useful life of the land use right is determined according to the transfer period.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

21. Impairment of long-term assets

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

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

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

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

The net amount after deducting disposal costs from fair value is determined by referring to the agreed price for the sales of a similar asset in an orderly transaction occurring at the measurement date or observable market price of similar assets in fair trade, minus the incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, the management determines the present value based on the expected future cash flows to be generated from the continued use of the asset and its eventual disposal and select an appropriate discount rate to determine the present value of future cash flows.

(2) Goodwill impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

22. Long-term prepaid expenses

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

23. Employee remuneration

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

24. Accrued liabilities

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

Accrued liabilities are initially measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies. The Group reviews the current best estimates and makes adjustments to the carrying amount of the accrued liabilities on the balance sheet date.

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

25. Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

26. Recognition and measurement of revenue

(1) *General principles*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

26. Recognition and measurement of revenue — *Continued*

(1) *General principles* — *Continued*

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

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

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

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

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

(2) *Specific methods*

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

The sale of products by the Group to customers is the fulfilment of its performance obligation at a certain point of time as mentioned in (1) above, and revenue is recognised at the point of delivery and acceptance of the goods by the customer and the transaction price is determined based on the total amount of consideration expected to be entitled, in accordance with the sales contracts entered into between the Group and the customer. Domestic sales business: Revenue is recognised when the goods are delivered by the Group according to the contract or order and received by the customer. Overseas sales business: It is generally agreed in the sales contracts signed between the Group and overseas customers that the point of time at which the control over the goods is transferred is when the goods are loaded onto ships and depart from the ports. Therefore, the Group recognises the overseas sales revenue from its major overseas sales business when the goods depart from the ports.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

27. Government grants

Government grants are recognised when they meet the accompanying conditions and can be received. Government grants that are monetary assets shall be measured at the amount actually received. Grants, which are disbursed according to fixed quota standard or where there is conclusive evidence at the end of the year that they can satisfy relevant conditions set out in the financial support policy and that the financial support funds are expected to be received, shall be measured at the amount receivable. Government grants in the form of non-monetary assets shall be measured at fair value. If the fair value cannot be reliably measured, they shall be measured at a nominal amount (RMB 1).

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

28. Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

29. Lease

(1) *Identification of lease*

At the commencement date of the contract, the Group assesses whether the contract is a lease or contains a lease. If a party to the contract transfers the right of use of an identified asset or several identified assets for consideration within a certain period of time, such contract is regarded as lease or includes lease.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

29. Lease — *Continued*

(2) *The Group as a lessee*

1) *Lease recognition*

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

The right-of-use assets refer to the right of underlying assets in the lease term for the Group as a lessee, which are initially measured at cost. Such cost shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made on or before the inception of the lease, less any lease incentives received; ③ any initial direct costs incurred; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (costs of production of inventory are excluded). If the Group re-measures lease liability in accordance with the relevant provisions of the lease standards, the carrying amount of the right-of-use assets shall be adjusted accordingly.

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

The lease liability is initially measured at the present value of the outstanding lease payments at the inception of the lease term. The lease payments include: ① the fixed payment and the substantial fixed payment, net of the lease incentive amount; ② the variable lease payments depending on the index or ratio; ③ the exercise price of the call option, provided that the Group reasonably determines that it will exercise the option; ④ the amount payable to exercise the option to terminate a lease, provided that the lease term reflects that the Group will exercise the option to terminate the lease; and ⑤ the amount payable based on the residual value of the security provided by the Group.

In calculating the present value of the lease payment, if it is impossible to determine the interest rate implicit in lease, the incremental borrowing rate of the Group shall be adopted as the discount rate. The Group shall calculate the interest expenses of the lease liabilities for each period of the lease term at a cyclically fixed interest rate and include them in profit or loss for the current period, except for those subject to capitalisation.

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

29. Lease — *Continued*

(2) *The Group as a lessee* — *Continued*

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

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

(3) *The Group as a lessor*

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

1) *Finance lease*

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

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

2) *Operating lease*

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

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

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

30. Discontinued operations

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

30. Discontinued operations — *Continued*

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

31. Fair value measurement

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

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

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

32. Changes in critical accounting policies and estimates

(1) *Changes in critical accounting policies*

- 1) *There were no changes in critical accounting policies during the Reporting Period.*
- 2) *Policy changes involving year-on-year data in semi-annual reports*

The Ministry of Finance issued the “Interpretation No. 18 of Accounting Standards for Enterprises” on 6 December 2024. It stipulates that for the estimated liabilities arising from guarantee-type quality guarantees that are not single performance obligations, the determined amounts should be recorded in the “main operating costs” and “other operating costs”, and should no longer be recorded in the “sales expense”. In accordance with the provisions of the above accounting interpretation, the group made corresponding changes to its original accounting policies in 2024 and retrospectively adjusted items such as “operating costs” and “sales expense” in its financial statements.

The impact of the above accounting policy changes on the items in the 2024 semi-annual consolidated income statement is summarized as follows:

Item	Before adjustment	Adjustment	After adjustment
Operating costs	38,291,675,401.05	240,034,724.24	38,531,710,125.29
Sales expenses	4,959,752,440.46	-240,034,724.24	4,719,717,716.22

(2) *Changes in critical accounting estimates*

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

IV. TAXATION

1. The main types and rates of taxes

Type of taxes	Tax basis	Tax rate
Value-added tax	Output value-added tax is computed at 13%, 9%, 6%, 5%, 3%, 0% of taxable income. Value-added tax is computed on the difference after deduction of input value-added tax. Input value-added tax is not deductible for value-added tax to which simple collection method is applicable.	13%, 9%, 6%, 5%, 3%, 0%
City maintenance and construction tax	Turnover tax payable	5%, 7%
Education surcharges	Turnover tax payable	3%
Enterprise income tax	Taxable income	25%/for details, please see the table below

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

Notes on taxpayers subject to different enterprise income tax rates:

Name of tax payer	Income tax rate
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	15.00%
Guangdong Kelon Mould Co., Ltd.	15.00%
Hisense Refrigerator Co., Ltd.	15.00%
Hisense Air-Conditioning Co., Ltd.	15.00%
Qingdao Hisense Mould Co., Ltd.	15.00%
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	15.00%
Foshan Shunde Rongshen Plastic Co., Ltd.	15.00%
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	15.00%
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	25.00%
Foshan Hisense Property Service Co., Ltd.	20.00%
Hisense (Chengdu) Refrigerator Co., Ltd.	15.00%
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	15.00%
Qingdao Hisense Commercial Cold Chain Co., Ltd.	15.00%
Hisense (Guangdong) Air-Conditioner Company Limited	15.00%
Hisense (Shandong) Kitchen and Bath Co., Ltd.	15.00%
Qingdao Yiyang Venture Capital Management Co., Ltd.	20.00%
Kelon International Incorporation(KII)	8.25%/16.5%
Pearl River Electric Refrigerator Co., Ltd.	16.50%
Kelon Development Co., Ltd.	16.50%
Hisense (Hong Kong) America Manufacturing Co., Limited.	16.50%
Hisense Mould (Deutschland) GmbH	15.00%
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	30.00%
Hisense Monterrey Property Management, S.de R.L. de C.V.	30.00%
HSHA (Singapore) Co., Ltd.	17.00%
HHA (Thailand) Co., Ltd.	20.00%
Sanden Corporation	30.50%
SANDEN INTERNATIONAL (EUROPE) GmbH	30.00%
SANDEN MANUFACTURING EUROPE S.A.S.	28.00%
SANDEN VIKAS(INDIA) LTD.	35.00%
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	30.00%
Tianjin Sanden Auto Air-Conditioning CO., LTD.	15.00%
Other overseas subsidiaries	5%-34%

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

IV. TAXATION — *Continued*

2. Tax preferences

(1) *Enterprise income tax*

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

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

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

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

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

On 19 November 2024, Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202437101032, with an effective period of three years), which was jointly issued by Qingdao Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao Provincial Taxation Bureau. The subsidiary has adopted the enterprise income tax rate of 15% in 2024, 2025 and 2026.

On 19 November 2024, Qingdao Hisense Commercial Cold Chain Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202437100719, with an effective period of three years), which was jointly issued by Qingdao Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao Provincial Taxation Bureau. The subsidiary has adopted the enterprise income tax rate of 15% in 2024, 2025 and 2026.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

IV. TAXATION — *Continued*

2. Tax preferences — *Continued*

(1) *Enterprise income tax* — *Continued*

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

On 29 December 2023, Hisense (Shandong) Kitchen and Bath Co., Ltd., a subsidiary of the Company, received the Certificate of High-tech Enterprise (Certificate No.: GR202337102273, with an effective period of three years), which was jointly issued by Qingdao Provincial Department of Science and Technology, Qingdao Provincial Department of Finance and the State Administration of Taxation Qingdao Provincial Taxation Bureau. The subsidiary has adopted the enterprise income tax rate of 15% in 2024, 2025 and 2026.

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

Foshan Hisense Kelon Property Service Co., Ltd., a subsidiary of the Company, met the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2023] No. 12, pursuant to which, the taxable income was calculated at the rate of 25%, and the enterprise income tax was paid at the rate of 20% in 2025.

Qingdao Yiyang Venture Capital Management Co., Ltd., a subsidiary of the Company, met the identification standards for small and micro-sized enterprises stipulated in Cai Shui [2023] No. 12, pursuant to which, the taxable income was calculated at the rate of 25%, and the enterprise income tax was paid at the rate of 20% in 2025.

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.

(2) *Other tax preferences*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

For the following disclosed financial statement information, unless otherwise noted, "Opening Balance" refers to the balance as at 1 January 2025; and "Closing Balance" refers to the balance as at 30 June 2025. "Current Period" refers to the period from 1 January to 30 June 2025; "Previous Period" refers to the period from 1 January to 30 June 2024. The Currency is denominated in RMB.

1. Cash at bank and on hand

Item	Closing balance	Opening balance
Cash on hand	222,230.66	116,974.19
Bank deposits	1,363,819,941.42	876,524,372.96
Other cash at bank and on hand	1,664,320,978.18	1,971,151,786.40
Deposit in financial company	2,128,889,964.50	1,549,900,310.18
Including: Bank deposits	1,890,319,464.07	1,301,400,309.75
Other cash at bank and on hand	238,570,500.43	248,500,000.43
Total	5,157,253,114.76	4,397,693,443.73
Including: Total amount deposited overseas	1,111,000,635.77	667,561,849.36

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

Item	Closing balance	Opening balance
Deposit for issuing bank acceptance bills	1,815,928,981.20	2,131,097,996.59
Other security deposit	74,322,626.04	75,326,840.59
Total	1,890,251,607.24	2,206,424,837.18

2. Transactional financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	20,273,703,348.81	16,209,276,762.85
Including: Derivative financial instruments	18,991,207.64	46,567,199.63
Wealth management products	20,252,445,558.88	16,160,317,466.81
Others	2,266,582.29	2,392,096.41
Total	20,273,703,348.81	16,209,276,762.85

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Notes receivable

(1) As shown by classification of notes receivable

Item	Closing balance	Opening balance
Bank acceptance notes	50,739,706.36	6,497,691.77
Commercial acceptance notes	228,235,689.61	452,515,807.88
Total	278,975,395.97	459,013,499.65

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

(2) As shown by provision for bad debts

Category	Closing balance					
	Book value		Provision for bad debts		Carrying amount	
	Amount	%	Amount	%	Carrying amount	
Separate provision for bad debt						
Provision for bad debts on						
a group basis	279,175,395.97	100.00	200,000.00	0.07	278,975,395.97	
Including:						
Bank acceptance notes	50,739,706.36	18.17			50,739,706.36	
Commercial acceptance notes	228,435,689.61	81.83	200,000.00	0.09	228,235,689.61	
Total	279,175,395.97	100.00	200,000.00	0.07	278,975,395.97	

(continued)

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Notes receivable — *Continued*

(2) As shown by provision for bad debts — *Continued*

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

Name	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a bank with low credit risk	50,739,706.36		
Total	50,739,706.36		-

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

Name	Closing balance		
	Book value	Provision for bad debts	%
Acceptor being a related party company	196,487,017.39		
Acceptor being other types of company	31,948,672.22	200,000.00	0.63
Total	228,435,689.61	200,000.00	-

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

Category	Changes during the period					Closing balance
	Opening balance	Provision	Recoveries or reversals	Write-off or charge-off	Effect of changes in exchange rate	
Commercial acceptance notes	884.75	199,115.25				200,000.00
Total	884.75	199,115.25				200,000.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Notes receivable — *Continued*

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

Item	Pledged amount at the end of the period
Bank acceptance notes	50,739,706.36
Total	50,739,706.36

Note: For details of the pledge, please refer to Note 6.(24). Assets with restrictions on ownership or right of use.

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

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Commercial acceptance notes		25,596,768.45
Total		25,596,768.45

(6) Notes receivable written-off during the period

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

4. Accounts receivable

(1) Accounts receivable by ageing

Ageing	Book value as at the end of the period	Book value as at the beginning of the period
Within three months	11,711,216,460.67	9,636,006,962.35
Over three months but within six months	289,381,606.30	439,426,145.09
Over six months but within one year	235,463,941.28	160,377,425.51
Over one year	528,444,949.02	554,775,266.31
Total	12,764,506,957.27	10,790,585,799.26

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

4. Accounts receivable — *Continued*

(2) *Accounts receivable by provision for bad debts*

Category	Closing balance				Carrying amount
	Book value	Amount	%	Provision for bad debts	
Accounts receivable for which provision for bad debts is separately made	85,098,020.65	0.67	81,474,941.39	95.74	3,623,079.26
Accounts receivable for which provision for bad debts is made on a group basis	12,679,408,936.62	99.33	215,544,555.99	1.70	12,463,864,380.63
Including:					
Ageing analysis method	2,898,524,951.14	22.71	130,149,959.91	4.49	2,768,374,991.23
Receivables from related parties	7,785,683,782.68	60.99	11,294,074.13	0.15	7,774,389,708.55
Other account payments	1,995,200,202.80	15.63	74,100,521.95	3.71	1,921,099,680.85
Total	12,764,506,957.27	100.00	297,019,497.38	2.33	12,467,487,459.89

(continued)

Category	Opening balance				Carrying amount
	Book value	Amount	%	Provision for bad debts	
Accounts receivable for which provision for bad debts is separately made	133,785,840.82	1.24	102,295,699.38	76.46	31,490,141.44
Accounts receivable for which provision for bad debts is made on a group basis	10,656,799,958.44	98.76	207,680,201.72	1.95	10,449,119,756.72
Including:					
Ageing analysis method	1,713,156,715.42	15.88	130,957,148.52	7.64	1,582,199,566.90
Receivables from related parties	6,565,282,860.41	60.84	11,726,653.49	0.18	6,553,556,206.92
Other account payments	2,378,360,382.61	22.04	64,996,399.71	2.73	2,313,363,982.90
Total	10,790,585,799.26	100.00	309,975,901.10	2.87	10,480,609,898.16

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

4. Accounts receivable — *Continued*

(2) *Accounts receivable by provision for bad debts* — *Continued*

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

Name	Closing balance			
	Book value	Provision for bad debts	%	Reasons for provision
Domestic customers	85,098,020.65	81,474,941.39	95.74	Expected to be difficult to recover in full
Total	85,098,020.65	81,474,941.39	-	-

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

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within three months	2,742,227,339.03	5,484,454.68	0.20
Over three months but within six months	32,277,520.97	3,227,752.10	10.00
Over six months but within one year	5,164,676.02	2,582,338.01	50.00
Over one year	118,855,415.12	118,855,415.12	100.00
Total	2,898,524,951.14	130,149,959.91	4.49

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

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

Ageing	Closing balance		
	Book value	Provision for bad debts	%
Within one year	7,774,389,708.55		
Over one year	11,294,074.13	11,294,074.13	100.00
Total	7,785,683,782.68	11,294,074.13	0.15

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

4. Accounts receivable — *Continued*

(2) *Accounts receivable by provision for bad debts* — *Continued*

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

Category	Book value	Closing balance		%
		Provision for bad debts		
Other account payments	1,995,200,202.80	74,100,521.95		3.71
Total	1,995,200,202.80	74,100,521.95		3.71

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

Category	Opening balance	Changes during the period				Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	Changes in exchange rate	
Separate provision	102,295,699.38	-20,820,757.99				81,474,941.39
Ageing analysis method	130,957,148.52	-603,248.71		-203,939.90		130,149,959.91
Receivables from related parties	11,726,653.49	-429,212.21			-3,367.15	11,294,074.13
Other account payments	64,996,399.71	11,087,918.57		-2,064,933.49	81,137.16	74,100,521.95
Total	309,975,901.10	-10,765,300.34		-2,268,873.39	77,770.01	297,019,497.38

(4) *Accounts receivable written-off*

Item	Written-off amount
Accounts receivable written-off	2,268,873.39

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

The total top five accounts receivable of the Group by closing balance of debtors amounted to RMB6,382,234,085.36, accounting for 50.00% of the closing balance of account receivable. A provision for bad debts of RMB1,222,049.72 in total was made as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

5. Contract assets

(1) *Contract assets*

Item	Closing balance			Opening balance		
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount
Guarantee	95,116,269.90	14,268,750.47	80,847,519.43	66,062,456.97	9,852,409.09	56,210,047.88
Total	95,116,269.90	14,268,750.47	80,847,519.43	66,062,456.97	9,852,409.09	56,210,047.88

(2) *Contract assets by provision for bad debts*

Category	Closing balance				
	Book value		Provision for bad debts		
	Amount	%	Amount	%	Carrying amount
Contract assets for which provision for bad debts is separately made					
Contract assets for which provision for bad debts is made on a group basis	95,116,269.90	100.00	14,268,750.47	15.00	80,847,519.43
Including:					
Guarantee	95,116,269.90	100.00	14,268,750.47	15.00	80,847,519.43
Total	95,116,269.90	100.00	14,268,750.47	15.00	80,847,519.43

(continued)

Category	Opening balance				
	Book value		Provision for bad debts		
	Amount	%	Amount	%	Carrying amount
Contract assets for which provision for bad debts is separately made					
Contract assets for which provision for bad debts is made on a group basis	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88
Including:					
Guarantee	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88
Total	66,062,456.97	100.00	9,852,409.09	14.91	56,210,047.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

5. Contract assets — *Continued*

(2) *Contract assets by provision for bad debts — *Continued**

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

Name	Closing balance		
	Book value	Provision for bad debts	%
Guarantee	95,116,269.90	14,268,750.47	15.00
Total	95,116,269.90	14,268,750.47	-

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

Item	Provision for the period	Reversal for the period	Write-off or charge-off for the year
Guarantee	4,416,341.38		
Total	4,416,341.38		

(4) *Contract assets written-off for the period*

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

6. Receivables Financing

(1) *Factoring of accounts receivable by category*

Item	Closing balance	Opening balance
Bank acceptance notes	5,801,365,693.05	6,000,519,893.99
Total	5,801,365,693.05	6,000,519,893.99

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

6. Receivables Financing — *Continued*

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

Category	Closing balance			
	Book value		Provision for bad debts	
	Amount	%	Amount	%
Factoring of accounts receivable for which provision for bad debts is separately made				
Factoring of accounts receivable for which provision for bad debts is made on a group basis	5,801,365,693.05	100.00		5,801,365,693.05
Including:				
Bank acceptance notes	5,801,365,693.05	100.00		5,801,365,693.05
Total	5,801,365,693.05	100.00		5,801,365,693.05

(continued)

Category	Opening balance			
	Book value		Provision for bad debts	
	Amount	%	Amount	%
Factoring of accounts receivable for which provision for bad debts is separately made				
Factoring of accounts receivable for which provision for bad debts is made on a group basis	6,000,519,893.99	100.00		6,000,519,893.99
Including:				
Bank acceptance notes	6,000,519,893.99	100.00		6,000,519,893.99
Total	6,000,519,893.99	100.00		6,000,519,893.99

(3) *Factoring of accounts receivable pledged as at the end of the period*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

6. Receivables Financing — *Continued*

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

Item	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	7,149,003,136.57	
Total	7,149,003,136.57	

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

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

7. Other receivables

Item	Closing balance	Opening balance
Dividends receivable		
Other receivables	238,875,388.39	242,816,255.92
Total	238,875,388.39	242,816,255.92

7.1 *Other receivables*

(1) *Classification of other receivables by nature*

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Security deposit	91,424,827.79	87,597,261.60
Refund of tax for exports		13,599,113.05
Other current account	228,822,429.55	227,362,892.71
Total	320,247,257.34	328,559,267.36

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

7. Other receivables — *Continued*

7.1 Other receivables — *Continued*

(2) Other receivables by ageing

Ageing	Book value as at the end of the period
Within three months	141,404,089.17
Over three months but within six months	27,125,448.57
Over six months but within one year	37,886,990.42
Over one year	113,830,729.18
Total	320,247,257.34

(3) Provision for bad debts for other receivables

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at 1 January 2025	2,145,922.18	69,039,068.77	14,558,020.49	85,743,011.44
During the period, the book balance of other receivables as at 1 January 2025	—	—	—	—
- transferred to second stage	—	—	—	—
- transferred to third stage	—	—	—	—
- reversed to second stage	—	—	—	—
- reversed to first stage	—	—	—	—
Provision for the period	2,018,095.65	—6,963,559.22	—	-4,945,463.57
Reversal for the period	—	—	—	—
Written-off for the period	—	—	—	—
Charge-off for the period	—	—	—	—
Other changes	135,128.48	439,192.60	—	574,321.08
Balance as at 30 June 2025	4,299,146.31	62,514,702.15	14,558,020.49	81,371,868.95

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

7. Other receivables — *Continued*

7.1 Other receivables — *Continued*

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

Category	Opening balance	Provision	Changes during the period			Closing balance
			Recoveries or reversals	Write-off or charge-off	Changes in exchange rate	
Separate provision						
Ageing analysis method	74,563,495.93	-1,969,846.90			135,128.48	72,728,777.51
Receivables from related parties	3,406,675.46	-2,480,670.79				926,004.67
Other account payments	7,772,840.05	-494,945.88			439,192.60	7,717,086.77
Total	85,743,011.44	-4,945,463.57			574,321.08	81,371,868.95

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

(5) Other receivables actually written off

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

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

No.	Nature of the amount	Closing balance	Ageing	Percentage of total closing balance of other receivables	Provision for bad debts (%)	Closing balance
				(%)		
Top 1	Security deposit	20,000,000.00	Over one year	6.25	20,000,000.00	
Top 2	Other current account	17,172,945.72	Within one year	5.36	34,345.89	
Top 3	Security deposit	7,890,440.00	Within one year	2.46	303,842.08	
Top 4	Other current account	7,500,000.00	Over one year	2.34	7,500,000.00	
Top 5	Other current account	4,050,656.24	Within one year	1.26		
Total	-	56,614,041.96	-	17.67	27,838,187.97	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

8. Prepayment

(1) *Ageing of prepayments*

Item	Closing balance		Opening balance	
	Amount	%	Amount	%
Within one year	425,002,655.82	99.72	521,439,148.61	99.49
Over one year	1,212,238.53	0.28	2,651,829.56	0.51
Total	426,214,894.35	100.00	524,090,978.17	100.00

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

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

During the Reporting Period, the total top five prepayments by supplier based on closing balance amounted to RMB246,821,891.99, accounting for 57.91% of total closing balance of prepayments.

9. Inventories

(1) *Classification of inventories*

Item	Closing balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,092,279,473.69	71,331,538.89	1,020,947,934.80
Works in progress	652,404,627.37	6,517,749.09	645,886,878.28
Finished goods	4,641,474,611.20	49,421,001.58	4,592,053,609.62
Total	6,386,158,712.26	127,270,289.56	6,258,888,422.70

(continued)

Item	Opening balance		
	Book value	Provision for declines in value	Carrying amount
Raw materials	1,289,564,874.18	60,245,563.60	1,229,319,310.58
Works in progress	759,151,168.44	6,413,805.72	752,737,362.72
Finished goods	5,647,835,914.41	62,959,633.32	5,584,876,281.09
Total	7,696,551,957.03	129,619,002.64	7,566,932,954.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

9. Inventories — *Continued*

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

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Changes in exchange rate	Reversed or written-off	Changes in exchange rate	
Raw materials	60,245,563.60	20,937,731.43		9,427,860.89	423,895.25	71,331,538.89
Works in progress	6,413,805.72	532,186.49	332,834.38	761,077.50		6,517,749.09
Finished goods	62,959,633.32	55,265,763.96	1,216,542.83	70,020,938.53		49,421,001.58
Total	129,619,002.64	76,735,681.88	1,549,377.21	80,209,876.92	423,895.25	127,270,289.56

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

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

10. Non-current assets due within one year

Item	Closing balance	Opening balance
Time deposits and interest due within one year	5,674,583,611.10	4,883,695,277.78
Total	5,674,583,611.10	4,883,695,277.78

11. Other current assets

Item	Closing balance	Opening balance
Term deposit and interest	180,710,055.34	631,618,371.84
Prepaid tax and tax deductible	708,898,666.47	858,852,366.02
Prepaid expenses and others	257,643,175.64	196,580,706.12
Total	1,147,251,897.45	1,687,051,443.98

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

12. Long-term equity investments

Investees	Movements in the current period									Opening balance of impairment provision	
	Opening balance	Provision for impairment	Gains or losses from investment		Adjustment or recognised other comprehensive income	Declaration of cash dividend or profit	Provision for impairment made	Changes in exchange rate	Closing balance (Carrying amount)		
	(Carrying amount)	Opening balance	Increase in investment	Decrease in investment	using equity method	in equity					
I. Joint ventures											
Hisense Marketing Management Co., Ltd.	50,297,902.49				7,560,677.18					57,858,579.87	
Qingdao Hisense Global Asia Holding Co., Ltd.	5,345,000.87				9,084,264.87	3,160,865.60				17,590,131.34	
Hisense Star Ocean Technology (Hangzhou) Co., Ltd.		15,000,000.00			-27,229.25					14,972,770.75	
Subtotal	55,642,903.56	15,000,000.00			16,617,712.80	3,160,865.60				90,421,481.96	
II. Associates											
Qingdao Hisense Jinlong Holdings Co., Ltd.	414,741,582.39				11,368,468.63			8,575,458.39		417,534,592.63	
Qingdao Hisense International Marketing Co., Ltd.	119,889,770.35				85,331,575.59	40,199,388.03	-857,172.32			244,563,561.65	
Qingdao Hisense Intelligent Electronics Co., Ltd.	147,950,944.26				796,860.01					148,747,804.27	
Associates of Yiyang Entrepreneurship Investment		1,122,921.57	100,000.00		-1,377.87			209.64		1,021,334.06	
Associates of Sanden	1,026,711,751.53				122,447,623.72	-573,989.02			-46,629.73	1,148,538,756.50	
Subtotal	1,709,294,048.53	1,122,921.57	100,000.00	219,943,150.08	39,625,399.01	-857,172.32	8,575,668.03		-46,629.73	1,960,406,049.11	
III. Others											
Jiangxi Kelon Combine Electrical Appliances Co., Ltd.		11,000,000.00								11,000,000.00	
Subtotal		11,000,000.00								11,000,000.00	
Total	1,764,936,952.09	11,000,000.00	16,122,921.57	100,000.00	236,560,862.88	42,786,264.61	-857,172.32	8,575,668.03	-46,629.73	2,050,827,531.07	11,000,000.00

Notes:

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

12. Long-term equity investments — *Continued*

Including:

Item	Closing balance	Opening balance
Unlisted investments:		
Equity method	2,050,827,531.07	1,764,936,952.09
Including: Joint ventures	90,421,481.96	55,642,903.56
Associate	1,960,406,049.11	1,709,294,048.53
Total	2,050,827,531.07	1,764,936,952.09

13. Other equity investment

Item	Closing balance	Opening balance
Non-trading equity investments	43,926,213.56	42,364,813.88
Total	43,926,213.56	42,364,813.88

14. Other non-current financial assets

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	20,877,222.66	21,332,417.54
Total	20,877,222.66	21,332,417.54

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

15. Investment properties

(1) *Investment properties measured at cost*

Item	Buildings and structures	Land	Total
I. Original carrying amount			
1. Opening balance	374,710,861.63	27,694,361.74	402,405,223.37
2. Increase for the period	1,796,630.12		1,796,630.12
(1) Addition	1,076,135.82		1,076,135.82
(2) Transfer from construction under progress	720,494.30		720,494.30
3. Decrease for the period			
(1) Disposal			
(2) Other			
4. Effect of exchange rate movement	6,959,279.24	8,638,691.01	15,597,970.25
5. Closing balance	383,466,770.99	36,333,052.75	419,799,823.74
II. Accumulated depreciation and accumulated amortisation			
1. Opening balance	147,688,529.73	718,138.00	148,406,667.73
2. Increase for the period	12,788,288.32	18,248.00	12,806,536.32
(1) Provision or amortisation	12,788,288.32	18,248.00	12,806,536.32
3. Decrease for the period			
(1) Disposal			
4. Effect of exchange rate movement	3,821,723.80		3,821,723.80
5. Closing balance	164,298,541.85	736,386.00	165,034,927.85
III. Provision for impairment			
1. Opening balance			
2. Increase for the period			
3. Decrease for the period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	219,168,229.14	35,596,666.75	254,764,895.89
2. Opening carrying amount	227,022,331.90	26,976,223.74	253,998,555.64

(2) *Investment properties without ownership certificates*

Item	Carrying amount	Reason for failure to obtain ownership certificates
Mee King Building	689,725.19	Due to historical reasons

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

16. Fixed assets

Item	Closing carrying amount	Opening carrying amount
Fixed assets	5,823,830,697.72	5,648,279,219.22
Disposal of fixed assets	3,411,971.81	363,860.34
Total	5,827,242,669.53	5,648,643,079.56

16.1 Fixed assets

(1) Particulars of fixed assets

Item	Land	Buildings and structures	Machinery and equipment	Electronic equipment, appliances and furniture	Transportation equipment	Total
I. Original carrying amount						
1. Opening balance	327,628,813.86	3,990,324,424.45	6,025,347,154.72	3,461,596,771.60	79,111,731.55	13,884,008,896.18
2. Increase for the period		189,043,558.77	309,971,820.78	123,285,426.81	2,368,927.45	624,669,733.81
(1) Addition		25,172,910.49	141,677,303.10	60,235,309.59	1,816,083.22	228,901,606.40
(2) Transfer from construction in progress		163,870,648.28	168,294,517.68	63,050,117.22	552,844.23	395,768,127.41
3. Decrease for the period	5,646,414.11	3,889,136.76	154,989,859.99	85,486,643.69	4,033,003.82	254,045,058.37
(1) Disposal or retirement	5,646,414.11	3,889,136.76	154,989,859.99	85,486,643.69	4,033,003.82	254,045,058.37
4. Effect of exchange rate movement	17,538,429.83	70,674,129.59	47,663,454.83	15,810,203.68	1,407,336.02	153,093,553.95
5. Closing balance	339,520,829.58	4,246,152,976.05	6,227,992,570.34	3,515,205,758.40	78,854,991.20	14,407,727,125.57
II. Accumulated depreciation						
1. Opening balance		1,864,433,282.64	3,262,909,057.72	2,769,938,939.41	42,352,675.88	7,939,633,955.65
2. Increase for the period		90,896,724.15	271,366,081.68	125,475,769.18	6,420,636.36	494,159,211.37
(1) Provision		90,896,724.15	271,366,081.68	125,475,769.18	6,420,636.36	494,159,211.37
3. Decrease for the period		2,246,554.39	129,395,293.43	68,370,336.11	3,938,506.36	203,950,690.29
(1) Disposal or retirement		2,246,554.39	129,395,293.43	68,370,336.11	3,938,506.36	203,950,690.29
4. Effect of exchange rate movement		16,798,914.93	24,723,120.29	7,961,311.66	699,259.05	50,182,605.93
5. Closing balance		1,969,882,367.33	3,429,602,966.26	2,835,005,684.14	45,534,064.93	8,280,025,082.66
III. Provision for impairment						
1. Opening balance		8,797,986.81	197,010,417.35	89,843,081.23	444,235.92	296,095,721.31
2. Increase for the period			1,368,696.60	3,217.49		1,371,914.09
(1) Provision			1,368,696.60	3,217.49		1,371,914.09
3. Decrease for the period			6,373,049.86	202,276.77	33,934.25	6,609,260.88
(1) Disposal or retirement			6,373,049.86	202,276.77	33,934.25	6,609,260.88
4. Effect of exchange rate movement			6,853,816.47	6,133,197.54	25,956.66	13,012,970.67
5. Closing balance		8,797,986.81	198,859,880.56	95,777,219.49	436,258.33	303,871,345.19
IV. Carrying amount						
1. Closing carrying amount	339,520,829.58	2,267,472,621.91	2,599,529,723.52	584,422,854.77	32,884,667.94	5,823,830,697.72
2. Opening carrying amount	327,628,813.86	2,117,093,155.00	2,565,427,679.65	601,814,750.96	36,314,819.75	5,648,279,219.22

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

16. Fixed assets — *Continued*

16.1 Fixed assets — *Continued*

(2) Fixed assets leased out under operating lease

Item	Closing carrying amount
Building or structures	372,999,716.11
Machinery and equipment, etc.	4,061,679.65
Transportation equipment	293,818.51
Total	377,355,214.27

(3) Fixed assets without ownership certificates

Item	Carrying amount	Reason for failure to obtain ownership certificates
Building or structures	345,769,736.14	Transferred to fixed assets on achieving scheduled availability and in the process of application for ownership certificates

(4) Impairment test of fixed assets

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

Item	Carrying amount	Recoverable amount	Impairment amount
Machinery equipment	3,711.36	493.87	3,217.49
Electronic equipment, appliances and furniture	1,849,455.11	480,758.51	1,368,696.60
Total	1,853,166.47	481,252.38	1,371,914.09

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

16.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Disposal of fixed assets	3,411,971.81	363,860.34
Total	3,411,971.81	363,860.34

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

17. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	800,629,861.33	674,456,905.57
Total	800,629,861.33	674,456,905.57

(1) Breakdown of construction in progress

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Refrigerator production line project	27,029,118.61		27,029,118.61	25,576,269.40		25,576,269.40
A dormitory building in Pingdu Industrial Park				121,253,940.32		121,253,940.32
GEN5 electric press production line	276,402,858.14		276,402,858.14	229,713,759.38		229,713,759.38
Chengdu Base East District Project	105,345,242.82		105,345,242.82	15,653,542.48		15,653,542.48
AMATA City Industrial Estate Infrastructure Project	8,049,781.90		8,049,781.90	1,987,494.97		1,987,494.97
Others	432,602,421.57	48,799,561.71	383,802,859.86	326,140,155.16	45,868,256.14	280,271,899.02
Total	849,429,423.04	48,799,561.71	800,629,861.33	720,325,161.71	45,868,256.14	674,456,905.57

(2) Movements in constructions in progress during the period

Name of construction	Opening balance	Increase during the period	Transferred to fixed assets	Other decrease	Closing balance	Budget	Accumulative contribution in budget (%)	Progress (%)	Source of funding
Refrigerator production line project	25,576,269.40	17,030,941.88	15,397,118.68	-180,973.99	27,029,118.61	767,677,318.00	92.95	92.95	Self funding
A dormitory building in Pingdu Industrial Park	121,253,940.32	8,683,460.03	129,937,400.35						
GEN5 electric press production line	229,713,759.38	39,830,059.95	10,436,636.40	17,295,675.21	276,402,858.14	349,000,000.00	77.23	77.23	Self funding
Chengdu Base East District Project	15,653,542.48	89,691,700.34			105,345,242.82	190,031,984.39	55.44	55.44	Self funding
AMATA City Industrial Estate Infrastructure Project	1,987,494.97	6,062,286.93			8,049,781.90	290,000,000.00	2.78	2.78	Self funding
Others	326,140,155.16	332,752,445.00	239,996,971.98	13,706,793.39	432,602,421.57				
Total	720,325,161.71	494,050,894.13	395,768,127.41	30,821,494.61	849,429,423.04				

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

18. Right-of-use assets

Item	Buildings and structures	Machinery, equipment and others	Total
I. Original carrying amount			
1. Opening balance	327,192,806.68	52,020,012.88	379,212,819.56
2. Increase for the period	48,253,076.02	9,097,816.69	57,350,892.71
(1) Rental	48,253,076.02	9,097,816.69	57,350,892.71
3. Decrease for the period	19,069,889.53	2,081,855.75	21,151,745.28
(1) Disposal	19,069,889.53	2,081,855.75	21,151,745.28
4. Effect of exchange rate movement	20,426,940.16	3,175,708.18	23,602,648.34
5. Closing balance	376,802,933.33	62,211,682.00	439,014,615.33
II. Accumulated depreciation			
1. Opening balance	186,989,206.45	28,790,973.76	215,780,180.21
2. Increase for the period	44,001,042.89	4,733,600.40	48,734,643.29
(1) Provision	44,001,042.89	4,733,600.40	48,734,643.29
3. Decrease for the period	17,775,305.37	809,610.58	18,584,915.95
(1) Disposal	17,775,305.37	809,610.58	18,584,915.95
4. Effect of exchange rate movement	9,594,402.57	2,082,599.16	11,677,001.73
5. Closing balance	222,809,346.54	34,797,562.74	257,606,909.28
III. Provision for impairment			
1. Opening balance	45,262.11	206,733.63	251,995.74
2. Increase for the period			
3. Decrease for the period			
4. Effect of exchange rate movement	3,290.41	15,028.92	18,319.33
5. Closing balance	48,552.52	221,762.55	270,315.07
IV. Carrying amount			
1. Closing carrying amount	153,945,034.27	27,192,356.71	181,137,390.98
2. Opening carrying amount	140,158,338.12	23,022,305.49	163,180,643.61

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

19. Intangible assets

(1) Breakdown of intangible assets

Item	Land use rights	Trademark rights	Know-how	Sales channels	Others	Total
I. Original carrying amount						
1. Opening balance	1,233,528,763.84	660,643,862.44	84,536,836.52	794,759,590.57	586,306,281.87	3,359,775,335.24
2. Increase for the period	1,437,019.00				40,368,371.05	41,805,390.05
(1) Additions	1,437,019.00				40,368,371.05	41,805,390.05
3. Decrease for the period					2,763,954.15	2,763,954.15
(1) Disposal					2,763,954.15	2,763,954.15
4. Effect of exchange rate movement	-304,672.44		89,286.81		7,591,598.31	7,376,212.68
5. Closing balance	1,234,661,110.40	660,643,862.44	84,626,123.33	794,759,590.57	631,502,297.08	3,406,192,983.82
II. Accumulated amortisation						
1. Opening balance	362,946,955.91	264,574,752.40	55,154,393.29	501,879,638.06	396,961,210.73	1,581,516,950.39
2. Increase for the period	12,545,962.85	650,000.00	2,273,883.31	700,000.00	75,764,173.78	91,934,019.94
(1) Provision	12,545,962.85	650,000.00	2,273,883.31	700,000.00	75,764,173.78	91,934,019.94
3. Decrease for the period					2,271,826.84	2,271,826.84
(1) Disposal					2,271,826.84	2,271,826.84
4. Effect of exchange rate movement	75,403.93		93,341.63		2,536,833.07	2,705,578.63
5. Closing balance	375,568,322.69	265,224,752.40	57,521,618.23	502,579,638.06	472,990,390.74	1,673,884,722.12
III. Provision for impairment						
1. Opening balance	50,012,843.19	286,061,116.40			35,342,555.70	371,416,515.29
2. Increase for the period					213,801.22	213,801.22
3. Decrease for the period					213,801.22	213,801.22
(1) Disposal					213,801.22	213,801.22
4. Effect of exchange rate movement					2,539,108.42	2,539,108.42
5. Closing balance	50,012,843.19	286,061,116.40			37,667,862.90	373,741,822.49
IV. Carrying amount						
1. Closing carrying amount	809,079,944.52	109,357,993.64	27,104,505.10	292,179,952.51	120,844,043.44	1,358,566,439.21
2. Opening carrying amount	820,568,964.74	110,007,993.64	29,382,443.23	292,879,952.51	154,002,515.44	1,406,841,869.56

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

20. Goodwill

(1) *Original value of goodwill*

Name of investees	Opening balance	Increase during the period	Decrease during the period	Closing balance
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	132,571,746.36			132,571,746.36
Sanden Company	93,837,131.40			93,837,131.40
Subtotal	226,408,877.76			226,408,877.76
Less: Impairment provision				
Total	226,408,877.76			226,408,877.76

21. Long-term prepaid expenses

Item	Opening balance	Increase during the period	Amortization for the period	Effect of changes in exchange rate	Closing balance
Long-term prepaid expenses	44,778,274.65	13,838,351.54	13,261,802.41	644,065.35	45,998,889.13
Total	44,778,274.65	13,838,351.54	13,261,802.41	644,065.35	45,998,889.13

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	330,917,167.81	68,182,291.01	349,912,211.76	70,404,861.31
Accrued expenses	5,477,906,851.48	993,066,327.20	5,089,400,871.39	890,759,146.82
Others	1,186,150,505.42	269,780,354.37	1,173,270,578.22	250,129,955.49
Total	6,994,974,524.71	1,331,028,972.58	6,612,583,661.37	1,211,293,963.62

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

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

(2) *Undeducted deferred tax liabilities*

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation	672,879,120.37	108,322,059.36	569,998,193.49	92,067,949.54
Transactional financial assets	100,536,177.90	25,034,080.01	105,861,885.51	26,400,191.38
Asset appraisal appreciation due to business combination involving entities not under common control	213,293,699.75	41,171,756.43	226,552,008.79	43,936,083.21
Others	437,792,918.71	128,532,794.25	378,114,288.20	110,330,305.24
Total	1,424,501,916.73	303,060,690.05	1,280,526,375.99	272,734,529.37

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

Item	Deferred tax assets and liabilities offset amounts at the end of the period	Closing balance of deferred tax assets or liabilities after offsetting	Deferred tax assets and liabilities offset amounts at the beginning of the period	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	129,577,406.10	1,201,451,566.48	123,792,203.08	1,087,501,760.54
Deferred tax liabilities	129,577,406.10	173,483,283.95	123,792,203.08	148,942,326.29

23. Other non-current assets

Item	Closing balance	Opening balance
Term deposit and interest	4,542,766,666.67	5,629,989,722.22
Others	452,932,308.33	229,595,488.21
Total	4,995,698,975.00	5,859,585,210.43

Note: Term deposit with maturity over one year held by the Group for investment is presented under other non-current assets, but not recognised as cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

24. Assets with restrictions on ownership or right of use

Item	As at the end of the period			
	Book balance	Carrying amount	Type of restrictions	Restrictions
Cash at bank and on hand	1,890,251,607.24	1,890,251,607.24	Security deposit	Restricted security deposit
Notes receivable	50,739,706.36	50,739,706.36	Pledge	Pledge to issue bank acceptance bills
Fixed assets	338,963,564.04	125,503,311.98	Mortgage	For a loan
Inventories	209,833,876.64	209,833,876.64	Mortgage	For a loan
Accounts receivable	170,372,989.22	170,372,989.22	Pledge	For a loan
Construction in progress	25,492,585.61	25,492,585.61	Mortgage	For a loan
Total	2,685,654,329.11	2,472,194,077.05	-	-

25. Short-term borrowings

(1) Classification of short-term borrowings

Types of borrowings	Closing balance	Opening balance
Credit borrowings	1,363,834,305.43	874,565,707.16
Guaranteed borrowings	1,908,772,099.54	1,759,923,593.80
Secured borrowings	92,721,700.04	74,226,050.50
Total	3,365,328,105.01	2,708,715,351.46

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

26. Transactional financial liabilities

Item	Closing balance	Opening balance
Transactional financial liabilities	44,449,742.26	3,552,841.18
Including: Derivative financial liabilities	44,449,742.26	3,552,841.18
Total	44,449,742.26	3,552,841.18

Notes to transactional financial liabilities:

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

27. Notes payable

Categories of notes	Closing balance	Opening balance
Bank acceptance notes	10,579,824,021.60	10,364,589,342.06
Commercial acceptance notes	3,060,789,025.68	5,768,177,155.27
Total	13,640,613,047.28	16,132,766,497.33

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

28. Accounts payable

(1) *Accounts payable*

Ageing	Closing balance	Opening balance
Within one year	17,425,796,837.69	12,809,375,585.21
Over one year	43,221,884.26	38,913,648.41
Total	17,469,018,721.95	12,848,289,233.62

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

29. Advances from customers

Category	Closing balance	Opening balance
Rent received in advance	2,173,017.55	2,745,211.29
Total	2,173,017.55	2,745,211.29

30. Contractual liabilities

(1) *Contract liability*

Item	Closing balance	Opening balance
Advance on sales	1,471,759,913.98	1,838,591,086.05
Total	1,471,759,913.98	1,838,591,086.05

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

31. Employee remunerations payable

(1) Classification of employee remunerations payable

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Short-term remuneration	1,349,060,114.96	4,254,198,125.92	4,664,062,059.38	11,556,282.38	950,752,463.88
Post-employment benefits - defined contribution plans	5,929,017.70	248,793,272.04	247,456,958.25	203,305.38	7,468,636.87
Others	86,930,338.26	114,693,658.92	96,510,360.57	1,810.39	105,115,447.00
Total	1,441,919,470.92	4,617,685,056.88	5,008,029,378.20	11,761,398.15	1,063,336,547.75

(2) Short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Salaries, bonuses, allowances and subsidies	1,292,949,394.97	3,782,083,074.96	4,186,207,277.47	8,607,088.09	897,432,280.55
Staff welfare	37,360,844.43	147,006,527.41	149,536,754.77	1,992,650.35	36,823,267.42
Social insurance	7,912,581.91	188,952,239.47	193,176,194.84	482,173.79	4,170,800.33
Including: Medical insurance	6,204,730.62	173,379,438.79	178,204,111.14	347,323.57	1,727,381.84
Work-related injury insurance	1,705,783.72	15,572,800.68	14,972,083.70	134,812.72	2,441,313.42
Maternity insurance	2,067.57			37.50	2,105.07
Housing provident funds	5,459,027.67	116,283,889.88	115,808,242.67	385,770.34	6,320,445.22
Labour union funds and employee education funds	5,378,265.98	19,872,394.20	19,333,589.63	88,599.81	6,005,670.36
Total	1,349,060,114.96	4,254,198,125.92	4,664,062,059.38	11,556,282.38	950,752,463.88

(3) Defined contribution plans

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance
Basic pension insurance	5,207,835.58	239,498,604.69	238,130,814.45	153,497.18	6,729,123.00
Unemployment insurance	721,182.12	9,294,667.35	9,326,143.80	49,808.20	739,513.87
Total	5,929,017.70	248,793,272.04	247,456,958.25	203,305.38	7,468,636.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

32. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	263,275,717.52	150,597,669.85
Enterprise income tax	316,616,403.16	282,501,871.55
Others	126,173,205.25	104,614,231.03
Total	706,065,325.93	537,713,772.43

33. Other payables

Item	Closing balance	Opening balance
Dividends payable	1,703,379,240.33	89,718,011.42
Other payables	5,081,479,762.26	5,300,124,294.55
Total	6,784,859,002.59	5,389,842,305.97

33.1 *Dividends payable*

Item	Closing balance	Opening balance
Dividends on ordinary shares	1,703,379,240.33	89,718,011.42
Total	1,703,379,240.33	89,718,011.42

33.2 *Other payables*

(1) *Classification of other payables by nature*

Item	Closing balance	Opening balance
Current account	3,016,045,919.49	3,486,473,609.03
Deposit and margin	1,406,461,460.52	1,337,665,250.46
Payment for project and equipment	658,972,382.25	475,985,435.06
Total	5,081,479,762.26	5,300,124,294.55

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

34. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	22,017,047.53	17,839,924.01
Lease liabilities due within one year	87,929,564.56	84,088,412.05
Total	109,946,612.09	101,928,336.06

35. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance	
Installation fees	1,541,247,506.15	1,259,073,694.44	Installation fee provided for but not yet paid in respect of goods sold	
Sales discounts	4,511,055,502.15	3,637,183,331.89	Sales discounts incurred but not yet settled	
Others	2,134,063,970.24	2,017,045,810.70	Expenditures incurred but not yet settled, etc.	
Total	8,186,366,978.54	6,913,302,837.03		

36. Long-term borrowings

Types of borrowings	Closing balance	Opening balance
Secured borrowings	66,886,077.83	61,260,113.84
Credit borrowings	18,008,376.43	5,951,006.81
Less: Long-term borrowings due within one year	22,017,047.53	17,839,924.01
Total	62,877,406.73	49,371,196.64

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

37. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	161,648,951.48	161,471,272.87
Total	161,648,951.48	161,471,272.87

38. Long-term employee remunerations payable

Item	Closing balance	Opening balance
Post-employment benefits – Net liability for defined benefit plans	78,332,981.07	77,923,347.90
Total	78,332,981.07	77,923,347.90

39. Provisions

Item	Closing balance	Opening balance	Reason for occurrence
Pending litigation	3,683,659.19	7,629,490.41	Estimated litigation compensation
Provision for warranties	990,125,652.65	996,029,125.88	Estimated quality guarantee of products
Others	88,751,141.83	98,678,574.21	Estimated other expenditures
Total	1,082,560,453.67	1,102,337,190.50	–

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

40. Deferred income

(1) Classification of deferred income

Item	Opening balance	Increase during the period	Decrease during the period	Effect of changes in exchange rate	Closing balance	Reason for occurrence
Government grants	334,592,888.16	58,273,246.43	21,781,063.39	6,070,351.64	377,155,422.84	Amortization of government grants
Total	334,592,888.16	58,273,246.43	21,781,063.39	6,070,351.64	377,155,422.84	-

(2) Government grants

Government grant items	Opening balance	Amount of new grants for the period	Amount included in other income for the period	Changes in exchange rate	Closing balance	Asset-related/ income-related
Technological transformation project	30,718,364.02	2,372,600.00	3,426,833.70		29,664,130.32	Asset-related
Transformation project on system integration technology of green supply chain of freezers	4,844,224.94		690,597.42		4,153,627.52	Asset-related
Industry support funds	156,940,000.00	14,940,000.00	29,236.79		171,850,763.21	Asset-related
Funds from the state debenture projects for enterprise technical advancement and industry upgrade	32,771,594.19	27,987,346.43	3,329,360.17		57,429,580.45	Asset-related
Other related to revenue	809,500.00				809,500.00	Income-related
Other related to assets	108,509,205.01	12,973,300.00	14,305,035.31	6,070,351.64	113,247,821.34	Asset-related
Total	334,592,888.16	58,273,246.43	21,781,063.39	6,070,351.64	377,155,422.84	

41. Other non-current liabilities

Item	Closing balance	Opening balance
Long-term dividends payable	509,237,517.21	523,425,922.76
Others	8,735,889.21	9,984,017.74
Total	517,973,406.42	533,409,940.50

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

42. Share capital

Item	Opening balance	Issue of new shares	Bonus issue	Change for the period (+,-)			Closing balance
				Conversion from reserve	Repurchase and cancellation	Subtotal	
Total shares	1,386,010,405.00				-393,600.00	-393,600.00	1,385,616,805.00

During the period, the Company repurchased and cancelled 393,600.00 restricted shares that had been granted but not unlocked.

43. Capital reserve

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
Share premium	1,847,818,713.49		118,021,546.02		13,276,402.23	1,952,563,857.28
Other capital reserve	251,261,486.16		85,835,024.62		119,111,148.34	217,985,362.44
Total	2,099,080,199.65		203,856,570.64		132,387,550.57	2,170,549,219.72

Notes:

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

Equity incentive expenses borne in proportion to the shareholdings of minority shareholders of the subsidiaries decreased by RMB11,638,137.18 in equity premium;

The lapse and repurchase of restricted shares reduced equity premium by RMB1,638,265.05.

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus increased the capital premium by RMB118,021,546.02.

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 RMB85,835,024.62;

Decrease in other capital reserves by RMB232,430.00 for deferred income tax assets recognised for the period for share-based payment;

The equity method of accounting for other changes in the Company's equity decreased other capital surplus by RMB857,172.32;

The reclassification of share-based payment expenses corresponding to the unlocked shares to capital surplus decreased other capital reserve by RMB118,021,546.02.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

44. Treasury shares

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Treasury shares for share-based payment incentive scheme	264,243,096.35		74,537,022.30	189,706,074.05
Total	264,243,096.35		74,537,022.30	189,706,074.05

45. Other comprehensive income

Item	Amount for the period							
			Less: Amount included in other comprehensive income in previous period and transferred to retained earnings in current period		Less: Amount included in other comprehensive income in previous period and transferred to retained earnings in current period		Attributable to minority interest after tax	
	Opening balance	income tax for the period	Amount before profit or loss in current period	transferred to profit or loss in current period	Less: income tax expense	Attributable to parent after tax		Closing balance
1. Other comprehensive income that would not be reclassified to profit or loss	54,248,923.23	-184,879.70			-138,567.34	-46,312.36	54,110,355.89	
Including: Changes arising from re-measurement of defined benefit plan	51,863,575.34	1,875,146.78			1,405,422.51	469,724.27	53,268,997.85	
Changes in the fair value of other equity instruments investment	2,385,347.89	-2,060,026.48			-1,543,989.85	-516,036.63	841,358.04	
2. Other comprehensive income that would be reclassified to profit or loss	146,498,121.43	26,744,081.46			34,178,073.91	-7,433,992.45	180,676,195.34	
Including: Other comprehensive income that would be reclassified into profit or loss under equity method	-29,715,699.45	42,786,264.61			42,930,048.86	-143,784.25	13,214,349.41	
Difference arising from translation of financial statements presented in foreign currency	176,213,820.88	-16,042,183.15			-8,751,974.95	-7,290,208.20	167,461,845.93	
Total other comprehensive income	200,747,044.66	26,559,201.76			34,039,506.57	-7,480,304.81	234,786,551.23	

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

46. Special reserves

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety production fee	9,282,792.01	44,513,936.01	40,627,876.65	13,168,851.37
Total	9,282,792.01	44,513,936.01	40,627,876.65	13,168,851.37

47. Surplus reserves

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

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

48. Undistributed profits

Item	The Period	Previous Year
Balances at the end of the previous period	11,300,066,951.67	9,355,458,114.25
Adjustment of total undistributed profits at the beginning of the period (increase +, decrease -)		
Including: Retroactive adjustment of "Business Accounting Standards" and related new regulations		
Opening balance for the period	11,300,066,951.67	9,355,458,114.25
Add: Net profits attributable to owners of the parent company for the period	2,076,581,358.73	3,347,881,773.89
Less: Appropriation of statutory surplus reserve		
Dividends payable on ordinary shares	1,703,379,240.33	1,403,272,936.47
Closing balance for the period	11,673,269,070.07	11,300,066,951.67

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

49. Operating revenue and costs

(1) *Particulars of operating revenue and operating costs*

Item	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	45,699,772,461.92	35,345,347,444.42	43,533,451,261.12	33,663,114,144.06
Other operations	3,640,572,519.93	3,398,249,787.64	5,108,222,113.67	4,868,595,981.23
Total	49,340,344,981.85	38,743,597,232.06	48,641,673,374.79	38,531,710,125.29

(2) *Principal operation revenue generated from contracts*

Categories of contract	Amount for the period	
	Revenue	Cost
Categories of product:		
HVAC	23,694,226,316.45	17,268,329,601.85
Refrigerators and washing machines	15,392,341,672.05	12,508,479,977.23
Others	6,613,204,473.42	5,568,537,865.34
By operating regions:		
Domestic	25,248,768,513.67	17,415,927,681.47
Overseas	20,451,003,948.25	17,929,419,762.95
Total	45,699,772,461.92	35,345,347,444.42

50. Taxes and surcharges

Item	Amount for	Amount for the
	the period	previous period
City maintenance and construction tax	77,783,380.38	73,640,794.64
Education surcharges	55,791,164.24	43,441,530.29
Others	89,592,071.73	99,791,151.10
Total	223,166,616.35	216,873,476.03

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

51. Sales expenses

Item	Amount for the period	Amount for the previous period
Sales expenses	4,869,442,985.61	4,719,717,716.22
Total	4,869,442,985.61	4,719,717,716.22

Note: In the first half of 2025, sales expenses mainly include after-sale expenses, publicity and promotion, and employee compensation, with the percentage to the total sales expenses over 70% (first half of 2024: over 70%).

52. Management expenses

Item	Amount for the period	Amount for the previous period
Management expenses	1,232,915,731.34	1,199,136,901.69
Total	1,232,915,731.34	1,199,136,901.69

Note: In the first half of 2025, 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 2024: over 80%).

53. R&D expenses

Item	Amount for the period	Amount for the previous period
R&D expenses	1,674,893,303.26	1,643,979,097.19
Total	1,674,893,303.26	1,643,979,097.19

Note: In the first half of 2025, 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 2024: over 80%).

54. Financial expenses

Item	Amount for the period	Amount for the previous period
Interest expenses	86,914,991.88	69,061,921.52
Less: Interest income	20,067,405.94	33,471,921.44
Add: Exchange loss	-35,576,826.61	-147,627,102.88
Other expenses	10,366,188.12	7,020,400.38
Total	41,636,947.45	-105,016,702.42

Note: In the first half of 2025, interest expenses included interest expenses on lease liabilities of RMB4,826,971.79 (first half of 2024: RMB4,679,826.23). Other interest expenses for the first half of 2025 and the first half of 2024 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 2025 to 30 June 2025

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

55. Other income

Sources of other income	Amount for the period	Amount for the previous period
Immediate refund of value-added tax	188,829,614.05	217,057,832.38
Other government subsidies related to general activities	34,328,733.29	30,529,244.36
Others	50,206,167.57	70,949,824.19
Total	273,364,514.91	318,536,900.93

56. Investment gain

Item	Amount for the period	Amount for the previous period
Gain from long-term equity investment under the equity method	236,560,862.88	193,121,101.07
Gain from disposal of transactional financial assets	119,305,807.22	50,168,458.36
Interest income from time deposits	133,346,693.60	175,521,060.15
Others	22,047,082.66	173,616.17
Total	511,260,446.36	418,984,235.75

Gain from long-term equity investments by the equity method

Investees	Amount for current period	Amount for previous period
Hisense Jinlong Holdings	11,368,468.63	8,961,872.90
Hisense Marketing Management	7,560,677.18	7,917,434.22
Hisense Global Asia Holding	9,084,264.87	-1,817,799.54
Hisense International Marketing	85,331,575.59	54,505,100.11
Hisense Intelligent Electronic	796,860.01	304,210.56
Hisense Star Ocean Technology	-27,229.25	
Associates of Yiyang Entrepreneurship Investment	-1,377.87	
Associates of Sanden Company	122,447,623.72	123,250,282.82
Total	236,560,862.88	193,121,101.07

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

57. Profit or loss on changes in fair value

Sources of gain arising from changes in fair value	Amount for the period	Amount for the previous period
Transactional financial assets	116,633,321.27	151,807,213.33
Including: Gain from changes in fair value of derivative financial instruments	-27,563,245.75	50,600,856.21
Transactional financial liabilities	-40,896,901.08	18,465,740.05
Including: Gain from changes in fair value of derivative financial instruments	-40,896,901.08	18,465,740.05
Total	75,736,420.19	170,272,953.38

58. Impairment loss on credit

Item	Amount for the period	Amount for the previous period
Loss of bad debts of notes receivable	-199,115.25	486,215.46
Loss of bad debts of accounts receivable	10,765,300.34	-391,795.94
Loss of bad debts of other receivables	4,945,463.57	32,581,656.85
Total	15,511,648.66	32,676,076.37

59. Impairment losses on assets

Item	Amount for the period	Amount for the previous period
Loss on decline in value of inventories	-67,636,967.78	-14,666,330.04
Impairment loss on fixed assets	-1,371,914.09	-123,683.43
Impairment loss on contractual assets	-4,416,341.38	-2,107,487.36
Impairment loss on construction in progress		-948,873.66
Total	-73,425,223.25	-17,846,374.49

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

60. Gains on disposal of asset (loss expressed with “-”)

Item	Amount for the period	Amount for the previous period
Gains on disposal of non-current assets	21,786,782.78	857,010.80
Including: Gains on disposal of non-current assets which are not classified as held for sale	21,786,782.78	857,010.80
Including: Gains on disposal of fixed assets	21,635,412.77	529,641.71
Gains on disposal of intangible assets	151,370.01	
Total	21,786,782.78	857,010.80

61. Non-operating income

(1) *Particulars of non-operating income*

Item	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss of the current period
Gain from scrapping of non-current assets	3,179,158.13	2,859,569.91	3,179,158.13
Government grants	28,369,332.12	79,477,755.05	28,369,332.12
Others	32,090,968.20	71,851,415.86	32,090,968.20
Total	63,639,458.45	154,188,740.82	63,639,458.45

62. Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount included in non-recurring profit or loss of the current period
Loss on scrapping of non-current assets	6,272,603.07	3,905,489.25	6,272,603.07
Others	10,948,294.39	9,687,203.36	10,948,294.39
Total	17,220,897.46	13,592,692.61	17,220,897.46

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

63. Income tax expense

(1) *Income tax expense*

Item	Amount for the period	Amount for the previous period
Current income tax expenses	533,520,611.57	455,348,121.56
Including: PRC enterprise income tax	515,271,132.38	414,684,537.71
Deferred income tax expenses	-96,841,158.32	13,848,749.58
Total	436,679,453.25	469,196,871.14

(2) *Reconciliation of accounting profit and income tax expenses*

Item	Amount for the period
Total profits	3,425,345,316.42
Income tax expense calculated at statutory (or applicable) tax rates	856,336,329.11
Effect of application of different tax rate to certain subsidiaries	-385,579,601.52
Effect of adjustment to income tax in previous periods	22,166,069.77
Effect of non-taxable income	-28,535,461.57
Effect of non-deductible cost, expense and loss	85,466,165.18
Effect of utilization of deductible losses and deductible difference of unrecognized deferred tax assets in previous period	-123,521,515.30
Effect of deductible temporary difference or deductible loss of unrecognized deferred tax assets in current period	135,243,477.30
Effect of super deduction of research and development expense	-114,363,748.81
Others	-10,532,260.91
Income tax expense	436,679,453.25

64. Other comprehensive income

Please see note V.45 for details.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

65. Items in the cash flows statement

(1) *Cash relating to operating activities*

1) *Cash received relating to other operating activities*

Item	Amount for the period	Amount for the previous period
Interest income	19,644,730.51	27,631,318.97
Government grants	79,732,677.25	110,969,932.22
Security deposit and others	441,134,112.93	405,474,032.92
Total	540,511,520.69	544,075,284.11

2) *Cash paid relating to other operating activities*

Item	Amount for the period	Amount for the previous period
Cash payments for the period	4,338,631,650.25	4,249,637,979.71
Others	541,976,405.20	215,353,052.17
Total	4,880,608,055.45	4,464,991,031.88

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

65. Items in the cash flows statement — *Continued*

(2) *Cash relating to investing activities*

1) *Cash received relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Disposal of wealth management products and time deposits upon maturity of banks	18,525,206,745.79	14,828,878,198.94
Others	581,366.03	12,189,843.46
Total	18,525,788,111.82	14,841,068,042.40

2) *Significant cash received relating to investing activities*

Item	Amount for the period	Amount for the previous period
Recovery of wealth management products of banks	17,081,472,712.12	12,392,808,071.29
Recovery of time deposits upon maturity	1,443,734,033.67	2,436,070,127.65

3) *Cash paid relating to other investing activities*

Item	Amount for the period	Amount for the previous period
Acquisition of wealth management products and time deposits of banks	21,746,283,058.65	14,001,882,721.62
Others	873,054.55	
Total	21,747,156,113.20	14,001,882,721.62

4) *Significant cash paid relating to investing activities*

Item	Amount for the period	Amount for the previous period
Acquisition of wealth management products of banks	21,169,405,424.52	13,060,574,931.64
Placement of time deposits	576,877,634.13	941,307,789.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

65. Items in the cash flows statement — *Continued*

(3) *Cash relating to financing activities*

1) *Cash received relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Security deposit	320,092,655.39	
Others	71,741,469.73	1,604,632,245.40
Total	391,834,125.12	1,604,632,245.40

2) *Cash paid relating to other financing activities*

Item	Amount for the period	Amount for the previous period
Security deposit		411,468,791.12
Payment of the principal and interest on lease liabilities	38,871,608.71	51,342,731.10
Others	29,326,346.19	2,499,764,015.55
Total	68,197,954.90	2,962,575,537.77

3) *Changes in liabilities arising from financing activities*

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	2,708,715,351.46	2,207,460,012.08	130,257,474.78	1,679,756,108.14	1,348,625.17	3,365,328,105.01
Long-term borrowings (including borrowings due within one year)	67,211,120.65	12,355,555.30	23,167,702.32	17,839,924.01		84,894,454.26
Lease liabilities (including leases due within one year)	245,559,684.92		42,890,439.83	38,871,608.71		249,578,516.04
Other payables - Borrowings from affiliated companies	938,877,715.69	64,094,208.77	43,011,955.91	38,213,342.51		1,007,770,537.86
Other payables - Restricted shares	72,999,582.83		18,550.92	2,029,795.20	40,981,101.58	30,007,236.97
Other payables - Employee Stock Ownership Plan repayment obligations	171,946,847.16	7,441,692.72		6,864,520.00	31,544,676.04	140,979,343.84
Total	4,205,310,302.71	2,291,351,468.87	239,346,123.76	1,783,575,298.57	73,874,402.79	4,878,558,193.98

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

66. Supplementary information to consolidated statement of cash flows

(1) *Supplementary information to statement of cash flows*

Item	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,988,665,863.17	3,030,152,740.60
Add: Impairment provision for assets	73,425,223.25	17,846,374.49
Impairment loss on credit	-15,511,648.66	-32,676,076.37
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	506,965,747.69	475,570,158.32
Depreciation of right-of-use assets	48,734,643.29	38,943,130.68
Amortization of intangible assets	91,934,019.94	83,957,650.35
Amortization of long-term prepaid expenses	13,261,802.41	11,309,027.86
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain expressed with "-")	-21,786,782.78	-857,010.80
Loss on retirement of fixed assets (Gain expressed with "-")	3,093,444.94	1,045,919.34
Loss on change in fair value (Gain expressed with "-")	-75,736,420.19	-170,272,953.38
Financial expenses (Gain expressed with "-")	51,338,165.27	-78,565,181.36
Investment loss (Gain expressed with "-")	-511,260,446.36	-418,984,235.75
Decrease in deferred tax assets (Increase expressed with "-")	-121,382,115.98	-12,467,065.35
Increase in deferred tax liabilities (Decrease expressed with "-")	24,540,957.66	12,608,181.29
Decrease in inventories (Increase expressed with "-")	1,310,393,244.77	141,491,504.08
Decrease in operating receivables (Increase expressed with "-")	-1,684,874,087.50	-5,008,961,349.65
Increase in operating payables (Decrease expressed with "-")	2,640,187,216.86	4,009,832,668.12
Others		
Net cash flows from operating activities	5,321,988,827.78	2,099,973,482.47
2. Significant investment and financing activities not involving cash receipts and payments:		
Liabilities converted into equity		
Convertible company debentures due within one year		
Fixed assets under finance leases		
3. Net changes in cash and cash equivalents:		
Cash balances at the end of the period	3,267,001,507.52	2,749,716,134.21
Less: Cash balances at the beginning of the period	2,191,268,606.55	2,877,140,400.54
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	1,075,732,900.97	-127,424,266.33

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

66. Supplementary information to consolidated statement of cash flows — *Continued*

(2) *Cash and cash equivalents*

Item	Closing balance	Opening balance
Cash	3,267,001,507.52	2,191,268,606.55
Including: Cash on hand	222,230.67	116,974.19
Bank deposits that are readily available for payment	3,254,139,405.49	2,177,924,682.71
Other cash at bank and on hand that are readily available for payment	12,639,871.36	13,226,949.65
Cash equivalents		
Including: Bond investments due within three months		
Cash and cash equivalents as at the end of the period	3,267,001,507.52	2,191,268,606.55
Including: Cash and cash equivalents of the parent or subsidiaries subject to restrictions on use		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

67. Monetary items in foreign currencies

(1) Major monetary items in foreign currencies

Item	Closing balance of foreign currency	Translation rate	Closing balance denominated in RMB
Cash at bank and on hand	—	—	—
Including: HKD	1,284,821.84	0.912	1,171,757.52
USD	49,810,228.07	7.1586	356,571,498.66
JPY	2,564,665,322.34	0.049594	127,192,012.00
EUR	13,629,465.07	8.4024	114,520,217.30
INR	2,987,831.00	0.08398	250,918.05
Accounts receivable	—	—	—
Including: HKD	204,460.97	0.912	186,468.40
USD	142,220,894.92	7.1586	1,018,102,498.35
JPY	5,851,578,762.35	0.049594	290,203,197.14
EUR	76,428,691.70	8.4024	642,184,439.14
INR	2,013,634,138.76	0.08398	169,104,994.97
Other receivables	—	—	—
Including: USD	1,039,721.00	7.1586	7,442,946.75
JPY	1,820,020,000.00	0.049594	90,262,071.88
EUR	247,185.61	8.4024	2,076,952.37
INR	8,789,570.00	0.08398	738,148.09
Short-term borrowings	—	—	—
Including: USD	32,103,407.94	7.1586	233,082,703.74
JPY	36,700,084,732.00	0.049594	1,824,471,395.80
EUR	1,199,671.40	8.4024	10,102,582.47
INR	1,114,791,282.41	0.08398	94,454,110.89
Accounts payable	—	—	—
Including: USD	16,917,698.03	7.1586	121,107,033.12
JPY	11,691,088,555.00	0.049594	579,807,845.80
EUR	13,782,700.00	8.4024	115,807,758.48
INR	1,334,453,620.00	0.08398	112,067,415.01
Other payables	—	—	—
Including: HKD	14,574,121.20	0.912	13,291,598.53
USD	120,213,386.09	7.1586	860,559,545.66
JPY	4,301,025,256.00	0.049594	213,305,046.55
EUR	33,633,352.97	8.4024	282,600,884.99
INR	1,083,430,100.00	0.08398	90,986,459.80
Non-current liabilities due within one year	—	—	—
Including: Long-term borrowings due within one year	261,144,582.62	0.08398	22,017,047.53
Including: INR	261,144,582.62	0.08398	22,017,047.53
Long-term borrowings	—	—	—
Including: INR	745,790,192.54	0.08398	62,877,406.73

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

67. Monetary items in foreign currencies — *Continued*

(2) Major overseas operating entities

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

68. Leases

(1) The Group as a lessee

Item	Amount for the period	Amount for the previous period
Interest expenses on lease liabilities	4,826,971.79	4,679,826.23
Short-term lease expenses recognised in profit or loss using simplified treatment	74,698,698.23	52,459,994.46
Lease expenses for low-value assets recognised in profit or loss using simplified treatment (excluding short-term leases)		
Variable lease payments not included in the measurement of lease liabilities		
Including: Part arising from sale and leaseback transactions		
Income from sublease of right-to-use assets		
Total cash outflows related to leases	152,011,538.31	144,458,937.46
Related gain or loss arising from sale and leaseback transactions		
Cash inflows from sale and leaseback transactions		
Cash outflows from sale and leaseback transactions		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

68. Leases — *Continued*

(2) *The Group as a lessor*

1) *The Group as a lessor under operating lease*

Item	Rental Income	Including: Income related to variable lease payments not included in lease receipts
Building or structures	43,548,883.39	
Machinery and equipment	860,118.51	
Transportation equipment	73,539.85	
Land	573,512.37	
Total	45,056,054.12	

69. Segment reporting

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

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

Amount for current period	Air-conditioners	Refrigerators and washing machines	Others	Inter-segment elimination	Total
I. Revenue from external sales	23,694,226,316.45	15,392,341,672.05	6,613,204,473.42		45,699,772,461.92
II. Revenue from inter-segment transactions	3,145,236.84	10,928,857.78	1,386,601,355.70	-1,400,675,450.32	
III. Gain from investment in associates and joint ventures	8,322,471.03	8,322,471.03	219,915,920.82		236,560,862.88
IV. Depreciation and amortization	302,289,482.37	158,038,955.39	200,567,775.57		660,896,213.33
V. Gain arising from changes in fair value	42,897,765.31	79,948,047.57	-47,109,392.69		75,736,420.19
VI. Impairment losses on credits and assets	-23,126,478.12	-2,215,692.25	-32,571,404.22		-57,913,574.59
VII. Total profits (losses)	2,788,526,713.98	645,102,787.72	-8,284,185.28		3,425,345,316.42
VIII. Total assets	46,230,318,848.57	38,495,879,142.40	16,829,776,545.17	-26,742,997,257.64	74,812,977,278.50
IX. Total liabilities	33,123,127,182.17	25,282,318,675.96	12,353,795,228.43	-15,461,292,165.47	55,297,948,921.09
X. Additions to other non-current assets other than long-term equity investments	-885,512,514.89	173,758,987.48	239,364,120.20		-472,389,407.21

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

69. Segment reporting — *Continued*

(1) Segment profit or loss and assets and liabilities — *Continued*

Continued from above table

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

(2) Geographic information

Region	Amount for the period/closing balance	Amount for previous period/opening balance
Revenue from domestic transactions	25,248,768,513.67	25,328,122,655.20
Revenue from overseas transactions	20,451,003,948.25	18,205,328,605.92
Total	45,699,772,461.92	43,533,451,261.12
Non-current assets – Domestic	12,583,782,498.82	13,130,098,726.61
Non-current assets – Overseas	4,423,748,033.78	4,063,930,634.22
Total	17,007,530,532.60	17,194,029,360.83

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

VI. R&D EXPENDITURE

Item	Amount for the period	Amount for the previous period
R&D expenses	1,674,893,303.26	1,643,979,097.19
Total	1,674,893,303.26	1,643,979,097.19
Including: Expensed R&D expenditure	1,674,893,303.26	1,643,979,097.19
Capitalised R&D expenditure		

VII. CHANGE IN SCOPE OF CONSOLIDATION

Nil.

VIII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Abbreviation	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)	Method for acquisition
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	Guangdong Refrigerator	USD26.80 million	Foshan	Foshan	Manufacturing	100.00	Establishment
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	Guangdong Freezer	RMB237.00 million	Foshan	Foshan	Manufacturing	100.00	Establishment
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	Hisense K&B	RMB77.5751 million	Foshan	Foshan	Manufacturing	74.00	Establishment
Foshan Shunde Rongshen Plastic Co., Ltd.	Rongsheng Plastic	USD15.8274 million	Foshan	Foshan	Manufacturing	44.92	Establishment
Guangdong Kelon Mould Co., Ltd.	Kelon Mould	USD15.0561 million	Foshan	Foshan	Manufacturing	70.11	Establishment
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	Yangzhou Refrigerator	USD44,4479 million	Yangzhou	Yangzhou	Manufacturing	100.00	Establishment
Hisense (Chengdu) Refrigerator Co., Ltd.	Chengdu Refrigerator	RMB70.00 million	Chengdu	Chengdu	Manufacturing	100.00	Establishment
Hisense Refrigerator Co., Ltd.	Shandong Refrigerator	RMB275.10 million	Qingdao	Qingdao	Manufacturing	100.00	Establishment
Guangdong Hisense Refrigerator Marketing Co., Ltd.	Refrigerator Marketing Company	RMB200.8190 million	Foshan	Foshan	Trading	100.00	Establishment
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	Air-conditioner Marketing Company	RMB100.91 million	Qingdao	Qingdao	Trading	100.00	Establishment
Hisense (Guangdong) Air-Conditioner Company Limited	Hisense Guangdong Air-Conditioner	RMB200.00 million	Jiangmen	Jiangmen	Manufacturing	100.00	Establishment
Hisense Air-Conditioning Co., Ltd.	Shandong Air-conditioning	RMB500.00 million	Qingdao	Qingdao	Manufacturing	100.00	Business combination under common control
Qingdao Hisense Mould Co., Ltd.	Hisense Mould	RMB36.0664 million	Qingdao	Qingdao	Manufacturing	99.87	Business combination under common control
Hisense (Zhejiang) Washing Machine Co., Ltd.	Zhejiang Washing Machine	RMB450.00 million	Huzhou	Huzhou	Manufacturing	100.00	Business combination not under common control
Qingdao Hisense Commercial Cold Chain Co., Ltd.	Commercial Cold Chain	RMB50.00 million	Qingdao	Qingdao	Manufacturing	100.00	Establishment

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

1. Interests in subsidiaries — *Continued*

(1) Composition of enterprise group — *Continued*

Name of subsidiary	Abbreviation	Registered capital	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)		Method for acquisition
						Direct	Indirect	
Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.	Hisense Hitachi	USD150.00 million	Qingdao	Qingdao	Manufacturing	49.20		Business combination not under common control
Qingdao Hisense Hitachi Air-conditioner Marketing Co., Ltd.	Hitachi Marketing	RMB274.3003 million	Qingdao	Qingdao	Trading		100.00	Business combination not under common control
Qingdao Johnson Controls Air-Conditioning Co., Ltd.	Johnson Controls	RMB400.00 million	Qingdao	Qingdao	Trading		100.00	Business combination not under common control
Qingdao Hisense Hvac Equipment Co., Ltd.	Hisense Hvac	RMB600.00 million	Qingdao	Qingdao	Manufacturing		100.00	Business combination not under common control
Hisense (Hong Kong) America Manufacturing Co., Limited.	Hong Kong Home Appliance Manufactory	HKD1,176,9149 million	Hong Kong	Hong Kong	Manufacturing		100.00	Business combination under common control
Hisense Monterrey Manufacturing, S.de R.L. de C.V.	Hisense Monterrey Manufacturing	MXN462,2452 million	Mexico	Mexico	Manufacturing		100.00	Business combination not under common control
Hisense Monterrey Property Management, S.de R.L. de C.V.	Monterrey Property	MXN1,092,5993 million	Mexico	Mexico	Service industry		100.00	Business combination under common control
Qingdao Gorenje Electrical Co., Ltd.	Qingdao Gorenje	RMB21.00 million	Qingdao	Qingdao	Trading	70.00		Establishment
Hisense Japan Automotive Air-Conditioning Systems Corporation	SPV	JPY1	Japan	Japan	Investment		100.00	Establishment
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd.	Hitachi Air Conditioning Technology	RMB20.00 million	Qingdao	Qingdao	Manufacturing		100.00	Establishment
Sanden Corporation	SDC	JPY21,741,869287 million	Japan	Japan	Manufacturing	74.95		Business combination not under common control
SANDEN INTERNATIONAL (EUROPE)GmbH	SIE	EUR0.025 million	Germany	Germany	Manufacturing	100.00		Business combination not under common control
SANDEN MANUFACTURING EUROPE S.A.S.	SME	EUR21.00 million	France	France	Manufacturing	100.00		Business combination not under common control
SANDEN VIKAS (INDIA) LTD.	SVL	INR296.25 million	India	India	Manufacturing	50.00		Business combination not under common control
SANDEN MANUFACTURING MEXICO S.A. DE C.V.	SMM	USD66,78537926 million	Mexico	Mexico	Manufacturing	100.00		Business combination not under common control
Suzhou Sanden Precision Parts Co., Ltd.	SSP	USD11.00 million	Suzhou	Suzhou	Manufacturing	65.00		Business combination not under common control
Sanden (China) Automotive Air Conditioning Co., Ltd.	CSA	RMB145,1238436 million	Chongqing	Chongqing	Manufacturing	100.00		Business combination not under common control

Notes:

- ① All subsidiaries incorporated in the PRC are companies with limited liability, save for Refrigerator Marketing Company, Air-conditioner Marketing Company, Commercial Cold Chain, Hitachi Marketing and Qingdao Gorenje which are joint-stock companies with limited liability.
- ② The Company held 49.20% of equity interests of Hisense Hitachi, and according to the articles of association of Hisense Hitachi, the Company held five-ninth voting rights of the board of directors, the highest authority of Hisense Hitachi.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

1. Interests in subsidiaries — *Continued*

(2) Principal non-wholly-owned subsidiaries

Name of subsidiary	Percentage of minority interest	Gain or loss attributable to minority interests for the period	Dividends paid to minority interests for the period	Closing balance of minority interests
Hisense Hitachi	50.80%	945,235,113.71	1,330,192,920.00	2,897,539,989.99

(3) Major financial information of principal non-wholly-owned subsidiaries (Unit: RMB'000)

Name of subsidiary	Closing balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities
Hisense Hitachi	1,188,668.20	677,263.99	1,865,932.19	1,159,138.50	136,411.80
(continued)					

Name of subsidiary	Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities
Hisense Hitachi	1,035,187.30	810,569.57	1,845,756.87	1,063,134.84	138,503.24

Continued table:

Name of subsidiary	Amount for the period				Amount for the previous period			
	Operating revenue	Total comprehensive income		Cash flows from operating activities	Operating revenue	Total comprehensive income		Cash flows from operating activities
		Net profit	Operating revenue			Net profit	Operating revenue	
Hisense Hitachi	1,065,526.10	186,069.90	186,069.90	197,429.56	1,133,786.76	195,725.19	195,725.19	66,794.40

2. Transactions that led to changes in the ownership interest in, but without losing of control of the subsidiary

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

VIII. INTERESTS IN OTHER ENTITIES — *Continued*

3. Interests in joint ventures or associates

(1) Aggregated financial information of insignificant joint ventures and associates (Unit: RMB'000)

Item	Closing balance/Amount for the period	Opening balance/Amount for previous period
Joint venture	—	—
Total carrying amounts of investments	9,042.15	5,564.29
Amounts in aggregate in proportion to the shareholdings	—	—
- Net profit	1,661.77	609.96
- Other comprehensive income	316.09	70.88
- Total comprehensive income	1,977.86	680.84
 Associate	—	—
Total carrying amounts of investments	196,040.60	170,929.40
Amounts in aggregate in proportion to the shareholdings	—	—
- Net profit	21,994.32	18,702.15
- Other comprehensive income	3,962.54	-1,245.64
- Total comprehensive income	25,956.86	17,456.51

IX. GOVERNMENT GRANTS

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

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

2. Liability items involving government grants

Government grant items	Opening balance	Amount of new grants for the period	Amount included in other income for the period	Changes in exchange rate	Closing balance	Asset-related/income-related
Deferred income	333,783,388.16	58,273,246.43	21,781,063.39	6,070,351.64	376,345,922.84	Asset-related
Deferred income	809,500.00				809,500.00	Income-related
Total	334,592,888.16	58,273,246.43	21,781,063.39	6,070,351.64	377,155,422.84	

3. Government grants included in profit or loss

Accounting items	Amount for the period	Amount for the previous period
Other income	223,158,347.34	247,587,076.74
Non-operating income	28,369,332.12	79,477,755.05

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

X. RISKS RELATING TO FINANCIAL INSTRUMENTS

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

1. Various risk management objectives and policies

(1) *Market risk*

1) *Exchange rate risk*

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

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

Currency	Closing balances		Opening balances	
	Assets	Liabilities	Assets	Liabilities
USD	1,383,735,795.65	1,285,320,836.83	963,524,286.57	1,281,916,069.03
EUR	759,449,575.49	467,692,035.87	685,052,966.91	395,473,493.03

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

Sensitivity analysis of changes in exchange rates:

Item	The Period Increase/Decrease in profit after tax	Previous period Increase/Decrease in profit after tax
USD to RMB		
Appreciates by 5%	3,690,560.96	-11,939,691.84
Depreciates by 5%	-3,690,560.96	11,939,691.84
EUR to RMB		
Appreciates by 5%	10,940,907.74	10,859,230.27
Depreciates by 5%	-10,940,907.74	-10,859,230.27

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

1. Various risk management objectives and policies — *Continued*

(1) *Market risk* — *Continued*

2) *Interest rate risk*

The Group's interest rate risk arises from interest-bearing debts such as bank loans. Financial liabilities with floating interest rates expose the Group to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market conditions. As at 30 June 2025, the Group's floating-rate interest-bearing long-term debts consisted of certain long-term debts.

The Group's finance department at its headquarter continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest-bearing debts and the interest expenses with respect to the Group's outstanding floating rate interest-bearing debts, and therefore could have a material adverse effect on the Group's financial results. The management will make adjustments timely with reference to the latest market conditions.

(2) *Credit risk*

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

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

The Group has implemented a stringent customer credit evaluation and review mechanism, adopting a graded classification management approach for customers with different risks. For certain newly developed customers, a cash-on-delivery model is adopted to mitigate credit risk exposure of customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue uncollected payments are followed up by personnel at all levels.

(3) *Liquidity risk*

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

1. Various risk management objectives and policies — *Continued*

(3) *Liquidity risk* — *Continued*

The Group will also consider extending the payment period by using supplier financing arrangements by negotiations with suppliers and financial institutions.

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

30 June 2025

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	5,157,253,114.76				5,157,253,114.76
Transactional financial assets	20,273,703,348.81				20,273,703,348.81
Notes receivable	278,975,395.97				278,975,395.97
Accounts receivable	12,467,487,459.89				12,467,487,459.89
Receivables Financing	5,801,365,693.05				5,801,365,693.05
Other receivables	238,875,388.39				238,875,388.39
Other current assets	180,710,055.34				180,710,055.34
Non-current assets due within one year	5,674,583,611.10				5,674,583,611.10
Other non-current financial assets				20,877,222.66	20,877,222.66
Other non-current assets	4,134,280,091.32	408,486,575.35			4,542,766,666.67
Total	50,072,954,067.31	4,134,280,091.32	408,486,575.35	20,877,222.66	54,636,597,956.64
Financial liabilities					
Short-term borrowings	3,365,328,105.01				3,365,328,105.01
Transactional financial liabilities	44,449,742.26				44,449,742.26
Notes payable	13,640,613,047.28				13,640,613,047.28
Accounts payable	17,469,018,721.95				17,469,018,721.95
Other payables	5,081,479,762.26				5,081,479,762.26
Other current liabilities	8,186,366,978.54				8,186,366,978.54
Non-current liabilities due within one year	109,946,612.09				109,946,612.09
Lease liabilities	64,483,557.20	59,208,201.89	55,089,604.01		178,781,363.10
Long-term borrowings	8,935,791.06	49,617,026.61	4,324,589.06		62,877,406.73
Total	47,897,202,969.39	73,419,348.26	108,825,228.50	59,414,193.07	48,138,861,739.22

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

1. Various risk management objectives and policies — *Continued*

(3) Liquidity risk — *Continued*

31 December 2024

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash at bank and on hand	4,397,693,443.73				4,397,693,443.73
Transactional financial assets	16,209,276,762.85				16,209,276,762.85
Notes receivable	459,013,499.65				459,013,499.65
Accounts receivable	10,480,609,898.16				10,480,609,898.16
Receivables Financing	6,000,519,893.99				6,000,519,893.99
Other receivables	242,816,255.92				242,816,255.92
Other current assets	631,618,371.84				631,618,371.84
Non-current assets due within one year	4,883,695,277.78				4,883,695,277.78
Other non-current financial assets				21,332,417.54	21,332,417.54
Other non-current assets	5,225,785,277.78	404,204,444.44			5,629,989,722.22
Total	43,305,243,403.92	5,225,785,277.78	404,204,444.44	21,332,417.54	48,956,565,543.68
Financial liabilities					
Short-term borrowings	2,708,715,351.46				2,708,715,351.46
Transactional financial liabilities	3,552,841.18				3,552,841.18
Notes payable	16,132,766,497.33				16,132,766,497.33
Accounts payable	12,848,289,233.62				12,848,289,233.62
Other payables	5,389,842,305.97				5,389,842,305.97
Other current liabilities	6,913,302,837.03				6,913,302,837.03
Non-current liabilities due within one year	107,586,373.00				107,586,373.00
Lease liabilities		67,815,662.36	90,765,474.28	18,453,261.32	177,034,397.96
Long-term borrowings			68,751,987.49		68,751,987.49
Total	44,104,055,439.59	67,815,662.36	159,517,461.77	18,453,261.32	44,349,841,825.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

X. RISKS RELATING TO FINANCIAL INSTRUMENTS — *Continued*

2. Hedging business

(1) *The Company conducts hedging business for risk management*

In order to avoid the exchange rate risk faced by the foreign exchange business and to ensure sound operation, the Group conducted forward foreign exchange business to evade the risk of foreign exchange business without engaging in any speculative operation. The approval procedures for the Group's use of self-owned funds to carry out foreign exchange hedging business were in compliance with relevant national laws and regulations and relevant provisions of the "Internal Control System for Forward Foreign Exchange Funds Transaction Business" and the "Foreign Exchange Management Procedures and Measures" formulated by the Company.

(2) *The Company conducts hedging operations for risk management, expects to achieve its risk management objectives, but does not apply hedge accounting*

Item	Reasons for not applying hedge accounting	Impact on financial statements
Forward foreign exchange settlement/sale	The Company carries out foreign exchange derivatives transactions that are closely linked to its daily operations and strictly controls the scale and risks, and temporarily conducts simplified treatment to balance the management costs and benefits.	Gain or loss from changes in fair value: RMB-68,460,146.83; Investment income: RMB6,649,803.69.

3. Transfer of financial assets

(1) *Classification of transfer methods*

Transfer methods	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Basis for determining derecognition
Endorsement or discounting of notes	Notes receivable	25,596,768.45	Not derecognised	Almost all of its risks and rewards have been retained, including the related default risk.
Endorsement or discounting of notes	Receivables Financing	7,149,003,136.57	Derecognised	Almost all of its risks and rewards have been transferred.
Total				7,174,599,905.02

(2) *Financial assets derecognised due to transfer*

Item	Method for the transfer of financial assets	Amount of financial assets derecognised	Gain or loss related to derecognition
Receivables Financing	Endorsement or discounting of notes	7,149,003,136.57	5,908,101.04
Total			7,149,003,136.57
			5,908,101.04

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XI. DISCLOSURE OF FAIR VALUE

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

Item	Fair value as at the end of the period				Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement		
I. Fair value measurement on a recurring basis	-	-	-	-	-
(1) Transactional financial assets	2,266,582.29	18,991,207.64	20,252,445,558.88	20,273,703,348.81	
1. Financial assets at fair value through profit or loss	2,266,582.29	18,991,207.64	20,252,445,558.88	20,273,703,348.81	
(1) Wealth management products			20,252,445,558.88	20,252,445,558.88	
(2) Derivative financial assets		18,991,207.64		18,991,207.64	
(3) Stocks, bonds, funds	2,266,582.29			2,266,582.29	
(2) Other investments in debt			5,801,365,693.05	5,801,365,693.05	
1. Receivables Financing			5,801,365,693.05	5,801,365,693.05	
(3) Other equity investment	15,166,504.16		28,759,709.40	43,926,213.56	
(4) Other non-current financial assets			20,877,222.66	20,877,222.66	
Total assets measured at fair value on a recurring basis	17,433,086.45	18,991,207.64	26,103,448,183.99	26,139,872,478.08	
(5) Transactional financial liabilities		44,449,742.26		44,449,742.26	
1. Financial liabilities at fair value through profit or loss		44,449,742.26		44,449,742.26	
(1) Derivative financial liabilities		44,449,742.26		44,449,742.26	
Total liabilities measured at fair value on a recurring basis		44,449,742.26		44,449,742.26	

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

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XI. DISCLOSURE OF FAIR VALUE — *Continued*

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

The Group's items at level 2 fair value measurement are forward foreign exchange settlement and sales contracts. As at the balance sheet date, the Group had obtained forward exchange rate quotations from contracted banks, which were determined based on the remaining term to maturity. The fair value of such forward foreign exchange settlement and sales contracts were determined by multiplying the difference between the quotations and agreed exchange rates for such forward foreign exchange settlement and sales contracts by the amount for forward foreign exchange settlement and sales.

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

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

A gain or loss from change in fair value of RMB144,196,567.02 was recognised in respect of the wealth management products of banks during the period. Changes in the unobservable input (expected rate of return) do not result in significant changes in fair value. At the end of the period, the Group determined the fair value to be the forecast future cash flows based on the expected rate of return, and the changes in valuation techniques had a relatively insignificant impact on the financial statements.

XII. RELATED PARTY AND RELATED TRANSACTIONS

1. Relationship with related parties

(1) Parent company of the Company

Name of the parent company	Place of registration	Business nature	Registered capital (RMB'000)	Parent company's percentage in the Company (%)	Parent company's percentage of voting rights in the Company (%)
Qingdao Hisense Air-Conditioning Co., Ltd.	Qingdao	Manufacture of air-conditioners and moulds and provision of after-sale services	67,479	37.29	37.29

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

1. Relationship with related parties — *Continued*

(2) *Subsidiaries of the Company*

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

(3) *Joint ventures and associates of the Company*

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

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

(4) *Other related parties of the Company*

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions

(1) Purchase of goods/receipt of services

Related party	Particulars of related party transactions	Amount for the period		Whether the transaction limit is exceeded		Amount for the previous period	
		Amount	Percentage of the amount of similar transactions (%)	Approved transaction limit (if applicable)	(if applicable)	Amount	Percentage of the amount of similar transactions (%)
Hisense Holdings and its subsidiaries	Finished goods	194,600,030.79	0.50			182,954,460.23	0.39
Hisense Holdings and its subsidiaries	Materials	1,029,240,725.40	2.66	6,530,000,000.00	No	1,051,944,969.25	2.27
Hisense Holdings and its subsidiaries	Rendering of Service	1,063,262,174.30	2.74			800,084,076.83	1.74
Hisense Holdings and its subsidiaries	Equipment	9,098,115.21	0.02	N/A	N/A	25,784,466.70	0.05
Subtotal purchase of Hisense Holdings and its subsidiaries		2,296,201,045.69	5.93			2,060,767,973.01	4.45
Hisense Visual and its subsidiaries	Finished goods	2,044,437.87	0.01			2,481,281.34	0.01
Hisense Visual and its subsidiaries	Materials	46,333,019.81	0.12	390,000,000.00	No	94,951,418.97	0.21
Hisense Visual and its subsidiaries	Rendering of service	56,496,001.50	0.15			55,150,684.78	0.12
Hisense Visual and its subsidiaries	Equipment			N/A	N/A	2,713,918.18	0.01
Subtotal purchase of Hisense Visual and its subsidiaries		104,873,459.18	0.27			155,297,303.27	0.35
Johnson Hitachi and its subsidiaries	Finished goods	3,522,304.49	0.01			42,122,389.48	0.09
Johnson Hitachi and its subsidiaries	Materials	78,997,890.33	0.20	1,862,580,000.00	No	516,196,448.91	1.12
Johnson Hitachi and its subsidiaries	Rendering of service	406,805.66	0.00			6,040,882.71	0.01
Subtotal purchase of Johnson Hitachi and its subsidiaries		82,927,000.48	0.21			564,359,721.10	1.22
Hisense Group and its subsidiaries	Rendering of service	5,317,832.67	0.01				
Xuehua Group	Rendering of service			N/A	N/A	144,511.46	0.00
Associates of Sanden Company	Finished goods	196,280,929.32	0.51			204,465,536.17	0.44
Subtotal		201,598,761.99	0.52			204,610,047.63	0.44

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions — *Continued*

(1) Purchase of goods/receipt of services — *Continued*

Notes:

The lease payment amounted to RMB40,067,200 recognised by the Company as a lessee was included in the "receipt of services" under related party transactions during the Year.

The above agreements related to the above transactions were considered and approved at the eighth interim meeting of the Company's eleventh session of the Board in 2023 convened on 28 November 2023, the first special meeting of independent directors of the Company's eleventh session of the Board in 2024 convened on 22 January 2024, the second interim meeting of the Company's eleventh session of the Board in 2024 convened on 25 January 2024, and the first extraordinary general meeting in 2024 convened on 25 January 2024, respectively.

The above transactions with Hisense Holdings and its subsidiaries, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and Shareholders' approval requirements under Chapter 14A of the Listing Rules; The Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and Shareholders' approval requirements according to of Rule 14A.101 of the Hong Kong Listing Rules.

Other than the above transactions and those referred in "1) under (5) Other connected transactions", other connected transactions conducted in January to June 2025 as disclosed in note 12 of the financial statements in the 2025 Interim Report do not constitute connected transactions under Chapter 14A of the Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions — *Continued*

(2) Sale of goods/rendering of service

Related party	Particulars of related party transactions	Amount for the period			Amount for the previous period		
		Amount	Percentage of the amount of similar transactions (%)	Approved transaction limit (if applicable)	Whether the transaction limit is exceeded (if applicable)	Amount	Percentage of the amount of similar transactions (%)
Hisense Holdings and its subsidiaries	Finished goods	17,220,961,131.10	34.90			14,430,441,706.00	29.67
Hisense Holdings and its subsidiaries	Materials	309,450,390.12	0.63			322,814,376.27	0.66
Hisense Holdings and its subsidiaries	Moulds	18,580,209.25	0.04	39,200,000,000.00	No	9,777,765.39	0.02
Hisense Holdings and its subsidiaries	Rendering of service	35,271,101.50	0.07			38,806,890.75	0.07
Hisense Holdings and its subsidiaries	Equipment	11,805,861.52	0.02	N/A	N/A	747,263.36	0.00
Subtotal of Hisense Holdings and its subsidiaries		17,596,068,693.49	35.66			14,802,588,001.77	30.42
Hisense Visual and its subsidiaries	Finished goods	299,769.09	0.00			288,619.91	0.00
Hisense Visual and its subsidiaries	Materials	325,671,616.75	0.66			366,681,025.37	0.75
Hisense Visual and its subsidiaries	Moulds	6,880,508.90	0.01	1,130,000,000.00	No	17,432,876.11	0.04
Hisense Visual and its subsidiaries	Rendering of service	6,367,269.50	0.01			4,371,849.07	0.01
Hisense Visual and its subsidiaries	Equipment	166,519.29	0.00	N/A	N/A	3,309.22	0.00
Subtotal of Hisense Visual and its subsidiaries		339,385,683.53	0.69			388,777,679.68	0.80
Johnson Hitachi and its subsidiaries	Finished goods	45,784,478.33	0.09			183,663,452.91	0.38
Johnson Hitachi and its subsidiaries	Materials	1,093,190.11	0.00			4,251,640.00	0.01
Johnson Hitachi and its subsidiaries	Moulds	12,794,667.39	0.03	607,110,000.00	No	43,976.88	0.00
Johnson Hitachi and its subsidiaries	Rendering of service					2,583,852.34	0.01
Subtotal of Johnson Hitachi and its subsidiaries		59,672,335.83	0.12			190,542,922.13	0.40
Hisense Group and its subsidiaries	Finished goods	49,557.53	0.00			-	-
Xuehua Group	Rendering of service	470,017.44	0.00	N/A	N/A	-	-
Associates of Sanden Company	Finished goods	348,459,036.62	0.71			518,339,747.53	1.07
Subtotal		348,978,611.59	0.71			518,339,747.53	1.07

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions — *Continued*

(2) *Sale of goods/rendering of service* — *Continued*

Notes:

The lease revenue amounted to RMB7.6146 million recognised by the Company as a lessor was included in the "rendering of services" under related party transactions during the Year.

The above agreements related to the above transactions were considered and approved at the eighth interim meeting of the Company's eleventh session of the Board in 2023 convened on 28 November 2023, the first special meeting of independent directors of the Company's eleventh session of the Board in 2024 convened on 22 January 2024, the second interim meeting of the Company's eleventh session of the Board in 2024 convened on 25 January 2024, and the first extraordinary general meeting in 2024 convened on 25 January 2024, respectively.

The above transactions with Hisense Holdings and its subsidiaries, Johnson Hitachi and its subsidiaries constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, and the Company confirmed such connected transactions have complied with the disclosure and Shareholders' approval requirements under Chapter 14A of the Listing Rules; The Company and Johnson Hitachi entered into a Business Cooperation Agreement, and the Board has approved the transactions and the Directors (including the Independent Non-executive Directors) have also confirmed that the terms of the transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole. Therefore, the connected transactions with Johnson Hitachi are exempt from the circular, independent financial advice and Shareholders' approval requirements according to of Rule 14A.101 of the Hong Kong Listing Rules.

Other than the above transactions and those referred in "1) under (5) Other connected transactions", other connected transactions conducted in January to June 2025 as disclosed in note 12 of the financial statements in the 2025 Interim Report do not constitute connected transactions under Chapter 14A of the Listing Rules.

(3) *Related guarantees*

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions — *Continued*

(4) Loans and borrowings of the related parties

Name of related parties	Amount of loans and borrowings	Start date	Expiry date	Closing balance	Remarks
Placements					
Hisense Group Holdings and its subsidiaries	297,081,900.00	2024-4-26	2025-4-25		- Repaid, an interest expense of RMB6,029,108.86 was paid during the period
Hisense Group Holdings and its subsidiaries	7,874,460.00	2024-5-14	2025-5-14		- Repaid, an interest expense of RMB184,398.45 was paid during the period
Hisense Group Holdings and its subsidiaries	400,881,600.00	2024-5-17	2025-5-16		- Repaid, an interest expense of RMB9,519,338.91 was paid during the period
Hisense Group Holdings and its subsidiaries	28,634,400.00	2024-5-29	2025-5-29		- Repaid, an interest expense of RMB741,135.66 was paid during the period
Hisense Group Holdings and its subsidiaries	12,885,480.00	2024-12-19	2025-12-19	12,885,480.00	An interest expense of RMB386,457.74 was paid during the period
Hisense Group Holdings and its subsidiaries	13,243,410.00	2024-3-19	2025-3-19		- Repaid, an interest expense of RMB188,206.18 was paid during the period
Hisense Group Holdings and its subsidiaries	7,158,600.00	2024-4-25	2025-4-25		- Repaid, an interest expense of RMB145,279.71 was paid during the period
Hisense Group Holdings and its subsidiaries	6,442,740.00	2024-6-20	2025-6-20		- Repaid, an interest expense of RMB158,284.02 was paid during the period
Hisense Group Holdings and its subsidiaries	13,816,098.00	2024-9-19	2025-9-19	9,520,938.00	An interest expense of RMB391,072.03 was paid during the period
Hisense Group Holdings and its subsidiaries	12,169,620.00	2024-12-19	2025-12-19	12,169,620.00	An interest expense of RMB364,987.88 was paid during the period
Hisense Group Holdings and its subsidiaries	13,243,410.00	2025-3-19	2026-3-19	13,243,410.00	An interest expense of RMB208,955.6 was paid during the period
Hisense Group Holdings and its subsidiaries	6,729,084.00	2025-3-19	2026-3-19	6,729,084.00	An interest expense of RMB106,171.99 was paid during the period
Hisense Group Holdings and its subsidiaries	297,081,900.00	2025-4-25	2026-4-24	297,081,900.00	An interest expense of RMB2,869,393.74 was paid during the period
Hisense Group Holdings and its subsidiaries	7,158,600.00	2025-4-25	2026-4-24	7,158,600.00	An interest expense of RMB69,142.05 was paid during the period
Hisense Group Holdings and its subsidiaries	5,726,880.00	2025-4-25	2026-4-24	5,726,880.00	An interest expense of RMB55,313.64 was paid during the period
Hisense Group Holdings and its subsidiaries	7,874,460.00	2025-5-14	2026-5-14	7,874,460.00	An interest expense of RMB51,790.32 was paid during the period
Hisense Group Holdings and its subsidiaries	400,881,600.00	2025-5-16	2026-5-16	400,881,600.00	An interest expense of RMB2,512,177.81 was paid during the period
Hisense Group Holdings and its subsidiaries	28,634,400.00	2025-5-29	2026-5-29	28,634,400.00	An interest expense of RMB118,122.27 was paid during the period
Hisense Group Holdings and its subsidiaries	6,800,670.00	2025-6-19	2026-6-19	6,800,670.00	An interest expense of RMB4,481.28 was paid during the period
Hisense Group Holdings and its subsidiaries	147,042,000.00	2024-11-13	2027-11-13	147,042,000.00	An interest expense of RMB2,038,288.05 was paid during the period
Hisense Group Holdings and its subsidiaries	50,414,400.00	2025-2-18	2028-2-18	50,414,400.00	An interest expense of RMB152,898.47 was paid during the period

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

2. Related party transactions — *Continued*

(5) *Other connected transactions*

- 1) As at 30 June 2025, the Group had a balance of bank deposit of RMB11,928,890,000 (presented in bank deposits, other current assets and other non-current assets according to holding intention and liquidity), and a balance of notes payable of RMB1,142,636,000; the loan balance was RMB1,113,061,800; the amount of loan interest of RMB14,591,700 was recognised for Hisense Finance, the amount of handling fees paid for electronic bank acceptance notes was RMB576,100, and the amount of handling fees for settlement services paid for receipt and payment of funds was RMB438,400. Interest income from bank deposits of RMB139,070,800 was recognised for Hisense Finance. During the period, the amount involved for the provision of settlement and sale of foreign exchange services provided by Hisense Finance to the Group was RMB35,014,200.
- 2) Pursuant to the Trademark Licensing Agreement entered into between the Company and Hisense Group, the Group is entitled to use the trademark of "海信" and "Hisense" within the scope of permission and during the licensing period in the agreement at nil consideration.
- 3) During the Reporting Period, the Company and Hisense Visual Technology Co., Ltd. (hereinafter referred to as "Hisense Visual") jointly established Hisense Star Ocean Technology (Hangzhou) Co., Ltd. (hereinafter referred to as "Hisense Star Ocean Technology") on 15 May 2025. Hisense Star Ocean Technology has a registered capital of RMB30 million, with the Company and Hisense Visual each contributing 50% in cash.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

3. Receivables from and payables to related parties

(1) *Receivables from related parties*

Item	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Receivables Financing	Hisense Visual and its subsidiaries	3,736,932.19		10,588,453.47	
Receivables Financing	Hisense Group Holdings and its subsidiaries	26,953,616.19		164,553,211.50	
Subtotal		30,690,548.38		175,141,664.97	
Notes receivable	Hisense Visual and its subsidiaries	32,183,010.28		292,454,447.58	
Notes receivable	Hisense Group Holdings and its subsidiaries	164,304,007.11		159,387,903.36	
Subtotal		196,487,017.39		451,842,350.94	
Interest receivable	Hisense Finance	569,820,898.60		466,057,623.62	
Subtotal		569,820,898.60		466,057,623.62	
Accounts receivable	Hisense Visual and its subsidiaries	150,040,677.01		97,931,519.34	113,650.00
Accounts receivable	Hisense Group Holdings and its subsidiaries	7,345,737,783.55	11,231,784.07	6,225,859,286.42	9,827,845.46
Accounts receivable	Johnson Hitachi and its subsidiaries	99,523,028.85		75,247,912.85	34,360.55
Accounts receivable	Associates of Sanden Company	190,382,293.27	62,290.06	166,213,804.97	1,750,797.48
Subtotal		7,785,683,782.68	11,294,074.13	6,565,252,523.58	11,726,653.49
Other receivables	Hisense Visual and its subsidiaries	77,382.80	18,000.00	197,248.50	18,000.00
Other receivables	Hisense Group Holdings and its subsidiaries	10,881,567.42	533,470.78	9,435,029.58	533,787.71
Other receivables	Johnson Hitachi and its subsidiaries	163,187.90		163,187.90	
Other receivables	Associates of Sanden Company	865,632.03	374,533.89	3,838,023.43	2,854,887.75
Subtotal		11,987,770.15	926,004.67	13,633,489.41	3,406,675.46
Prepayments	Hisense Visual and its subsidiaries	124,120.00		137,868.00	
Prepayments	Hisense Group Holdings and its subsidiaries	185,639,042.20		281,709,404.04	
Subtotal		185,763,162.20		281,847,272.04	
Other non-current assets	Hisense Visual and its subsidiaries	1,336,935.00			
Other non-current assets	Hisense Group Holdings and its subsidiaries	500,648.00		4,561,076.85	
Subtotal		1,837,583.00		4,561,076.85	

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 2025 to 30 June 2025

XII. RELATED PARTY AND RELATED TRANSACTIONS — *Continued*

3. Receivables from and payables to related parties — *Continued*

(2) *Payables to related parties*

Item	Related party	Closing balance	Opening balance
Notes payable	Hisense Group Holdings and its subsidiaries	69,778,557.01	93,448,068.28
Notes payable	Hisense Visual and its subsidiaries	16,612,706.31	12,700,039.71
Notes payable	Johnson Hitachi and its subsidiaries	310,844,186.02	350,014,323.36
Notes payable	Associates of Sanden Company		—
Subtotal		397,235,449.34	456,162,431.35
Accounts payable	Hisense Group Holdings and its subsidiaries	281,824,440.51	305,072,883.75
Accounts payable	Hisense Visual and its subsidiaries	3,559,595.43	6,516,580.55
Accounts payable	Johnson Hitachi and its subsidiaries	112,884,034.95	50,548,531.17
Accounts payable	Associates of Sanden Company	11,049,777.77	22,541,397.42
Accounts payable	Xuehua Group		235,008.72
Subtotal		409,317,848.66	384,914,401.61
Dividends payable	Johnson Hitachi and its subsidiaries		71,307,333.26
Dividends payable	Hisense Group Holdings and its subsidiaries	788,689,124.10	
Subtotal		788,689,124.10	71,307,333.26
Other payables	Hisense Group Holdings and its subsidiaries	1,157,696,201.02	1,145,640,491.41
Other payables	Hisense Visual and its subsidiaries	5,751,086.42	228,267.68
Other payables	Johnson Hitachi and its subsidiaries	8,570,193.53	631,190.00
Other payables	Associates of Sanden Company	112,100,343.42	78,260,924.05
Other payables	Xuehua Group	337,472.52	102,463.80
Subtotal		1,284,455,296.91	1,224,863,336.94
Advances	Hisense Group Holdings and its subsidiaries	39,646.02	
Subtotal		39,646.02	
Contractual liabilities	Hisense Group Holdings and its subsidiaries	122,864,339.55	246,810,029.13
Contractual liabilities	Hisense Visual and its subsidiaries	73,861.96	41,057.78
Contractual liabilities	Johnson Hitachi and its subsidiaries	21,114.74	121,863.74
Subtotal		122,959,316.25	246,972,950.65
Other non-current liabilities	Johnson Hitachi and its subsidiaries	491,193,668.17	504,879,334.95
Subtotal		491,193,668.17	504,879,334.95

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XIII. SHARE-BASED PAYMENTS

1. General information about share-based payments

(1) Overview on Restricted Share Incentive Scheme

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

Categories of participants	Granted during the period		Exercised during the period		Unlocked during the period		Lapsed during the period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Senior management and core personnel					6,397,866.00	42,481,830.24	1,149,234.00	7,630,913.76
Total					6,397,866.00	42,481,830.24	1,149,234.00	7,630,913.76

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XIII. SHARE-BASED PAYMENTS — *Continued*

1. General information about share-based payments — *Continued*

(2) Overview on Employee Stock Ownership Plan

1) 2022 Employee Stock Ownership Plan for A Shares of the Company

The Company held the 2022 tenth interim meeting of the Eleventh Session of the Board and the 2022 fourth meeting of the Eleventh Session of the Supervisory Committee on 30 December 2022, and the 2023 first A Share class general meeting and the 2023 first H Share class general meeting on 28 February 2023, which considered and approved relevant resolutions, such as the "Resolution on the 2022 Employee Stock Ownership Plan for A Shares of the Company and its Summary" and the "Resolution on the Administrative Measures for the 2022 Employee Stock Ownership Plan for A Shares of the Company", agreeing to implement the 2022 Employee Stock Ownership Plan for A Shares and authorising the Board to handle the matters in relation to the 2022 Employee Stock Ownership Plan for A Shares of the Company. On 12 May 2023, the Company held the 2023 sixth interim meeting of the Eleventh Session of the Board, which considered and passed the "Resolution on the Allocation of Reserved Shares under the Employee Stock Ownership Plan for A Shares in 2022" within the scope of authorisation of the 2023 second extraordinary general meeting. The participants of this Employee Stock Ownership Plan are the directors (excluding independent directors), supervisors, senior management and other core employees of the Company, with the total number of the first grant not exceeding 30 participants (excluding the reserved shares) and with the reserved shares allocated to 29 participants. The number of the underlying shares involved in this Employee Stock Ownership Plan was not more than 11,700,000 shares, with the grant price of RMB6.64 per share. On 24 June 2024, the Company held the 2024 first interim meeting of the Twelfth Session of the Board, which considered and passed the "Resolution on the Allocation of Reserved Shares under the Employee Stock Ownership Plan for A Shares in 2022" within the scope of authorisation of the 2023 second extraordinary general meeting. 889,989 reserved shares shall be subscribed by not exceeding 22 participants at a transfer price of RMB10.78 per share. The source of the shares was the Company's repurchase of its shares through a special securities account for share repurchase through centralised bidding transactions.

2) 2024 Employee Stock Ownership Plan for A Shares of the Company

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

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XIII. SHARE-BASED PAYMENTS — *Continued*

1. General information about share-based payments — *Continued*

(2) Overview on Employee Stock Ownership Plan — *Continued*

The changes in the Employee Stock Ownership Plan during the period were as follows:

Category of grant targets	Granted during the period		Exercised during the period		Unlocked during the period		Lapsed during the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Senior management and core personnel					2,971,500.00	20,134,410.00		
Total					2,971,500.00	20,134,410.00		

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

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

2. Equity settled share-based payments

Item	The Period
Method for determining fair value of equity instruments on the date of grant	The fair value of restricted shares and the Employee Stock Ownership Plan is determined by subtracting the grant price from the market price on the date of grant.
Important parameters for fair value of equity instruments on the date of grant	Market price on the date of grant
Basis for determining the number of equity instruments with exercisable rights	The Company revises the estimated number of equity instruments that can be released from sale restriction on each balance sheet date during the period of restriction based on the latest available subsequent information such as changes in the number of persons who can be released from sale restriction, achievement of performance targets, and so on.
Reasons for significant discrepancies between estimates of the period and the previous period	Nil
Accumulated amount of equity-settled share-based payment included in the capital surplus	74,196,887.44

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XIII. SHARE-BASED PAYMENTS — *Continued*

3. Share-based payment expenses during the period

Category of grant targets	Equity settled share-based payments
Senior management and core personnel	85,835,024.62
Total	85,835,024.62

XIV. COMMITMENTS AND CONTINGENCIES

1. Important commitments

Unit: RMB'0000

Item	Closing balance	Opening balance
Commitments in respect of investment in subsidiaries and jointly controlled entities (commitment to purchase long-term assets): - Authorised but not contracted - Contracted but not paid	81,906.60	43,106.80
Commitments in respect of acquisition of the property, plant and equipment of subsidiaries (commitment for external investment): - Contracted but not paid		

2. Contingencies

(1) *Contingent liabilities arising from pending litigations and arbitration and their financial impacts*

As at 30 June 2025, the Group was involved, as defendant, in litigations with amount of RMB45,793,990.33, and accrued liabilities of RMB3,683,659.19 had been made.

XV. SUBSEQUENT EVENTS

Nil.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XVI. OTHER SIGNIFICANT EVENTS

1. Capital management

The primary objectives of the Group'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 Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group was not subject to externally mandatory capital requirements and monitored its capital structure using the gearing ratio (total liabilities divided by total assets).

As at 30 June 2025 and 31 December 2024, the gearing ratios of the Group were set out as follows:

Item	End of the period	Beginning of the period
Total liabilities	55,297,948,921.09	50,327,415,106.20
Total assets	74,812,977,278.50	69,701,939,817.33
Gearing ratio	73.91%	72.20%

2. Pension scheme

In accordance with the relevant PRC laws and regulations, the Group contributes mainly to a defined contribution pension scheme, which is administered by the provincial government, in respect of employees of the Group. According to such scheme, the Group shall make contributions to the pension fund at certain percentage of the total salaries and wages of its employees.

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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	48,797.34	48,718.77
Land use rights	103.41	105.23
Machinery and equipment, etc.	406.17	468.25
Transportation equipment	29.38	34.72
Total	49,336.30	49,326.97

(2) *The Group as lessor under operating lease*

The Group's investment properties are also leased to a number of lessees for different terms. The rental income for the first half of 2025 amounted to RMB45.0561 million (2024 first half: RMB26.7575 million). The minimum lease payments receivable under non-cancellable operating leases at the end of the reporting period are as follows:

Unit: RMB'0000

Item	Amount for the period	Amount for previous period
Within one year	5,880.53	5,529.42
Over one year but within five years	15,588.75	14,692.97
Total	21,469.28	20,222.39

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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 2025 were as follows:

Operating lease payments	Unit: RMB'000	
	Amount for the period	Amount for previous period
Building or structures	11,493.12	9,794.62
Others	3,708.03	4,651.28
Total	15,201.15	14,445.90

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:*

Item	Unit: RMB'000	
	Amount for the period	Amount for previous period
Within one year	14,260.65	11,400.34
Over one year but within five years	12,692.94	15,189.50
Over five years	5,515.35	900.24
Total	32,468.94	27,490.08

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

1. Accounts receivable

(1) *Accounts receivable by ageing*

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

Ageing	Closing balance	Opening balance
Within three months	666,615,700.99	574,773,952.12
Over three months but within six months		2,437,960.37
Over six months but within one year		7,238,081.31
Over one year	107,074,518.90	126,167,140.90
Total	773,690,219.89	710,617,134.70

(2) *Accounts receivable by provision for bad debts*

Category	Closing balance			
	Book balance	Provision for bad debts		
	Amount	%	Amount	%
Accounts receivable for which provision for bad debts is separately made				
Accounts receivable for which provision for bad debts is made on a group basis	773,690,219.89	100.00	107,075,056.03	13.84
Including:				
Ageing analysis method	107,343,083.90	13.87	107,075,056.03	99.75
Receivables from related parties	666,347,135.99	86.13		268,027.87
				666,347,135.99
Total	773,690,219.89	100.00	107,075,056.03	13.84
				666,615,163.86

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

1. Accounts receivable — *Continued*

(2) *Accounts receivable by provision for bad debts* — *Continued*

(continued)

Category	Opening balance		Provision for bad debts		% Carrying amount
	Book balance	%	Amount	%	
Accounts receivable for which provision for bad debts is separately made					
Accounts receivable for which provision for bad debts is made on a group basis	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54
Including:					
Ageing analysis method	108,092,297.83	15.21	107,081,692.16	99.07	1,010,605.67
Receivables from related parties	602,524,836.87	84.79			602,524,836.87
Total	710,617,134.70	100.00	107,081,692.16	15.07	603,535,442.54

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

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Including: Within three months	268,565.00	537.13	0.20
Over one year	107,074,518.90	107,074,518.90	100.00
Total	107,343,083.90		107,075,056.03

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

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

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Within one year	666,347,135.99		
Total	666,347,135.99		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

1. Accounts receivable — *Continued*

(3) *Provision for bad debts for accounts receivable for the period*

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	
Ageing analysis method	107,081,692.16	-6,636.13			107,075,056.03
Total	107,081,692.16	-6,636.13			107,075,056.03

(4) *Accounts receivable actually written-off for the period*

The parent had no accounts receivable actually written-off during the period.

(5) *Top five accounts receivable by debtor in terms of balance as at the end of the period*

The total top five accounts receivable by debtor in terms of balance as at the end of the period amounted to RMB656,780,913.65, accounting for 84.89% of the closing balance of accounts receivable. A provision for bad debts of RMB16,475,363.73 in total was made in terms of balance as at the end of the period.

2. Other receivables

Item	Closing balance	Opening balance
Dividends receivable		71,598,383.60
Other receivables	871,103,060.96	1,095,693,177.89
Total	871,103,060.96	1,167,291,561.49

2.1 *Dividends receivable*

Item (or investee)	Closing balance	Opening balance
Hisense Hitachi		71,598,383.60
Total		71,598,383.60

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

2. Other receivables — *Continued*

2.2 Other receivables

(1) Classification of other receivables by nature

Nature of the amount	Book value as at the end of the period	Book value as at the beginning of the period
Other current account	885,815,710.49	1,110,783,600.02
Total	885,815,710.49	1,110,783,600.02

(2) Other receivables by ageing

Ageing	Book value as at the end of the period
Within three months	71,650,878.29
Over three months but within six months	6,107,080.81
Over six months but within one year	120,973.68
Over one year	807,936,777.71
Total	885,815,710.49

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

2. Other receivables — *Continued*

2.2 Other receivables — *Continued*

(3) Other receivables as shown by provision for bad debts

Category	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on a group basis	885,815,710.49	100.00	14,712,649.53	1.66	871,103,060.96
Including:					
Ageing analysis method	15,661,739.38	1.77	14,712,649.53	93.94	949,089.85
Receivables from related parties	870,153,971.11	98.23			870,153,971.11
Total	885,815,710.49	100.00	14,712,649.53	1.66	871,103,060.96

(continued)

Category	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	%	Amount	%	
Separate provision for bad debt					
Provision for bad debts on a group basis	1,110,783,600.02	100.00	15,090,422.13	1.36	1,095,693,177.89
Including:					
Ageing analysis method	15,601,556.09	1.40	15,090,422.13	96.72	511,133.96
Receivables from related parties	1,095,182,043.93	98.60			1,095,182,043.93
Total	1,110,783,600.02	100.00	15,090,422.13	1.36	1,095,693,177.89

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

2. Other receivables — *Continued*

2.2 Other receivables — *Continued*

(3) Other receivables as shown by provision for bad debts — *Continued*

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

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Including: Within three months	939,035.00	1,878.07	0.20
Over three months but within six months	13,258.80	1,325.88	20.00
Over one year	14,709,445.58	14,709,445.58	100.00
Total	15,661,739.38	14,712,649.53	93.94

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

2) Among the group, provision for bad debts for other receivables by receivables from related parties:

Ageing	Closing balance		
	Book balance	Provision for bad debts	%
Related parties within the scope of consolidation	869,268,645.94		
Related parties beyond the scope of consolidation	885,325.17		
Including: Within one year	885,325.17		
Total	870,153,971.11		

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

2. Other receivables — *Continued*

2.2 Other receivables — *Continued*

(4) Provision for bad debts of other receivables

Provision for bad debts	First stage Expected credit loss in the next 12 months	Second stage Lifetime expected credit loss (without credit impairment)	Third stage Lifetime expected credit loss (with credit impairment)	Total
Balance as at 1 January 2025	3,962.96	528,438.68	14,558,020.49	15,090,422.13
During the period, the book balance of other receivables as at 1 January 2025				
- transferred to second stage	-	-	-	-
- transferred to third stage				
- reversed to second stage				
- reversed to first stage				
Provision for the period	-759.01	-377,013.59		-377,772.60
Reversal for the period				
Written-off for the period				
Charge-off for the period				
Other changes				
Balance as at 30 June 2025	3,203.95	151,425.09	14,558,020.49	14,712,649.53

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

(5) Provision for bad debts of other receivables

Category	Opening balance	Changes during the period			Closing balance
		Provision	Recoveries or reversals	Write-off or charge-off	
Ageing analysis method	15,090,422.13	-377,772.60			14,712,649.53
Total	15,090,422.13	-377,772.60			14,712,649.53

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

2. Other receivables — *Continued*

2.2 Other receivables — *Continued*

(6) Other receivables actually written off during the period

The parent had no other receivables actually written off for the period.

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

No.	Nature of the amount	Closing balance	Ageing	Percentage of total other receivables (%)		Provision for bad debts Closing balance
				Closing balance	Closing balance	
Top 1	Other current account payments	372,699,354.39	Over one year		42.07	
Top 2	Other current account payments	165,000,000.00	Over two years		18.63	
Top 3	Other current account payments	99,000,000.00	Over one year		11.18	
Top 4	Other current account payments	96,234,162.39	Over one year		10.86	
Top 5	Other current account payments	76,015,000.00	Within one year		8.58	
Total		808,948,516.78			91.32	

3. Long-term equity investments

(1) Breakdown of long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	6,665,902,083.23	59,381,641.00	6,606,520,442.23	6,036,704,138.92	59,381,641.00	5,977,322,497.92
Investments in associates and joint ventures	949,189,493.90		949,189,493.90	786,147,253.95		786,147,253.95
Total	7,615,091,577.13	59,381,641.00	7,555,709,936.13	6,822,851,392.87	59,381,641.00	6,763,469,751.87

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Long-term equity investments — *Continued*

(2) Investments in subsidiaries

Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Movements in the current period			Opening balance of impairment provision
			Increase in investment	Decrease in investment	Increase in share-based payments	
Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.	9,183,395.67				1,289,033.87	10,472,429.54
Guangdong Kelon Air Conditioner Co., Ltd.	221,618,359.00	59,381,641.00				221,618,359.00
Hisense Ronshen (Guangdong) Freezer Co., Ltd.	2,789,577.09				370,661.21	3,160,238.30
Hisense (Guangdong) Kitchen and Bath System Co., Ltd.	5,068,448.98				1,791,765.37	6,860,214.35
Foshan Shunde Rongshen Plastic Co., Ltd.	55,455,258.07				457,134.86	55,912,392.93
Foshan Shunde Wangao Import & Export Co., Ltd.	600,000.00					600,000.00
Guangdong Kelon Jiake Electronics Co., Ltd.	82,000,000.00					82,000,000.00
Hisense Ronshen (Yingkou) Refrigerator Co., Ltd.	84,000,000.00					84,000,000.00
Jiangxi Kelon Industrial Development Co., Ltd.	147,763,896.00					147,763,896.00
Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.	3,505,103.22				473,302.86	3,978,406.08
Zhuhai Kelon Industrial Development Co., Ltd.	189,101,850.00					189,101,850.00
Shenzhen Kelon Procurement Co., Ltd.	95,000,000.00					95,000,000.00
Kelon Development Co., Ltd.	11,200,000.00					11,200,000.00
Hisense (Chengdu) Refrigerator Co., Ltd.	202,930.60				25,366.32	228,296.92
Hisense (Beijing) Electric Appliances Co., Ltd	92,101,178.17					92,101,178.17
Hisense Air-Conditioning Co., Ltd.	610,587,618.31				4,593,729.48	615,181,347.79
Qingdao Hisense Mould Co., Ltd.	359,294,504.40				571,284.58	359,865,788.98
Hisense Refrigerator Co., Ltd.	812,168,493.68				13,609,886.73	825,778,380.41
Foshan Hisense Kelon Property Development Co., Ltd.	5,728,648.70				290,389.06	6,019,037.76
Qingdao Hisense Hitachi Air- Conditioning Systems Co., Ltd.	2,619,497,708.06				10,950,292.33	2,630,448,000.39
Qingdao Gorenje Electrical Co., Ltd.	19,845,220.23				847,348.51	20,692,568.74

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Long-term equity investments — *Continued*

(2) Investments in subsidiaries — *Continued*

Investees	Opening balance (Carrying amount)	Provision for impairment Opening balance	Movements in the current period			Opening balance of impairment provision
			Increase in investment	Decrease in investment	Increase in share-based payments	
Hisense (Shandong) Kitchen and Bath Co., Ltd.	5,971,225.66				991,687.38	6,962,913.04
Qingdao Hisense Commercial Cold Chain Co., Ltd.	12,114,743.21				2,881,208.25	14,995,951.46
Guangdong Hisense Refrigerator Marketing Co., Ltd.	31,916,381.61				6,128,333.08	38,044,714.69
Hisense (Zhejiang) Air-Conditioner Co., Ltd.	770,018.14				139,165.78	909,183.92
Qingdao Hisense Air-conditioner Marketing Co., Ltd.	37,798,731.58				7,392,933.37	45,191,664.95
Guangdong Kelon Mould Co., Ltd.	936,154.34				285,442.02	1,221,596.36
Jiangmen Hisense Home Appliances Co., Ltd.	2,607,137.53				1,163,641.12	3,770,778.65
Qingdao Hisense Hitachi Air-conditioner Marketing Co., Ltd.	39,285,851.92				8,597,191.32	47,883,043.24
Qingdao Johnson Controls Air-Conditioning Co., Ltd.	245,336.14				126,763.77	372,099.91
Qingdao Hisense Hitachi Air Conditioning Technology Co., Ltd.	3,964,727.61				747,633.04	4,712,360.65
Qingdao Yiyang Venture Capital Management Co., Ltd.	5,000,000.00					5,000,000.00
Hisense Home Appliances (Hunan) Co., Ltd.	200,000,000.00					200,000,000.00
HSHA (SINGAPORE) PTE. LTD.	210,000,000.00		565,473,750.00			775,473,750.00
Total	5,977,322,497.92	59,381,641.00	565,473,750.00		63,724,194.31	6,606,520,442.23
						59,381,641.00

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

3. Long-term equity investments — *Continued*

(3) Investments in associates and joint ventures

Investees	Opening (Carrying amount)	Provision for impairment	Movements in the current period							Opening balance (Carrying amount)
			Increase in investment	Decrease in investment	using equity method	Gains or losses from investment recognised	Adjustment or other comprehensive income	Declaration of cash dividend or profit	Provision for impairment made	
						or other comprehensive income	Other change in equity	or profit	Changes in exchange rate	
I. Joint ventures										
Hisense Marketing Management Co., Ltd.	50,297,902.69					7,560,677.18				57,858,579.87
Qingdao Hisense										
Global Asia Holding Co., Ltd.	18,597,059.07					9,084,264.87	3,160,865.60			30,842,189.54
Hisense Star										
Ocean Technology (Hangzhou) Co., Ltd.			15,000,000.00			-27,229.25				14,972,770.75
Subtotal	68,894,961.76		15,000,000.00			16,617,712.80	3,160,865.60			103,673,540.16
II. Associates										
Qingdao Hisense										
Jinlong Holdings Co., Ltd.	414,741,582.39					11,368,468.63				417,534,592.63
Qingdao Hisense International Marketing Co., Ltd.	154,559,765.54					85,331,575.59	40,199,388.03	-857,172.32		279,233,556.84
Qingdao Hisense Intelligent Electronics Co., Ltd.	147,950,944.26					796,860.01				148,747,804.27
Subtotal	717,252,292.19					97,496,904.23	40,199,388.03	-857,172.32	8,575,458.39	845,515,953.74
Total	786,147,253.95		15,000,000.00			114,114,617.03	43,360,253.63	-857,172.32	8,575,458.39	949,189,493.90

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

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

4. Operating revenue and operating costs

Breakdown of operating revenue and operating costs

Item	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	2,483,784,140.31	2,181,205,775.33	2,599,779,932.40	2,452,091,577.96
Other operations	146,637,657.16	129,122,152.32	133,838,806.89	113,391,063.20
Total	2,630,421,797.47		2,310,327,927.65	2,733,618,739.29
			2,565,482,641.16	

5. Investment gain

Item	Amount for the period	Amount for the previous period
Gain from long-term equity investment under the cost method	1,288,297,080.00	1,286,865,097.36
Gain from long-term equity investment under the equity method	114,114,617.03	69,870,818.25
Gain from investments in wealth management products	18,629,731.41	12,815,845.08
Total	1,421,041,428.44	1,369,551,760.69

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2025 to 30 June 2025

XVIII. SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

1. Breakdown of non-recurring profit or loss for the period

Item	Amount for current period	Notes
Gain or loss from disposal of non-current assets (Including the offsetting part of the provision for impairment of assets already provisioned)	18,693,337.84	
Government grants included in the gain or loss for current period (excluding those government grants that are closely related to the Company's normal business operations, that are in line with national policies, that are enjoyed according to defined criteria, and that have a sustained impact on the Company's profit or loss)	62,698,065.41	
Gain or loss from changes in fair value of financial assets and liabilities held by non-financial enterprises and gain or loss from the disposal of financial assets and liabilities, except for the effective hedging business related to the Company's normal business operations	76,641,468.99	
Gain or loss arising from entrusted investment or entrusted asset management	129,858,712.05	
Gain or loss arising from debt restructuring	10,587,751.15	
Other non-operating income and expense other than the aforementioned items	21,142,673.81	
Subtotal	319,622,009.25	
Less: Effect of income tax	57,090,449.32	
Effect of minority interests (after tax)	3,560,315.61	
Total	258,971,244.32	

2. Return on net asset and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the parent	12.55	1.52	1.52
Net profit attributable to ordinary shareholders of the parent after deducting non-recurring profit or loss	10.99	1.32	1.32

Hisense Home Appliances Group Co., Ltd.

30 July 2025