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**Hisense** 海信家電

**HISENSE HOME APPLIANCES GROUP CO., LTD.**

海信家電集團股份有限公司

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

**ANNOUNCEMENT OF RESULTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of Hisense Home Appliances Group Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 in relation to the unaudited financial results of the Group for the year ended 31 December 2019 (the “**Announcement**”). The Company’s auditor, ShineWing Certified Public Accountants LLP, has completed its audit of the consolidated financial statements of the Company for the year ended 31 December 2019. The audited results are consistent with the unaudited results contained in the Announcement.

The board of directors (the “**Board**”) of the Company hereby announces the audited results of Group for the year ended 31 December 2019 (the “**Reporting Period**”) together with the 2018 comparative figures, prepared in accordance with China Accounting Standards for Business Enterprises (“**China Accounting Standards**”). The following financial information is prepared in accordance with China Accounting Standards:

**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	<b>31 December 2019</b>	31 December 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand		6,120,563,237.47	3,648,463,609.61

Transactional financial assets		2,120,000,000.00	540,207,350.00
Derivative financial assets			
Notes receivable		1,095,849,666.16	911,347,559.44
Accounts receivable	5	3,967,576,310.11	2,962,019,185.36
Factoring of accounts receivable		4,099,608,704.80	2,194,836,489.29
Prepayments		192,798,549.08	224,120,738.37
Others receivables		297,145,507.98	318,729,661.30
Including: Interest receivable			
Dividend receivable			
Inventories		3,498,945,347.28	2,955,752,775.71
Contract assets			
Holding assets for sale			
Non-current assets due within one year			
Other current assets		3,127,969,954.11	541,370,278.81
<b>Total current assets</b>		<b>24,520,457,276.99</b>	<b>14,296,847,647.89</b>
<b>Non-current assets</b>			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments		468,080,722.63	3,326,783,023.78
Other equity investment			
Other non-current financial assets			
Investment properties		20,240,850.71	22,511,361.05
Fixed assets		3,813,541,683.85	3,263,931,920.41
Construction in progress		216,943,108.59	84,296,518.04
Productive biological assets			

Oil and gas assets			
Right-of-use assets		74,162,585.09	
Intangible assets		1,918,063,341.32	714,706,893.47
Development expenditure			
Goodwill		132,571,746.36	
Long-term prepaid expenses		43,497,841.56	25,349,762.41
Deferred tax assets		634,774,585.10	93,477,911.35
Other non-current assets		2,148,329,801.65	
<b>Total non-current assets</b>		9,470,206,266.86	7,531,057,390.51
<b>Total assets</b>		33,990,663,543.85	21,827,905,038.40
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term borrowings		100,083,424.66	
Transactional financial liabilities			2,765,900.00
Derivative financial liabilities			
Notes payable	6	7,560,312,550.23	5,442,369,087.15
Accounts payable	7	5,317,357,636.81	4,373,335,213.48
Advances from customers			
Employee remunerations payable		620,495,237.41	328,800,107.19
Taxes payable		510,978,731.47	230,675,886.53
Other payable		1,920,036,363.71	1,766,319,446.79
Including: Interests payable			
Dividends payable			
Contract liability		1,013,239,070.20	716,041,073.75
Holding liabilities for sale			
Non-current liabilities due within one		40,736,624.70	

year			
Other current liabilities		3,755,169,074.60	646,178,914.93
<b>Total current liabilities</b>		20,838,408,713.79	13,506,485,629.82
<b>Non-current liabilities</b>			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liability		24,822,981.21	
Long-term payables			
Long-term employee remunerations payable			
Provisions		475,055,256.42	329,557,537.00
Deferred income		113,146,567.49	98,410,309.53
Deferred tax liability		58,367,004.14	4,044,585.32
Other non-current liabilities			
<b>Total non-current liabilities</b>		671,391,809.26	432,012,431.85
<b>Total liabilities</b>		21,509,800,523.05	13,938,498,061.67
<b>Shareholders' equity</b>			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		2,056,057,145.37	2,076,473,214.56
Less : Treasury share			
Other comprehensive income		26,318,501.35	16,896,290.49

Special reserves			
Surplus reserves		632,235,869.58	556,272,909.16
General risk reserves			
Retained profits		4,644,256,846.32	3,339,456,580.66
<b>Total equity attributable to shareholders of the Company</b>		8,721,593,732.62	7,351,824,364.87
Minority interests		3,759,269,288.18	537,582,611.86
<b>Total shareholders' equity</b>		12,480,863,020.80	7,889,406,976.73
<b>Total liabilities and shareholders' equity</b>		33,990,663,543.85	21,827,905,038.40

#### Consolidated Income Statement

Item	Note	2019	2018
<b>1. Total operating income</b>		<b>37,453,043,968.74</b>	<b>36,019,598,304.79</b>
Operating revenue	8	37,453,043,968.74	36,019,598,304.79
<b>2. Total operating costs</b>		<b>36,863,313,263.94</b>	<b>35,636,182,841.31</b>
Including : Operating costs	8	29,424,809,268.66	29,171,524,760.00
Taxes and surcharges		326,711,730.88	311,637,390.87
Sales expenses		5,670,186,916.64	5,005,944,320.73
Management expenses		515,205,417.61	425,693,468.96
Research and development expenses		934,412,243.42	686,772,325.33
Financial expenses	9	-8,012,313.27	34,610,575.42
Including: Interest expense		3,000,971.48	3,987,499.99
Interest income		90,453,444.36	36,481,903.61
Add: Other gain		278,436,805.32	302,603,027.45
Investment gain (loss expressed with "-")	10	1,122,348,640.53	828,685,091.63
Including: Share of profit of associates	10	724,081,435.92	783,792,628.40

and joint ventures			
Gain or loss from changes in fair values (loss expressed with "-")		2,558,550.00	-2,267,497.17
Impairment losses on credit (loss expressed with "-")		-44,094,598.92	-2,367,107.23
Impairment losses on assets (loss expressed with "-")		-15,861,861.29	-2,550,168.03
Gains on disposal of asset (loss expressed with "-")		121,585,370.54	1,210,083.22
<b>3. Operating profits (loss expressed with "-")</b>		<b>2,054,703,610.98</b>	<b>1,508,728,893.35</b>
Add: Non-operating income		126,227,060.64	74,020,079.75
Less: Non-operating expenses		28,680,356.96	17,843,104.64
<b>4. Total profits (loss expressed with "-")</b>		<b>2,152,250,314.66</b>	<b>1,564,905,868.46</b>
Less: Income tax expenses	11	201,801,162.14	141,831,492.77
<b>5. Net profits (loss expressed with "-")</b>		<b>1,950,449,152.52</b>	<b>1,423,074,375.69</b>
(1) Classification by business continuity		1,950,449,152.52	1,423,074,375.69
1) Net profit for continuing operations (loss expressed with "-")		1,950,449,152.52	1,423,074,375.69
2) Termination of operating net profit (loss expressed with "-")			
(2) Classification by ownership		1,950,449,152.52	1,423,074,375.69
1) Net profit attributable to shareholders of the Company (loss expressed with "-")		1,793,669,013.19	1,377,457,177.70
2) Minority shareholder gains and losses (loss expressed with "-")		156,780,139.33	45,617,197.99

<b>6. Net after tax for other comprehensive income</b>		<b>9,415,682.64</b>	<b>3,618,965.46</b>
Net after-tax net of other comprehensive income attributable to shareholders of the Company		9,422,210.86	3,605,594.90
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1) Re-measurement of the change in the 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 will be reclassified into profit or loss		9,422,210.86	3,605,594.90
1) Other comprehensive income of convertible gains and losses under the equity method		8,965,885.37	-289,459.62
2) Changes in fair value of other investments in debt			
3) Amount of financial assets reclassified into other comprehensive income			
4) Other debt investment credit impairment provisions		1,095,858.39	
5) Cash flow hedge reserve (effective portion of cash flow hedge profit and			

loss)			
6) Foreign currency financial statement translation difference		-639,532.90	3,895,054.52
7) Others			
Net after-tax net of other comprehensive income attributable to minority shareholders		-6,528.22	13,370.56
<b>7. Total comprehensive income</b>		<b>1,959,864,835.16</b>	<b>1,426,693,341.15</b>
Total comprehensive income attributable to shareholders of the Company		1,803,091,224.05	1,381,062,772.60
Total comprehensive income attributable to minority shareholders		156,773,611.11	45,630,568.55
<b>8. Earnings per share :</b>			
(1) Basic earnings per share	12	1.32	1.01
(2) Diluted earnings per share	12	1.32	1.01

**Notes:**

**1. General information**

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

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

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

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

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

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

As at 31 December 2019, the total number of issued shares of the Company was 1,362,725,370 and the registered capital of the Company was RMB1,362,725,370.00, of which Hisense Air-Conditioning held 516,758,670 shares, representing approximately 37.92% of the Company's total issued share capital. Hisense Air-Conditioning continues to be the immediate controlling shareholder of the Company.

In the opinion of the directors of the Company (the "**Directors**"), as at 31 December 2019, Hisense Group, a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder of the Company.

The Group is principally engaged in the 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 Street, Shunde District, Foshan City, Guangdong Province, the PRC.

## **2. Basis of preparation**

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

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

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

The Company is listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Besides the relevant regulations as mentioned above, the financial statements of the Company also comply with the applicable disclosure requirements under the Rules Governing Listing of Shares on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and the Hong Kong Companies Ordinance.

### **3. Changes in accounting policies**

Set out below the change in accounting policies of the Company during the Reporting Period:

On 9 May 2019, the Ministry of Finance ("MOF") issued the Accounting Standards for Business Enterprises No.7 – Swap of Non-monetary Assets (2019 amendment) (Cai Kuai [2019] No.8) requiring application by relevant businesses from 1 January 2019. On 16 May 2019, the MOF issued the Accounting Standards for Business Enterprises No.12 – Debt Restructuring (2019 amendment) (Cai Kuai [2019] No.9) requiring application by relevant businesses from 1 January 2019. The Company has applied the above standards since the date specified by the MOF and it has no impact on the financial statements of the Company.

On 30 April 2019, the MOF issued the Notice on Revising and Circulating General Corporate Financial Statement Formats 2019 (Cai Kuai [2019] No. 6) which amended the formats of general corporate financial statements and requires application in the preparation of financial statements for the interim period of 2019 and the periods thereafter. On 19 September 2019, the MOF issued the Notice on the Revision and Circulating of the Consolidated Financial Statement Formats (2019 Version) (Cai Kuai [2019] No.16) (hereinafter referred to as "Cai Kuai [2019] No. 16"). The notice amended the format of consolidated financial statements and requires application in the preparation of consolidated financial statements for the year of 2019 and the periods thereafter. The Company has applied the above standards in accordance with the time required by the MOF. Certain comparative figures in these financial statements were arranged to conform with the current year's format of presentation. The application of the above notices only affects the presentation of the financial statements and has no impact on profit and loss, total assets or net assets of the Company. Impacts on the presentation format are as follows:

#### **(1) Consolidated Balance Sheet**

Unit : RMB			
Item	31 December 2018	Adjustment Amount	31 December 2018 (After rearrangement)
Current assets:			
Transactional financial assets	207,350.00	540,000,000.00	540,207,350.00

Item	31 December 2018	Adjustment Amount	31 December 2018 (After rearrangement)
Account receivable and Notes receivable	6,068,203,234.09	-6,068,203,234.09	
Note receivable		911,347,559.44	911,347,559.44
Account receivable		2,962,019,185.36	2,962,019,185.36
Factoring of accounts receivable		2,194,836,489.29	2,194,836,489.29
Other receivable	318,926,986.30	-197,325.00	318,729,661.30
Including : Interest receivable	197,325.00	-197,325.00	
Other current assets	1,081,172,953.81	-539,802,675.00	541,370,278.81
Current liabilities:			
Notes payable and Accounts payable	9,815,704,300.63	-9,815,704,300.63	
Notes payable		5,442,369,087.15	5,442,369,087.15
Accounts payable		4,373,335,213.48	4,373,335,213.48

## (2) Balance Sheet of the Company

Unit : RMB

Item	31 December 2018	Adjustment Amount	31 December 2018 (After rearrangement)
Current assets:			
Transactional financial assets		160,000,000.00	160,000,000.00
Account receivable and Notes receivable	8,028,474.24	-8,028,474.24	
Account receivable		8,028,474.24	8,028,474.24
Other current assets	171,456,671.63	-160,000,000.00	11,456,671.63
Current liabilities:			
Notes payable and Accounts payable	287,857,101.70	-287,857,101.70	
Accounts payable		287,857,101.70	287,857,101.70

The MOF issued the Accounting Standards for Business Enterprises No. 21-Leases (2018 Amendments) (Cai Hui [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 New Lease Standard from the time as the MOF requires.

Explanation on the adjustment to the consolidated balance sheet: under the New Lease Standard, for contracts already existed before the date of the initial adoption of the New Lease Standard (the

“Initial Adoption”), the Company elected not to reassess whether the contracts are or contain a lease at the date of the Initial Adoption. For lease contracts with the Company as the lessee, the Company elected to adjust only the cumulative impact of the lease contracts which remained outstanding on 1 January 2019. The opening balances of the retained earnings and other relevant items in the financial statements at the beginning of the Initial Adoption period (i.e. 1 January 2019) were adjusted to reflect the cumulative effect of the Initial Adoption, but no adjustment was made to the amounts of the comparable period. In particular, for operating leases at the date of the Initial Adoption, the Company measured lease liability based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the Initial Adoption; and the unpaid rent payables provided based on the accrual basis under the original lease standard were included in the remaining lease payments. The weighted average incremental borrowing rate of the lessee used for the Initial Adoption in recording lease liabilities in the balance sheet is 4.75%. Impacts of adopting the New Lease Standard on the Company are as follows:

### Consolidated Balance Sheet

Unit: RMB

Item	31 December 2018 (Before Adjustment)	1 January 2019 (After Adjustment)	Re-measurement
Current assets :			
Other current assets	541,370,278.81	536,156,271.70	-5,214,007.11
Non-current assets :			
Right-of-use assets		46,360,081.84	46,360,081.84
Current liabilities:			
Non-current liabilities :			
Lease liabilities		41,146,074.73	41,146,074.73

### 4. Segment information

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

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

Amount for current period	Refrigerators and washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from	16,127,991,501.27	16,368,984,335.90	1,699,951,263.66		34,196,927,100.83

external sales					
2. Revenue from inter-segment sales			1,747,760,131.33	-1,747,760,131.33	
3. Gain from investment in associates and joint ventures	-1,206,128.31	699,392,601.32	25,894,962.91		724,081,435.92
4. Depreciation and amortisation	385,340,938.93	335,690,969.73	91,729,246.98		812,761,155.64
5. Gain from changes in fair value			2,558,550.00		2,558,550.00
6. Impairment losses on credit and assets	345,271.79	-49,033,480.53	-11,268,251.47		-59,956,460.21
7. Total profit (Total loss)	688,842,975.00	1,332,259,069.05	173,906,691.82	-42,758,421.21	2,152,250,314.66
8. Total assets	20,507,026,368.03	24,245,312,188.57	3,383,863,079.47	-14,145,538,092.22	33,990,663,543.85
9. Total liabilities	14,314,818,316.76	13,603,351,559.71	1,793,926,935.48	-8,202,296,288.90	21,509,800,523.05
10. Additions to other non-current assets other than long-term equity investments	-165,347,853.52	5,024,291,418.27	-61,092,387.25		4,797,851,177.50

Segment information as at and for the year ended 31 December 2018 is as follows:

Unit: RMB

Amount for last period	Refrigerators and washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	16,072,977,215.28	14,891,475,954.73	1,826,615,410.60		32,791,068,580.61
2. Revenue from inter-segment sales			1,679,689,240.87	-1,679,689,240.87	
3. Gain from investment in associates and joint ventures	-504,258.96	750,392,496.55	33,904,390.81		783,792,628.40

4. Depreciation and amortisation	378,205,070.55	200,061,104.69	94,582,698.27		672,848,873.51
5. Gain from changes in fair value			-2,267,497.17		-2,267,497.17
6. Impairment losses on credit and assets	8,592,868.32	-11,078,664.23	-2,431,479.35		-4,917,275.26
7. Total profit (Total loss)	328,778,851.86	1,061,850,269.85	216,333,643.07	-42,056,896.32	1,564,905,868.46
8. Total assets	17,745,245,158.47	10,289,848,161.85	3,035,032,607.60	-9,242,220,889.52	21,827,905,038.40
9. Total liabilities	12,223,207,963.39	5,624,142,112.77	1,687,647,022.55	-5,596,499,037.04	13,938,498,061.67
10. Additions to other non-current assets other than long-term equity investments	-160,593,587.31	57,442,506.42	56,874,509.54		-46,276,571.35

## (2) Geographic information

Unit: RMB

Category	2019	2018
Revenues from domestic customers	22,712,402,936.91	22,039,246,655.83
Revenues from overseas customers	11,484,524,163.92	10,751,821,924.78
<b>Total</b>	<b>34,196,927,100.83</b>	<b>32,791,068,580.61</b>
Domestic non-current assets	9,460,087,833.58	7,519,372,027.42
Overseas non-current assets	10,118,433.28	11,685,363.09
<b>Total</b>	<b>9,470,206,266.86</b>	<b>7,531,057,390.51</b>

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

## 5. Accounts receivable

The credit period granted by the Company to its customers is generally 60 days. For large-scale and reputable customers with small sales volume, the Company will give a credit period of no more

than one year. In general, for small-scale customers, sales are settled by these customers in cash at the time of shipment made by the Company. Accounts receivable are not interest-bearing.

The ageing of accounts receivable is analysed as follows:

Unit: RMB		
Item	31 December 2019	31 December 2018
Within three months	3,576,878,056.75	2,632,815,879.70
Over three months but within six months	174,766,391.40	140,696,639.35
Over six months but within one year	92,713,978.80	41,130,044.01
Over one year	317,582,075.49	300,786,031.59
<b>Total</b>	<b>4,161,940,502.44</b>	<b>3,115,428,594.65</b>
Less: provision for bad debts	194,364,192.33	153,409,409.29
Book value	3,967,576,310.11	2,962,019,185.36

## 6. Notes payable

Unit: RMB		
Item	31 December 2019	31 December 2018
Bank's Acceptance Bill	5,498,626,969.29	3,348,110,396.41
Trade acceptance draft	2,061,685,580.94	2,094,258,690.74
<b>Total</b>	<b>7,560,312,550.23</b>	<b>5,442,369,087.15</b>

## 7. Accounts payable

The aging of accounts payable is analysed as follows:

Unit: RMB		
Item	31 December 2019	31 December 2018
Within one year	5,189,464,190.07	4,259,455,773.64
Over one year	127,893,446.74	113,879,439.84
<b>Total</b>	<b>5,317,357,636.81</b>	<b>4,373,335,213.48</b>

## 8. Operating revenues and costs

Unit: RMB

Item	2019	2018
Revenue from principal operations	34,196,927,100.83	32,791,068,580.61
Revenue from other operations	3,256,116,867.91	3,228,529,724.18
<b>Total</b>	<b>37,453,043,968.74</b>	<b>36,019,598,304.79</b>
Item	2019	2018
Cost of principal operations	26,368,132,763.52	26,084,829,925.12
Cost of other operations	3,056,676,505.14	3,086,694,834.88
<b>Total</b>	<b>29,424,809,268.66</b>	<b>29,171,524,760.00</b>

## 9. Financial expenses

Unit: RMB

Item	2019	2018
Interest expenses	3,000,971.48	3,987,499.99
Less: interest income	90,453,444.36	36,481,903.61
Gain/(Loss) on foreign exchange	3,432,744.04	1,324,681.18
Others	76,007,415.57	65,780,297.86
<b>Total</b>	<b>-8,012,313.27</b>	<b>34,610,575.42</b>

## 10. Investment gain

### (1) Particulars of investment gain

Unit: RMB

Item	2019	2018
Gain from long-term equity investment by the equity method	724,081,435.92	783,792,628.40
Gain from disposal of long-term equity investment	47,763,133.83	
Gain from disposal of trading financial assets	53,960,651.46	44,892,463.23
Gains from re-measurement of the originally held equity at fair value after obtaining the control right	296,543,419.32	
<b>Total</b>	<b>1,122,348,640.53</b>	<b>828,685,091.63</b>

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

Unit: RMB

Investee	2019	2018
Hisense Hitachi*海信日立	700,598,729.62 (note)	750,896,755.51
Hisense Financial Holdings*海信金控	24,927,624.46	16,491,283.61
Hisense Marketing Management *(海信營銷管理)	-2,412,256.61	-1,008,517.92
Hisense International *海信國際營銷	967,338.45	17,413,107.20
<b>Total</b>	<b>724,081,435.92</b>	<b>783,792,628.40</b>

*Note: Since 30 September 2019, Hisense Hitachi becomes a subsidiary of the Company and the financial results of Hisense Hitachi are consolidated into that of the Group. From 1 January to 30 September 2019, gain from long-term equity investments in Hisense Hitachi was recognised by the equity method.*

## 11. Income tax expenses

Unit: RMB

Item	2019	2018
Current income tax expenses	250,453,742.56	127,562,534.28
Including: PRC enterprise income taxes	250,453,742.56	127,528,410.13
Hong Kong profit taxes		34,124.15
Deferred tax expenses	-48,652,580.42	14,268,958.49
<b>Total</b>	<b>201,801,162.14</b>	<b>141,831,492.77</b>

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

Unit: RMB

Item	2019
Total profits	2,152,250,314.66
Income tax expenses calculated at statutory (or applicable) tax rates	538,062,578.67
Tax effects of different tax rates applicable to certain subsidiaries	-59,768,727.66
Adjustments of income tax in previous period	2,587,988.61
Effects of non-taxable incomes	-237,432,070.67
Effects of non-deductible costs, expenses and losses	25,619,124.94
Effects of deductible losses not recognised as deferred tax assets in previous period	-52,729,026.70

<b>Item</b>	<b>2019</b>
Effects of deductible temporary differences or deductible losses not recognised as deferred tax assets in current period	52,919,479.75
Change in balance of deferred tax assets/ liability at the beginning of the period due to tax rate adjustment	9,715,983.39
Effects of additional deduction relating to costs of research and development	-72,988,268.90
Others	-4,185,899.29
Income tax expenses	201,801,162.14

Certain subsidiaries have been either recognised as “high technology” companies, or in other cases in accordance with other local laws and regulations, and are entitled to a preferential tax rate of 15% or 20% (2018: 15%).

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits.

Except as disclosed above, other subsidiaries of the Company which are established and operated in the PRC are subject to enterprise income tax at a standard rate of 25% (2018: 25%).

## **12. Earnings per share**

### **(1) Basic earnings per share**

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

Unit: RMB

<b>Item</b>	<b>2019</b>	<b>2018</b>
Consolidated net profit attributable to ordinary shareholders of the Company	1,793,669,013.19	1,377,457,177.70
Weighted average number of issued ordinary shares of the Company	1,362,725,370.00	1,362,725,370.00
Basic earnings per share	1.32	1.01

### **(2) Diluted earnings per share**

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

## 13. Dividends

The Board proposed to pay a cash dividend of RMB3.95 (tax inclusive) per 10 shares held by all shareholders on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2019, without bonus issue and not to issue shares by way of conversion of capital reserve. (2018: a cash dividend of RMB3.03 (tax inclusive) per 10 shares was declared and paid).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I . INDUSTRY OVERVIEW

**Central air-conditioner market:** According to China's Central Air-conditioner Market Research Report 2019 released by [www.aicon.com.cn](http://www.aicon.com.cn), the last few years of growth in the domestic central air-conditioner market's overall capacity has terminated in 2019, with a year-on-year decrease of 2.9% as compared to 2018. From the perspective of sales pipelines, the overall capacity of the home furnishing retail market declined for the first time in 2019 due to the impact of real estate regulation policies and the diversion of potential customers as a result of property fitting-out policies. There was less fluctuation in the engineering project market, and market segments such as medical, education, rail transit and data centres continued to grow. With the continued implementation of property fitting-out policies, the property fitting-out furnishing market became the highlight segment in terms of growth for the central air-conditioner market in 2019. From a product perspective, the market share of the multi-connected type of central air-conditioners remained the largest category. However, due to the decline of home furnishing retail market, sales of multi-connected central air-conditioners experienced a year-on-year decrease of 3.9%, and accounted for 48% of the total central air-conditioner market. The market share of multi-connected central air-conditioners also decreased slightly compared to the same period of the previous year. In terms of technological development of product, the Group focused on user needs, and regarded high-end, 5G, intelligence, energy saving and health as main targets.

**Refrigerator market:** According to inferential statistics from China Market Monitor Co., Ltd. (CMM), the cumulative retail volume of domestic refrigerator sector in 2019 increased by 6.7% year-on-year, and the cumulative retail sales grew by 1.0% year-on-year, indicating continued weak market demand. In terms of sales pipelines, growth in scale was mainly contributed by the online channel, where the retail online sales volume and sales amount recorded year-on-year growth of 21.4% and 12.3% respectively, while offline sales volume and sales amount recorded year-on-year decreases of 6.3% and 2.6% respectively. From a product portfolio perspective, sales of multi-door and side-by-side combination refrigerators performed steadily on an upward trend, with a retail market share of 61.8% and year-on-year growth of 2.7%. In terms of technological development of products, with increasing customer awareness of healthy living concepts, refrigerator products are centring on clean and healthy food preservation as a basis of their intelligent and high-end development.

**Residential air-conditioner market:** During the Reporting Period, the domestic residential air-conditioner market experienced a harsh market environment with severe price competition. The

average prices of some products in the market dropped sharply, which compressed the profit margin for enterprises in the industry. With regard to industrial scale, CMM statistics show that the cumulative retail sales volume of domestic residential air-conditioner market in 2019 increased by 4.3% year-on-year, while the cumulative retail sales amount decreased by 3.6% year-on-year. In terms of technological development of products, with health continuing to be a major consumer requirement, residential air conditioning products continued to develop with “air quality improvement” and “Fresh Air” function as a direction. The market share of products with “family life scenario marketing” as a selling point also continued to expand.

## **II. ANALYSIS OF THE COMPANY'S OPERATION**

During the Reporting Period, Hisense Hitachi becomes a subsidiary of the Company and the financial results of Hisense Hitachi are consolidated into that of the Group, which significantly increased the revenue scale and assets scale of the Company and further enhanced the value and overall strength of the Company.

During the Reporting Period, the Company achieved operating revenue of RMB37.45 billion, representing a year-on-year increase of 3.98%. From a product perspective, operating revenue of the Group's air-conditioner business amounted to RMB16.37 billion, representing a year-on-year increase of 9.92%; while the operating revenue from the refrigerator and washing machine business amounted to RMB16.13 billion, representing a year-on-year increase of 0.34%. Meanwhile the Group's domestic sales business recorded operating revenue of RMB22.71 billion, representing a year-on-year increase of 3.05%, and the export sales business recorded operating revenue of RMB11.49 billion, representing a year-on-year increase of 6.81%. At the end of the Reporting Period, the Company's total assets amounted to RMB33.99 billion, representing a year-on-year increase of 55.72%; and net cash flows from operating activities amounted to RMB2.01 billion, representing a year-on-year increase of 91.10%

Responding to pressures on scale, the Company pursued a strategy of creating high-quality products, ensuring steady improvement of profitability through technical and product innovation, efficiency enhancement and refinement of the product sales structure. Net profits attributable to shareholders of the Company reached RMB1.79 billion, representing a year-on year increase of 30.22%, of which the net profit after deducting non-recurring profit and loss was RMB1.226 billion. Earnings per share were RMB1.32. The Company also continued to strengthen its capital management, and accelerate capital turnover, and the Company's gearing ratio during the Reporting Period has continuously improved. The major performance of each business is as follows:

### **1. Central air-conditioning**

During the Reporting Period, amid a year-on-year decline in the overall scale of central air-conditioner industry, the Company's central air-conditioning business steadily grew in terms of scale, profit and market share and established a stronger market base with its multi-brand strategy.

(1) Cultivating technical capacity and continually maintaining technological leadership. The Company further improved its research and development capacity of application products and

accelerated its research in core technology. With the launch of new technology products and applications such as “Intense Heating and Underfloor Heating (強熱地暖)” and “Narrowband Internet of Things (NB-IOT)”, the research and development capacity of the Group continued to improve. At the 2019 China Heating, Ventilation and Air Conditioning Industry Summit and the “Cooling, Heating and Intelligent Manufacturing” awards ceremony (2019 中國暖通空調產業峰會暨“冷暖智造”頒獎盛典), Hisense Hitachi won the Golden Intelligent Award (金智獎), which is the highest award for cooling, heating and intelligent manufacturing in China, for its outstanding market performance in the field of central air-conditioners.

(2) Reinforcing quality management and maintaining quality leadership. By holding consistently true to the philosophy of “management from source, prevention and control” throughout the whole process of product management, the Company continued to invest in product quality while launching experimental resource projects such as the “User Simulation Experience Centre” (用戶模擬體驗中心), “Long-running Laboratory” (長期運行試驗室) and “Software Accreditation Laboratory” (軟件認定試驗室). The Company continued to reinforce its quality management and maintain its quality leadership advantage.

(3) Improving product competitiveness and further increasing market share. The launch of key products such as Hitachi’s indoor purification air conditioner and intelligent voice controller, Hisense’s 5G Internet of Things home central air conditioner, and York’s YES-RM split multiple heat pump, injected new energy into each market segment. With different brand positioning, product and marketing strategy, under the three-brand operating system, all these three brands maintained a rapid year-on-year growth. According to the statistics from [www.aicon.com.cn](http://www.aicon.com.cn), the market share of multi-split type air-conditioners under the Hitachi, Hisense and York brands ranked first in the industry.

(4) Enhancing supply chain delivery capacity and securing market supply. The Company regards a secure supply as its first principle for an effective supply chain system. It accordingly continued to refine the organisational structure and management process of the planning system, improving the information flow and performing precision management inputs. The first batch of production lines for Hisense Hitachi’s third-phase factory, integrating advanced process equipment and intelligent information systems, was successfully commissioned and has commenced operation, which further expands its central air-conditioner production capacity.

## 2. Refrigerators and washing machines

During the Reporting Period, the refrigerator company of the Group followed its philosophy of “the essence of home appliances is home” while reinforcing collaborative activities, introducing technically innovative products, refining its management philosophy, enhancing efficiency, following stringent execution standards, so as to achieve a substantial improvement in operating results. Its major work was as follows:

(1) Accurately gauging user needs and continuing to improve product competitiveness. The Company deeply explored user needs and focused on research and development of high-end

differentiated technologies. Technological pre-research was completed in key areas, and breakthroughs have been achieved in core areas. The Company successively launched the “VACUUM” series by Hisense refrigerator, integrating technologies of vacuum preservation and DBD+ ion degerning and odor cleaning, and the “WILL” series by Roshen Refrigerator, turning the refrigerators into “fresh cabins” for fruits and vegetables through the ingenious utilisation of water, light and ion, which both highly enhanced the Group’s product competitiveness. During the Reporting Period, the Company’s refrigerator products received honours including the AWE Award, “Stars in All Fields of Sterilisation” (全領域殺菌之星), and “Leading Product” for Keeping Food Fresh (養鮮標杆產品). In terms of washing machine products, the high-end “Warm Idol S” series by Hisense Washing Machine were launched as planned, which won the “Annual Technological Innovation Award” (年度技術創新成果) and “Star of washing machine industry” (洗衣機行業洗護科技之星) by virtue of its outstanding performance. In addition, focusing on “steaming, ironing and washing” as the core technical direction, “Warm Idol S9” washing machine was launched at the first quarter of 2020. With the unique features of fast steaming in 15 minutes, and anti-bacteria and clothing care function without ironing, the washing machine creates a safe and comfortable “cocooning” environment and builds a health protective barrier.

(2) Strengthening fundamental management and implementing efficiency improvements. The Company adhered to its philosophy of focusing on outstanding products and motivating efficiency, and continued to improve its fundamental management. Starting with project management and following with efficiency improvement projects in respect of processes and automation, the Group has achieved a year-on-year decrease in the allocation of overheads as well as a substantial gross profit growth of 3.02%.

(3) Promoting diverse channel development and actively seeking increase in market sales volume. The Company has fully integrated its online and offline channels on the basis of its strategic cooperative relationships with major household appliance chain customers, e-commerce platforms and traditional channels. The Group is committed to expanding domestic market coverage through channel diversification. (4) Innovative promotion and marketing, and raising brand and product popularity. The Company upgraded its promotion model and through interacting with its consumers, rapidly increased brand and product awareness. For example, the “Ice-cream for this summer will be provided by Ronshen” (今夏雪糕,容聲全包) promotional activity was honoured with the “2019 China Household Appliances Innovation and Retail Outstanding Case Award” (中國國家電創新零售優秀案例獎) while the micro movie “Chilling Love” (冷冷的愛) won the second prize in the third national micro-movie theme of socialist core values (全國第三屆社會主義核心價值觀主題微電影二等獎).

### 3. Residential air-conditioning

During the Reporting Period, the Company responded to intense industry competition by quickly adjusting its business concept, imposing strict controls on inventory structure, and improving operation through technological and product innovation, enhancing product competitiveness, and increasing export efforts. The major work was as follows:

(1) Focusing on user pain points, continuing innovation in key and core technologies, and maintaining technical leadership and products competitiveness. A focus on user pain points such as health was the starting point of the Group's technology implementation and product research and development. The Company took the lead by launching the "Fresh Air" and "Comfort Home" series home air-conditioning products, equipped with industry-first micro-positive pressure fresh air ventilation and oxygen enrichment system and AI somatosensory tracking technology. Relying on technical reserves and innovation in the field of health, a series of Hisense air-conditioners with fresh air ventilation function that enable delivering of fresh air to a 18 m<sup>2</sup> area in 3 minutes was launched to satisfy the rigid consumer demand in the market of health home appliances after the outbreak of coronavirus disease in 2020. The air-conditioners have passed the authoritative evaluation of China Household Electric Appliances Research Institute, which can effectively improve the oxygen concentration in the room. Furthermore, a number of Hisense air-conditioners have passed the professional test of virus (H1N1/EV71) removal rate, becoming the first batch of products with the advantage of anti-virus and air purification in 2020, and Hisense is also the only air-conditioner brand that passed the test in the appliance industry. The introduction of mid- and high-end products propelled a rise in the Company's brand price index. According to the statistics from CMM, the brand price index for home air-conditioner products under the Hisense brand increased by three points year-on-year.

(2) Expansion of export markets. Facing an unfavorable domestic market, the Company explored on its export business and increased its export scale. Through measures such as improving the competitiveness and optimising the structure of export products, the Company achieved a substantial increase in export scale and profits.

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

#### **(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS**

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

Yes     No

Item	2019	2018	Increase or decrease as compared to last year (%)	2017
Operating revenue (RMB)	37,453,043,968.74	36,019,598,304.79	3.98	33,487,590,387.45
Net profits attributable to shareholders of listed company (RMB)	1,793,669,013.19	1,377,457,177.70	30.22	2,018,112,935.64
Net profits after deducting non-recurring profit and loss attributable to	1,226,400,481.95	1,161,082,586.93	5.63	1,033,389,817.12

Item	2019	2018	Increase or decrease as compared to last year (%)	2017
shareholders of listed company (RMB)				
Net cash flow from operating activities (RMB)	2,005,337,052.56	1,049,366,564.25	91.10	455,048,576.31
Basic earnings per share (RMB/share)	1.32	1.01	30.69	1.48
Diluted earnings per share (RMB/share)	1.32	1.01	30.69	1.48
Weighted average rate of return on net assets (%)	22.21	19.79	2.42	34.71
Item	At the end of 2019	At the end of 2018	Increase or decrease as compared to last year (%)	At the end of 2017
Total assets (RMB)	33,990,663,543.85	21,827,905,038.40	55.72	21,607,452,386.34
Net assets attributable to shareholders of listed company (RMB)	8,721,593,732.62	7,351,824,364.87	18.63	6,579,089,237.49

*Note: Since 30 September 2019, the financial results of Hisense Hitachi are consolidated into that of the Group in accordance with China Accounting Standards. The balance sheet data of Hisense Hitachi has been included in the consolidated balance sheet of the Company at the end of the Reporting Period, while the related financial statement data of Hisense Hitachi from October 2019 to December 2019 has been included in the detailed items of the consolidated income statement and cash flow statement during the Reporting Period. From January 2019 to September 2019, Hisense Hitachi's profit has been recognised by the equity method and listed in the item of Investment gain.*

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

Unit: RMB

Item	2019	2018	2017	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	161,553,026.75	-613,768.58	787,734,808.88	
Government grants recognised in the profits or	207,585,345.39	213,299,858.04	151,239,597.39	

Item	2019	2018	2017	Description
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)				
Profit and losses from assets which entrust others to invest or manage	55,224,136.96	48,100,716.69		
Other non-operating income and expenses other than the aforementioned items	13,629,718.63	13,866,327.84	113,236,402.15	
Other profit and loss items that satisfy the definition of non- recurring profit and loss	50,909,442.00			
Less: Effect of income tax	2,786,974.99	42,991,932.03	48,767,136.54	
Effect of minority interests (after tax)	-81,153,836.50	15,286,611.19	18,720,553.36	
<b>Total</b>	<b>567,268,531.24</b>	<b>216,374,590.77</b>	<b>984,723,118.52</b>	

### (III) ANALYSIS OF PRINCIPAL BUSINESS

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

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 (%)
By industry						
Home appliances manufacturing industry	34,196,927,100.83	26,368,132,763.52	22.89	4.29	1.09	2.44
By products						
Refrigerators and washing machines	16,127,991,501.27	12,299,844,328.41	23.74	0.34	-3.47	3.02

Air-conditioners	16,368,984,335.90	12,685,726,877.38	22.50	9.92	7.03	2.09
Others	1,699,951,263.66	1,382,561,557.73	18.67	-6.93	-7.18	0.21
By region						
Domestic	22,712,402,936.91	15,927,441,278.91	29.87	3.05	-0.86	2.76
Overseas	11,484,524,163.92	10,440,691,484.61	9.09	6.81	4.20	2.28

*Note: During the Reporting Period, the financial results of Hisense Hitachi have been consolidated into that of the Group. The revenue from operating business of the Group in 2019 on comparable basis is RMB31.456 billion, representing a year-on-year decrease of 4.07%.*

## 2. Expenses

Unit: RMB

Expense Item	2019	2018	Increase or decrease as compared to corresponding period last year (%)	Reason for the significant changes
Sales expense	5,670,186,916.64	5,005,944,320.73	13.27	No significant change
Management expense	515,205,417.61	425,693,468.96	21.03	No significant change
Research and development expenses	934,412,243.42	686,772,325.33	36.06	Mainly due to the increase in research and development investment.
Finance expense	-8,012,313.27	34,610,575.42	Not applicable	Mainly due to the increase in interest income caused by improvement in the Company's operation and activation of idle funds.

## 3. Cash Flow

Unit: RMB

Item	2019	2018	Increase or decrease as compared to corresponding period last year

			(%)
Sub-total of cash inflows from operating activities	30,781,842,654.92	28,157,226,836.14	9.32
Sub-total of cash outflows from operating activities	28,776,505,602.36	27,107,860,271.89	6.16
Net cash flows from operating activities	2,005,337,052.56	1,049,366,564.25	91.10
Sub-total of cash inflows from investing activities	8,535,674,820.63	2,876,183,272.24	196.77
Sub-total of cash outflows from investing activities	8,615,903,834.47	2,647,770,326.20	225.4
Net cash flows from investing activities	-80,229,013.84	228,412,946.04	Not applicable
Sub-total of cash inflows from financing activities	136,830,668.56	200,000,000.00	-31.58
Sub-total of cash outflows from financing activities	1,059,280,977.16	1,361,175,775.74	-22.18
Net cash flows from financing activities	-922,450,308.60	-1,161,175,775.74	Not applicable
Net increase in cash and cash equivalents	1,003,742,533.45	109,045,092.16	820.48

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

Applicable  Not applicable

The increase in net cash flows from operating activities was mainly due to the continuous improvement in the Group's operation and the consolidation of the financial results of Hisense Hitachi into that of the Group.

The year-on-year increase in cash inflows from investing activities was mainly due to the increase in wealth management products recovered after maturity and the consolidation of the financial results of Hisense Hitachi into that of the Group.

The year-on-year increase in cash outflows from investing activities was mainly due to the increase in the purchase of wealth management products and the consolidation of the financial results of Hisense Hitachi into that of the Group.

The year-on-year decrease in net cash flows from investing activities was mainly due to the increase in the undue wealth management products.

The year-on-year decrease in cash inflows from financing activities was mainly due to the decrease in short-term borrowings received by the Company.

The increase in net increase in cash and cash equivalents was mainly due to the continuous improvement in the Company's operation and the consolidation of the financial results of Hisense Hitachi into that of the Group.

#### (IV) PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB ten thousand

Product Type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 31 December 2019	Amount of undue principal and return as at 31 December 2019	Overdue balance return as at 31 December 2019
Wealth management products of banks	Self-owned funds	263,000.00	212,000.00	0.00
<b>Total</b>		263,000.00	212,000.00	0.00

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

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

Name of company	Company type	Major business	Registered capital	Total assets (RMB ten thousand)	Net assets (RMB ten thousand)	Operating revenue (RMB ten thousand)	Operating profit (RMB ten thousand)	Net profits (RMB ten thousand)
Hisense Hitachi	A company in which the Company has equity interest	Production and sale of commercial air-conditioners	USD150 million	1,277,159.33	589,206.38	1,203,833.87	234,064.25	191,917.13

#### IV. OUTLOOK

##### (I) The Company's development strategy

With the mission of “committing to technological innovation, raising people's living standard and making hundreds of millions of families happy”, the Company firmly implements its “smart ecological strategy” in the production of high quality smart household electrical appliances, with an aim to becoming an international branded smart household electrical appliance manufacturing enterprise.

##### (II) Business highlights for 2020

In 2020, the COVID-19 epidemic caused a serious impact on consumer market and even worsened

the already ultra-competitive home appliance market, which means that the operating pressure on home appliance companies in 2020 is considerable. Responding to these challenges, the Company will deeply explore potential inward and guard against risks outward, while fully implement the management policy of “maintaining scale”, “adjusting structure”, “improving value” and “enhancing efficiency”. To ensure the improvement in business quality, the Company will focus on the following major tasks:

1. Maintaining sales scale with structural adjustment: The Group will focus on targeted markets and expanding markets domestically and abroad, continue to work out the Group’s high-end sales strategy with emphasis on promotion and improvement in sales structure, and achieve steady growth in terms of both the business scale and profit.
2. Producing high quality products to strengthen competitiveness: The Group will continue with the building of a sound quality system and advancement in key technologies, and create differentiated products to enhance product competitiveness.
3. Increasing efficiency of production system: The Group will firmly implement its smart manufacturing strategy, forge ahead with smart production and in-depth reformation, increase the delivery capability of the supply chain and raise the level of informatisation and popularisation for the purpose of system enhancement.
4. Enhancing brand value: The Group will plan for multi-brand operation with clear brand positioning and differentiation, strengthen the brand labelling effect and increase brand value.
5. Exercising strict control of fund risks: The Group will strengthen management of accounting periods, reduce the appropriation of invalid funds, accelerate turnover, and improve the function of capital operation.

(III) Risks faced by the Group include:

1. Macroeconomic cyclical fluctuations: Under the macro economy’s downward pressure that worsened by the COVID-19 epidemic, consumer demand for household appliances will decline and consumption power will be insufficient, affecting the Company’s scale of sales.
2. Continued cost pressure: A significant increase in the price of raw materials will adversely affect profitability. Escalations of the cost of manpower and labour, installation and service could have a similar adverse impact.
3. Prevailing protectionism and downward pressure on exports.
4. Exchange rate fluctuations: Significant fluctuations in the RMB exchange rate will directly affect the competitiveness of the Company’s export products, thus influencing the export business operation.

## FINAL DIVIDEND

The Group recorded net profit attributable to shareholders of the Company of RMB1,793.67 million for the year ended 31 December 2019. The Board proposed to pay all shareholders a cash dividend of RMB 3.95 (tax inclusive) per 10 shares held by the shareholders (the “**Proposed Dividend**”) on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2019, without bonus issue and not to issue shares by way of conversion of capital reserve (For the year ended 31 December 2018, the Company paid to all shareholders a cash dividend of RMB3.03 (tax inclusive) per 10 shares held by the shareholders on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2018).

The Proposed Dividend is subject to approval by the shareholders at the 2019 annual general

meeting (the “**Annual General Meeting**”). Subject to the approval of the Proposed Dividend by the shareholders, the Proposed Dividend is expected to be paid on or about 15 August 2020. The total amount of profits to be so distributed is expected to be RMB538,276,521.15. Details of the payment of the Proposed Dividend will be announced after the conclusion of the Annual General Meeting.

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

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

## **AUDIT COMMITTEE**

The tenth session of the audit committee of the Company has reviewed the final results of the Group for the year ended 31 December 2019.

## **CAPITAL EXPENDITURE**

The Group expects that the capital expenditure for 2020 will be approximately RMB550 million. The Group has sufficient funds to meet the funding requirement for purposes such as capital expenditure plans and daily operations.

## **GEARING RATIO**

As at 31 December 2019, the Group’s gearing ratio (calculated according to the formula: total liabilities /total assets) was 63.28% (2018: 63.86%).

## **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 Hong Kong Listing Rules as its code for securities transaction by Directors. After having made specific enquiries to the Directors, all Directors confirmed that they had acted in full compliance with the Model Code during the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **PARTICULAR OF MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD**

(I) On 26 November 2018, the Company entered into (i) a business co-operation framework agreement (as supplemented by a supplemental agreement on 21 June 2019), (ii) a business framework agreement, (iii) a purchase financing agency framework agreement, (iv) a financial services agreement (as supplemented by a supplemental agreement on 21 June 2019), and (v) a supplemental agreement to the financial business framework agreement dated 28 November 2017

with Hisense Group (and its subsidiaries), Hisense Hitachi, Hisense Hong Kong, Hisense Finance, and Hisense Financial Holdings respectively. On 11 September 2019, the Company entered into a business co-operation agreement with Johnson Hitachi. Details of the above agreements are set out in the announcements and circulars of the Company published on the website of the Hong Kong Stock Exchange on 26 November 2018, 7 January 2019, 21 June 2019, 14 August 2019 and 11 September 2019.

(II) During the Reporting Period, certain connected transactions were conducted by the Group in the ordinary and usual course of operation pursuant to the agreements mentioned above, details of which are as follows:

Unit: RMB ten thousand (Excluding VAT)  
(Unless otherwise specified)

Connected parties	Type of connected transaction	Annual Cap	Connected transaction amount
Hisense Group and its subsidiaries	Sales and Provision of service	1,561,422	1,086,391.31
	Purchasing and receipt of services	150,256	86,012.20
Hisense Hitachi (Statistical period: from January 2019 to September 2019) (Note)	Sales and provision of service	74,823	38,105.48
	Purchasing	1,272	1,000.29
Hisense Hong Kong	Receipt of purchase financing agency services	USD100,000,000	25,156.70
Johnson Hitachi (Statistical period: from October 2019 to December 2019) (Note)	Sales and Provision of service	9,813	3,341.05
	Purchasing and receipt of services	49,943	12,131.32

*Note: Since 30 September 2019, the financial results of Hisense Hitachi are consolidated into that of the Group. As such, the statistical period of the connected transactions between the Group (excluding Hisense Hitachi) and Hisense Hitachi was January 2019 to September 2019. From October 2019 onwards, transactions between the Group (excluding Hisense Hitachi) and Hisense Hitachi are no longer connected transactions of the Group. As a result of the consolidation of the financial results of Hisense Hitachi into that of the Group, pursuant to the Hong Kong Listing Rules, from October 2019 onwards, the transactions between the Group and Johnson Hitachi, being the holding company of two substantial shareholders of Hisense Hitachi (namely Johnson Controls - Hitachi Air Conditioning Trading (Hong Kong) Limited and Johnson Controls-Hitachi Air Conditioning Taiwan Co., Ltd), constitute connected transactions of the Group. As such, the statistical period of the connected transactions between the Group and Johnson Hitachi was October 2019 to December 2019. Save for the above, the statistical period of the other connected transactions of the Group during the Reporting Period was January to December 2019.*

As at the end of the Reporting Period, the Group had the balance of deposit of RMB10.42 billion,

recognised interest income of RMB88.59 million, the actual balance of loan of RMB100 million, the balance of electronic bank acceptance bill of RMB5.65 billion, the handling fee for opening accounts for electronic bank acceptance bill of RMB4.77 million, and recognised interest on loans of RMB0.08 million with Hisense Finance. For the Reporting Period, the actual amount of discounted interest for the provision of draft discount services was RMB0.6 million, the actual amount involved in the provision of settlement and sale of foreign exchange services was RMB0.24 billion and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB0.36 million.

As at the end of the Reporting Period, the Group had the actual balance of the recourse factoring services of RMB nil with Hisense Commercial Factoring and the actual value of the transaction conducted for the non-recourse factoring services with Hisense Commercial Factoring is RMB nil million with Hisense Commercial Factoring.

(III) The business co-operation framework agreement, purchase financing agency framework agreement, financial services agreement and financial business framework agreement mentioned in (I) above have expired on 31 December 2019. On 5 November 2019, the Company entered into new business co-operation framework agreement, purchase financing agency framework agreement, financial services agreement and financial business framework agreement with Hisense Group (and its subsidiaries), Hisense Hong Kong, Hisense Finance, and Hisense Financial Holdings, respectively, for continuing connected transactions to be conducted in 2020 and/or 2021. Details of such agreements are set out in the announcements and circular of the Company published on the website of the Hong Kong Stock Exchange on 6 November 2019 and 20 December 2019. The aforementioned new continuing connected transactions agreements (except for the purchase financing agency framework agreement which constituted exempted financial assistance provided by Hisense Hong Kong to the Company under the Hong Kong Listing Rules) were considered and approved by the shareholders of the Company at the 2020 first extraordinary general meeting of the Company held on 17 January 2020.

## **SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS LLP**

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

## **CORPORATE GOVERNANCE CODE**

To the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules.

**PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY**

The 2019 annual report of the Company will be despatched to the shareholders of the Company and will be made available on the websites of the Company (<http://hxjd.hisense.cn/>) and the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) in due course.

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

## **DEFINITIONS**

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

“Company”	Hisense Home Appliances Group Co., Ltd., (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Hisense Air-Conditioning”	Qingdao Hisense Air-Conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, which holds approximately 37.92% of the issued shares of the Company as at the date of this announcement
“Hisense Finance”	Hisense Finance Co., Ltd.* (海信集團財務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Financial Holdings”	Qingdao Hisense Financial Holdings Co., Ltd. (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Group”	Hisense Company Limited (海信集團有限公司), 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, which holds approximately 9.13% of the issued shares of the Company as at the date of this announcement

“Hisense International”

Hisense International Co., Ltd\* (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group

“Hisense Marketing Management”

Hisense Marketing Management Co., Ltd.\* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and 50% owned by the Company

“Hong Kong Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Johnson Hitachi”

Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.

“RMB”

Renminbi, the lawful currency of the PRC

By order of the Board

**Hisense Home Appliances Group Co., Ltd.**

**Tang Ye Guo**

*Chairman*

Foshan City, Guangdong, the PRC, 14 April 2020

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

*\*For identification purposes only*