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HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00921)

2019 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Hisense Home Appliances Group Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2018. This interim results announcement has been reviewed by the Company’s Audit Committee.

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

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

Consolidated Balance Sheet

Item	Note	30 June 2019	31 December 2018
Current assets			
Cash at bank and on hand		5,030,265,550.50	3,648,463,609.61
Transactional financial assets		143,200.00	207,350.00
Financial assets at fair value through profit or loss for the current period			
Transactional financial assets			
Derivative financial assets			
Notes and accounts receivable	5	6,819,526,195.20	6,068,203,234.09
Including: Notes receivable		2,277,732,761.70	2,971,748,608.75
Accounts receivable		4,541,793,433.50	3,096,454,625.34

Prepayments		217,192,594.30	224,120,738.37
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Others receivables		298,640,168.80	318,926,986.30
Including: Interest receivable		484,127.77	197,325.00
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories		2,876,113,754.53	2,955,752,775.71
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		2,277,465,389.40	1,081,172,953.81
Total current assets		17,519,346,852.73	14,296,847,647.89
Non-current assets			
Disbursement of entrusted loans and advances			
Financial assets available-for-sale			
Other bond investments			
Long-term receivables			
Long-term equity investments		3,067,382,465.36	3,326,783,023.78
Other equity instrument investments			
Other non-current financial assets			
Investment properties		21,202,762.38	22,511,361.05
Fixed assets		3,182,667,991.93	3,263,931,920.41
Construction in progress		56,466,509.48	84,296,518.04
Productive biological assets			
Oil and gas assets			
Right-of-use assets		41,491,784.18	
Intangible assets		711,132,986.36	714,706,893.47
Development costs			
Goodwill			
Long-term prepaid expenses		24,063,891.51	25,349,762.41
Deferred tax assets		85,293,886.22	93,477,911.35
Other non-current assets			
Total non-current assets		7,189,702,277.42	7,531,057,390.51
Total assets		24,709,049,130.15	21,827,905,038.40

Current liabilities			
Short-term borrowings			
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Financial liabilities at fair value through profit or loss for the current period			
Transactional financial liabilities		435,190.00	2,765,900.00
Derivative financial liabilities			
Notes and accounts payable	6	11,501,783,495.11	9,815,704,300.63
Advances from customers			
Contract liabilities		322,470,065.38	716,041,073.75
Proceeds from disposal of financial assets under agreements to repurchase			
Handling fees and commission payable			
Employee remunerations payable		313,396,619.96	328,800,107.19
Taxes payable		197,758,150.48	230,675,886.53
Other payables		2,461,683,065.69	1,766,319,446.79
Including: Interests payable			
Dividends payable		412,905,787.11	
Reinsured accounts payable			
Reserves for reinsurance contract			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities		955,921,040.81	646,178,914.93
Total current liabilities		15,753,447,627.43	13,506,485,629.82
Non-current liabilities			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual debts			
Lease liabilities		37,607,919.24	
Long-term payables			
Long-term employee remunerations payable			
Accrued Liabilities		337,955,208.48	329,557,537.00

Deferred income		123,848,392.31	98,410,309.53
Deferred tax liabilities		10,089,315.32	4,044,585.32
Other non-current liabilities`			
Total non-current liabilities		509,500,835.35	432,012,431.85
Total liabilities		16,262,948,462.78	13,938,498,061.67
Shareholders' equity			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual debts			
Capital reserves		2,076,473,214.56	2,076,473,214.56
Less: treasury shares			
Other comprehensive incomes		22,618,996.53	16,896,290.49
Special reserves			
Surplus reserves		556,272,909.16	556,272,909.16
General risk provisions			
Undistributed profit		3,886,297,261.90	3,339,456,580.66
Total equity attributable to shareholders of the Company		7,904,387,752.15	7,351,824,364.87
Minority interests		541,712,915.22	537,582,611.86
Total shareholders' equity		8,446,100,667.37	7,889,406,976.73
Total liabilities and shareholders' equity		24,709,049,130.15	21,827,905,038.40

Consolidated Income Statement

Item	Note	January to June 2019	January to June 2018
I. Total operating revenue		18,950,275,309.93	20,370,759,289.58
Including: Operating revenue	7	18,950,275,309.93	20,370,759,289.58
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		18,505,571,940.20	19,971,447,150.13
Including: Operating costs	7	15,091,028,662.14	16,624,633,310.44

Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance contract reserves provided			
Policyholder dividend expenses			
Reinsurance premium expenses			
Taxes and surcharges		150,663,690.48	161,071,308.45
Selling and distribution expenses		2,624,883,463.85	2,643,873,486.50
General and administrative expenses		241,004,121.20	214,080,347.92
Research and development expenses		377,178,975.93	319,451,060.26
Financial expenses	8	14,787,894.44	13,267,112.63
Including: Interest expenses		973,801.85	2,472,249.99
Interest income		24,740,076.79	15,885,956.22
Impairment losses on assets		-2,505,781.48	-3,507,882.40
Credit impairment loss		8,530,913.64	-1,421,593.67
Add: Other income		107,479,058.57	90,355,764.85
Investment income (Loss denoted by “-”)	9	498,007,782.36	407,429,356.48
Including: Share of profit of associates and jointly controlled entities		487,374,859.09	379,639,880.70
Foreign exchange gains (Loss denoted by “-”)			
Gain net exposure to hedging (Loss denoted by “-”)			
Gains from changes in fair value (Loss denoted by “-”)		2,266,560.00	-2,443,607.21

Gains on disposal of assets (Loss denoted by “-”)		586,691.50	471,937.85
III. Operating profits		1,053,043,462.16	895,125,591.42
Add: Non-operating income		66,745,068.73	47,013,064.01
Less: Non-operating expenses		10,841,854.97	11,896,255.36
IV. Total profits (total loss denoted by “-”)		1,108,946,675.92	930,242,400.07
Less: Income tax expenses	10	122,414,482.21	111,675,938.47
V. Net profits (net loss denoted by “-”)		986,532,193.71	818,566,461.60
(I) Classified on a going concern basis			
1. Net profit from continuing operations (net loss denoted by “-”)		986,532,193.71	818,566,461.60
2. Net profit from discontinued operations (net loss denoted by “-”)			
(II) Classified by ownership of equity			
1. Net profit attributable to owners of the parent (net loss denoted by “-”)		959,746,468.35	791,634,530.35
2. Profit and loss of minority interests (net loss denoted by “-”)		26,785,725.36	26,931,931.25
VI. Other comprehensive income after tax, net		5,722,706.04	-1,640,657.30
Other comprehensive income after tax attributable to shareholders of the parent, net		5,722,706.04	-1,640,657.30
(I) Items not to be reclassified into profit or loss			
1. Changes arising from remeasurement of defined benefit plans			
2. Other comprehensive income not to be reclassified into profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Changes in fair value of enterprise’s own credit risk			
(II) Items to be reclassified into profit or loss		5,722,706.04	-1,640,657.30
1. Other comprehensive income to be reclassified into profit or loss under the equity method		6,666,182.49	-1,468,978.44
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt instruments			

5. Reserve for cash flow hedging			
6. Differences on translation of foreign currency financial statements		-943,476.45	-171,678.86
7. Others			
Other comprehensive income after tax attributable to minority interests, net			
VII. Total comprehensive income		992,254,899.75	816,925,804.30
Total comprehensive income attributable to shareholders of the parent		965,469,174.39	789,993,873.05
Total comprehensive income attributable to minority interests		26,785,725.36	26,931,931.25
VIII. Earnings per share:			
(I) Basic earnings per share	13	0.70	0.58
(II) Diluted earnings per share		0.70	0.58

Correction of Accounting Errors:

Details of correction of accounting errors can be found in the announcement regarding Correction of Accounting Errors published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 28 March 2019.

Note:

1. General information

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC") on 16 December 1992. The Company's overseas listed public shares (the "H Shares") were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996, whereas the Company's domestic shares (the "A Shares") were listed on the Shenzhen Stock Exchange on 13 July 1999.

On 29 January 2007, a share reform scheme (the "Reform of Non-tradable Shares Scheme") was formulated and the scheme was approved in the A shares general meeting, and further approved by Ministry of Commerce PRC on 22 March 2007. After completion of the Reform of Non-tradable Shares Scheme, the Company's non-freely transferable domestic legal person shares were converted into freely transferable A shares (the "Transferable Shares").

On 31 August 2009, the Company's proposal for a major asset reorganization and the acquisition of the white goods assets and business (the "White Goods Business") of Hisense Air-Conditioning (the "Acquisition") was approved in the Company's shareholders' meeting. The Acquisition was approved by the PRC's China Securities Regulatory Commission (the "CSRC") on 23 March 2010. On 10 June 2010, the Company allotted and issued 362,048,187 A shares to Hisense Air-Conditioning.

On 23 May 2014, the conditions for exercising the options of the first exercise period of the first share option incentive scheme of the Company were satisfied. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited has approved the registration and the listing of the 4,440,810 new shares issued pursuant to the exercise of share options.

On 19 June 2015, the conditions for exercising the options of the second exercise period of the first share option incentive scheme of the Company were satisfied. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited has approved the registration and the listing of the 4,229,810 new shares issued pursuant to the exercise of share options. As of 30 June 2018, the total number of issued shares of the Company was 1,362,725,370 and the registered capital of the Company was RMB1,362,725,370.00, of which Hisense Air-Conditioning held 516,758,670 shares, representing 37.92% of the Company's total issued share capital and continued to be the immediate controlling shareholder.

On 30 June 2019, directors of the Company were of the opinion that Hisense Company Limited (“Hisense Group”), a state-owned enterprise incorporated in the PRC, was regarded as the ultimate controlling shareholder.

The English names by which some of the companies are referred to in these financial statements represent management's best efforts in translating their Chinese names as no English names have been registered for these companies. The Group, comprising the Company and its subsidiaries, is principally engaged in research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc..

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

2. Basis of preparation of financial statements

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

According to the relevant provisions of Accounting Standards for Business Enterprises,

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

As the Company is listed in both Mainland and Hong Kong stock exchange, save as the abovementioned relevant regulations, the financial statements shall also disclose such information as required by applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

3. Significant changes in accounting policies

Description on the change in accounting policies during this reporting period:

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 21 - Leases (2018 Amendments) (Cai Kuai [2018] No.35) on 7 December 2018, which requires companies that are listed both domestically and overseas, and companies that are listed overseas and adopt the International Financial Reporting Standards or the Accounting Standards for Business Enterprises in the preparation of financial reports to implement the New Lease Standard with effect from 1 January 2019. The Company has implemented the Lease Standard from the time as the Ministry of Finance requires.

Under the New Lease Standard, for contracts that already existed before the date of initial adoption, the Company elected not to reassess whether the contracts are or contain a lease at the date of initial adoption. For lease contracts with the Company as the lessee, the Company elected to adjust only the cumulative impact of the lease contracts outstanding on 1 January 2019.

The cumulative affected amount of initial adoption of retained earnings and other relevant items in the financial statements at the beginning of initial adoption period (i.e. 1 January 2019) were adjusted, and no adjustment will be made for the information of comparable period. In particular: For operating leases at the date of initial adoption, the Company measures lease liability based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial adoption; and the unpaid rent payables provided based on the accrual basis under the original lease standard will be included in the remaining lease payments.

Impacts of adopting New Lease Standard to the Company are as follows:

Changes	31 December 2018 Amount (before changes)	Reclassif ication	Re-measurement	1 January 2019 Amount (after changes)
Assets:				
Other current assets	1,081,172,953.81		-5,214,007.11	1,075,958,946.70
Right-of-use				

assets			46,360,081.84	46,360,081.84
Liabilities:				
Lease liabilities			41,146,074.73	41,146,074.73

4. Segment information

The Group manages its business by segments which are divided based on combinations of business lines and geography. In the manner consistent with the internal reports to the Group's most senior executive management personnel for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments: refrigerators and washing machines, air-conditioners, and others (including product components and other electrical household appliances).

(1) Segment information for the current period is as follows:

Amount for current period	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	7,659,743,689.33	8,914,777,401.66	754,928,517.55		17,329,449,608.54
2. Revenue from inter-segment transactions			828,152,745.34	-828,152,745.34	
3. Gain from investment in associates and joint ventures	-815,560.28	462,955,720.14	25,234,699.23		487,374,859.09
4. Depreciation and amortization	194,348,715.49	114,788,623.84	41,233,028.90		350,370,368.23
5. Gain from changes in fair value			2,266,560.00		2,266,560.00
6. Impairment losses on assets (Including credit impairment loss)	1,997,694.12	431,649.47	3,595,788.57		6,025,132.16
7. Total profit (total loss)	278,109,311.05	777,277,815.49	78,515,970.70	-24,956,421.32	1,108,946,675.92
8. Total assets	18,398,418,501.84	13,256,822,058.57	3,241,425,643.63	-10,187,617,073.89	24,709,049,130.15
9. Total liabilities	12,279,011,172.67	8,576,063,321.52	1,684,459,567.99	-6,276,585,599.40	16,262,948,462.78
10. Additions to other non-current assets other than long-term equity investments	-80,997,563.28	20,794,613.15	-68,111,686.38		-128,314,636.51

Segment information for the corresponding period last year is as follows:

Amount for corresponding period last year	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	7,922,828,341.20	9,648,456,857.31	868,367,352.14		18,439,652,550.65
2. Revenue from inter-segment transactions			857,738,034.96	-857,738,034.96	
3. Gain from investment in associates and joint ventures	-314,735.33	372,461,536.31	7,493,079.72		379,639,880.70
4. Depreciation and amortization	195,618,680.70	103,030,565.55	38,432,059.81		337,081,306.06
5. Gain from changes in fair value			-2,443,607.21		-2,443,607.21

6. Impairment losses on assets(Including credit impairment loss)	-5,646,597.36	1,115,973.34	-398,852.05		-4,929,476.07
7. Total profit (total loss)	105,589,542.84	738,395,199.57	105,253,826.39	-18,996,168.73	930,242,400.07
8. Total assets	16,386,441,287.17	13,760,463,626.00	3,853,800,221.21	-9,402,888,447.74	24,597,816,686.64
9. Total liabilities	10,946,010,474.75	9,987,436,686.16	1,851,271,388.12	-5,475,762,908.39	17,308,955,640.64
10. Additions to other non-current assets other than long-term equity investments	-69,016,710.87	35,297,606.87	16,358,808.22		-17,360,295.78

(2) Geographical Information

Region	January to June 2019	January to June 2018
Revenue from domestic transactions	10,996,497,355.33	12,421,473,427.49
Revenue from overseas transactions	6,332,952,253.21	6,018,179,123.16
Total	17,329,449,608.54	18,439,652,550.65
Region		
Non-current assets-Domestic	7,178,791,091.83	7,565,732,109.26
Non-current assets-Overseas	10,911,185.59	11,685,363.09
Total	7,189,702,277.42	7,577,417,472.35

*The Company is mainly operated in Mainland China, where the majority of non-current assets are located as well; therefore no further detailed geographical information is required to be reported.

5. Notes and accounts receivable

Item	30 June 2019	31 December 2018
Notes receivable	2,277,732,761.70	2,971,748,608.75
Accounts receivable	4,541,793,433.50	3,096,454,625.34
Total	6,819,526,195.20	6,068,203,234.09

Normal credit term of 60 days is granted to customers. The Group allows a credit term of not exceeding one year for large and well-established customers from the date of invoice. Sales are usually settled by cash on delivery for small and new customers. Trade receivables are non-interest bearing.

The aging of trade receivables is analyzed as follows:

Item	30 June 2019	31 December 2018
Within three months	4,175,796,592.50	2,762,702,194.47

Over three months but within six months	112,030,948.68	141,501,772.55
Over six months but within one year	110,854,226.23	44,637,494.79
Over one year	307,803,510.91	301,022,572.82
Total	4,706,485,278.32	3,249,864,034.63
Minus: provision for bad debts	164,691,844.82	153,409,409.29
Book value	4,541,793,433.50	3,096,454,625.34

6. Notes and accounts payable

Item	30 June 2019	31 December 2018
Notes payable	6,586,679,627.10	5,442,369,087.15
Accounts payable	4,915,103,868.01	4,373,335,213.48
Total	11,501,783,495.11	9,815,704,300.63

The aging of accounts payables is analyzed as follows:

Item	30 June 2019	31 December 2018
Within one year	4,796,243,879.24	4,259,455,773.64
Over one year	118,859,988.77	113,879,439.84
Total	4,915,103,868.01	4,373,335,213.48

7. Operating revenues and Costs

Item	January to June 2019	January to June 2018
Revenue from principal operations	17,329,449,608.54	18,439,652,550.65
Revenue from other operations	1,620,825,701.39	1,931,106,738.93
Total	18,950,275,309.93	20,370,759,289.58
Item	January to June 2019	January to June 2018
Cost of principal operations	13,580,858,060.22	14,788,200,733.98
Cost of other operations	1,510,170,601.92	1,836,432,576.46
Total	15,091,028,662.14	16,624,633,310.44

8. Financial expenses

Item	January to June 2019	January to June 2018
Interest expenses	973,801.85	2,472,249.99
Minus: interest income	24,740,076.79	15,885,956.22
Gain/(loss) on Foreign Exchange	2,504,516.23	1,752,989.08

Others	36,049,653.15	24,927,829.78
Total	14,787,894.44	13,267,112.63

9. Investment Income

(1) Particulars of investment gain

Item	January to June 2019	January to June 2018
Gain from long-term equity investment under the equity method	487,374,859.09	379,639,880.70
Investment gain from disposal of financial assets at fair value through profit or loss	-1,949,200.00	-271,460.10
Investment gain from wealth management products	12,582,123.27	28,060,935.88
Total	498,007,782.36	407,429,356.48

(2) Gain from long-term equity investment under the equity method

Investee	January to June 2019	January to June 2018
Hisense Hitachi	463,771,280.41	372,776,271.64
Hisense Financial Holdings	22,173,792.69	8,674,363.22
Hisense Commercial Trading	-1,631,120.55	-629,470.66
Hisense International	3,060,906.54	-1,181,283.50
Total	487,374,859.09	379,639,880.70

10. Income tax expenses

Item	January to June 2019	January to June 2018
Current income tax expenses	108,185,727.08	118,458,277.21
Deferred tax expenses	14,228,755.13	-6,782,338.74
Total	122,414,482.21	111,675,938.47

Certain subsidiaries have been recognised as “high technology” companies and are entitled to a preferential tax rate of 15% (2018: 15%). Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits.

Except as disclosed above, the Company and other group entities, which were established and operated in the PRC, are subject to EIT at a standard rate of 25% (2018: 25%).

11. Net Current Assets

Item	30 June 2019	31 December 2018
Current Assets (Consolidated)	17,519,346,852.73	14,296,847,647.89
Minus: Current Liabilities (Consolidated)	15,753,447,627.43	13,506,485,629.82
Net Current Assets (Consolidated)	1,765,899,225.30	790,362,018.07
Current Assets (the Parent)	2,279,968,468.80	1,497,470,009.51
Minus: Current Liabilities (the Parent)	1,424,358,678.22	1,013,365,658.22
Net Current Assets (the Parent)	855,609,790.58	484,104,351.29

12. Total Assets Less Current Liabilities

Item	30 June 2019	31 December 2018
Total Assets (Consolidated)	24,709,049,130.15	21,827,905,038.40
Minus: Current Liabilities (Consolidated)	15,753,447,627.43	13,506,485,629.82
Total Assets Minus Current Liabilities (Consolidated)	8,955,601,502.72	8,321,419,408.58
Total Assets (the Parent)	8,010,769,887.07	7,489,244,597.52
Minus: Current Liabilities (the Parent)	1,424,358,678.22	1,013,365,658.22
Total Assets Minus Current Liabilities (the Parent)	6,586,411,208.85	6,475,878,939.30

13. Earnings per share

(a) Basic earnings per share

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

Item	January to June 2019	January to June 2018
Consolidated net profit attributable to ordinary shareholders of the Company	959,746,468.35	791,634,530.35
Weighted average number of issued ordinary shares of the Company outstanding	1,362,725,370.00	1,362,725,370.00
Basic earnings per share	0.70	0.58

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the Company adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares in issue of the Company. For the Reporting Period and the corresponding period ended 30 June 2018 there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019. No interim dividend was paid for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

(I) INDUSTRY OVERVIEW

During the Reporting Period, domestic refrigerator sales wandered at a low level. According to inferential statistics from the China Market Monitor Company Limited (“CMM”), as of June 2019, cumulative retail volume in the refrigerator sector increased by 1.3% year-on-year. By contrast, performance of the domestic air-conditioner market was bleak and the growth of market size turned negative. According to inferential statistics from the CMM, as of June 2019, cumulative retail volume in the air-conditioner market decreased by 5.6% year-on-year. According to the Report on Central Air-conditioning Market of China in the First Half of 2019 issued by aircon (艾肯), as affected by the downturn of the home furnishing retail market, the overall volume of the domestic central air-conditioning market in the first half of 2019 decreased by 2.1% year-on-year. In terms of export market, the size of the market maintained a growth trend, but the market environment was increasingly complicated due to the existence of factors such as trade friction.

(II) ANALYSIS OF COMPANY’S OPERATION

During the Reporting Period, the Company adhered to its business philosophy of “making good, high-quality products” and achieved sustaining and healthy development with a steadily improving operational efficiency. The Company achieved operating revenues of RMB18.950 billion, representing a year-on-year decrease of 6.97%, and principal operating revenue of RMB17.329 billion, representing a year-on-year decrease of 6.02%. Revenue from the refrigerator and washing machine business accounted for 44.20% of the principal operating revenue, representing a year-on-year decrease of 3.32%; and revenue from the air-conditioner business accounted for 51.44% of the principal operating revenue, representing a year-on-year decrease of 7.60%. The domestic sales business recorded a principal operating revenue of RMB10.996 billion, representing a year-on-year decrease of 11.47%, whereas the export sales business recorded a principal operating revenue of RMB6.333 billion, representing a year-on-year increase of 5.23%. Net profits attributable to shareholders in the listed company reached RMB0.960 billion, representing a year-on-year increase of 21.24%, in which net profits after deducting non-recurring gains or losses were RMB0.879 billion, representing a year-on-year increase of 19.07%. Earnings per share were RMB0.70. The Company continued to improve fund management,

accelerate funds turnover and reduce inventory level. The turnover of inventories was reduced by 4.57 days year-on-year.

The major works of each business are as follows:

1. The Refrigerator and Washing Machine Business

During the Reporting Period, our refrigerator company implemented cost control by means of “technology”, “procurement” etc. with remarkable results. At the same time, we adhered to the high-end product strategy and constantly optimised product mix. Gross profit margin has a year-on-year significant increase of 4.19 percentage points and total profit of the business increased significantly, with our profitability further strengthened. In terms of products, we accurately grasped users’ needs to create products that “users will love” and launched Ronshen X7, an American-style side-by-side refrigerator with “free insertion design”, which is the first of its kind in the side-by-side refrigerator arena. We also launched Italian-style three-door refrigerator and super large air-cooled two-door refrigerator under the Hisense God of Cookery series which have “the biggest capacity and the thinnest body in similar products of the industry” and satisfy the needs of high-end users of small families. They also boast frosted glass panel which is new in the industry, truly realizing “small yet beautiful”. The Hisense “Bingbing L6” upright freezer was also launched which is the first to introduce “-40°C” deep-freezing technology into family upright freezers. The product mix and competitiveness of the Company have been further enhanced. According to CMM offline statistics, as of June 2019, the Company’s cumulative retail market share in mid- and high-end refrigerators and freezers increased by 2.4% and 1.8% respectively. In addition, the Company unceasingly innovated its way of brand promotion. It enhanced brand image and influence through initiatives such as “producing delicacy documentaries”, “continuously carrying out student financial aid activities to establish our brands’ charity-supporting image”, sponsoring CCTV programmes and new media broadcasting. Commercial cold chain continued its efforts, fully utilising cross-industry alliance to establish cross-industry strategic partnership. The scale and profitability of the business achieved significant growth year-on-year.

2. The Residential Air-conditioner Business

During the Reporting Period, facing the severe pressure of “a shrinking domestic sales market” and “intensive price war”, our air-conditioner company adhered to the high-end strategy and actively optimised export product mix. At the same time, we planned and developed competitive products targeting major foreign markets and actively expanded the scale of export. We achieved good growth in export revenue scale of air-conditioners. Furthermore, through exploring user needs and developing a series of comfortable inverter products, our product competitiveness has been continuously upgraded. At the 2018-2019 China Air-conditioning Industry Summit Forum, “Hisense” was awarded as “Quality Leading Brand of Air-conditioning Industry 2018-2019” and Hisense “Prince Charming X” (男神 X) Air Conditioner was awarded as “Leading Product of Comfortable Inverter of

the Air-conditioning Industry 2018-2019” for our R&D and promotion of comfortable inverter products. Furthermore, the Company focused on its major customers, expanded high-quality network with great effort, actively developed new retail channels and further consolidated and strengthened channel building for the “Hisense” and “Kelon” brands. Comprehensive progress has been made in brand building through merchant activities, product packaging, society-oriented marketing, etc., further lifting the public awareness and reputation of our brands.

3. The Central Air-conditioners Business

During the Reporting Period, under the environment of a downturn in the central air-conditioning industry, Hisense Hitachi continuous growth in business scale and profits. The major works are as follows: enriching product portfolio by launching new product series including Hitachi full DC inverter multi-connected SET-FREE A series and Hitachi central air-conditioning new ecology indoor product series, which maintained our products’ leading position; strengthening resource advantage by complementing and strategic cooperation with real estate developments which strongly supported growth of the overall business scale; adhering to high-end product strategy and improving high-end product sales capability from channel to retail level to support further improvement of profitability; actively participating in the development and exchanges of the industry and the Company has been included as a “council member unit” of the Refrigeration and Air-conditioning Heat Exchanger Technology Alliance; emphasizing on synergistic progress of the business development of the Company and the innovation and development of regional economy, with the Company’s project “Building a platform for the research of key technology and products of high performance and large capacity inverter multi-connected air-conditioners” has been approved as a development and construction project of the Shandong Peninsula National Innovation Zone for 2019.

4. Risks faced by the Company and contingency measures

The major risks we face are as follows:

- (1) Macroeconomic cyclical fluctuation risk: Under the pressure of macroeconomic downturn, the demand for household appliances will decline and the consumption power will not be sufficient, thus affecting the scale of sales of the Company.
- (2) Continued cost pressure: if the price of raw materials increases significantly, it will adversely affect the profitability of the Company; and the continuously increasing human resources and labour costs, logistics and transportation costs, installation services costs, etc. will all have a negative impact on the Company’s profitability.
- (3) Trade protectionism is prevalent, and the downward pressure on exports is increasing.
- (4) Exchange rate fluctuation risk: The fluctuation of the RMB exchange rate directly

affects the competitiveness of the Company's export products, thus affecting the operating of the Company's export business.

For the second half of 2019, major tasks of the Company are as follows:

(1) By leveraging the advantages of "whole category of household appliances" to expand sales, vigorously develop e-commerce channels and enhance diversified retail channels, we will ensure stable scale.

(2) Continue to vigorously promote high-end products and continue to optimize the sales structure to ensure higher profitability.

(3) Improve the scale and efficiency of our export by improving customer development plan and optimizing export product structure.

(4) Continue to strengthen fund management, reduce ineffective capital occupation and accelerate cash flows.

II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Yes No

Reasons for retrospective adjustment or restatement: Correction of accounting errors

Details of correction of accounting errors can be found in the announcement regarding Correction of Accounting Errors published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 28 March 2019.

Items	Reporting Period	Co rresponding period last year		Increase or decrease as compared to corresponding period last year (%)
		Before correction	After correction	
Operating revenue (RMB)	18,950,275,309.93	20,370,759,289.58	20,370,759,289.58	-6.97
Net profits attributable to shareholders of listed company (RMB)	959,746,468.35	802,958,013.85	791,634,530.35	21.24
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	878,846,308.56	749,401,999.33	738,078,515.83	19.07
Net cash flow from operating activities (RMB)	1,969,095,990.99	636,947,655.91	636,947,655.91	209.15
Basic earnings per share (RMB/share)	0.70	0.59	0.58	20.69
Diluted earnings per share (RMB/share)	0.70	0.59	0.58	20.69
Weighted average rate of return on net assets (%)	12.36	11.9	11.52	0.84 percentage point
Items	End of the Reporting Period	End of last year		Increase or decrease as compared to end of last

				year (%)
		Before correction	After correction	
Total assets (RMB)	24,709,049,130.15	21,827,905,038.40	21,827,905,038.40	13.20
Net assets attributable to shareholders of listed company (RMB)	7,904,387,752.15	7,351,824,364.87	7,351,824,364.87	7.52

(II) 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)	285,342.56	
Government grants recognized 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)	93,599,670.59	
Profit and losses from assets which entrust others to invest or manage	12,582,123.27	
Other non-operating income and expenses other than the aforementioned items	3,004,080.26	
Minus: Effect of income tax	17,481,138.14	
Effect of minority interests (after tax)	11,089,918.75	
Total	80,900,159.79	

(III) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: RMB

Items	Closing Balance (current period)	Opening balance (corresponding period last year)	Change (%)	Reasons of change
Cash at bank and on hand	5,030,265,550.50	3,648,463,609.61	37.87	Mainly due to the continued improvements in the operating results of the Company
Other current assets	2,277,465,389.40	1,075,958,946.70	111.67	Mainly due to the increase in the balance of wealth management products purchased at the end of this reporting period
Construction in progress	56,466,509.48	84,296,518.04	-33.01	Mainly due to the completion of part of the construction transferring to fixed assets
Other payables	2,461,683,065.69	1,766,319,446.79	39.37	Mainly due to the increase in dividends payable
Contract liabilities	322,470,065.38	716,041,073.75	-54.96	Mainly due to the decrease in advance on sales
Other current liabilities	955,921,040.81	646,178,914.93	47.93	Mainly due to the increase in accrued expenses with the increase in scale during the peak season of sales
Operating revenue	18,950,275,309.93	20,370,759,289.58	-6.97	No significant changes
Operating costs	15,091,028,662.14	16,624,633,310.44	-9.22	No significant changes
Sales expenses	2,624,883,463.85	2,643,873,486.50	-0.72	No significant changes
Management expenses	241,004,121.20	214,080,347.92	12.58	No significant changes
Financial expenses	14,787,894.44	13,267,112.63	11.46	No significant changes
Non-operating income	66,745,068.73	47,013,064.01	41.97	Mainly due to the increase in other government subsidies received
Income tax expenses	122,414,482.21	111,675,938.47	9.62	No significant changes
Net cash flow from operating activities	1,969,095,990.99	636,947,655.91	209.15	Mainly due to the continued improvements in the operating results of the Company
Cash received relating to other	790,000,000.00	1,580,000,000.00	-50.00	Mainly due to the reduction of expired wealth management products

Items	Closing Balance (current period)	Opening balance (corresponding period last year)	Change (%)	Reasons of change
operating activities				
Net cash flow from investing activities	-553,341,688.58	-254,622,439.46	Not Applicable	Mainly due to the reduction of expired wealth management products
Cash received from borrowings		200,000,000.00	-100.00	Mainly due to short borrowings accrued in corresponding period in last term while no short borrowings accrued in this period
Cash paid relating to other financing activities	687,192,376.72	365,328,088.72	88.1	Mainly due to the increase in net cash flow from investing activities
Net cash flow from financing activities	-710,572,704.38	-178,162,011.40	Not Applicable	Mainly due to the increase in net cash flow from investing activities
Net increase in cash and cash equivalents	704,697,522.03	203,124,203.46	246.93	Mainly due to the continued improvements in the operating results of the Company

(IV) DESCRIPTION OF PRINCIPAL BUSINESS SEGMENTS

Unit: RMB

Item	Revenue from operating businesses	Costs of operating businesses	Gross profit margin (%)	Increase or decrease in revenue from operating businesses as compared to corresponding period last year (%)	Increase or decrease in costs of operating businesses as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
By industry						
Home appliances manufacturing industry	17,329,449,608.54	13,580,858,060.22	21.63	-6.02	-8.16	1.83
By product						
Refrigerators and washing machines	7,659,743,689.33	5,865,410,061.74	23.43	-3.32	-8.33	4.19
Air-conditioners	8,914,777,401.66	7,098,682,342.34	20.37	-7.60	-7.56	-0.04
Others	754,928,517.55	616,765,656.14	18.30	-13.06	-13.18	0.11
By region						
Mainland	10,996,497,355.33	7,772,316,325.62	29.32	-11.47	-14.03	2.10
Overseas	6,332,952,253.21	5,808,541,734.60	8.28	5.23	1.05	3.79

III. CORE COMPETITIVENESS ANALYSIS

1. Technological advantages

The Company adheres to its operating philosophy of “technology orientation” and focuses on “intelligent” and “green” to build its core competitiveness through continual innovations in technologies and products. The Company has top-notch research and development institutions including State-level enterprise technology center, enterprise post-doctoral scientific research station, State-recognized laboratory, and Guangdong Provincial Key Research and Development Center of Engineering Science, and an industry-leading research and development team with thousands of technical personnel. The Company is always committed to enhance its self-driven innovation capacity, strives

to enhance the performance and level of intelligentization of its products, in order to improve its core competitiveness and its products' market competitiveness and provide strong technical support for the Company's industrial advancement. At the same time, the Company takes the advantage of opportunities created by Hisense Group in sports marketing, accelerating the process of company internationalization and carrying self-brand global developing strategy forward constantly.

2. Brand advantages

The three brand names used in products of the Company, namely "Hisense", "Ronshen" and "Kelon", have good brand reputation and market base. Among these brands, the market share of "Hisense" inverter airconditioners had ranked first in China for thirteen consecutive years, while the market share of "Ronshen" refrigerators had ranked first in China for eleven years. As the Company gradually accelerated the process of internationalization and continuously promoted the internationalisation of its own brands, the Company have been selected as one of the "Top Ten Chinese Brands Familiar to Foreigners" in five consecutive years. In 2018, the "BrandZ China Top 50 Brands" report was released, of which "Hisense" ranked among the top ten and was awarded "the fastest growing home appliance brand". "Ronshen" has a long history, during the reporting period, the company held the 35th anniversary celebration with the theme of "Ronshen, Quality Inheritance", to demonstrate and inherit the outstanding achievements in the past 35 years. The brand image of "Ronshen, Ronshen, Quality Assurance" rooted in the hearts of the people; "Kelon" focuses on airconditioning for 35 years, accurately positioning customers' needs, and continues to innovate technology on the basis of years of technological precipitation. It has launched a series of high-efficiency and healthy air conditioners to maintain the forefront of the industry in terms of product energy efficiency and temperature control technology.

3. Culture of integrity

"No person can find a place in society without integrity; and no business can flourish without credit". Integrity is the Company's core value, is a crucial element of our corporate culture, and as such is regarded as essential to the Company's continuing operation. To ensure that all staff act in accordance with the values of "honesty, integrity, practicability and progressiveness" and that interactions between the Company and its stakeholders are in the same spirit as will as in compliance with law and regulation, the Company formulated a Code of Integrity which makes integrity a rule, a code and a normality pervading all its activities.

IV. MAJOR SUBSIDIARIES AND COMPANIES IN WHICH THE COMPANY HAS EQUITY INTEREST

Name of company	Company type	Major product or service	Registered capital	Total assets (RMB ten thousand)	Net assets (RMB ten thousand)	Operating revenue (RMB ten thousand)	Operating profit (RMB ten thousand)	Net profits (RMB ten thousand)
Hisense Hitachi	A company in which the Company has	Production and sale of commercial	US\$46 million	1,187,659.89	554,010.80	604,132.15	118,703.52	99,309.18

	equity interest	air-conditioners						
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LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB 1,969 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB 636 million).

As at 30 June 2019, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 5,030 million (as at 30 June 2018: RMB 3,564 million) and bank loans amounting to approximately RMB 0 million (as at 30 June 2018: RMB 200 million).

Total capital expenditures of the Group for the six months ended 30 June 2019 amounted to approximately RMB 130 million (for the six months ended 30 June 2018: RMB 146 million).

GEARING RATIO

As at 30 June 2019, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 66% (as at 30 June 2018: 70%).

TRUST DEPOSITS

As at 30 June 2019, 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.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group had approximately 30816 employees, mainly comprising 3979 technical staff, 11432 sales representatives, 347 financial staff, 599 administrative staff and 14459 production staff. The Group had 34 employees with a doctorate degree, 857 with a master's degree and 3745 with a bachelor's degree. There were 771 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2018, the Group's staff payroll amounted to RMB1,764 million (corresponding period in 2018 amounted to RMB1,678 million).

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

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2019, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and trade receivables of approximately RMB 0 million (31 December 2018: 0 million) were pledged as security for the Group's borrowings.

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 purpose.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SHARE CAPITAL STRUCTURE

As at 30 June 2019, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total issued share capital
H shares	459,589,808	33.73%
A shares	903,135,562	66.27%
Total	1,362,725,370	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2019, there were 27,430 shareholders of the Company (the “Shareholders”) in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	No. of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	No. of shares held subject to trading moratorium
Qingdao Hisense Air-conditioning Co.,Ltd.	State-owned legal person	516,758,670	37.92%	57.22%	0
HKSCC Nominees Limited ^{Note1}	Foreign legal person	456,537,069	33.50%	99.34%	0
Shanghai Gaoyi Asset Management Partnership-Gaoyi Linshan No.1 Long-range Fund* 上海高毅資產管理合夥企業（有限合夥）－高毅鄰山1號遠望基金	State-owned legal person	26,588,700	1.95%	2.94%	0
The Hong Kong Securities Clearing Company (HKSCC) ^{Note2}	Other	24,348,783	1.79%	2.70%	0
Central Huijin Investment Ltd.	Other	22,449,100	1.65%	2.49%	0
Zhang Shao Wu	Other	10,013,201	0.73%	1.11%	0
Bank of Communications Limited – HSBC Jinxin Market Index Equity Securities Investment Fund* 交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金	Other	10,002,869	0.73%	1.11%	0

Agricultural Bank of China – Bosera Yulon Flexible Allocation of Mixed Securities Investment Fund* 中國農業銀行股份有限公司－博時裕隆靈活配置混合型證券投資基金	Other	9,470,690	0.69%	1.05%	0
China CITIC Bank Corporation – Bank of China Investment Management New Motion Stock Security Investment Fund* 中信銀行股份有限公司－中銀新動力股票型證券投資基金	Other	8,000,020	0.59%	0.89%	0
National Social Security Funds Composition No.102 全國社保基金一零二組合	Domestic natural person	7,200,000	0.53%	0.80%	0

Note1: HKSCC Nominees Limited is the nominal shareholder of the Company's non-registered shareholders in H shares. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, Hisense HK, a party acting in concert with the controlling shareholder of the Company. By the end of the reporting period, Hisense HK held a total of 124.452 million shares of H shares of the company, representing 9.13% of the total number of shares of the Company.

Note2: HKSCC Limited is the nominal shareholder of the Company's non-registered shareholders in A shares through Shenzhen Connect. The shares held by HKSCC Limited are held on behalf of a number of its account participants.

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Co.,Ltd.	516,758,670	RMB ordinary shares
HKSCC Nominees Limited ^{Note1}	457,243,069	Overseas listed foreign shares
Shanghai Gaoyi Asset Management Partnership-Gaoyi Linshan No.1 Long-range Fund* 上海高毅資產管理合夥企業（有限合夥）－高毅鄰山1號遠望基金	60,000,000	RMB ordinary shares
The Hong Kong Securities Clearing Company (HKSCC) ^{Note2}	44,124,701	RMB ordinary shares
Central Huijin Investment Ltd.	26,588,700	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Bank of Communications Limited – HSBC Jinxin Market Index Equity Securities Investment Fund* 交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金	7,174,401	RMB ordinary shares
Agricultural Bank of China – Bosera Yulon Flexible Allocation of Mixed Securities Investment Fund* 中國農業銀行股份有限公司－博時裕隆靈活配置混合型證券投資基金	4,773,630	RMB ordinary shares
China CITIC Bank Corporation – Bank of China Investment Management New Motion Stock Security Investment Fund* 中信銀行股份有限公司－中銀新動力股票型證券投資基金	4,500,000	RMB ordinary shares
National Social Security Funds Composition No.102 全國社保基金一零二組合	4,380,707	RMB ordinary shares

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to any Directors, supervisors and the chief executive of the Company, as at 30 June 2019, the following persons (other than the Directors, supervisors and the chief executive 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) (“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 Stock Exchange of Hong Kong Limited:

Long position or short position in the shares of the Company

Name of shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited ^{Note}	Beneficial owner	A shares	516,758,670(L)	57.22%	37.92%
Qingdao Hisense Electric Holdings Company Limited ^{Note}	Interest of controlled corporation	A shares	516,758,670(L)	57.22%	37.92%
Hisense Group ^{Note}	Interest of controlled corporation	A shares	516,758,670(L)	57.22%	37.92%
Hisense HK ^{Note}	Beneficial owner	H shares	124,452,000 (L)	27.08%	9.13%
Qingdao Hisense Electric Holdings Company Limited ^{Note}	Interest of controlled corporation	H shares	124,452,000 (L)	27.08%	9.13%
Hisense Group ^{Note}	Interest of controlled corporation	H shares	124,452,000 (L)	27.08%	9.13%

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

Note: Hisense Air-conditioning is a company directly owned as to 93.33% by Qingdao Hisense Electric Holdings Company Limited, whereas Hisense HK is a company directly owned as to 100% by Qingdao Hisense Electric Holdings Company Limited. Qingdao Hisense Electric Holdings Company Limited is in turn owned as to 32.36% by Hisense Group and is accustomed or obliged to act in accordance with the directions or instructions of Hisense Group. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Group were deemed to be interested in the same parcel of A shares of which Hisense Air-conditioning was interested and in the same parcel of H shares of which Hisense HK was interested.

Save as disclosed above, as at 30 June 2019, in so far as the Directors, supervisors and chief executive 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 2019, save as disclosed below, none of the members of the Board, supervisors and the chief executive of the Company and their respective associates 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 Stock Exchange of Hong Kong Limited pursuant to the Model Code.

Long position in the shares of the Company

Name of Director	Nature of interest	Number of shares	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company
Tang Ye Guo	Beneficial owner	831,600 A Shares	0.061%	0.092%
Jia Shao Qian	Beneficial owner	404,360A Shares	0.030%	0.045%
Wang Yun Li	Beneficial owner	52,120 A Shares	0.004%	0.006%

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results announcement for the period ended 30 June 2019.

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 14 to the Listing Rules.

PUBLICATION OF INTERIM REPORT ON THE INTERNET WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

An interim report containing all information as required by Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company's website (<http://www.kelon.com>) in due course.

By order of the Board of
Hisense Home Appliances Group Co., Ltd.
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 22 August 2019

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Fei Li Cheng and Mr. Wang Yun Li; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.

Supplementary information as required by The Stock Exchange of Hong Kong Limited in relation to the Company's A shares interim results announcement

I.PARTICULARS OF CONNECTED TRANSACTIONS IN RELATION TO ORDINARY BUSINESS OCCURRED DURING THE REPORTING PERIOD

Connected parties	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Purchase	Finished Goods	Agreed Price	10.82	
Hisense Group	Purchase	Materials	Agreed Price	8,978.13	0.59
Hisense Electronics	Purchase	Materials	Agreed Price	430.29	0.03
Hisense Hitachi	Purchase	Materials	Agreed Price	1,230.24	0.08
Hisense Group	Receipt of Services	Receipt of Services	Agreed Price	24,556.23	1.63
Hisense Electronics	Receipt of Services	Receipt of Services	Agreed Price	436.03	0.03
Hisense International	Receipt of Services	Receipt of Services	Agreed Price	180.87	0.01
Hisense Commercial Trading	Receipt of Services	Receipt of Services	Agreed Price	3,549.62	0.24
Hisense Hong Kong	Agency Financing	Agency Financing	Agreed Price	15,086.69	1.00
Hisense Group	Sale	Finished Goods	Agreed Price	8,459.34	0.45
Hisense Electronics	Sale	Finished Goods	Agreed Price	12.32	
Hisense International	Sale	Finished Goods	Agreed Price	579,345.01	30.57
Hisense Commercial Trading	Sale	Finished Goods	Agreed Price	14,396.46	0.76
Hisense Hitachi	Sale	Finished Goods	Agreed Price	26,492.92	1.40
Hisense Group	Sale	Materials	Agreed Price	647.61	0.03
Hisense Electronics	Sale	Materials	Agreed Price	672.37	0.04
Hisense International	Sale	Materials	Agreed Price	2,329.32	0.12
Hisense Hitachi	Sale	Materials	Agreed Price	265.73	0.01
Hisense Electronics	Sale	Moulds	Agreed Price	3,909.12	0.21
Hisense International	Sale	Moulds	Agreed Price	1433.78	0.08
Hisense Hitachi	Sale	Moulds	Agreed Price	244.45	0.01
Hisense Group	Provisions of Services	Provisions of Services	Agreed Price	671.90	0.04
Hisense Electronics	Provisions of Services	Provisions of Services	Agreed Price	91.62	
Hisense International	Provisions of Services	Provisions of Services	Agreed Price	228.27	0.01

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB4.823 billion and interest income received of approximately RMB 23.3452 million, the actual balance of loan of RMB 0 million, balance of electronic bank acceptance bill of approximately RMB 4.441 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB 2.371 million with Hisense Finance. The loan interest paid is RMB 0 million. The actual amount of

discounted interest for the provision of draft discount services was approximately RMB 0.6001 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately RMB 138.6243 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 RMB 3,403,00.73. The Company has a recourse in the Hisense Financial Holdings, and the balance of commercial factoring business is RMB 0 million; The balance of non-recourse commercial factoring business is RMB 0 million.

II. CONNECTED TRANSACTION IN RELATION TO JOINT EXTERNAL INVESTMENT

Applicable Not applicable

III. PARTICULARS OF GUARANTEES

Applicable Not applicable

IV. DERIVATIVES INVESTMENT

Unit: RMB (in ten thousand)

Name of operators of derivatives investment	Connection	Whether or not a connected transaction	Type of derivatives investment	Initial investment of derivatives investment	Effective Date	Expiry Date	Investment at the beginning of the Reporting Period	Amount of purchase during the Reporting Period	Amount of disposal during the Reporting Period	Amount of provision for impairment (if any)	Investment at the end of the Reporting Period	Proportion of investment to the net asset of the Company at the end of the Reporting Period (%)	Actual amount of profit and loss during the Reporting Period
Bank	No	No	Forward foreign exchange contracts	7,109.23	1 January 2019	30 June 2019	7,109.23	7,986.21	8,187.55		6,907.89	0.87	31.74
Source of derivatives investment funding			Export trade payment										
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)			29 March 2019										
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)			Not applicable										
Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk,			The derivatives business of the Company mainly represents the forward foreign exchange contracts used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose.										
			The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and "the Internal Control System for Forward Foreign Exchange Capital Transactions". The measures										

operation risk, legal risk etc.)	specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business.
Changes in market price or product fair value of invested derivatives during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognized a gain on change in fair value of the derivatives of RMB 2.2666 million. Investment gain amounted to RMB -1.9492 million, resulting in a total profits or losses of RMB 0.3174 million.
Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the Reporting Period and the last reporting period	During the Reporting Period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to last reporting period.
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	Opinion of independent directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the Internal Control System for Forward Foreign Exchange Capital Transactions to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.

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

DEFINITIONS

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

“Company”, “the Company”	Hisense Home Appliances Group Co., Ltd.;
“Hisense Air-Conditioning”	Qingdao Hisense Air-Conditioning Company Limited;
“Hisense Electric”	Hisense Electric Co., Ltd.;
“Hisense Finance”	Hisense Finance Co., Ltd.;
“Hisense Financial Holdings”	Qingdao Hisense Financial Holdings Co., Ltd.;
“Hisense Group”	Hisense Company Limited;
“Hisense Hitachi”	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.;
Hisense International	Hisense International Co., Ltd
Hisense Commercial Trading	Qingdao Hisense Commercial Trading Development Co., Ltd

“Hisense HK”	Hisense (Hong Kong) Company Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	Per cent.