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## **HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED**

### **海信科龍電器股份有限公司**

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

**(Stock Code: 00921)**

### **2015 INTERIM RESULTS ANNOUNCEMENT**

The Board of Directors (the "Board") of Hisense Kelon Electrical Holdings Company Limited (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 2015 (the "Reporting Period") together with comparative figures for the corresponding period in 2014. 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 2015	31 December 2014
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand		879,033,377.53	870,663,755.12
Financial assets at fair value through profit or loss for the current period		45,885,145.11	162,460.00
Notes receivable		2,022,652,896.39	991,796,937.82
Accounts receivable	5	3,127,840,926.65	1,984,291,386.93
Prepayments		446,248,452.29	498,209,306.68
Others receivables		446,884,703.32	493,051,526.66
Inventories		3,352,817,562.84	2,915,921,775.81
Other current assets		308,416,803.24	287,019,824.65

<b>Total current assets</b>		10,629,779,867.37	8,041,116,973.67
<b>Non-current assets</b>			
Financial assets available-for-sale		3,900,000.00	4,000,000.00
Long-term equity investments		1,119,864,899.12	1,216,043,770.20
Investment properties		30,208,771.74	31,459,416.41
Fixed assets		3,390,359,539.97	2,932,039,091.41
Construction in progress		185,543,441.52	251,551,873.15
Disposal of fixed assets		7,857,686.83	134,612.95
Intangible assets		661,702,034.19	670,944,657.29
Long-term prepaid expenses		11,505,346.17	12,690,220.43
Deferred tax assets		137,880,384.70	106,813,348.23
<b>Total non-current assets</b>		5,548,822,104.24	5,225,676,990.07
<b>Total assets</b>		16,178,601,971.61	13,266,793,963.74
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term borrowings		388,293,554.13	253,985,142.45
Financial liabilities at fair value through profit or loss for the current period			7,391,136.66
Notes payable		2,134,358,147.40	1,528,195,526.41
Accounts payable	6	5,282,041,539.94	3,465,854,583.60
Advances from customers		445,806,561.46	765,881,375.85
Employee remunerations payable		240,279,273.50	249,664,285.98
Taxes payable		164,526,233.11	174,792,592.21
Interests payable			
Dividends payable		37,707.02	2,067.02
Other payables		1,618,998,324.13	1,735,584,905.78
Other current liabilities		1,026,163,690.19	680,022,633.56
<b>Total current liabilities</b>		11,300,505,030.88	8,861,374,249.52
<b>Non-current liabilities</b>			
Provisions		372,659,888.08	404,411,887.77
Deferred income		58,084,575.53	60,261,598.06
Deferred tax liability		35,026.65	165,600.70
<b>Total non-current liabilities</b>		430,779,490.26	464,839,086.53
<b>Total liabilities</b>		11,731,284,521.14	9,326,213,336.05
<b>Shareholders' equity</b>			
Share capital		1,362,725,370.00	1,358,495,560.00

Capital reserves		2,153,765,644.61	2,125,930,825.88
Other comprehensive incomes		9,760,648.24	39,990,884.45
Surplus reserves		145,189,526.48	145,189,526.48
Retained profits		294,473,965.47	-211,243,768.43
<b>Total equity attributable to shareholders of the Company</b>		3,965,915,154.80	3,458,363,028.38
Minority interests		481,402,295.67	482,217,599.31
<b>Total shareholders' equity</b>		4,447,317,450.47	3,940,580,627.69
<b>Total liabilities and shareholders' equity</b>		16,178,601,971.61	13,266,793,963.74

### Consolidated Income Statement

Item	Note	January to June 2015	January to June 2014
<b>Operating revenue</b>	7	13,611,148,619.89	15,397,537,762.48
Operating costs	7	10,800,650,891.99	12,062,743,794.94
Business taxes and surcharges		30,886,280.24	47,442,408.04
Selling and distribution expenses		2,210,836,967.94	2,290,188,924.94
General and administrative expenses		430,232,672.22	403,931,289.17
Financial expenses	8	-24,809,869.01	-14,986,556.54
Impairment losses on assets		20,873,327.47	7,056,482.02
Gain from changes in fair value		53,113,821.77	-90,475,246.57
Investment gain	9	290,512,875.51	186,760,167.37
Including: Share of profit of associates and joint ventures		127,811,784.18	141,589,179.58
<b>Operating profits</b>		486,105,046.32	697,446,340.71
Non-operating income		101,692,390.83	47,756,186.98
Including: Gains on non-current assets		1,040,721.35	1,639,741.48
Non-operating expenses		9,347,599.79	3,675,820.69
Including: Losses on disposal of non-current assets		7,334,966.96	2,496,560.42
<b>Total profits</b>		578,449,837.36	741,526,707.00
Less: Income tax expenses	10	64,380,329.92	103,110,741.21
<b>Net profits</b>		514,069,507.44	638,415,965.79
Net profits of consolidated parties prior to consolidation			

Net profit attributable to shareholders of the parent		505,717,733.90	609,769,686.14
Profit and loss of minority interests		8,351,773.54	28,646,279.65
<b>Earnings per share</b>			
Basic earnings per share	13	0.37	0.45
Diluted earnings per share	13	0.37	0.45
<b>Other comprehensive income</b>		-30,230,236.21	-259,491.65
(1) Items to be reclassified into profit and loss in subsequent accounting periods upon satisfaction of required conditions		-818,758.48	-259,491.65
(2) items not to be reclassified into profit and loss in subsequent accounting periods		-29,411,477.73	0.00
<b>Total comprehensive income</b>		483,839,271.23	638,156,474.14
Total comprehensive income attributable to shareholders of the parent		475,487,497.69	609,510,194.49
Total comprehensive income attributable to minority interests		8,351,773.54	28,646,279.65

**Note:**

**1. General information**

Hisense Kelon Electrical Holdings Company Limited (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 (“Transferable Shares”).

On 31 August 2009, the Company constituted a major asset reorganization and entered into conditional sale and purchase agreement regarding the acquisition of the white goods assets and business (the “White Goods Business”) of Hisense Air-Conditioning(the “Acquisition”). The Acquisition was approved by the CSRC (PRC’s 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 for the Acquisition.

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.

On 19 Jun 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. As at 30 June 2015, 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 612,316,909 shares, representing 44.93% of the Company's total issued share capital and continued to be the immediate controlling shareholder.

In the opinion of the directors of the Company, as at 30 June 2015, Hisense Company Limited ("Hisense Group"), a state-owned enterprise incorporated in the PRC, is 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 the manufacture and sale of refrigerators and air-conditioners.

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**

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the disclosure requirements under the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

The Company is listed in both Mainland and Hong Kong stock exchanges, apart from the relevant regulations mentioned above, the financial statements also comply with 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**

There are no significant changes in the accounting policies, accounting estimate applied in preparing of these financial statements.

#### 4. Segment information

The Group manages its business by divisions which are organized by a mixture of both business lines and geography. The information is reported internally to the Group's most senior executive management 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 period ended 30 June 2015 is as follows:

Amount for current period	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	6,136,651,831.84	5,793,122,043.63	558,005,340.02		12,487,779,215.49
2. Revenue from inter-segment			566,503,360.66	-566,503,360.66	
3. Share of profit of associates and joint ventures	-34,905,811.85	162,841,037.27	-123,441.24		127,811,784.18
4. Depreciation and amortization	197,664,510.72	92,360,362.20	45,985,763.32		336,010,636.24
5. Gain from changes in fair value	23,117,472.33	24,524,066.45	5,472,282.99		53,113,821.77
6. Impairment losses on assets	12,150,229.02	8,365,319.47	357,778.98		20,873,327.47
7. Total profit (total loss)	106,105,797.34	274,655,711.17	252,174,499.30	-54,486,170.45	578,449,837.36
8. Income tax expenses	52,917,164.89	770,306.50	10,692,858.53		64,380,329.92
9. Net profit (net loss)	53,188,632.45	273,885,404.67	241,481,640.77	-54,486,170.45	514,069,507.44
10. Total assets	12,402,487,086.05	12,421,901,717.31	3,870,706,529.19	-12,516,493,360.94	16,178,601,971.61
11. Total liabilities	8,290,649,600.96	9,921,667,497.54	2,511,371,115.46	-8,992,403,692.82	11,731,284,521.14
12. Additions to other non-current assets other than long-term equity investments	74,572,137.17	383,326,275.66	-38,574,427.58		419,323,985.25

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

Amount for last period	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	6,287,790,801.14	7,214,897,296.28	529,721,371.69		14,032,409,469.11
2. Revenue from inter-segment			685,139,673.40	-685,139,673.40	

3. Share of profit of associates and joint ventures	-13,089,815.38	154,659,214.59	19,780.37		141,589,179.58
4. Depreciation and amortization	131,224,705.35	61,518,837.23	31,441,964.13		224,185,506.71
5. Gain from changes in fair value	-38,508,944.11	-40,225,630.56	-11,740,671.90		-90,475,246.57
6. Impairment losses on assets	2,007,220.40	2,523,503.54	2,525,758.08		7,056,482.02
7. Total profit (total loss)	200,120,273.80	479,284,433.71	92,501,371.81	-30,379,372.32	741,526,707.00
8. Income tax expenses	26,205,733.62	71,433,826.93	5,471,180.66	0.00	103,110,741.21
9. Net profit (net loss)	173,914,540.18	407,850,606.78	87,030,191.15	-30,379,372.32	638,415,965.79
10. Total assets	13,269,026,315.69	12,062,111,032.83	3,942,866,361.86	-13,679,988,407.81	15,594,015,302.57
11. Total liabilities	9,368,237,443.37	9,819,799,306.76	2,697,634,850.08	-10,159,310,691.81	11,726,360,908.40
12. Additions to other non-current assets other than long-term equity investments	149,221,863.60	75,641,716.07	92,368,330.07		317,231,909.74

## (2) Geographical Information

Item	January to June 2015	January to June 2014
Revenue from external customers - Mainland	8,403,560,311.36	10,114,000,100.38
Revenues from external customers - Overseas	4,084,218,904.13	3,918,409,368.73
Total	<b>12,487,779,215.49</b>	<b>14,032,409,469.11</b>
Item	30 June 2015	31 December 2014
Non-current assets - Mainland	5,535,400,276.54	5,212,995,836.79
Non-current assets - Overseas	13,421,827.70	12,681,153.28
Total	<b>5,548,822,104.24</b>	<b>5,225,676,990.07</b>

\*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. Trade receivables

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. 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 2015	31 December 2014
Within three months	3,065,255,740.70	1,939,033,166.75
Over three months but within six months	51,559,322.61	41,524,824.98
Over six months but within one year	32,363,591.21	15,771,755.40
Over one year	113,908,887.38	134,718,629.69
Total	<b>3,263,087,541.90</b>	<b>2,131,048,376.82</b>
Less: provision for bad debts	<b>135,246,615.25</b>	<b>146,756,989.89</b>
	<b>3,127,840,926.65</b>	<b>1,984,291,386.93</b>

## 6. Trade payables

The aging of trade payables is analysed as follows:

Item	30 June 2015	31 December 2014
Within one year	5,114,480,221.58	3,335,201,948.30
Over one year	167,561,318.36	130,652,635.30
Total	<b>5,282,041,539.94</b>	3,465,854,583.60

## 7. Revenue and cost of sales

Item	January to June 2015	January to June 2014
Revenue from main operations	12,487,779,215.49	14,032,409,469.11
Revenue from other operations	1,123,369,404.40	1,365,128,293.37
Total	<b>13,611,148,619.89</b>	15,397,537,762.48
Item	January to June 2015	January to June 2014
Cost of main operations	9,781,224,754.56	10,797,489,654.95
Cost of other operations	1,019,426,137.43	1,265,254,139.99
Total	<b>10,800,650,891.99</b>	12,062,743,794.94

## 8. Financial expenses

Item	January to June 2015	January to June 2014
Interest expenses	5,543,081.06	3,453,788.27
less: interest income	2,896,619.54	1,995,289.97

Gain/(loss) on Foreign Exchange	-16,495,792.59	-12,598,553.46
Others	-10,960,537.94	-3,846,501.38
<b>Total</b>	<b>-24,809,869.01</b>	<b>-14,986,556.54</b>

## 9. Investment Income

(1) Summary of investment income

Item	January to June 2015	January to June 2014
Income from long-term equity investment - the cost method	7,410,000.00	9,500,000.00
Income from long-term equity investment - the equity method	127,811,784.18	141,589,179.58
Income from disposal of long-term equity investment	135,598,968.15	
Income from disposal of financial assets held for trading	19,692,123.18	35,670,987.79
<b>Total</b>	<b>290,512,875.51</b>	<b>186,760,167.37</b>

(2) Income from long-term equity investment - the cost method

Investee	January to June 2015	January to June 2014
Hisense International Co., Ltd.	7,410,000.00	9,500,000.00
<b>Total</b>	<b>7,410,000.00</b>	<b>9,500,000.00</b>

(3) Income from long-term equity investment - the equity method:

Investee	January to June 2015	January to June 2014
Huayi Compressor		5,259,786.88
Attend Logistics Co., Ltd.	-123,441.24	19,780.37
Hisense-Whirlpool	-34,905,811.85	-18,349,602.26
Hisense Hitachi	162,841,037.27	154,659,214.59
<b>Total</b>	<b>127,811,784.18</b>	<b>141,589,179.58</b>

## 10. Income tax expenses

Item	January to June 2015	January to June 2014
Income tax expenses	95,447,366.39	98,978,126.87
Inc: Current income tax calculated according to tax law and related regulations in Mainland China	88,651,587.23	92,514,458.28
Current income tax calculated according to tax law and related regulations in Hong Kong	6,795,779.16	6,463,668.59
Deferred tax expenses	-31,067,036.47	4,132,614.34
<b>Total</b>	<b>64,380,329.92</b>	<b>103,110,741.21</b>

Certain subsidiaries have been recognised as “high technology” companies and are entitled to a preferential tax rate of 15% (2014: 15%).Hong Kong Profits Tax is calculated at 16.5% (2014: 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% (2014: 25%).

## 11. Net Current Assets

Item	30 June 2015	31 December 2014
Current Assets ( Consolidated )	10,629,779,867.37	8,041,116,973.67
Less : Current Liabilities ( Consolidated )	11,300,505,030.88	8,861,374,249.52
Net Current Assets ( Consolidated )	-670,725,163.51	-820,257,275.85
Current Assets ( the Company )	3,351,450,409.62	3,050,739,339.88
Less : Current Liabilities ( the Company )	2,688,762,796.92	2,894,421,008.43
Net Current Assets ( the Company )	662,687,612.70	156,318,331.45

## 12. Total Assets Less Current Liabilities

Item	30 June 2015	31 December 2014
Total Assets ( Consolidated )	16,178,601,971.61	13,266,793,963.74
Less : Current Liabilities ( Consolidated )	11,300,505,030.88	8,861,374,249.52
Total Assets less Current Liabilities ( Consolidated )	4,878,096,940.73	4,405,419,714.22
Total Assets ( the Company )	7,325,586,741.24	7,138,546,340.56
Less : Current Liabilities ( the Company )	2,688,762,796.92	2,894,421,008.43
Total Assets Less Current Liabilities ( the Company )	4,636,823,944.32	4,244,125,332.13

## 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 2015	January to June 2014
Consolidated net profit attributable to ordinary shareholders of the Company	505,717,733.90	609,769,686.14
Weighted average number of ordinary shares in issue of the Company	1,359,200,528.33	1,354,794,885.00
Basic earnings per share	0.37	0.45

**(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 2014, 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 2015. No interim dividend was paid for the corresponding period last year.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**I .ANALYSIS OF THE COMPANY'S OPERATION**

**1. Overall operation of the Company during the Reporting Period**

During the Reporting Period, the white goods industry continued with the weak development trend in 2014. There was insufficient demand within the domestic market and there was sluggish growth or even contraction. Affected by these circumstances, the whole industry continued to suffer from declines in both sales volumes and values. According to the statistics of China Market Monitor Company Limited (CMM), as at June 2015, the cumulative retail volume of the refrigerator industry recorded a year-on-year decrease of 7.58%, and its cumulative retail value decreased by 2.12% year-on-year; whereas the cumulative retail volume of the air-conditioner industry recorded a year-on-year decrease of 4.68%, and its cumulative retail value decreased by 9.03% year-on-year. As for the export business, the overall demand in the overseas market was weak. According to the Customs Statistics, the export volume in the first half of 2015 for the refrigeration industry recorded a year-on-year increase of 6.3%, and the export volume for the air-conditioning industry recorded a year-on-year decrease of 5.6%.

During the Reporting Period, the Company has been revolving around the operating directions of “building product advantage, enhancing sales capability, improving service quality, uplifting system performance and ensuring production scale and efficiency” formulated in the beginning of the year in implementing various tasks. However, due to factors such as insufficient demand in the market, slow improvement in the qualities of the Company’s channel and inadequate product mix optimization, the effects of economies of scale of the Company declined. The Company recorded an operating revenue of RMB13611 million and principal operating revenue of RMB12488 million, representing a year-on-year decrease of 11.01%. Among these, the revenue from the refrigerator and washing machine business accounted for 49.14% of the principal operating revenue, representing a year-on-year decrease of 2.4%; revenue from the air-conditioner business accounted for 46.39% of the principal operating revenue, representing a year-on-year decrease of 19.71%;the domestic sales business recorded a principal operating revenue of RMB8404 million, representing a year-on-year decrease of 16.91%, whereas the export sales business recorded a principal operating revenue of RMB4084 million, representing a year-on-year increase of 4.23%. During the Reporting Period, the Company achieved a net profit attributable to shareholders of the Listed Company of RMB506 million, representing a year-on-year decrease of 17.06% and the earnings per share was RMB0.37.

## **2. Refrigerators and washing machines**

While facing an external environment of increasing complexity of the industry during the Reporting Period, the Company actively implemented the foundation works of “reducing costs and improving efficiency” in the refrigerator and washing machine business. The gross profit margin of the domestic refrigerators and washing machines increased by 3.04 percentage points year-on-year. In terms of production efficiency, the average standard of output per worker increased by 34% year-on-year with the decrease in production scale, and the labour cost per unit improved by 21% year-on-year. In terms of technology, the Company has been committed to fulfilling its social responsibility by implementing “green energy” through procurement of innovative technology. The Company and Honeywell agreed to an in-depth strategic cooperation in which they would jointly promote the wide spread use of Solstice liquid blowing agent (LBA) in the refrigeration products, so as to further enhance the energy efficiency rating of its refrigeration products, and strengthen the Company’s leading position in energy saving for refrigeration products. In terms of products, the Company insisted on uplifting the level of intelligence in products and enhancing user experience, by actively implementing work in respect of high-end products and launching upgraded products such as the “Ronshen Shishangpai(食尚派) Series” and the “Hisense Beiduofen(倍多分) Series”. In the 2015 China Refrigerator Industry Summit Forum, with its technical innovations in fresh-keeping and moisturizing, “Ronshen” refrigerator won the grand award of the “Leading Brand in Fresh-keeping Technology in refrigerator industry”; with its innovative structural design and advanced innovative technology, the “Ronshen” 618 litres cross-design four-door intelligent refrigerator won the unique award of “Cross-design four-door leading product” in the industry; the “Hisense” 612 litres side-by-side refrigerator was awarded the “High-end Variable Frequency Product in Refrigerator Industry” because of its differential advantages such as good cooling effect, strong fresh-keeping capabilities as well as low power consumption.

In the area of export business, the Company has actively expanded its scale of export to make up for the contracted domestic demand. According to the Customs Statistics, the Company’s export volume of refrigeration products in the first half of 2015 increased by 16.4% year-on-year, representing a growth rate higher than the industry level of 6.3%.

## **3. Air-conditioner business**

During the Reporting Period, the air-conditioner industry in general demonstrated low business at the time of peak season due to the factors including the general downturn of the air-conditioner industry, high volume of inventories and relatively cooler summer. According to the CMM statistics, the air-conditioning industry’s cumulative retail volume in May and June 2015, being the traditional peak season, recorded year-on-year decrease of 5.13% and 4.68% respectively. Coupled with the impact of a price war, the air-conditioner manufacturing enterprises were facing a difficult business environment. During the first half of the year, the scale of the Company’s air-conditioner business contracted, coupled with the impact of the price war, the gross profit margin fell by 3.33 percentage points year-on-year and there was a decline in profitability. Despite the difficult situation, the Company has been persistent in its strategy of “product is king” and “focus on refined products”. The Company introduced Hisense Air-conditioner’s Apple Cloud Series T, model Yuanzhuang ( “炫转” )air-conditioner. With its brilliant performance in five areas including “intelligence, energy efficiency, healthy living,

aesthetics and quietness”, Hisense Yuanzhuang (“炫转”)air-conditioner won the “Chinese Home Electrical Appliance Design Award” in the Chinese Home Electrical Appliances Expo.

#### 4. Outlook

Looking ahead to the second half of the year, the Company will strive to accomplish the following tasks for the maintenance of steady business operation.

In terms of **product promotion**: the promotion of high-end products will be strengthened, and the proportion of high-end products will be increased to improve the structure of the sales of the products and improve the gross profit margins of products.

In terms of **channel management**: the construction of core channels will be expedited, and the channels will be flattened to achieve the downward delegation of authority and improvement in market responsiveness; trainings will be strengthened, and mechanisms will be introduced to improve the enthusiasm of the marketing team and the execution power of the branch offices; the input-output ratio of the stores will be enhanced and the points of distribution network will be optimised.

In terms of **system efficiency**: non-performing models will be eliminated, production of under-performing models will be reduced and efficiencies of products will be improved; production efficiency will be uplifted by continuation in exploring rooms for profit improvement from manufacturing processes; further implementation in workflow enhancement such as process optimisation, automation and digitization will be continued to uplift management efficiency.

In terms of **costs control**: costs control capability will be strengthened to further improve the costs-to-production ratio.

In term of **cash flow acceleration**: the turnovers of inventories and receivables will be expedited by relentless clearance of overdue account receivables and abnormal accumulation of inventories; capital efficiency will be improved by increasing the application of electronic commerce.

## II. 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

Items	Reporting Period	Corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	13,611,148,619.89	15,397,537,762.48	-11.60
Net profits attributable to shareholders of listed company (RMB)	505,717,733.90	609,769,686.14	-17.06

Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	287,527,945.85	573,969,809.70	-49.91
Net cash flow from operating activities (RMB)	-199,164,845.29	100,286,224.09	-298.60
Basic earnings per share (RMB/share)	0.37	0.45	-17.78
Diluted earnings per share (RMB/share)	0.37	0.45	-17.78
Weighted average rate of return on net assets (%)	13.66	19.85	-6.19
Items	End of the Reporting Period	End of last year	Increase or decrease as compared to end of last year (%)
Total assets (RMB)	16,178,601,971.61	13,266,793,963.74	21.95
Net assets attributable to shareholders of listed company (RMB)	3,965,915,154.80	3,458,363,028.38	14.68

## (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)	129,254,722.54	
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)	95,745,088.44	
Other non-operating income and expenses other than the aforementioned items	2,893,948.21	
Less:Effect of income tax	7,335,504.15	
Effect of minority interests (after tax)	2,368,466.99	
Total	218,189,788.05	--

## (III) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit:RMB

Item	Closing balance	Opening balance	change (%)	Reasons for change
Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	45,885,145.11	162,460.00	28,143.96	Mainly due to changes in exchange rates for undue forward transactions at the end of the Reporting Period.
Notes receivable	2,022,652,896.39	991,796,937.82	103.94	Mainly due to the increase in notes repayment and decrease in endorsement of notes receivable at the end of the Reporting Period.
Accounts receivable	3,127,840,926.65	1,984,291,386.93	57.63	Mainly due to the end of the Reporting Period being the peak season, increased sales resulted in increased accounts receivable. The trend of year-on-year change in accounts receivable corresponds to the trend of year-on-year change in sales volume.

Short term borrowing	388,293,554.13	253,985,142.45	52.88	Mainly due to increase in factoring accounts receivable during the current period.
Notes payable	2,134,358,147.40	1,528,195,526.41	39.67	Mainly due to increase in billing and notes payable at the end of the Reporting Period.
Accounts payable	5,282,041,539.94	3,465,854,583.60	52.40	Mainly due to the end of the Reporting Period being the peak season, increased sales resulted in increased accounts payable. The trend of year-on-year change in accounts payable corresponds to the trend of year-on-year change of sales volume.
Advances from customers	445,806,561.46	765,881,375.85	-41.79	Mainly due to the end of the Reporting Period being the peak season, increased sales resulted in decreased advances from customers.
Other current liabilities	1,026,163,690.19	680,022,633.56	50.90	Mainly due to increased sales which resulted in an increase in corresponding amounts payable.
Other comprehensive income	9,760,648.24	39,990,884.45	-75.59	Mainly due to the disposal of equity rights of Huayi Compressor during the Reporting Period and the transfer of other comprehensive income recognized in the previous year.
Item	Amount for current period	Amount for corresponding period last year	change (%)	Reasons for change
Operating revenue	13,611,148,619.89	15,397,537,762.48	-11.60	No major change.
Operating costs	10,800,650,891.99	12,062,743,794.94	-10.46	No major change.
Business taxes and surcharges	30,886,280.24	47,442,408.04	-34.90	Mainly due to the changes in tax payable which resulted in the changes in corresponding taxes and surcharges.
Selling and distribution expenses	2,210,836,967.94	2,290,188,924.94	-3.46	No major change.
General and administrative expenses	430,232,672.22	403,931,289.17	6.51	No major change.
Financial expenses	-24,809,869.01	-14,986,556.54	N/A	Mainly due to the increase in foreign exchange gain.
Impairment losses on assets	20,873,327.47	7,056,482.02	195.80	Mainly due to the increase in provision for bad debt and impairment loss of fixed assets in the current period.
Gain from changes in fair value	53,113,821.77	-90,475,246.57	N/A	Mainly due to changes in undue forward transactions and changes in settlement for due transactions.
Investment income	290,512,875.51	186,760,167.37	55.55	Mainly due to the disposal of equity rights of Huayi Compressor during the current period which resulted in increase in recognized investment income.
Non-operating income	101,692,390.83	47,756,186.98	112.94	Mainly due to the increase in government grants received during the current period.
Income tax expenses	64,380,329.92	103,110,741.21	-37.56	Mainly due to the changes in deferred tax of the companies.

Tax rebates received	443,199,992.26	309,467,203.75	43.21	Mainly due to the increase in the scale of export business which resulted in the increase in the corresponding export tax refund.
Cash paid for other operating activities	2,073,479,177.64	1,420,106,965.74	46.01	Mainly due to the increase in fees payable.
Net cash flows from operating activities	-199,164,845.29	100,286,224.09	N/A	Mainly due to the increase in fees payable.
Cash received from recovery of investments	330,278,145.68	88,200,000.00	274.47	Mainly due to the disposal of equity rights of Huayi Compressor which resulted in the increase in the amount recovered from investment.
Cash received from capital contribution	32,358,046.50	48,566,371.50	-33.37	Mainly due to the change in amounts received from exercising of share options in the current period.
Net cash flows from investing activities	49,081,314.67	-182,603,279.14	N/A	Mainly due to the increase in cash received from investments.
Cash paid for repayment of borrowings	799,523,193.18	494,790,463.77	61.59	Mainly due to the increase in factoring accounts receivable business in the current period.
Net cash flows from financing activities	158,200,198.03	349,192,218.98	-54.70	Mainly due to the changes in factoring accounts receivable business in the current period.
Net increase in cash and cash equivalents	8,110,622.41	266,990,347.58	-96.96	Mainly due to the decrease in net cash flow from operating and investment activities.

#### (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 (%)
<b>By industry</b>						
Home appliances manufacturing industry	12,487,779,215.49	9,781,224,754.56	21.67	-11.01	-9.41	-1.38
<b>By product</b>						
Refrigerators and washing machines	6,136,651,831.84	4,759,023,251.48	22.45	-2.40	-3.63	0.98
Air-conditioners	5,793,122,043.63	4,597,727,838.07	20.63	-19.71	-16.19	-3.33
Others	558,005,340.02	424,473,665.01	23.93	5.34	13.68	-5.58
<b>By region</b>						
Mainland	8,403,560,311.36	6,141,490,802.42	26.92	-16.91	-15.60	-1.14
Overseas	4,084,218,904.13	3,639,733,952.14	10.88	4.23	3.38	0.74

### III. CORE COMPETITIVENESS ANALYSIS

#### 1. Technological advantages

The Company adheres to its operating philosophy of “technology orientation” and focuses on “energy-saving by inverter technology” and “green and environmental friendliness” 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.

#### 2. Brand advantages

The three brand names used in refrigerator and air-conditioner products of the Company, namely “Hisense”, “Ronshen” and “Kelon”, have good brand reputation and market base. Among these brands, the market share of “Hisense” invertor air-conditioners had ranked first in China for thirteen consecutive years, while the market share of “Ronshen” refrigerators had ranked first in China for eleven years. “High technology and high quality” reflects the Company’s core brand value.

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

Name of company	Company type	Industry	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 equity interest	Home appliances industry	Production and sale of commercial air-conditioners	US\$46 million	341,310.93	200,903.22	218,330.30	40,965.44	34,695.12

### LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB -199 million for the six months ended 30 June 2015(for the six months ended 30 June 2014: RMB 100 million).

As at 30 June 2015, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 879 million (as at 30 June 2014: RMB 740 million) and bank loans amounting to approximately RMB 388 million (as at 30 June 2014: RMB 502 million).

Total capital expenditures of the Group for the six months ended 30 June 2015 amounted to approximately RMB 289 million (for the six months ended 30 June 2014: RMB 283 million).

## **GEARING RATIO**

As at 30 June 2015, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 73% (as at 30 June 2014: 75%).

## **TRUST DEPOSITS**

As at 30 June 2015, 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 2015, the Group had approximately 33,470 employees, mainly comprising 4,704 technical staff, 15,886 sales representatives, 563 financial staff, 940 administrative staff and 11,377 production staff. The Group had 6 employees with a doctorate degree, 323 with a master's degree and 3,807 with a bachelor's degree. There were 429 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2015, the Group's staff payroll amounted to RMB1,362 million (corresponding period in 2014 amounted to RMB1,267 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 2015, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and trade receivables of approximately RMB 417 million (31 December 2014: RMB 557 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 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.

## **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 2015, the share capital structure of the Company was as follows:

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

## TOP TEN SHAREHOLDERS

As at 30 June 2015, there were 32,184 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 Company Limited	State-owned legal person	612,316,909	44.93%	67.80%	0
HKSCC Nominees Limited <sup>Note1</sup>	Foreign legal person	459,120,768	33.69%	99.90%	0
Wang Wenzhe <sup>Note2</sup>	Domestic natural person	7,532,470	0.55%	0.83%	0
Wen Bin <sup>Note2</sup>	Domestic natural person	7,323,407	0.54%	0.81%	0
Zhang Shaowu	Domestic natural person	7,230,000	0.53%	0.80%	0
Zhao Zhilu <sup>Note2</sup>	Domestic natural person	6,696,088	0.49%	0.74%	0
Huang Li <sup>Note2</sup>	Domestic natural person	6,620,566	0.49%	0.73%	0
Ni Longhai <sup>Note2</sup>	Domestic natural person	4,370,444	0.32%	0.48%	0
Tao Xiaoming <sup>Note2</sup>	Domestic natural person	4,249,218	0.31%	0.47%	0
Zou Jianxiong <sup>Note2</sup>	Domestic natural person	2,400,955	0.18%	0.27%	0

*Notes:*

1. The shares held by HKSCC Nominees Limited are held on behalf of a number of its

account participants, among which, Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company, purchased 1,095,000 H shares during the Reporting Period, representing 0.08% of the total number of shares of the Company. Hisense (Hong Kong) Company Limited is the holder of 65,964,000 H shares in total at the end of the Reporting Period, representing 4.84% of the total number of shares of the Company.

2. The 7,532,370 shares of the Company held by Mr. Wang Wenzhe, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of China Securities Company Limited. The 7,323,407 shares of the Company held by Wen Bin, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of Fortune Securities and Shares Company Limited. The 6,688,388 shares of the Company held by Zhao Zhilu, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of Fortune Securities Company Limited. The 6,620,566 shares of the Company held by Huang Li, a shareholder of the Company, were held through a guaranteed security account for customer trading of Huarong Securities Company Limited. The 4,370,444 shares of the Company held by Ni Longhai, a shareholder of the Company, were held through a guaranteed security account for customer trading of Huarong Securities Company Limited. The 4,249,218 shares of the Company held by Tao Xiaoming, a shareholder of the Company, were held through a guaranteed security account for customer trading of Shanxi Securities Company Limited. The 2,400,855 shares of the Company held by Zou Jianxiong, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of Guosen Securities Company Limited.

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

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited	612,316,909	RMB ordinary shares
HKSCC Nominees Limited	459,120,768	Overseas listed foreign shares
Wang Wenzhe	7,532,470	RMB ordinary shares
Wen Bin	7,323,407	RMB ordinary shares
Zhang Shaowu	7,230,000	RMB ordinary shares
Zhao Zhilu	6,696,088	RMB ordinary shares
Huang Li	6,620,566	RMB ordinary shares
Ni Longhai	4,370,444	RMB ordinary shares
Tao Xiaoming	4,249,218	RMB ordinary shares
Zou Jianxiong	2,400,955	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 2015, 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 <i>Note 1</i>	Beneficial owner	A shares	612,316,909(L)	67.80%	44.93%
Qingdao Hisense Electric Holdings Company Limited <i>Note 1</i>	Interest of controlled corporation	A shares	612,316,909(L)	67.80%	44.93%
Hisense Company Limited <i>Note 1</i>	Interest of controlled corporation	A shares	612,316,909(L)	67.80%	44.93%
Hisense (Hong Kong) Company Limited <i>Note 1</i>	Beneficial owner	H shares	64,869,000 (L)	14.11%	4.76%
Qingdao Hisense Electric Holdings Company Limited <i>Note 1</i>	Interest of controlled corporation	H shares	64,869,000 (L)	14.11%	4.76%
Hisense Company Limited <i>Note 1</i>	Interest of controlled corporation	H shares	64,869,000 (L)	14.11%	4.76%
Prime Capital Management Company Limited <i>Note 2</i>	Investment manager	H shares	57,886,691(L)	12.60%	4.25%
Citigroup Inc. <i>Note 3</i>	Person having security interests in shares and custodian corporation/ approved lending agent	H shares	30,181,081(L) 172,000(S) 7,150,918(P)	6.56% 0.03% 1.55%	2.21% 0.01% 0.52%

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

*Notes:*

1. *Qingdao Hisense Air-conditioning Company Limited is a company directly owned as to 93.33% and indirectly owned as to 6.67% by Qingdao Hisense Electric Holdings Company Limited, whereas Hisense (Hong Kong) Company Limited 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 Company Limited and is accustomed or obliged to act in accordance with the directions or instructions of Hisense Company Limited. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Company Limited were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested;*
2. *Prime Capital Management Company Limited was interested in a total of 57,886,691H shares in the capacity of an investment manager by virtue of the SFO.*
3. *By virtue of the SFO, Citigroup Inc. was interested in these H shares, in which Citigroup Global Markets Limited was interested in the long position of 22,858,163 H shares; Citigroup Global Markets Hong Kong Limited was interested in the long position of 172,000 H shares and the short position of 172,000 H shares and Citibank N.A. was interested in the long position of 7,150,918 H shares. Among such interests in the H shares, Citigroup Inc. was interested in the long position of 22,857,165 H shares as person having security interests, the long position of 7,150,918 H shares as custodian corporation or approved lending agent and the long position of 172,998 H shares and the short position of 172,000 H shares as interest of controlled corporation.*

Save as disclosed above, as at 30 June 2015, 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 2015, save as disclosed below and in the section “The First Share Option Incentive Scheme”, 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 held	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 ( <i>Note 1</i> )	0.06%	0.09%
Jia Shao Qian	Beneficial owner	539,060 A Shares ( <i>Note 2</i> )	0.04%	0.06%

*Notes:*

1. *In addition to the 831,600 A Shares, Mr. Tang Ye Guo was also interested in share options to subscribe for 428,400 A Shares of the Company (representing approximately 0.03% of the total issued share capital of the Company and approximately 0.05% of the total issued A shares of the Company as at the 30 June 2015).*
2. *In addition to the 539,060 A Shares, Mr. Jia Shao Qian was also interested in share options to subscribe for 288,940 A Shares of the Company (representing approximately 0.02% of the total issued share capital of the Company and approximately 0.03% of the total issued A shares of the Company as at the 30 June 2015).*

## **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 2015.

## **THE FIRST SHARE OPTION INCENTIVE SCHEME**

### **(1) Movements of the share options during the Reporting Period**

No.	Name	Position	Outstanding share options as at 1 January 2015 ('0000 shares)	Number of share options exercised during the Reporting Period ('0000 shares)	Number of share options lapsed during the Reporting Period ('0000 shares)	Number of share options cancelled during the Reporting Period ('0000 shares)	Outstanding share options as at 30 June 2015 ('0000 shares)
1	Tang Ye Guo	Chairman	84.42	41.58	-		42.84
2	Jia Shao Qian	Director, Vice-President	56.994	28.10	-	-	28.894
3	Xiao Jian Lin	Former Director, former President	55.476 ( <i>Note 2</i> )	N/A	-	-	N/A
4	Mid level management staff and key personnel		730.254	353.301	126.841	126.841	250.112
	Total		871.668	422.981	126.841	126.841	321.846

*Notes:*

1. *All share options available for issue under the first share option incentive scheme have been granted.*
2. *Mr. Xiao Jian Lin has resigned from his positions as director and president on 17 March 2015.*

**(2) The grant date and the exercise price of the share options**

The grant date of the share options is 31 August 2011 and the exercise price is RMB7.65 per share.

**(3) Validity period of the share options**

The validity period of the share options under the grant shall be a term of 5 years commencing from the grant date.

**(4) Exercise Arrangement**

The exercise of the share options under the grant is subject to a restriction period of 2 years, during which period the rights are not exercisable.

Subject to the fulfillment of the exercise conditions, the share options under the grant can be exercised in batches after the expiry of the 2-year period from the grant date according to the following exercise arrangement:

- i. 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the second anniversary of the grant date (2 September 2013) until the trading day falling on the fifth anniversary of the grant date (31 August 2016);
- ii. another 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the third anniversary of the grant date (1 September 2014) until the trading day falling on the fifth anniversary of the grant date (31 August 2016); and
- iii. the remaining 34% of the share options granted to each participant shall become exercisable on the trading day immediately after the fourth anniversary of the grant date (1 September 2015) until the trading day falling on the fifth anniversary of the grant date (31 August 2016).

Where the participant is a director or member of the senior management, share options of not less than 20% of the total share options granted to such participant can only be exercised after the participant has reached a pass grade or above in the performance appraisal for his/ her employment (or office).

In addition, during the validity period of the share options, the maximum gain which the participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives) when the share options were granted. In the event that the gain from the share option incentive exceeds the above proportion, share options which have not been exercised will not be exercised.

According to the calculation by the Black-Scholes option pricing model, the Company recognized an expense of RMB -293,400 in total in relation to First Share Option Incentive Scheme during the Reporting Period.

## **CORPORATE GOVERNANCE CODE**

To the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 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 Kelon Electrical Holdings Company Limited**  
**Tang Ye Guo**  
Chairman

Foshan City, Guangdong, the PRC, 27 August 2015

*As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Ms. Yu Shu Min, Mr. Lin Lan, Mr. Tian Ye, Mr. Liu Hong Xin and Mr. Jia Shao Qian; and the Company's independent non-executive directors are Mr. Xu Xiang Yi, Mr. Wang Xin Yu and Mr. Wang Ai Guo.*

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

### **I . MATERIAL LITIGATIONS AND ARBITRATIONS OF THE COMPANY**

Applicable  Not applicable

General status of the litigation (arbitration)	Amount involved (RMB ten thousand)	Whether a liability is expected to be incurred	Progress of the litigation (arbitration)	Results and effects of the litigation (arbitration)	Execution of the judgment of the litigation (arbitration)
A series of related party transactions and unusual cash flows occurred between the Greencool Companies and the Company during the period from October 2001 to July 2005. In	72,541.44	No	On 26 January 2015, the relevant subsidiaries of the Company received the execution judgments of (2009) Fo Zhong Fa Zhi Zi No. 236 and (2010) Fo	Progress of the litigation will not affect the profits and losses for the current period.	As at the date hereof, the Company has not yet received execution

addition, during the period, the Greencool Companies, through certain specific third party companies such as Tianjin Lixin Commercial Trading Development Company Limited, were involved in a series of unusual cash flow with the Company. The Company has instituted proceedings against the Greencool Companies for such transactions and unusual cash flows as well as the suspected fund embezzlements.		Zhong Fa Zhi Zi No. 32 from the Foshan Intermediate Court. Pursuant to the execution judgments, the execution procedure of the 2 above mentioned cases have been concluded in accordance with the law.		judgment for 1 case involving Greencool Companies.
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## II .SHAREHOLDINGS IN OTHER LISTED COMPANIES HELD BY THE COMPANY

Stock code	Stock abbreviation	Initial investment cost (RMB ten thousand)	Shareholding percentage in the company (%)	Carrying amount at the end of the period (RMB ten thousand)	Profit and loss for the Reporting Period (RMB ten thousand)	Changes in ownership interests for the Reporting Period (RMB ten thousand)
000404	Huayi Compressor	—	—	—	—	—

In order to better leverage on the shares of Huayi Compressor held by the Company, the Company reduced the shareholding of Huayi Compressor by disposing a total of 20,928,506 shares during the Reporting Period. The corresponding cost of long-term equity investment of RMB81,890,700 was released and an investment gain of RMB135,549,000 was recognised. After the present disposal, the Company no longer holds shares in Huayi Compressor.

## III .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 Electric	Purchase	Finished goods	Agreed price	5.2	-
Hisense -Whirlpool	Purchase	Finished goods	Agreed price	7,961.83	0.74
Hisense Hitachi	Purchase	Finished goods	Agreed price	15.72	-
Hisense Electric	Purchase	Materials	Agreed price	163.19	0.02
Hisense Group	Purchase	Materials	Agreed price	404.46	0.04
Hisense -Whirlpool	Purchase	Materials	Agreed price	155.08	0.01
Hisense Hitachi	Purchase	Materials	Agreed price	243.86	0.02
Hisense Electric	Receipt of services	Receipt of services	Agreed price	530.79	0.05

Hisense Group	Receipt of services	Receipt of services	Agreed price	20,305.73	1.88
Hisense Hong Kong	Receipt of purchase financing agency services	Receipt of purchase financing agency services	Agreed price	13,361.75	1.24
Hisense Group	Sale	Finished goods	Agreed price	124,059.09	9.11
Hisense Hitachi	Sale	Finished goods	Agreed price	6,511.77	0.48
Hisense Group	Sale	Materials	Agreed price	752.38	0.06
Hisense Hitachi	Sale	Materials	Agreed price	121.58	0.01
Hisense Electric	Sale	Moulds	Market price	3,763.15	0.28
Hisense Group	Sale	Moulds	Market price	6,985.45	0.51
Hisense Hitachi	Sale	Moulds	Market price	807.41	0.06
Hisense Group	Provision of services	Provision of services	Agreed price	141.97	0.01
Hisense -Whirlpool	Provision of services	Provision of services	Agreed price	96.07	0.01

As at the end of the Reporting Period, the Company and its subsidiaries had the balance of deposit of RMB643,905,200 and interest income received of RMB2,351,100, the actual balance of loan of RMB0, balance of electronic bank acceptance bill of RMB1,019,464,200, interest payment for discounted notes of RMB0 and the handling fee for opening accounts for electronic bank acceptance bill of RMB605,400 with Hisense Finance. The actual amount of discounted interest for the provision of draft discount services was RMB0, the actual amount involved for the provision of settlement and sale of foreign exchange services was US\$132,869,500 and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB170,800.

#### IV. PARTICULARS OF GUARANTEES

Unit: RMB ten thousand

External guarantee given by the Company (excluding guarantees for its subsidiaries)									
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party	
Nil	—	—	—	—	—	—	—	—	
Total limit on the amount of external guarantees approved during the Reporting Period (A1)		0	Actual amount of external guarantees during the Reporting Period (A2)					0	
Total limit on the amount of external guarantees which has been approved at the end of the Reporting Period (A3)		0	Total balance of actual amount of external guarantees at the end of the Reporting Period (A4)					0	

Guarantees given by the Company for its subsidiaries								
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party
Guangdong Refrigerator	22 November 2013	60,000	2014-3-5	9.44	Joint liability guarantee;	2014.03.05-2015.01.31	Yes	No
Guangdong Refrigerator	22 November 2013	60,000	2015-3-9	9.61	Joint liability guarantee	2015.03.09-2016.01.31	No	No
Guangdong Refrigerator	22 November 2013	60,000	2014-7-7	55.58	Joint liability guarantee	2014.07.07-2015.01.09	Yes	No
Guangdong Refrigerator	22 November 2013	60,000	2014-7-7	109.42	Joint liability guarantee;	2014.07.07-2015.07.02	No	No
Guangdong Air-conditioner	03 December 2014	30,000	2015-5-13	133.72	Joint liability guarantee	2015.05.13-2016.01.15	No	No
Kelon Air-conditioner	22 November 2013	30,000	2014-5-5	160.00	Joint liability guarantee	2014.05.05-2015.12.31	No	No
Kelon Air-conditioner	22 November 2013	30,000	2015-4-8	74.83	Joint liability guarantee;	2015.04.08-2015.08.30	No	No
Kelon Air-conditioner	22 November 2013	30,000	2014-10-10	416.74	Joint liability guarantee	2014.10.10-2015.05.21	Yes	No
Home Appliances Co	22 November 2013	5,000	2014-6-23	125.30	Joint liability guarantee	2014.06.23-2015.05.30	Yes	No
Home Appliances Co	22 November 2013	5,000	2014-6-20	60.00	Joint liability guarantee;	2014.06.20-2016.06.11	No	No
Home Appliances Co	22 November 2013	5,000	2015-1-16	525.36	Joint liability guarantee	2015.01.16-2015.06.15	Yes	No
Home Appliances Co	22 November 2013	5,000	2015-5-28	390.99	Joint liability guarantee	2015.05.28-2015.09.14	No	No
Yangzhou Refrigerator	22 November 2013	10,000	2013-5-14	75.86	Joint liability guarantee;	2013.05.14-2015.01.14	Yes	No
Ronsheng Plastic	22 November 2013	6,000	2015-1-12	1086.40	Joint liability guarantee	2015.01.12-2015.06.23	Yes	No
Ronsheng Plastic	22 November 2013	6,000	2015-4-28	620.80	Joint liability guarantee	2015.04.28-2015.09.25	No	No
Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1)		30,000		Actual amount of guarantees for subsidiaries during the Reporting Period (B2)				3,854.05
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (B3)		213,000		Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (B4)				1,559.37
Guarantees given by the subsidiaries for its subsidiaries								
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party

Nil	—	—	—	—	—	—	—	—
Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (C1)		0	Actual amount of guarantees for subsidiaries during the Reporting Period (C2)		0			
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (C3)		0	Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (C4)		0			
Total guaranteed amount of the Company (being the sum of the previous three major items)								
Total limit on the amount of guarantees approved during the Reporting Period (A1+B1+C1)	30,000	Actual amount of guarantees during the Reporting Period (A2+B2+C2)		3,854.05				
Total limit on the amount of guarantees which has been approved at the end of the Reporting Period (A3+B3+C3)	213,000	Total balance of actual amount of guarantees at the end of the Reporting Period (A4+B4+C4)		1,559.37				
Proportion of actual amount of guarantees (being A4+B4+C4) to the net assets of the Company					0.39%			
Including:								
Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (D)					0			
Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (E)					368.55			
Total guaranteed amount over 50% of the net asset (F)					0			
Sum of the above three guarantees (D+E+F)					368.55			
Statement on possibility to assume joint liabilities for guarantees which have not expired					Nil			
Description of provision of external guarantee in violation of prescribed procedures					Nil			

## V.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 amount of derivatives investment	Effective Date	Expiry Date	Investment at the beginning of the period	Amount of provision for impairment (if any)	Investment at the end of the 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	221,160.98	1 January 2015	30 June 2015	221,160.98		176,068.76	44.40	7,280.59
Source of derivatives investment funding				Export trade payment							
Litigation involved (if applicable)				Not applicable							
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)				26 March 2015							

Date of the announcement disclosing the approval of derivatives investment during shareholders' meeting (if any)	26 June 2015
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, operation risk, legal risk etc.)	<p>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.</p> <p>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 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.</p>
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 53,113,800. Investment gain amounted to RMB19,692,100, resulting in a total profits or losses of RMB72,805,900.
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 Kelon Electrical Holdings Company Limited
"Hisense Air-Conditioning"	Qingdao Hisense Air-Conditioning Company Limited
"Hisense Electric"	Hisense Electric Co., Ltd.
"Hisense Group"	Hisense Company Limited
"Hisense Hitachi"	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.
"Hisense-Whirlpool"	Hisense-Whirlpool (Zhejiang) Electric Appliances Co., Ltd.

“Hisense Finance”	Hisense Finance Company Limited
“Hisense International”	Hisense International Co., Ltd.
“Hisense Hong Kong”	Hisense (Hong Kong) Company Limited
“Guangdong Greencool”	Guangdong Greencool Enterprise Development Company Limited
“Greencool Companies”	Guangdong Greencool and other related parties
“Guangdong Refrigerator”	Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.
“Guangdong Air-Conditioner”	Hisense (Guangdong) Air-Conditioner Co., Ltd.
“Kelon Air-conditioner”	Guangdong Kelon Air-Conditioner Co., Ltd.
“Home Appliances Co”	GuangDong Hisense Home Appliances Co.,Ltd.. Its former name is Guangdong Kelon Fittings Co., Ltd., which has been changed since 10 April 2014
“Yangzhou Refrigerator”	Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.
“Ronsheng Plastic”	Foshan Shunde Rongsheng Plastic Co., Ltd
“Huayi Compressor”	Huayi Compressor Company Limited
“Foshan Intermediate Court”	Intermediate People’s Court of Foshan City, Guangdong Province
“RMB”	Renminbi
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited