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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)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

All members (the "Directors") of the board of directors (the "Board") of Hisense Kelon Electrical Holdings Company Limited (the "Company" or "Hisense Kelon") announce the annual audited results of the Company and its subsidiaries (collectively the "Group" or "Kelon") for the year ended 31 December 2015 (the "Reporting Period") together with the 2014 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 | 31 December 2015 | 31 December 2014 |
|--|------|-------------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash at bank and on hand | | 1,014,410,146.17 | 870,663,755.12 |
| Financial assets at fair value through profit or loss for the current period | | | 162,460.00 |
| Notes receivable | | 2,289,706,048.91 | 991,796,937.82 |
| Accounts receivable | 5 | 2,086,596,419.00 | 1,984,291,386.93 |
| Prepayments | | 169,804,372.86 | 498,209,306.68 |
| Others receivables | | 234,011,936.52 | 493,051,526.66 |
| Inventories | | 2,270,139,557.55 | 2,915,921,775.81 |
| Other current assets | | 467,872,305.65 | 287,019,824.65 |
| Total current assets | | 8,532,540,786.66 | 8,041,116,973.67 |
| Non-current assets | | | |
| Financial assets available-for-sale | | 3,900,000.00 | 4,000,000.00 |

| | | | |
|---|---|--------------------------|--------------------------|
| Long-term equity investments | | 1,323,253,353.15 | 1,216,043,770.20 |
| Investment properties | | 28,958,126.07 | 31,459,416.41 |
| Fixed assets | | 3,529,787,697.68 | 2,932,039,091.41 |
| Construction in progress | | 64,837,848.39 | 251,551,873.15 |
| Disposal of fixed assets | | 1,468,664.05 | 134,612.95 |
| Intangible assets | | 694,379,768.17 | 670,944,657.29 |
| Long-term prepaid expenses | | 10,599,736.59 | 12,690,220.43 |
| Deferred tax assets | | 103,091,058.77 | 106,813,348.23 |
| Total non-current assets | | 5,760,276,252.87 | 5,225,676,990.07 |
| Total assets | | 14,292,817,039.53 | 13,266,793,963.74 |
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term borrowings | | 223,496,764.71 | 253,985,142.45 |
| Financial liabilities at fair value through profit or loss for the current period | | 9,767,732.75 | 7,391,136.66 |
| Notes payable | | 2,931,174,504.52 | 1,528,195,526.41 |
| Accounts payable | 6 | 2,878,291,676.53 | 3,465,854,583.60 |
| Advances from customers | | 712,934,326.56 | 765,881,375.85 |
| Employee remunerations payable | | 250,749,290.94 | 249,664,285.98 |
| Taxes payable | | 161,686,275.79 | 174,792,592.21 |
| Interests payable | | | |
| Dividends payable | | | 2,067.02 |
| Other payables | | 1,483,744,213.15 | 1,735,584,905.78 |
| Other current liabilities | | 794,105,569.67 | 680,022,633.56 |
| Total current liabilities | | 9,445,950,354.62 | 8,861,374,249.52 |
| Non-current liabilities | | | |
| Provisions | | 320,959,024.64 | 404,411,887.77 |
| Deferred income | | 51,750,592.81 | 60,261,598.06 |
| Deferred tax liability | | 347,710.13 | 165,600.70 |
| Total non-current liabilities | | 373,057,327.58 | 464,839,086.53 |
| Total liabilities | | 9,819,007,682.20 | 9,326,213,336.05 |
| Shareholders' equity | | | |
| Share capital | | 1,362,725,370.00 | 1,358,495,560.00 |
| Capital reserves | | 2,155,529,231.17 | 2,125,930,825.88 |
| Other comprehensive incomes | | 11,482,265.05 | 39,990,884.45 |
| Surplus reserves | | 240,622,313.49 | 145,189,526.48 |
| Retained profits | | 273,658,518.74 | -211,243,768.43 |

| | | | |
|---|--|-------------------|-------------------|
| Total equity attributable to shareholders of the Company | | 4,044,017,698.45 | 3,458,363,028.38 |
| Minority interests | | 429,791,658.88 | 482,217,599.31 |
| Total shareholders' equity | | 4,473,809,357.33 | 3,940,580,627.69 |
| Total liabilities and shareholders' equity | | 14,292,817,039.53 | 13,266,793,963.74 |

Consolidated Income Statement

| Item | Note | 2015 | 2014 |
|---|------|-------------------|-------------------|
| Operating revenue | 7 | 23,471,602,857.98 | 26,534,420,935.55 |
| Operating costs | 7 | 18,440,738,979.66 | 20,784,712,962.70 |
| Business taxes and surcharges | | 97,160,017.88 | 98,323,909.43 |
| Selling and distribution expenses | | 4,308,881,508.98 | 4,388,690,223.86 |
| General and administrative expenses | | 905,237,728.27 | 856,931,761.63 |
| Financial expenses | 8 | -71,444,717.51 | -3,966,187.82 |
| Impairment losses on assets | | 4,670,866.73 | 58,625,706.01 |
| Gain from changes in fair value | | -2,539,056.09 | -74,339,051.01 |
| Investment gain | 9 | 530,171,700.74 | 375,501,155.02 |
| Including: Share of profit of associates and joint ventures | | 329,436,651.65 | 311,516,852.93 |
| Operating profits | | 313,991,118.62 | 652,264,663.75 |
| Non-operating income | | 326,848,455.27 | 124,362,153.94 |
| Including: Gains on non-current assets | | 2,557,013.97 | 1,623,453.29 |
| Non-operating expenses | | 17,185,413.56 | 5,391,172.93 |
| Including: Losses on disposal of non-current assets | | 13,709,993.98 | 3,967,010.86 |
| Total profits | | 623,654,160.33 | 771,235,644.76 |
| Less: Income tax expenses | 10 | 79,377,763.58 | 59,725,146.29 |
| Net profits | | 544,276,396.75 | 711,510,498.47 |
| Net profits of consolidated parties prior to consolidation | | | |
| Net profit attributable to shareholders of the parent | | 580,335,074.18 | 672,478,632.35 |
| Profit and loss of minority interests | | -36,058,677.43 | 39,031,866.12 |
| Earnings per share | | | |
| Basic earnings per share | 13 | 0.43 | 0.50 |
| Diluted earnings per share | 13 | 0.43 | 0.50 |
| Other comprehensive income | | -28,508,619.40 | -359,473.40 |
| (1) Items to be reclassified into profit and loss in subsequent accounting periods upon satisfaction of required conditions | | -32,807,417.54 | -359,473.40 |
| (2) items not to be reclassified into profit and loss in subsequent | | 4,298,798.14 | |

| | | | |
|---|--|----------------|----------------|
| accounting periods | | | |
| Total comprehensive income | | 515,767,777.35 | 711,151,025.07 |
| Total comprehensive income attributable to shareholders of the parent | | 551,826,454.78 | 672,119,158.95 |
| Total comprehensive income attributable to minority interests | | -36,058,677.43 | 39,031,866.12 |

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 set up for converting the Company’s non-freely transferable domestic legal person shares into freely transferable A shares (“Transferable Shares”) and the scheme was approved and completed in the A shares general meeting , and further approved by Ministry of Commerce PRC on 22 March 2007.

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 (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 18 June 2013, 612,316,909 restricted A shares of the Company held by Hisense Air-Conditioning were no longer subject to selling moratorium and were listed for trading.

On May 23, 2014, the exercise conditions are satisfied for the company's first exercise period of the first phase of stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration, and the exercise of 4,480,810 new stocks has been approved for listing.

On 19 Jun 2015, the exercise conditions are satisfied for the company's second exercise period of the first phase of stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration, and the exercise of 4,229,810 new stocks has been approved for listing.

As at 31 December 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 31 December 2015, Hisense Company Limited (“Hisense Group”), a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder.

The English names to which some of the companies are referred as in these financial statements represent management's best efforts in translation 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

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 41 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 February 15, 2006 or later, and the Information Disclosure Regulations for Companies Publicly Issuing Securities No. 15 - General Provisions for Financial Statements (Revised 2014) issued by China Securities Regulatory Commission.

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

The Company is listed in both Mainland and Hong Kong stock exchange, besides the abovementioned relevant regulations, 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 geographical areas. 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 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 external sales | 11,555,814,929.64 | 8,986,110,462.69 | 1,261,753,115.53 | | 21,803,678,507.86 |
| 2. Revenue from inter-segment sales | | | 1,079,389,775.96 | -1,079,389,775.96 | |
| 3. Gain from investment in associates and joint ventures | -67,586,516.45 | 397,299,600.52 | -276,432.42 | | 329,436,651.65 |

| | | | | | |
|---|-------------------|------------------|------------------|--------------------|-------------------|
| 4. Depreciation and amortization | 313,722,331.33 | 194,093,039.02 | 95,198,586.07 | | 603,013,956.42 |
| 5. Gain from changes in fair value | -1,047,895.89 | -1,047,895.89 | -443,264.31 | | -2,539,056.09 |
| 6. Impairment losses on assets | 826,341.84 | 896,797.23 | 2,947,727.66 | | 4,670,866.73 |
| 7. Total profits (Total losses) | 119,249,485.09 | 274,892,882.63 | 272,497,698.63 | -42,985,906.02 | 623,654,160.33 |
| 8. Income tax expenses | -7,795,680.15 | 65,156,537.50 | 22,016,906.23 | | 79,377,763.58 |
| 9. Net profits (Net losses) | 127,045,165.24 | 209,736,345.13 | 250,480,792.40 | -42,985,906.02 | 544,276,396.75 |
| 10. Total assets | 14,153,219,695.64 | 9,306,682,399.33 | 3,830,688,869.63 | -12,997,773,925.07 | 14,292,817,039.53 |
| 11. Total liabilities | 9,559,782,106.94 | 7,128,189,003.57 | 2,163,808,333.46 | -9,032,771,761.77 | 9,819,007,682.20 |
| 12. Additions to other non-current assets other than long-term equity investments | 34,127,280.60 | 359,832,752.77 | 33,529,646.48 | | 427,489,679.85 |

Segment information as at and for last year is as follows:

| Amount for last period | Refrigerators and washing machines | Air-conditioners | Others | Elimination | Total |
|---|------------------------------------|-------------------|------------------|--------------------|-------------------|
| 1. Revenue from external sales | 11,864,028,175.03 | 11,342,514,901.50 | 1,164,444,974.64 | | 24,370,988,051.17 |
| 2. Revenue from inter-segment sales | | | 1,167,709,264.45 | -1,167,709,264.45 | |
| 3. Gain from investment in associates and joint ventures | -32,615,369.55 | 344,451,398.11 | -319,175.63 | | 311,516,852.93 |
| 4. Depreciation and amortization | 340,888,192.48 | 160,804,441.46 | -1,268,122.29 | | 500,424,511.65 |
| 5. Gain from changes in fair value | -31,515,479.90 | -29,910,879.16 | -12,912,691.95 | | -74,339,051.01 |
| 6. Impairment losses on assets | 23,811,177.70 | 36,884,260.65 | -2,069,732.34 | | 58,625,706.01 |
| 7. Total profit (Total loss) | 139,168,506.62 | 522,949,903.74 | 163,603,402.85 | -54,486,168.45 | 771,235,644.76 |
| 8. Income tax expenses | 37,156,783.38 | 3,668,910.35 | 18,899,452.56 | | 59,725,146.29 |
| 9. Net profit (Net loss) | 102,011,723.24 | 519,280,993.39 | 144,703,950.29 | -54,486,168.45 | 711,510,498.47 |
| 10. Total assets | 11,997,088,181.69 | 9,477,802,119.66 | 3,682,785,008.26 | -11,890,881,345.87 | 13,266,793,963.74 |
| 11. Total liabilities | 8,145,845,933.47 | 7,351,150,477.03 | 2,394,229,900.30 | -8,565,012,974.75 | 9,326,213,336.05 |
| 12. Increased amounts of other non-current assets other than long-term equity investments | 285,719,193.14 | 421,677,482.96 | 78,411,251.21 | | 785,807,927.31 |

(2) Geographic information

| Category | 2015 | 2014 |
|----------------------------------|--------------------------|--------------------------|
| Revenues from domestic customers | 14,266,558,516.03 | 17,178,988,978.86 |
| Revenues from overseas customers | 7,537,119,991.83 | 7,191,999,072.31 |
| Total | 21,803,678,507.86 | 24,370,988,051.17 |
| Domestic non-current assets | 5,749,543,669.67 | 5,212,995,836.79 |
| Overseas non-current assets | 10,732,583.20 | 12,681,153.28 |
| Total | 5,760,276,252.87 | 5,225,676,990.07 |

The business of the Company is mainly operated in Mainland China, where the majority of non-current assets of the Company are held, therefore further detailed regional information is not required to be presented.

5.Accounts receivable

Normal credit term of 60 days is granted to customers. The Group allows a credit term no more than one year for large and well-established customers. Sales are usually settled by cash on delivery for small and new customers. Accounts receivables are non-interest bearing.

The aging of accounts receivable is analyzed as follows:

| Item | 31 December 2015 | 31 December 2014 |
|---|-------------------------|-------------------------|
| Within three months | 2,050,051,659.69 | 1,939,033,166.75 |
| Over three months but within six months | 33,702,888.63 | 41,524,824.98 |
| Over six months but within one year | 12,424,319.08 | 15,771,755.40 |
| Over one year | 115,640,119.80 | 134,718,629.69 |
| Total | 2,211,818,987.20 | 2,131,048,376.82 |
| Less: provision for bad debts | 125,222,568.20 | 146,756,989.89 |
| | 2,086,596,419.00 | 1,984,291,386.93 |

6.Accounts payable

The aging of accounts payable is analyzed as follows:

| Item | 31 December 2015 | 31 December 2014 |
|-----------------|-------------------------|-------------------------|
| Within one year | 2,765,359,219.91 | 3,335,201,948.30 |
| Over one year | 112,932,456.62 | 130,652,635.30 |
| Total | 2,878,291,676.53 | 3,465,854,583.60 |

7.Operating revenues and costs

| Item | 2015 | 2014 |
|-----------------------------------|--------------------------|--------------------------|
| Revenue from principal operations | 21,803,678,507.86 | 24,370,988,051.17 |
| Revenue from other operations | 1,667,924,350.12 | 2,163,432,884.38 |
| Total | 23,471,602,857.98 | 26,534,420,935.55 |
| Item | 2015 | 2013 |
| Cost of principal operations | 16,966,319,509.39 | 18,762,900,237.84 |
| Cost of other operations | 1,474,419,470.27 | 2,021,812,724.86 |
| Total | 18,440,738,979.66 | 20,784,712,962.70 |

8.Financial expenses

| Item | 2015 | 2014 |
|---------------------------------|-----------------------|----------------------|
| Interest expenses | 11,581,630.89 | 15,003,224.16 |
| Less: interest income | 5,689,252.09 | 3,791,604.77 |
| Gain/(Loss) on Foreign Exchange | -57,267,840.76 | -11,103,123.31 |
| Others | -20,069,255.55 | -4,074,683.90 |
| Total | -71,444,717.51 | -3,966,187.82 |

9. Investment gain

(1) Particulars of investment gain

| Item | 2015 | 2014 |
|--|-----------------------|-----------------------|
| Investment income arising from available-for-sale financial assets during holding period | 7,410,000.00 | 9,500,000.00 |
| Gain from long-term equity investment by the equity method | 329,436,651.65 | 311,516,852.93 |
| Gain from disposal of long-term equity investment | 135,654,196.76 | |
| Gain from disposal of financial assets held-for-trading | 57,670,852.33 | 54,484,302.09 |
| Total | 530,171,700.74 | 375,501,155.02 |

(2) Investment income arising from available-for-sale financial assets during holding period

| Investee | 2015 | 2014 |
|--|---------------------|---------------------|
| Qingdao Hisense International Marketing Co.,Ltd. | 7,410,000.00 | 9,500,000.00 |
| Total | 7,410,000.00 | 9,500,000.00 |

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

| Investee | 2015 | 2014 |
|----------------------------|-----------------------|-----------------------|
| Huayi Compressor | | 7,000,709.29 |
| Hisense-Whirlpool | -67,586,516.45 | -39,616,078.84 |
| Attend Logistics Co., Ltd. | -276,432.42 | -319,175.63 |
| Hisense Hitachi | 397,299,600.52 | 344,451,398.11 |
| Total | 329,436,651.65 | 311,516,852.93 |

10. Income tax expenses

| Item | 2015 | 2014 |
|--|----------------------|----------------------|
| Current income tax expenses | 75,473,364.69 | 129,756,032.80 |
| Including: PRC enterprise income taxes | 75,129,488.44 | 125,223,500.64 |
| Hong Kong profit taxes | 343,876.25 | 4,532,532.16 |
| Deferred tax expenses | 3,904,398.89 | -70,030,886.51 |
| Total | 79,377,763.58 | 59,725,146.29 |

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

| Item | 2015 |
|--|-----------------|
| Total profits | 623,654,160.33 |
| Income tax expenses calculated at statutory (or applicable) tax rates | 155,913,540.08 |
| Tax effects of different tax rates applicable to certain subsidiaries | -7,434,861.15 |
| Adjustments of income tax in previous period | 6,069,222.49 |
| Effects of non-taxable incomes | -84,107,742.03 |
| Effects of non-deductible costs, expenses and losses | 24,504,313.56 |
| Effects of deductible losses not recognized as deferred tax assets in previous period | -154,149,055.09 |
| Effects of deductible temporary differences or deductible losses not recognized as deferred tax assets in current period | 167,182,408.85 |

| | |
|---------------------|----------------|
| Others | -28,600,063.13 |
| Income tax expenses | 79,377,763.58 |

Certain subsidiaries have been recognized 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 | 31 December 2015 | 31 December 2014 |
|---|------------------|------------------|
| Current assets (Consolidated) | 8,532,540,786.66 | 8,041,116,973.67 |
| Less : Current liabilities (Consolidated) | 9,445,950,354.62 | 8,861,374,249.52 |
| Net current assets (Consolidated) | -913,409,567.96 | -820,257,275.85 |
| Current assets (the Company) | 2,909,661,756.05 | 3,050,739,339.88 |
| Less : Current liabilities (the Company) | 2,335,475,827.76 | 2,894,421,008.43 |
| Net Current assets (the Company) | 574,185,928.29 | 156,318,331.45 |

12. Total assets less current liabilities

| Item | 31 December 2015 | 31 December 2014 |
|--|-------------------|-------------------|
| Total assets (Consolidated) | 14,292,817,039.53 | 13,266,793,963.74 |
| Less : Current liabilities (Consolidated) | 9,445,950,354.62 | 8,861,374,249.52 |
| Total assets less current liabilities (Consolidated) | 4,846,866,684.91 | 4,405,419,714.22 |
| Total assets (the Company) | 7,078,766,344.72 | 7,138,546,340.56 |
| Less : Current liabilities (the Company) | 2,335,475,827.76 | 2,894,421,008.43 |
| Total assets less current liabilities (the Company) | 4,743,290,516.96 | 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 | 2015 | 2014 |
|--|------------------|----------------|
| Consolidated net profit attributable to ordinary shareholders of the parent | 580,335,074.18 | 672,478,632.35 |
| Weighted average number of issued ordinary shares of the Company outstanding | 1,360,962,949.17 | 1,356,645,223 |
| Basic earnings per share | 0.43 | 0.50 |

(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 parent adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares of the Company outstanding. For the years ended 31 December 2015 and 2014, there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

(c)Dividends

The Board proposed to pay a cash dividend of RMB1.5 (tax inclusive) per 10 shares held by all shareholders on the basis of the total share capital of 1,362,725,370 shares of the Company as at 31 December 2015, without bonus issue and not to issue shares by way of conversion of capital reserve. (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

I .Industry Overview

During the Reporting Period, unfavourable factors such as global economic slowdown, sluggish demand, increasing downward pressure on the economy, high inventory level in the industry, slower growth in the real estate market, etc. continued affecting the development of the white goods industry. Both the sales volume and amount of refrigerators and air-conditioners have decreased and the difficult condition for white goods enterprises continued. According to the statistics of China Market Monitor Company Limited (CMM), in 2015, the cumulative retail volume of the refrigerator industry recorded a year-to-year decrease of 4.76% and its cumulative retail amount decreased by 0.52% year-to-year; whereas the cumulative retail volume of the air-conditioner industry recorded a year-to-year drop of 4.10% and its cumulative retail amount decreased by 8.09% year-to-year. As to the export market, export revenue showed a declining trend due to the lack of momentum for the recovery of the global economy and the general weakness of non-US currencies. According to the Customs statistics on export, the export volume in 2015 for the refrigeration products recorded a year-to-year increase of 3.7%, and the export volume for the air-conditioning products recorded a year-to-year decrease of 5.7%.

As consumers have high demand for product function, quality and design, “demand for improvement” has undoubtedly become the new growth point in the demand for household appliances market. Therefore, accompanying the development in mobile Internet technologies and the upgrading of public consumption demand, “living room economics” has become the consensus for development of various white goods enterprises. White goods are further heading towards intelligentization, artization and high-end development.

II .Analysis of the Company’s Operation

Overall situation

During the Reporting Period, the Company upheld the operating directions of “building product advantages, enhancing sales capability, improving service quality, uplifting system efficiency and ensuring scale and efficiency” in performing various tasks. However, due to influence of factors such as weak market demand, high inventory level of the air-conditioner industry, slow improvement in the qualities of the Company’s channels and inadequate optimization of product structure, the economies of scale of the Company showed a decline. The Company recorded operating revenue of RMB 23,472 million and principal operating revenue of RMB 21,804 million, representing a year-to-year decrease of 10.53%, of which revenue from the refrigerator and washing machine business accounted for 53% of the principal operating revenue, representing a year-to-year decrease of 2.60%; revenue from the air-conditioner business accounted for 41.21%, representing a year-to-year decrease of 20.77%; the domestic sales business recorded a principal operating revenue of RMB 14,267 million, representing a year-to-year decrease of 16.95%, whereas the export sales business recorded a principal operating revenue of RMB 7,537 million, representing a year-to-year

increase of 4.8%. The Company recorded net profits attributable to equity holders of the listed company of RMB 580 million, representing a year-to-year decrease of 13.70%. Earnings per share were RMB 0.43.

Technology orientation

The Company adhered to the development strategy of “Technology orientation and prudent operation”. Increasing the competitiveness of products through strengthening technological innovation and upgrading and raising the quality and added value of products has become an important measure for the Company in tackling difficult operating condition and industry upgrades.

During the Reporting Period, the refrigerator business of the Company continued to adhere to the direction of further improvement on the level of product intelligentization and user experience in its research and development. With focus on improving the technology in areas such as “energy efficiency”, “fresh-keeping”, “rapid refrigeration”, “vibration and noise reduction” and “intelligentization”, it was committed to technology innovations and function upgrades. In February 2015, the Company’s project named “Research and Application of European A++ High-end Air-cooled refrigerator energy-saving technology” won the 2014 Outstanding Technology Award of China National Light Industry Council. In April 2015, the Company announced the in-depth global strategic cooperation with Honeywell in which they would jointly promote the wider use of Solstice® liquid blowing agent (LBA) in refrigerator and freezer products, so as to further enhance the energy efficiency rating of its refrigeration products and reduce greenhouse gas emission, and continue to strengthen the Company’s leading position in energy saving for refrigeration products. In the China Refrigerator Industry Symposium in May 2015, “Ronshen” refrigerator won the grand award of the “Leading Brand in Fresh-keeping Technology in refrigerator industry” for its continuing technical innovations in fresh-keeping and moisturizing, the “Ronshen” 618 Litres cross-design four-door intelligent refrigerator won the unique award of “Cross-design four-door leading product” in the industry for its innovative structural design, advanced innovative technology and other leading advantages; the “Hisense” 612 Litres side-by-side refrigerator was awarded the “High-end Variable Frequency Product in Refrigerator Industry” with its distinctive advantages such as good cooling effect, strong fresh-keeping capabilities as well as low power consumption. In the “Press Conference of the Evaluation Results of the First Intelligent Household Appliances in China” jointly organized by China Quality Certification Centre and China Household Electrical Appliances Research Institute in July 2015, Hisense intelligent refrigerator was honoured with the award of “The Most Capable Intelligent Electrical Appliance in Self-Learning”. In October 2015, the Company’s own research and development project “Research and application of French-style frostless energy-saving refrigerator simulation technology”, was awarded the Third Prize of Technology Advancement by China Household Electrical Appliances Association.

During the Reporting Period, the air-conditioner business of the Company adhered to the development directions of “breakthrough in core technology, product innovation and customer satisfaction”, and achieved significant results in areas such as breakthrough in core technology and innovation of high-end products. In terms of breakthrough in core technology, the “variable vapour injection” (VVI) technology autonomously developed by the Company was successfully applied in inverter multi-connection products and low-temperature strong-heat heater products. As the problem of heat loss in air-conditioners under extreme temperatures was resolved with the VVI technology, the air-conditioner company was given the “technological advancement award” by the Chinese Association of Refrigeration. With the advantage of maintaining the inverting technology

of air-conditioners, the Company reformed and upgraded the core technology of inverter for air-conditioner products. It successfully developed and launched the inverter technology of the 8th generation——“rapid inverter”, and took the lead in introducing the “6S Inverter Standards” covering 6 major areas of “rapid, energy efficiency, quietness, confidence, breadth and intelligence”, which raised the standards of inverter air-conditioners to a new level in the industry. In terms of high-end products, the Company launched Hisense Air-conditioners’ Apple Cloud Series T “Xuanzhuang” air-conditioners, which was the first 360-degree “Flip Turn” artistic cabinet air-conditioner in the industry. Hisense “Xuanzhuang” air-conditioners integrated various technologies such as “High Efficiency Centrifugal Air Passage”, “V-Shape High Efficiency Heat Converter”, “infrared thermal human body detection”, “IFD Purifying Technology”, “NANO-E Anti-bacteria Technology” and “WIFI Intelligent Technology”. With its outstanding performance in five areas including “intelligence, energy efficiency, healthy living, aesthetics and quietness”, Hisense “Xuanzhuang” air-conditioners won the “Chinese Home Electrical Appliance Design Award” in the Appliance &electronics World Expo.

Refrigerator and washing machine business

During the Reporting Period, the Company’s refrigerator and washing machine business continued its strategy of high-end products and enhanced the product structure. The dual system and dual ion fresh-keeping 620 cross refrigerator was launched and the 375 Litres 5-door refrigerator products and a series of small French-style 4-door refrigerator products were newly launched, enriching the high-end product mix. According to the statistics of CMM, the retail market share of the French-style refrigerators in 2015 was 17.13%, representing a year-to-year increase of 2.02 percentage points. The price index of products under the brands of “Hisense refrigerator” and “Ronshen refrigerator” increased gradually. Due to the increasing downward pressure in the domestic economy and low demand, revenue from the refrigerator and washing machine business of the Company dropped, representing a year-to-year decrease of 2.60%. To maintain its profitability, the Company performed tasks to raise gross profit margin in all aspects such as product development, purchasing, manufacturing and sales. The year-to-year growth in the gross profit margin of refrigerator and washing machine was 1.40 percentage points in 2015. Besides, the Company actively explored the overseas market, promoting sales in overseas market comprehensively. According to the statistics of the Customs on export, the export volume of the refrigerator and washing machine products of the Company marked a year-to-year growth of 9.9% in 2015, outperforming the industry’s average growth of 3.7%.

Air-conditioner business

During the Reporting Period, due to the influence of factors such as sluggish market demand, high inventories level of the industry and price war, the scale ability and profitability of the air-conditioner business of the Company declined. Revenue of the air-conditioner business of the Company recorded a year-to-year decrease of 20.77%. The gross profit margin marked a year-to-year decrease of 3.38 percentage points. Facing such difficult environment, the Company actively adjusted the product structure, focused its efforts in the sector of intelligent inverting air-conditioners and adopted the strategy of “phasing out constant speed and popularizing intelligent air-conditioners”. In addition, the Company continued various foundation management tasks to strictly implement quality management. The quality of air-conditioner products of the Company continued to improve. In the Quality Month of China co-organized by 39 departments including the General Administration of Quality Supervision, Inspection and Quarantine, the Publicity Department, National Development and Reform Commission and Ministry of Industry and

Information Technology, the Company was named as the “Typical Enterprise with Outstanding Quality and Integrity in China” and “Qualified Product with Overall Stable Performance in Quality Inspection in China”.

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 | 2015 | 2014 | Increase or decrease as compared to last year (%) | 2013 |
|--|-------------------|-------------------|--|-------------------|
| Operating revenue (RMB) | 23,471,602,857.98 | 26,534,420,935.55 | -11.54 | 24,360,021,308.47 |
| Net profits attributable to shareholders of listed company (RMB) | 580,335,074.18 | 672,478,632.35 | -13.70 | 1,215,669,602.07 |
| Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB) | 232,460,457.89 | 582,931,287.47 | -60.12 | 1,077,904,382.91 |
| Net cash flow from operating activities (RMB) | 484,261,155.05 | 965,990,457.87 | -49.87 | 218,798,349.53 |
| Basic earnings per share (RMB/share) | 0.43 | 0.50 | -14.00 | 0.90 |
| Diluted earnings per share (RMB/share) | 0.43 | 0.50 | -14.00 | 0.90 |
| Weighted average rate of return on net assets (%) | 15.49 | 21.65 | -6.16 percentage points | 56.78 |
| Items | 31 December 2015 | 31 December 2014 | Increase or decrease as compared to end of last year (%) | 31 December 2013 |
| Total assets (RMB) | 14,292,817,039.53 | 13,266,793,963.74 | 7.73 | 12,208,030,858.33 |
| Net assets attributable to shareholders of listed company (RMB) | 4,044,017,698.45 | 3,458,363,028.38 | 16.93 | 2,748,731,080.83 |

QUARTERLY MAJOR FINANCIAL INDICATORS

Unit: RMB

| Item | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|------------------|------------------|------------------|
| Operating revenue (RMB) | 6,430,772,090.41 | 7,180,376,529.48 | 5,616,212,947.84 | 4,244,241,290.25 |
| Net profits attributable to shareholders of listed company (RMB) | 224,500,108.92 | 281,217,624.98 | -46,017,112.95 | 120,634,453.23 |
| Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB) | 90,810,688.39 | 196,717,257.46 | -63,641,709.71 | 8,574,221.75 |
| Net cash flow from operating activities (RMB) | -79,734,934.22 | -119,429,911.07 | 197,676,500.75 | 485,749,499.59 |

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

Unit: RMB

| Item | Amount of 2015 | Amount of 2014 | Amount of 2013 | Description |
|---|----------------|----------------|----------------|-------------|
| Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets) | 124,501,216.75 | -2,343,557.57 | 296,087.55 | |
| Government grants recognized in the profits or losses | 173,616,297.39 | 82,298,890.90 | 82,700,643.38 | |

| | | | | |
|---|-----------------------|----------------------|-----------------------|--|
| (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) | | | | |
| Corporate restructuring costs (e.g. staff relocation costs and costs during the course of integration) | -22,087,867.83 | -36,817,863.11 | -52,492,777.86 | |
| Reversal of provision for impairment loss of account receivables subject to separate impairment testing | | 12,585,064.60 | 89,950,024.68 | |
| Other non-operating income and expenses other than the aforementioned items | 111,227,500.87 | 39,015,647.68 | 14,306,916.33 | |
| Less:Effect of income tax | 33,493,517.67 | 15,218,459.01 | 4,249,768.03 | |
| Effect of minority interests (after tax) | 5,889,013.22 | -10,027,621.39 | -7,254,093.11 | |
| Total | 347,874,616.29 | 89,547,344.88 | 137,765,219.16 | |

(III) ANALYSIS OF PRINCIPAL BUSINESS

1. Income

Is the Company's income from sales of goods larger than its income from provision of services?

Yes No

| Industry Category | Item (ten thousand units / sets) | 2015 | 2014 | Increase or decrease as compared to corresponding period last year (%) |
|--|----------------------------------|-------|-------|--|
| Home appliances manufacturing industry | Sales volume | 1,646 | 1,699 | -3.12 |
| | Production volume | 1,570 | 1,731 | -9.30 |
| | Inventory volume | 108 | 184 | -41.30 |

Inventory volume decreased by 41.30% year-to-year, mainly due to the Company's effort to clear inventories in order to avoid the risk of dropping prices of inventories during the Reporting Period.

2. Composition of operating revenue

Unit: RMB

| Item | 2015 | | 2014 | | Increase or decrease as compared to corresponding period last year (%) |
|--|-------------------|---------------------------------|-------------------|---------------------------------|--|
| | Amount | Weight to operating revenue (%) | Amount | Weight to operating revenue (%) | |
| Total of operating revenue | 21,803,678,507.86 | 100.00 | 24,370,988,051.17 | 100.00 | -10.53 |
| By industry | | | | | |
| Home appliances manufacturing industry | 21,803,678,507.86 | 100.00 | 24,370,988,051.17 | 100.00 | -10.53 |
| By product | | | | | |
| Refrigerators and washing machines | 11,555,814,929.64 | 53.00 | 11,864,028,175.03 | 48.68 | -2.60 |
| Air-conditioners | 8,986,110,462.69 | 41.21 | 11,342,514,901.50 | 46.54 | -20.77 |
| Others | 1,261,753,115.53 | 5.79 | 1,164,444,974.64 | 4.78 | 8.36 |
| By region | | | | | |
| Domestic | 14,266,558,516.03 | 65.43 | 17,178,988,978.86 | 70.49 | -16.95 |
| Overseas | 7,537,119,991.83 | 34.57 | 7,191,999,072.31 | 29.51 | 4.80 |

3. Composition of operating Costs

Unit: RMB ten thousand

| Industry Category | Item | 2015 | | 2014 | | Increase or decrease as compared to corresponding period last |
|-------------------|------|--------|---------------------------|--------|---------------------------|---|
| | | Amount | Weight to operating costs | Amount | Weight to operating costs | |

| | | | (%) | | (%) | year (%) |
|--|---------------|--------------|-------|--------------|-------|----------|
| Home appliances manufacturing industry | Raw materials | 1,521,967.68 | 89.71 | 1,697,168.44 | 90.45 | -0.74 |
| | Staff wages | 59,465.79 | 3.50 | 53,990.60 | 2.88 | 0.62 |
| | Depreciation | 45,550.18 | 2.68 | 36,722.00 | 1.96 | 0.72 |

4. Expenses

Unit: RMB ten thousand

| Expense Item | 2015 | 2014 | Increase or decrease as compared to corresponding period last year (%) | Reason for the significant changes |
|--------------------|------------|------------|--|--|
| Sales expense | 430,888.15 | 438,869.02 | -1.82 | No significant change |
| Management expense | 90,523.77 | 85,693.18 | 5.64 | No significant change |
| Finance expense | -7,144.47 | -396.62 | N/A | Mainly due to the significant increase in the foreign exchange gain during the Reporting Period. |
| Income tax expense | 7,937.78 | 5,972.51 | 32.91 | Mainly due to the change in deferred tax assets during the Reporting Period |

5. Cash Flow

Unit: RMB ten thousand

| Item | 2015 | 2014 | Increase or decrease as compared to corresponding period last year (%) |
|--|--------------|--------------|--|
| Sub-total of cash inflows from operating activities | 1,554,485.04 | 1,537,699.84 | 1.09 |
| Sub-total of cash outflows from operating activities | 1,506,058.92 | 1,441,100.80 | 4.51 |
| Net cash flows from operating activities | 48,426.12 | 96,599.05 | -49.87 |
| Sub-total of cash inflows from investing activities | 33,989.84 | 10,764.75 | 215.75 |
| Sub-total of cash outflows from investing activities | 64,965.90 | 76,618.68 | -15.21 |
| Net cash flows from investing activities | -30,976.06 | -65,853.93 | N/A |
| Sub-total of cash inflows from financing activities | 147,903.15 | 138,115.72 | 7.09 |
| Sub-total of cash outflows from financing activities | 151,230.82 | 129,146.68 | 17.10 |
| Net cash flows from financing activities | -3,327.67 | 8,969.04 | -137.10 |
| Net increase in cash and cash equivalents | 14,212.04 | 39,705.16 | -64.21 |

6. Research and development inputs

During the Reporting Period, the Company's research and development focused on improving product performance, level of intelligentization and users' experience, breaking through core technology, and strengthening high-end product line. We insisted on providing inputs in research and development and technology innovation of products in order to strengthen our products' market competitiveness and the Company's core competitiveness so as to support the Company's industrial advancement with strong technologies.

Description of research and development inputs of the Company

| | 2015 | 2014 | Proportion of change (%) |
|--|----------------|----------------|--------------------------|
| Number of research and development staff | 995 | 1009 | -1.39 |
| Proportion of number of research and development staff | 3.02 | 2.92 | 0.10 |
| Amount of research and development inputs (RMB) | 507,821,663.05 | 552,285,511.98 | -8.05 |
| Proportion of research and development inputs to operating revenue | 2.16 | 2.08 | 0.08 |
| Amount of capitalized research and development inputs (RMB) | 0 | 0 | 0 |
| Proportion of capitalized research and development inputs to research and development inputs | 0 | 0 | 0 |

(IV) DESCRIPTION OF INDUSTRIES, PRODUCTS OR REGIONS ACCOUNTING FOR 10% OR ABOVE OF THE REVENUE OR PROFITS FROM OPERATING BUSINESSES OF THE COMPANY

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 | 21,803,678,507.86 | 16,966,319,509.39 | 22.19 | -10.53 | -9.58 | -0.82 |
| By product | | | | | | |
| Refrigerators and washing machines | 11,555,814,929.64 | 8,866,010,017.35 | 23.28 | -2.60 | -4.34 | 1.40 |
| Air-conditioners | 8,986,110,462.69 | 7,133,925,803.36 | 20.61 | -20.77 | -17.25 | -3.38 |
| Others | 1,261,753,115.53 | 966,383,688.68 | 23.41 | 8.36 | 10.58 | -1.54 |
| By region | | | | | | |
| Domestic | 14,266,558,516.03 | 10,386,859,889.56 | 27.19 | -16.95 | -15.96 | -0.86 |
| Overseas | 7,537,119,991.83 | 6,579,459,619.83 | 12.71 | 4.80 | 2.75 | 1.74 |

(V) ASSETS AND LIABILITIES POSITION

Significant changes in asset items

Unit: RMB

| Items | At the end of 2015 | | At the end of 2014 | | Change in proportion (%) | Explanation of significant changes |
|-----------------------------|--------------------|--------------------------------|--------------------|--------------------------------|--------------------------|---|
| | Amount | Percentage to total assets (%) | Amount | Percentage to total assets (%) | | |
| Cash at bank and on hand | 1,014,410,146.17 | 7.10 | 870,663,755.12 | 6.56 | 0.54 | No significant change |
| Notes receivable | 2,289,706,048.91 | 16.02 | 991,796,937.82 | 7.48 | 8.54 | Mainly due to payment via the issuance of notes payable and retention of notes receivable during the Reporting Period |
| Accounts receivable | 2,086,596,419.00 | 14.60 | 1,984,291,386.93 | 14.96 | -0.36 | No significant change |
| Prepayments | 169,804,372.86 | 1.19 | 498,209,306.68 | 3.76 | -2.57 | Mainly due to the decrease in prepayments of construction fees during the Reporting Period |
| Other Receivables | 234,011,936.52 | 1.64 | 493,051,526.66 | 3.72 | -2.08 | Mainly due to the other receivables from Greencool Companies were audited and written off during the Reporting Period |
| Inventories | 2,270,139,557.55 | 15.88 | 2,915,921,775.81 | 21.98 | -6.10 | No significant change |
| Other current assets | 467,872,305.65 | 3.27 | 287,019,824.65 | 2.16 | 1.11 | Mainly due to purchase of asset management products from the banks at the end of the Reporting Period |
| Investment properties | 28,958,126.07 | 0.20 | 31,459,416.41 | 0.24 | -0.04 | No significant change |
| Long-term equity investment | 1,323,253,353.15 | 9.26 | 1,216,043,770.20 | 9.17 | 0.09 | No significant change |

| | | | | | | |
|--------------------------|------------------|-------|------------------|-------|-------|---|
| Fixed assets | 3,529,787,697.68 | 24.70 | 2,932,039,091.41 | 22.10 | 2.60 | No significant change |
| Construction in progress | 64,837,848.39 | 0.45 | 251,551,873.15 | 1.90 | -1.45 | Mainly due to the completion of construction in progress and their transfer into fixed assets and intangible assets during the Reporting Period |
| Short-term borrowings | 223,496,764.71 | 1.56 | 253,985,142.45 | 1.91 | -0.35 | No significant change |
| Notes payable | 2,931,174,504.52 | 20.51 | 1,528,195,526.41 | 11.52 | 8.99 | Mainly due to the increase in issuance of electronic acceptance bills during the Reporting Period |

(VI) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Unit: RMB

| Items | Amount at the beginning of the period | Gain or loss from change in fair value during the period | Accumulated changes in fair value accounted in equity | Impairment provided during the period | Amount purchased during the period | Amount sold during the period | Amount at the end of the period |
|--|---------------------------------------|--|---|---------------------------------------|------------------------------------|-------------------------------|---------------------------------|
| Financial assets | | | | | | | |
| 1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period (excluding derivative financial assets) | 162,460.00 | -162,460.00 | | | | | |
| 2. Derivative financial assets | | | | | | | |
| 3. Financial assets available for sale | | | | | | | |
| Subtotal of financial assets | | | | | | | |
| Investment Properties | | | | | | | |
| Productive biological assets | | | | | | | |
| Others | | | | | | | |
| Total | 162,460.00 | -162,460.00 | | | | | |
| Financial liabilities | -7,391,136.66 | -2,376,596.09 | | | | | -9,767,732.75 |

(VII) CORE COMPETITIVENESS ANALYSIS

1. Technological advantages

The Company adheres to its development strategy 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. At the same time, the Company gradually accelerates the progress of internationalization, and continues to promote the internationalization of its own brands. From a global market perspective, Hisense's own brand air-conditioner products ranked fifth in the global market share and its own brand refrigerator and freezer products ranked sixth in the global market share.

(VIII) 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 | US\$46 million | 447,848.72 | 252,669.55 | 480,934.20 | 95,485.75 | 84,648.57 |

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

| Name of company | Means of acquisition and disposal of subsidiaries during the Reporting Period | Effect on the overall production, operation and results |
|--|---|--|
| Jiangmen Hisense Electrical Appliances Co., Ltd. | Newly established | Meeting the Company's production needs. |
| Foshan Shunde Kelon Household Electrical Appliance Company Limited | Cancellation | Cancellation of such company would not cause any material effect on the Company's overall production, operation and results. |
| Hisense Home Appliance (Europe) Research &Development Center GmbH | Equity transfer | Transfer of such company would not cause any material effect on the Company's overall production, operation and results. |

(IX) Material changes of major assets

| Major assets | Description of the material changes |
|---------------|-------------------------------------|
| Equity assets | No significant change |

| | |
|----------------------|---|
| Fixed assets | No significant change |
| Intangible assets | No significant change |
| Projects in progress | Decrease which was mainly due to the completion of construction in progress and their transfer into fixed assets and intangible assets during the Reporting Period. |

(X)Analysis of non-core businesses

Applicable Not applicable

Unit:RMB

| Item | Amount | % of total profits | Description of forming reasons | Sustainability |
|-----------------------|----------------|--------------------|--|----------------|
| Investment income | 530,171,700.74 | 85.01 | Mainly due to the income from equity investment recognized according to equity method of accounting. | Yes |
| Fair value gain/ loss | -2,539,056.09 | -0.41 | Mainly due to the change in recognized income of forward foreign exchange business | Yes |
| Asset impairment loss | 4,670,866.73 | -0.75 | Mainly due to the recognized accounts receivable, inventories and impairment loss for the long-term assets | No |
| Non-operating income | 326,848,455.27 | 52.41 | Mainly due to the gain on disposal of long-term assets and the receipt of government subsidy | No |
| Non-operating expense | 17,185,413.56 | -2.76 | Mainly due to the loss on disposal of long-term assets | No |

IV. Outlook

Looking ahead into 2016, the recovery of the global economy lacks momentum and the downward pressure of the domestic economy will intensify. The RMB exchange rate will be exposed to higher risks and there will be further pressure on export costs. Unfavourable environment such as the high inventory level of the domestic air-conditioner industry will continue to be a huge burden on the operation and development of the Company. However, given the economic recovery in developed countries such as the US, implementation of new energy efficiency standards for domestic refrigerator products, liberalization of improving residential housing policy and the development of mobile Internet etc., there will be plenty of room for the development and upgrade of white goods enterprises.

In 2016, the Company will firmly uphold the operating strategies of “adhering to high-end awareness, highlighting product advantages, consolidating market network, enhancing system efficiency, exploring international market and ensuring economies of scale” to capture the opportunities of sector technical upgrades and functional upgrades of products in order to strive for steady increase in its scale, performance and market share through implementation of the followings:

1. to adhere to the development strategy of high-end products and highlight the advantage of product differentiation. Through measures such as replenishing high-end core talents, adjusting and developing incentive mechanism and strengthening co-operation internally and externally, the Company will greatly improve the planning and developing capability of high-end products and more high-end products will come on stream. Product sophistication level will continue to be enhanced and product quality will be improved and enhanced. The Company will continue promoting star models and keymodels, and enhancing user's awareness of high-end brands of Hisense products. Leveraging on the “Hisense Cloud” platform under the Hisense Group, the intelligent operation platform of system grading products will be built and the intelligentization of single products will be upgraded to intelligentization of systems by connecting those areas such as operation and use of products, online sales and maintenance service through such platform. The

promotion of inverting strategy for air-conditioner products will continue unflinchingly and gradually phase out constant speed products. Through differentiation in appearance and intelligent 2.0 upgrade, the comparative advantage of products will be built and inverters will become more sophisticated.

2. to increase the sales capability. The business sense of branch offices will be guided and strengthened by improving the incentive scheme of branch offices. The high-end development of prototypes, image improvement to end-users and more innovative media will be promoted. Investment efficiency of the brand will be enhanced and brand building will be accelerated. Criteria of quality customers will be set for improving the composition of customers and the proportion of high-end products will be raised. More efforts will be put on the construction of core network and exclusive stores and refinement of sales channels so as to increase per store productivity. More agency channels will be developed to enhance the market scale in third and fourth tier markets and the e-commerce team and quality of online promotion will be improved. Operating efficiency and sales revenue per person will be improved by closing those under-performing stores, adjusting the management model of office and building an information system platform.

3. to take “customer satisfaction” as our fundamental starting point, set appraisal indicators of process and improve the NPS management system; to optimize our net promotion value of products through improvement of the entire process from product planning, design, manufacturing, quality control, logistics, sales to service; to optimize the service network, improve the standard of service, build the core image of service provider and promote the market reputation of the brand; to accelerate the process of handling service information through whole-process supervision using the information service platform.

4. to strive to expand the overseas market. The Company will be leveraging the opportunity of Hisense Group enhancing its efforts on sports marketing and sponsoring the European Cup and other famous sports events, focusing on planning products for overseas sales and high-end promotion, increasing product efficiency, reducing the proportion of non-performing and less popular models, driving up quantity of high-end products and improving the composition of overseas sales of products. Promotion mechanism for end-users will be built and the proportion of its own brand will be enhanced.

5. to continue the work of raising production efficiency. Product generalization and standardization will be strengthened and manufacturing efficiency will be improved through improving the craftsmanship and automation; structure of personnel will be improved and staff capability will be raised, accelerating the progress of informatization projects, rapidly raising the level of informatization and optimizing workflow and organization structure; management efficiency will be increased; and platform and system for sales efficiency will be built through measures such as reforming the sales model and enhancing sales ability to enhance sales efficiency.

6. Strictly control overdue account receivables and abnormal appropriation, reduce capital risk, accelerate capital flow and strengthen cost control.

FINAL DIVIDEND

The Group recorded net profit attributable to shareholders of the listed company of RMB 580 million for the year ended 31 December 2015. The Board proposed to pay a cash dividend of RMB1.5 (tax inclusive) per 10 shares held by all shareholders on the basis of the total share capital

of 1,362,725,370 shares of the Company as at 31 December 2015, without bonus issue and not to issue shares by way of conversion of capital reserve (no dividend was paid by the Group for the year ended 31 December 2014).

LIQUIDITY AND SOURCES OF FUNDS

For the year ended 31 December 2015, net cash generated from operating activities of the Group amounted to approximately RMB 484 million (2014: net cash generated from operating activities amounted to approximately RMB 966 million).

As at 31 December 2015, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 1,014 million (2014: RMB 871 million), and bank loans amounting to approximately RMB 223 million (2014: RMB 254 million).

Total capital expenditures of the Group for the year ended 31 December 2015 amounted to approximately RMB 450 million (2014: RMB 766 million).

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2015, the Group had approximately 32,935 employees, mainly comprising 4,718 technical staff, 15,145 sales representatives, 387 financial staff, 849 administrative staff and 11,836 production staff. The Group had 7 employees with a doctorate degree, 373 with a master's degree and 3,909 with a bachelor's degree. For the year ended 31 December 2015, the Group's staff payroll amounted to RMB 2,508 million (corresponding period in 2014 amounting to RMB 2,483 million).

EMPLOYEES' TRAINING AND REMUNERATION POLICY

Employees and people are the basis for corporate development. Leveraging on the platform provided by Hisense College, the Company has established a three-level training system, a well-rounded curriculum system and a training regulation system and actively promoted the building up of teacher resources internally and externally, so as to effectively support the development of the Company's management and technical personnel and achieve value-added human resources. Every year, the Company will formulate education and training programs for the employees based on the annual operational strategy and human resources development needs.

The Company has provided 4,309 courses in total during the Reporting Period, and the number of participants reached 136,542. The courses are mainly of enterprise management type, craftsmanship and quality type, corporate culture type, manufacturing type, or technology research and development type, etc., covering employees at different levels, ranging from ground level staff responsible for work such as front-line production and marketing to senior management.

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 31 December 2015, the Group's property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables of approximately RMB 324 million (31 December 2014: RMB 254 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.

PUBLIC FLOAT

The Directors confirm that as at 29 March 2016, based on publicly available information and to the best of their knowledge, 25% or above of the total issued share capital of the Company are held by the public. Therefore, the public float of the Company satisfies the requirement stipulated under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”).

AUDIT COMMITTEE

The ninth session of the audit committee of the Company has reviewed the final results of the Group for the year ended 31 December 2015.

CAPITAL EXPENDITURE

The Group expects that the capital expenditure for 2016 will be approximately RMB 84 million. The Group has sufficient funds to meet the funding requirement for capital expenditure plans and daily operations.

TRUST DEPOSITS

As at 31 December 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2015, the Group did not have any long-term bank borrowings and its cash and cash equivalents amounted to RMB 1,014 million (2014: RMB 871 million), of which more than RMB 964 million are denominated in Renminbi.

As at 31 December 2015, the Group’s current liabilities amounted to RMB 9,446 million, non-current liabilities amounted to RMB 373 million, and shareholders’ equity attributable to the shareholders of the Company amounted to RMB 4,044 million. Details of the Group’s capital structure are set out in the financial statements which will be contained in the annual report of the Company.

GEARING RATIO

As at 31 December 2015, the Group’s gearing ratio (calculated according to the formula: total liabilities /total assets) was 68.70% (2014: 70.30%).

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The ninth session of the Board has received a written confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the requirements

provided under Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all the independent non-executive Directors of the ninth session of the Board meet the relevant requirements under Rule 3.13 of the Hong Kong Listing Rules and considers them to be independent.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors and the supervisors of the Company has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

The Directors of the ninth session of the Board and the supervisors of the Company do not and did not directly or indirectly hold any material interests in any contract of significance of the Company or its subsidiaries subsisting during or at the end of the year 2015.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the ninth session of the Board have reviewed the continuing connected transactions of the Group for the year 2015, and confirmed that these transactions were conducted in the ordinary course of business of the Group in accordance with the relevant agreements governing them and on normal commercial terms which were fair and reasonable and in the interest of the shareholders of the Company as a whole.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY AUDITORS

After auditing the continuing connected transactions of the Group, the auditors of the Company confirmed that the relevant continuing connected transactions of the Group have been approved by the Board, were carried out in accordance with the Company's pricing policies pursuant to the terms of the agreements of the relevant transactions, and have not exceeded the caps disclosed in the previous announcements.

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 the Hong Kong 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.

SHARE CAPITAL STRUCTURE

As at 31 December 2015, the share capital structure of the Company was as follows:

| Class of shares | Number of shares | Percentage to the total issued share capital |
|------------------------|-------------------------|---|
| H shares | 459,589,808 | 33.73% |
| A shares | 903,135,562 | 66.27% |

| | | |
|--------------|---------------|---------|
| Total | 1,362,725,370 | 100.00% |
|--------------|---------------|---------|

TOP TEN SHAREHOLDERS

As at 31 December 2015, there were 30,441 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 Note 1 | Foreign legal person | 459,151,768 | 33.69% | 99.90% | 0 |
| Central Huijin Investment Ltd. | Domestic non-state-owned legal person | 26,588,700 | 1.95% | 2.94% | 0 |
| China Securities Finance Corporation Limited | Domestic non-state-owned legal person | 18,379,176 | 1.35% | 2.04% | 0 |
| Zhang Shao Wu | Domestic natural person | 7,200,000 | 0.53% | 0.80% | 0 |
| ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Central European Fund - Agricultural Bank of China - Central European China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Boshi Fund - Agricultural Bank of China - Boshi China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Dacheng Fund - Agricultural Bank of China - Dacheng China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Jiashi Fund - Agricultural Bank of China - Jiashi China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Guangfa Fund - Agricultural Bank of China - Guangfa China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Huaxia Fund - Agricultural | Other | 6,518,300 | 0.48% | 0.72% | 0 |

| | | | | | |
|--|-------|-----------|-------|-------|---|
| Bank of China - Huaxia China Securities Financial Asset Management Plan | | | | | |
| Yinhua Fund - Agricultural Bank of China - Yinhua China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Yifangda Fund - Agricultural Bank of China - Yifangda China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 0 |
| Southern Fund - Agricultural Bank of China - Southern China Securities Financial Asset Management Plan | Other | 6,518,300 | 0.48% | 0.72% | 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, increased its holding of H shares of the Company by 16,291,000H shares during the Reporting Period, representing 1.20% of the total number of shares of the Company. Hisense (Hong Kong) Company Limited is the holder of 81,160,000 H shares in total at the end of the Reporting Period, representing 5.96% of the total number of shares of the Company;*
2. *At the end of the month prior to the date of publication of this results announcement on 29 March 2016, there were 30,811 shareholders of ordinary shares of the Company in total;*
3. *Zhang Shao Wu, a shareholder of the Company, holds 7,200,000 shares of the Company through customer credit trading guarantee securities account in 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 | 459,151,768 | Overseas listed foreign shares |
| Central Huijin Investment Ltd. | 26,588,700 | RMB ordinary shares |
| China Securities Finance Corporation Limited | 18,379,176 | RMB ordinary shares |
| Zhang Shao Wu | 7,200,000 | RMB ordinary shares |
| ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Central European Fund - Agricultural Bank of China - Central European China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Boshi Fund - Agricultural Bank of China - Boshi China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Dacheng Fund - Agricultural Bank of China - Dacheng China | 6,518,300 | RMB ordinary |

| | | |
|--|-----------|---------------------|
| Securities Financial Asset Management Plan | | shares |
| Jiashi Fund - Agricultural Bank of China - Jiashi China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Guangfa Fund - Agricultural Bank of China - Guangfa China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Huaxia Fund - Agricultural Bank of China - Huaxia China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Yinhua Fund - Agricultural Bank of China - Yinhua China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Yifangda Fund - Agricultural Bank of China - Yifangda China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |
| Southern Fund - Agricultural Bank of China - Southern China Securities Financial Asset Management Plan | 6,518,300 | RMB ordinary shares |

Note : The Company is not aware whether any of the top ten holders of tradable shares is connected with each other or any of them is a party acting in concert with any of the other nine shareholders within the meaning of 《上市公司收购管理办法》 (Administrative Measures for the Takeover of Listed Companies).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Directors, supervisors and the chief executive of the Company, as at 31 December 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 (the “Hong Kong Stock Exchange”):

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 | 81,160,000 (L) | 17.66% | 5.96% |

| | | | | | |
|--|--|----------|---|-------------------------------|-------------------------|
| Qingdao Hisense Electric Holdings Company Limited <i>Note 1</i> | Interest of controlled corporation | H shares | 81,160,000 (L) | 17.66% | 5.96% |
| Hisense Company Limited <i>Note 1</i> | Interest of controlled corporation | H shares | 81,160,000 (L) | 17.66% | 5.96% |
| 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 | 27,066,610(L) 2,467,000(S) 2,049,000(P) | 5.88(L) 0.53(S) 0.44(P) | 1.99% 0.18% 0.15% |

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% 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. 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 57,886,691 H 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 22,522,610 H shares; Citigroup Global Markets Hong Kong Limited was interested in the long position of 2,495,000H shares and the short position of 2,467,000 H shares and Citibank N.A. was interested in the long position of 2,049,000H shares. Among such interests in the H shares, Citigroup Inc. was interested in the long position of 25,017,610 H shares as person having security interests, the long position of 2,049,000 H shares as custodian corporation or approved lending agent and the short position of 2,467,000 H shares as interest of controlled corporation.*

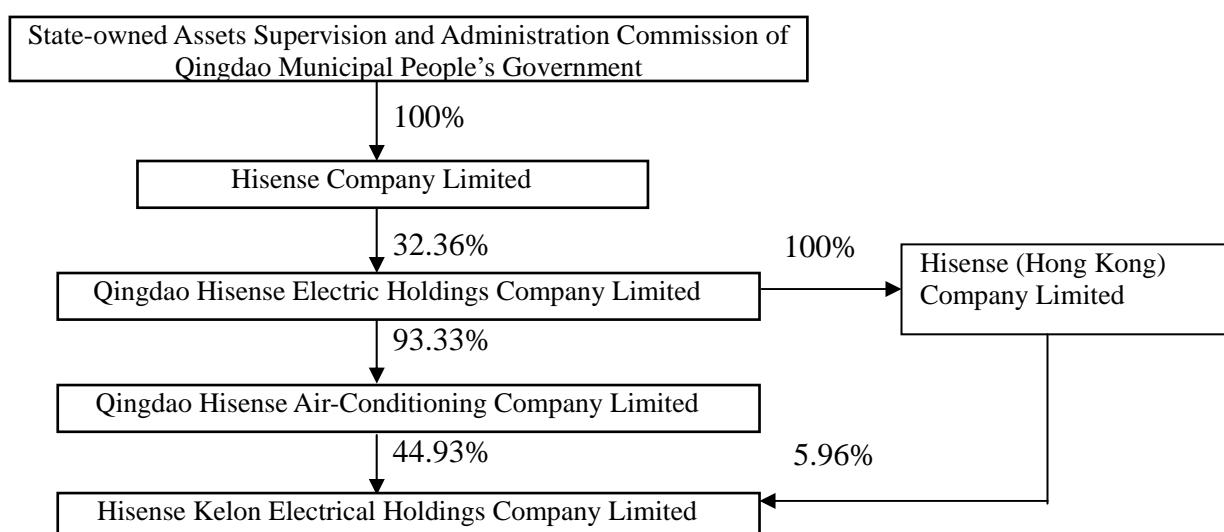
Save as disclosed above, as at 31 December 2015, in so far as the Directors, supervisors and chief executive of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PARTICULARS OF THE CONTROLLING SHAREHOLDERS OF THE COMPANY

- (a) Qingdao Hisense Air-Conditioning Company Limited, the controlling shareholder of the Company, was incorporated on 17 November 1995. Its registered address is Changsha Road, Hi-tech Industrial Zone, Qingdao, the PRC and the legal representative is Mr. Tang Ye Guo and its registered capital is RMB674.79 million. Its business scope is the development and

manufacture of air-conditioning products and injection moulds and the provision of after-sale repairing services for its products (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).

- (b) The beneficial controller of the Company is Hisense Company Limited, which was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Mr. Zhou Houjian is the legal representative of Hisense Company Limited and its registered capital is RMB806.17 million. The scope of business includes: the entrusted operation of state-owned assets; the manufacture and sales of TV sets, refrigerators, freezers, washing machines, small household appliances, disc players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products and the provision of related services; the development of software and the provision of internet services; the technological development and the provision of consultation services; the self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); operation of property rights transaction and provision of brokerage and information services; provision of industrial travel agency services; provision of relevant business trainings, property management, leasing of tangible property and leasing of immovable property (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).
- (c) The ultimate beneficial controller of the Company is the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People's Government.
- (d) Relationship between the Company and its beneficial controllers:



- (e) During the Reporting Period, there was no change in the controlling shareholders of the Company.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, save as disclosed below and in the sub-section "Movements of the share options during the Reporting Period" under the section headed "Summary on adoption of first share option incentive scheme and the grant thereunder", none of the members of the Board, supervisors and the chief executive of the Company held any interests or short positions in any shares,

underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Long position in the shares of the Company

| Name of Director | Nature of interest | Number of shares | 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 | 1,260,000 A Shares (<i>Note 1</i>) | 0.09% | 0.14% |
| Jia Shao Qian | Beneficial owner | 828,000 A Shares (<i>Note 2</i>) | 0.06% | 0.09% |
| Wang Zhi Gang | Beneficial owner | 120,600 A Shares (<i>Note 3</i>) | 0.009% | 0.013% |

Notes:

1. *Of these 1,260,000 A Shares, 831,600 A Shares were beneficially owned by Mr. Tang Ye Guo and he 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 31 December 2015).*
2. *Of these 828,000 A Shares, 539,060 A Shares were beneficially owned by Mr. Jia Shao Qian and he 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 31 December 2015).*
3. *Of these 120,600 A Shares, 59,400 A Shares were beneficially owned by Mr. Wang Zhi Gang and he was also interested in share options to subscribe for 61,200 A Shares of the Company (representing approximately 0.004% of the total issued share capital of the Company and approximately 0.007% of the total issued A shares of the Company as at the 31 December 2015).*

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the aggregate amount of the Group's purchases from the top five suppliers was RMB 2,651 million, representing 15.63% of the total purchase amount of the Group for the year and the aggregate sales amount to the top five customers was RMB 6,442 million, representing 29.55% of the total sales amount of the Group for the year.

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.

AUDITOR

On 26 June 2015, as considered and approved at the shareholders' general meeting, the Company agreed to re-appoint Ruihua Certified Public Accountants as the auditor of the Company for the financial year of 2015, and the Board was authorized to fix their remuneration.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the relevant PRC laws.

TAXATION

Pursuant to the relevant tax regulations, the Company is required to withhold and pay corporate income tax at the rate of 10% when distributing dividends to non-resident enterprise shareholders whose names appear on the H- share register of members.

SUMMARY ON ADOPTION OF FIRST SHARE OPTION INCENTIVE SCHEME AND THE GRANT THEREUNDER

(1) Purpose of the Scheme

The first share option incentive scheme (the “Scheme”) was adopted by the Company on 1 August 2011. The Scheme is formulated to further refine the management structure of the Company, provide long-term rewards and retention incentives for the senior and mid-level management, key technical, sales and management personnel of the Company, fully motivate their pro-activeness and creativity, closely correlate their interests with the long term development of the Company, and allow sustainable development of the Company.

The participants include the directors of the Company (exclusive of the independent directors and external directors who are not officers of Hisense Group and its subsidiaries (other than the Company and its subsidiaries), senior management (including president, vice president, financial controller, secretary to the Board, company secretary and other officers which are regarded as senior management under the Articles of Association) of the Company, mid-level management staff of the Company and its subsidiaries, and such key technical personnel of the Company and its subsidiaries as determined by the Board.

(2) 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 31 December 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 | Wang Zhi Gang | Director, Vice-President | 12.06 | 5.94 | - | - | 6.12 |
| 4 | Xiao Jian Lin | Former Director, former President | 55.476 ^(Note 2) | - | 55.476 | 55.476 | N/A |
| 5 | Mid level management staff and key personnel | | 789.559 | 347.361 | 71.365 | 71.365 | 370.833 |
| | Total | | 998.509 | 422.981 | 126.841 | 126.841 | 448.687 |

Notes:

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

(3) 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.

(4) 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.

(5) 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.

Unless approved in the general meeting, the aggregate number of underlying shares which may be acquired by any participant through the Scheme or other effective share option incentive schemes of the Company (if any) at any time shall not exceed 1% of the Company's total share capital of the same class, and the maximum entitlement which may be granted to a participant (including exercised, cancelled and outstanding share options) within any 12-month period shall not exceed 1% of the Company's total share capital of the same class.

(6) Determination method of exercise price

The exercise price of the grant is the higher of the following two prices: (i) the closing price of the A shares on the last trading day immediately preceding the date of the announcement of the summary of the Scheme (that is, 29 November 2010), which was RMB7.65 per share; and (ii) the average closing price of the A shares during the last 30 trading days immediately preceding the date of announcement of the summary of the Scheme, which was RMB7.37 per share. Therefore, the exercise price is RMB7.65 per share.

(7) Effect of the Company's share option incentive scheme on the financial position for the Reporting Period

In accordance with the requirements of the First Share Option Incentive Scheme of Hisense Kelon Electrical Holdings Company Limited (Revised Draft), the Company has elected to use the Black-Scholes option pricing model to calculate the fair value of the share options granted under the Scheme. According to the calculation by such pricing model, the Company recognized an expense of RMB -29.34 million in total in relation to this share option incentive scheme.

PARTICULARS OF MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

(I) 2 December 2014, the Company entered into the Business Co-operation Framework Agreement, Business Framework Agreement 1, Business Framework Agreement 2 and the Purchase Financing Agency Framework Agreement with Hisense Group, Hisense Electric, Hisense Hitachi, Hisense-Whirlpool and Hisense Hong Kong respectively.

Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding approximately 44.93% (then owned approximately 45.07% of the issued shares of the Company as at the date of the agreement) of the issued shares of the Company and Hisense Hong Kong holds approximately 5.96% (then owned approximately 3.97% of the issued shares of the Company as at the date of the agreement) of the issued shares of the Company. As Hisense Group is the indirect holding company of Hisense Air-conditioning and Hisense Hong Kong and Hisense Electric is owned as to 39.35% (then owned as to 40.37% as at the date of the agreement) by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries (including without limitation Hisense Marketing and its subsidiaries) are connected persons of the Company according to the Hong Kong Listing Rules. As certain directors of the Company are also senior management of Hisense Hitachi and Hisense-Whirlpool, Hisense Hitachi and Hisense-Whirlpool are connected persons of the Company according to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange.

Details of the Business Co-operation Framework Agreement with Hisense Group and Hisense Electric, Business Framework Agreement 1 with Hisense Hitachi and Business Framework Agreement 2 with Hisense-Whirlpool can be found in the announcement and the circular published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 2 December 2014 and 19 December 2014 respectively.

As Hisense Group is the beneficial controller of both Hisense Hong Kong and the Company, Hisense Hong Kong is a connected person of the Company under the Rules Governing the Listing

of Stocks on the Shenzhen Stock Exchange. Hisense Hong Kong is also a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Since the financial assistance arrangement under the Purchase Financing Agency Framework Agreement would be for the benefit of the Company on normal commercial terms where no security over the assets of the Company was to be granted in respect of the financial assistance, such arrangement was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to the Hong Kong Listing Rules. Details of the Purchase Financing Agency Framework Agreement can be found in the announcement published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 2 December 2014.

The above transactions (other than the Business Framework Agreement 1 with Hisense Hitachi and the Business Framework Agreement 2 with Hisense-Whirlpool) constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules for the relevant connected transactions (other than the Purchase Financing Agency Framework Agreement which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to the Hong Kong Listing Rules). Specific information of the Business Co-operation Framework Agreement is set out as follows:

The Business Co-operation Framework Agreement with Hisense Group and Hisense Electric

On the one hand, the supply of home electrical appliances, raw materials and parts and components, equipment and moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries can help to lower the production costs of the Group as a result of the increase in production level, which in turn enhance the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. The Group can also increase market share by selling products through the online platform of Hisense Group and Hisense Electric which reduces the product circulation links. Provision of services to Hisense Group and/or its subsidiaries will increase the income of the Group. On the other hand, taking into account the product quality, prices and services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries, purchases of home electrical appliances, equipment, raw materials and parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries and engagement of their services can meet the manufacture needs of the Company and the development of related business, and can also help reduce costs. Hisense Marketing, a subsidiary of Hisense Group, has over 10 years' experience in overseas operations, professional expertise and mature market network and channels in overseas market. By engaging the export agency services of Hisense Group and/or its subsidiaries which will provide professional management services to the Group for its development of the international market, the Group can largely reduce costs which would have to be committed for running the operation by itself, and use the available resources on the research and development and the quality warranties for the products to be exported, which will be beneficial to the Group in enhancing the stable development of its export business at the same time. As such, the Company entered into the Business Co-operation Framework Agreement with Hisense Group and Hisense Electric, the principal terms of which are as follows:

- (1) The Business Co-operation Framework Agreement shall commence from the date of approval of the Business Co-operation Framework Agreement by the independent shareholders (that is,

21 January 2015) until 31 December 2015, which can be terminated before its expiration by mutual agreement of the parties.

(2) Pricing for the purchase of home electrical appliances between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar home electrical appliances from time to time. Pricing for the purchase of raw materials, equipments, parts and components between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness. Pricing for the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries is the market price determined by the open bidding process. Pricing for the provision of services between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services in the industry. The fees payable by the Group for the provision of the agency services for export for the white goods of the Group is calculated by multiplying the Group's revenue from export of the relevant type of products (which shall be the final amount of revenue for sales by the Group to third party customers in RMB) with an export agency fee percentage. Taking into consideration the audited rate of the charges actually incurred by Hisense Marketing and/or its subsidiaries for providing agency services for export to the Group for the period from March 2011 to June 2012, the rate of the charges actually incurred during the first half of 2012 (being 7.24%) shall be used as the base percentage and the corresponding profit margin for export agency services payable by the Group to Hisense Group and/or its subsidiaries shall be determined according to the growth rate of the revenue from export subject to the export agency services in 2015, pursuant to which the export agency fee percentage during the term of the Business Co-operation Framework Agreement shall also be determined as provided in the table below

| Growth rate of the revenue from export subject to the export agency services | Corresponding profit margin for export agency services | Corresponding export agency fee percentage |
|--|--|--|
| Below 0% | 0% | 7.24% |
| 0-5% (inclusive of 5%) | 0.5% | 7.74% |
| 5-10% (inclusive of 10%) | 0.8% | 8.04% |
| 10-15% (inclusive of 15%) | 1% | 8.24% |
| Above 15% | 1.1% | 8.34% |

Note: Growth rate of the revenue from export subject to the export agency services = (the Group's audited revenue from export subject to the export agency services in 2015 - the Group's audited revenue from export subject to the export agency services in 2012) / the Group's audited revenue from export subject to the export agency services in 2012.

(3) Payment term(s) for the transactions between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand shall be in accordance with the payment term(s) as stipulated in the definitive contract(s) to be signed by the

relevant parties thereto. The fees for the provision of the agency services for export of the white goods products of the Group will be calculated on a monthly basis and the relevant members of the Group should pay the monthly fee for the preceding month by way of telegraphic transfer or bills.

(4) The annual caps under the Business Co-operation Framework Agreement are shown in the table below:

Unit: RMB (ten thousand) (exclusive value-added tax)

| Types of connected transactions | Division by products or services | Connected person | Annual cap |
|------------------------------------|---|------------------|------------|
| Sale of products and materials | Sale of home electrical appliances products by the Group | Hisense Group | 298,520 |
| | | Hisense Electric | 8 |
| | Sale of equipment by the Group | Hisense Group | 800 |
| | Sale of moulds by the Group | Hisense Group | 25,400 |
| | | Hisense Electric | 9,600 |
| | Sale of raw materials, parts and components by the Group | Hisense Group | 5,695 |
| Provision of services | Provision of loading and unloading, design, equipment rental and property services by the Group | Hisense Group | 719 |
| | | | |
| Purchase of products and materials | Purchase of home electrical appliances products by the Group | Hisense Group | 60 |
| | | Hisense Electric | 20 |
| | Purchase of raw materials, parts and components by the Group | Hisense Group | 1,706 |
| | | Hisense Electric | 1,859 |
| Receipt of services | Receipt of material processing, installation and maintenance, property, medical, leasing, design, inspection, agency services for import and export, property construction, management consultancy, technical support and information system maintenance by the Group | Hisense Group | 16,681 |
| | Receipt of property services by the Group | Hisense Electric | 1,031 |
| | Receipt of agency services for export of the white goods by the Group | Hisense Group | 43,933 |

(II) During the Reporting Period, certain connected transactions in relation to ordinary operation have been entered into, details of which are as follows:

| 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 | 5.53 | - |
| Hisense Group | Purchase | Finished goods | Agreed price | 59.72 | - |
| Hisense -Whirlpool | Purchase | Finished goods | Agreed price | 17,442.71 | 0.95 |
| Hisense Hitachi | Purchase | Finished goods | Agreed price | 15.72 | - |
| Hisense Electric | Purchase | Materials | Agreed price | 1,410.93 | 0.08 |
| Hisense Group | Purchase | Materials | Agreed price | 1,227.21 | 0.07 |
| Hisense -Whirlpool | Purchase | Materials | Agreed price | 567.69 | 0.03 |
| Hisense Hitachi | Purchase | Materials | Agreed price | 550.30 | 0.03 |
| Hisense Electric | Receipt of services | Receipt of services | Agreed price | 795.98 | 0.04 |
| Hisense Group | Receipt of services | Receipt of services | Agreed price | 37,874.05 | 2.05 |
| Hisense Hong Kong | Receipt of purchase financing agency services | Receipt of purchase financing agency services | Agreed price | 16,731.11 | 0.91 |
| Hisense Electric | Sale | Finished goods | Agreed price | 7.87 | - |
| Hisense Group | Sale | Finished goods | Agreed price | 236,263.26 | 10.07 |
| Hisense Hitachi | Sale | Finished goods | Agreed price | 15,610.51 | 0.67 |
| Hisense Electric | Sale | Materials | Agreed price | 944.48 | 0.04 |
| Hisense Group | Sale | Materials | Agreed price | 1,556.25 | 0.07 |
| Hisense -Whirlpool | Sale | Materials | Agreed price | 370.73 | 0.02 |
| Hisense Hitachi | Sale | Materials | Agreed price | 231.27 | 0.01 |
| Hisense Electric | Sale | Moulds | Market price | 7,971.22 | 0.34 |
| Hisense Group | Sale | Moulds | Market price | 19,453.96 | 0.83 |
| Hisense -Whirlpool | Sale | Moulds | Market price | 393.15 | 0.02 |
| Hisense Hitachi | Sale | Moulds | Market price | 1,218.26 | 0.05 |
| Hisense Group | Provision of services | Provision of services | Agreed price | 460.38 | 0.02 |
| Hisense -Whirlpool | Provision of services | Provision of services | Agreed price | 174.42 | 0.01 |

As at the end of the Reporting Period, the Company and its subsidiaries had the balance of deposit of RMB 790.8131 million and interest income received of RMB 5.0134 million, the actual balance of loan of RMB 0, balance of electronic bank acceptance bill of RMB1,862.0898 million, and the handling fee for opening accounts for electronic bank acceptance bill of RMB1.6370 million with Hisense Finance. The actual amount of discounted interest for the provision of draft discount services was RMB 0, the actual amount involved for the provision of settlement and sale of foreign exchange services was US\$139.4417 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB 0.3497 million.

(III) During the Reporting Period, the Company and its connected persons (within the meaning under Chapter 14A of the Hong Kong Listing Rules) have entered into the following agreements, involving transactions between the Group and the relevant connected persons

after the Reporting Period:

| N o. | Agreement | Counterpa rty to the agreement | Particulars of connected transactions | Annual cap |
|-----------------|--|---|---|--|
| 1 | Business Co-operation Framework Agreement dated 10 November 2015 | Hisense Group and Hisense Electric | Purchase of home electrical appliances by the Group | RMB920,000 |
| | | | Purchase of raw materials, parts and components by the Group | RMB35,850,000 |
| | | | Receipt of services by the Group | RMB201,340,000 |
| | | | Receipt of agency services for export of white goods products by the Group | RMB399,000,000 |
| | | | Supply of home electrical appliances by the Group | RMB3,594,500,000 |
| | | | Supply of equipment by the Group | RMB3,690,000 |
| | | | Supply of moulds by the Group | RMB347,380,000 |
| | | | Supply of raw materials, parts and components by the Group | RMB93,340,000 |
| | | | Provision of services by the Group | RMB23,700,000 |
| 2 | Financial Services Agreement dated 10 November 2015 | Hisense Finance | Receipt of deposit services, loan and electronic bank acceptance bill (電子銀行承兌匯票) services, draft discount services (票據貼現服務), settlement and sale of foreign exchange services (結售匯服務) and agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) | Deposit services: RMB1,500,000,000 (inclusive of interest); loan and electronic bank acceptance bill services: RMB3,000,000,000 (inclusive of interest and service charges); draft discount services: RMB50,000,000; settlement and sale of foreign exchange services: US\$700,000,000; agency services such as settlement services for receipt and payment of funds: RMB3,000,000 |
| 3 | Purchase Financing Agency Framework Agreement dated 10 November 2015 | Hisense Hong Kong | Receipt of financing agency services by the Group to purchase imported raw materials, components and equipment | US\$60,000,000 |

The term of the Business Co-operation Framework Agreement and the Purchase Financing Agency Framework Agreement commences from 1 January 2016 until 31 December 2016, whereas the term of the Financial Services Agreement commences from 1 January 2016 until 31 December 2017. The relationship between the Group on one hand and Hisense Group, Hisense Electric, Hisense Finance and Hisense Hong Kong on the other hand has been disclosed above.

Details of the agreements can be found in the announcement and the circular published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 10 November 2015 and 2 December 2015 respectively.

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 INTERNET WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

All information about the annual report as required by Appendix 16 to the Hong Kong Listing Rules will be published on the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.kelon.com>) in due course.

By Order of the Board
Hisense Kelon Electrical Holdings Company Limited
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 29 March 2016

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

NOTE: SUPPLEMENTARY INFORMATION AS REQUIRED BY THE HONG KONG STOCK EXCHANGE IN RELATION TO THE COMPANY'S A SHARE ANNUAL RESULTS ANNOUNCEMENT

I .PARTICULARS OF THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

| Name | Position | Gender | Age | Commencement date of Term of Office | Termination date of Term of Office | Total amount of remuneration before tax received from the Company(RMB ten thousand) | Whether receive remuneration from connected party of the Company |
|---------------|------------------------------------|--------|-----|-------------------------------------|------------------------------------|---|--|
| Tang Ye Guo | Chairman | Male | 53 | 2006.6.26. | 2018.6.25. | 99.97 | No |
| Liu Hong Xin | Director | Male | 49 | 2015.6.26. | 2018.6.25. | 0 | Yes |
| Lin Lan | Director | Male | 58 | 2006.6.26. | 2018.6.25. | 0 | Yes |
| Jia Shao Qian | Director | Male | 43 | 2015.6.26. | 2018.6.25. | 93.24 | No |
| | Vice President | | | 2007.1.30. | 2018.6.25. | | |
| Wang Zhi Gang | Director | Male | 46 | 2015.12.28. | 2018.6.25. | 98.33 | No |
| | Vice President | | | 2015.11.10. | 2018.6.25. | | |
| Xu Xiang Yi | Independent non-executive Director | Male | 60 | 2012.6.26. | 2018.6.25. | 9 | No |

| | | | | | | | |
|-----------------|------------------------------------|--------|----|-------------|-------------|--------|-----|
| Wang Ai Guo | Independent non-executive Director | Male | 51 | 2011.1.20. | 2018.6.25. | 9 | No |
| Wang Xin Yu | Independent non-executive Director | Male | 45 | 2011.9.26. | 2018.6.25. | 24 | No |
| Liu Zhen Shun | Chairman of Supervisory Committee | Male | 46 | 2014.1.10. | 2018.6.25. | 0 | Yes |
| Yang Qing | Supervisor | Male | 42 | 2015.12.28. | 2018.6.25. | 0 | Yes |
| Fan Wei | Supervisor | Female | 50 | 2015.6.26. | 2018.6.25. | 30.56 | No |
| Dai Hui Zhong | President | Male | 50 | 2016.1.27. | 2018.6.25. | 0 | Yes |
| Gao Yu Ling | Person in charge of finance | Female | 35 | 2015.12.28 | 2018.6.25. | 0 | Yes |
| Xia Feng | Secretary to the Board | Male | 39 | 2010.8.27. | 2018.6.25. | 36.63 | No |
| Wong Tak Fong | Company Secretary | Female | 48 | 2012.6.26. | 2018.6.25. | 16.17 | No |
| Yu Shu Min | Former Director | Female | 64 | 2006.6.26. | 2015.11.9. | 0 | Yes |
| Xiao Jian Lin | Former Director | Male | 48 | 2011.1.20. | 2015.3.16. | 34.44 | No |
| | Former President | | | 2014.3.27. | 2015.3.16. | | |
| Tian Ye | Former Director | Male | 41 | 2014.6.26. | 2016.1.26. | 109.75 | No |
| | Former President | | | 2015.3.17. | 2016.1.26. | | |
| Huang Xiao Jian | Former Director | Male | 57 | 2014.6.26. | 2015.6.7. | 46.30 | No |
| | Former Vice President | | | 2014.3.27. | 2015.6.7. | | |
| Zhang Jian Jun | Former Supervisor | Male | 42 | 2012.6.26 | 2015.1.14 | 0 | No |
| Shu Peng | Former Supervisor | Male | 41 | 2015.1.15 | 2015.6.25 | 11.76 | No |
| Li Jun | Former Person in charge of finance | Female | 41 | 2012.8.15 | 2015.3.16 | 17.30 | No |
| Li Hua | Former Person in charge of finance | Male | 42 | 2015.3.17. | 2015.12.27. | 36.48 | No |

II. The decision-making procedures and basis of determination of the remuneration of the Directors, supervisors and senior management are as follows:

-The remuneration of the Directors of the Company is determined based on suggestions made to the Board by the remuneration and appraisal committee of the Board on the basis of the duties of the Directors and the remuneration level of other listed companies in the same industry, and is subject to consideration and approval by the Board and the shareholders at general meetings;

The remuneration of the supervisors is determined based on suggestions made by the supervisory committee on the basis of the duties of the supervisors and the remuneration level of other listed companies in the same industry and is subject to consideration and approval by the Board and the shareholders at general meetings;

The remuneration and appraisal committee of the Board makes remuneration suggestion to the Board based on the senior management's experience, responsibilities undertaken for operation under his/ her management, risk, pressure and his/ her contribution to the Company, which is determined and approved by the Board. The final remuneration received by the senior management is also linked with his/her annual performance review.

The Company determines and pays the remuneration of the Directors, supervisors and senior management in accordance with the above requirements and procedures.

III. 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 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. | 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 Zhong Fa Zhi Zi No. 32 from the Foshan Intermediate Court, which provide the execution procedure of the above 2 mentioned cases have been concluded in accordance with the law. | Progress of the litigation will not affect the profits and losses of the Company for such period. | As at the date hereof, the Company has not yet received execution judgment for 1 case involving Greencool Companies. |

IV. 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 RMB81.8907 million was released and an investment gain of RMB135.5490 million was recognised. After the present disposal, the Company no longer holds shares in Huayi Compressor.

V. PARTICULARS OF GUARANTEES

Unit: RMB ten thousand

| External guarantee given by the Company and its subsidiaries (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; | 2014.3.5-2015.1.31 | Yes | No |
| Guangdong Refrigerator | 22 November 2013 | 60,000 | 2015-3-9 | 9.61 | Joint liability guarantee | 2015.3.9-2016.1.31 | No | No |
| Guangdong Refrigerator | 22 November 2013 | 60,000 | 2013-12-10 | 71.97 | Joint liability guarantee | 2013.12.10-2015.10.13 | Yes | No |
| Guangdong Refrigerator | 22 November 2013 | 60,000 | 2014-7-7 | 110.18 | Joint liability guarantee; | 2014.7.7-2016.1.28 | No | No |
| Guangdong Air-conditioner | 3 December 2014 | 30,000 | 2015-5-13 | 140.06 | Joint liability guarantee | 2015.5.13-2016.1.15 | Yes | No |
| Guangdong Air-conditioner | 3 December 2014 | 30,000 | 2015-10-26 | 567.70 | Joint liability guarantee | 2015.10.26-2016.1.12 | No | No |
| Kelon Air-conditioner | 22 November 2013 | 30,000 | 2014-5-5 | 160.00 | Joint liability guarantee; | 2014.5.5-2015.12.31 | Yes | No |
| Kelon Air-conditioner | 22 November 2013 | 30,000 | 2015-4-8 | 74.83 | Joint liability guarantee | 2015.4.8-2015.8.30 | Yes | No |
| Kelon Air-conditioner | 22 November 2013 | 30,000 | 2014-10-10 | 401.52 | Joint liability guarantee; | 2014.10.10-2015.6.4 | Yes | No |
| Kelon Air-conditioner | 22 November 2013 | 30,000 | 2015-11-25 | 160.00 | Joint liability guarantee | 2015.11.25-2016.12.31 | No | No |
| Home Appliances Co | 22 November 2013 | 5,000 | 2014-6-23 | 125.30 | Joint liability guarantee | 2014.6.23-2015.5.30 | Yes | No |
| Home Appliances Co | 22 November 2013 | 5,000 | 2014-6-20 | 60.00 | Joint liability guarantee; | 2014.6.20-2016.6.11 | No | No |
| Home Appliances Co | 22 November 2013 | 5,000 | 2015-8-20 | 127.87 | Joint liability guarantee | 2015.8.20-2016.5.30 | No | No |
| Home Appliances Co | 22 November 2013 | 5,000 | 2015-1-16 | 1,611.27 | Joint liability guarantee | 2015.1.16-2016.1.14 | Yes | No |
| Yangzhou Refrigerator | 22 November 2013 | 10,000 | 2013-5-14 | 76.39 | Joint liability guarantee; | 2013.5.14-2015.1.14 | Yes | No |
| Ronsheng Plastic | 22 November 2013 | 6,000 | 2015-1-12 | 2,993.20 | Joint liability guarantee | 2015.1.12-2015.12-28 | Yes | No |
| Ronsheng Plastic | 22 November 2013 | 6,000 | 2015-10-16 | 882.10 | Joint liability guarantee | 2015.10.16-2016.2.29 | No | No |
| Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1) | | 0 | | Actual amount of guarantees for subsidiaries during the Reporting Period (B2) | | 7,581.44 | | |
| 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) | | 1,917.46 | | |
| 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) | | 0 | Actual amount of guarantees during the Reporting Period (A2+B2+C2) | | 7,581.44 | | | |
| 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) | | 1,917.46 | | | |
| Proportion of actual amount of guarantees (being A4+B4+C4) to the net assets of the Company | | | | | 0.47% | | | |
| Including: | | | | | | | | |
| Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (D) | | | | | | | | |
| Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (E) | | | | | | | | 727.7 |
| Total guaranteed amount over 50% of the net asset (F) | | | | | | | | |
| Sum of the above three guarantees (D+E+F) | | | | | | | | 727.7 |
| For guarantees which have not expired, description on liability for guarantees incurred during the Reporting Period or possibility to assume joint liabilities (if any) | | | | | | | | Nil |
| Description of provision of external guarantee in violation of prescribed procedures | | | | | | | | Nil |

VI.DERIVATIVES INVESTMENT

Unit: RMB (in ten thousand)

| Name of operators of derivatives investment | Connection | Whether or not a connected transaction | Type of derivatives investment | Initial investment of derivatives investment | Effective Date | Expiry Date | Investment at the beginning of the Reporting Period | Amount of purchase during the Reporting Period | Amount of disposal during the Reporting Period | Amount of provision for impairment (if any) | Investment at the end of the Reporting Period | Proportion of investment to the net asset of the Company at the end of the Reporting Period (%) | Actual amount of profit and loss during the Reporting Period |
|--|------------|--|------------------------------------|--|----------------|------------------|---|--|--|---|---|---|--|
| Bank | No | No | Forward foreign exchange contracts | 221,160.98 | 1 January 2015 | 31 December 2015 | 221,160.98 | 108,783.26 | 246,601.39 | | 83,342.85 | 20.61 | 5,513.18 |
| 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' meetings (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 | <p>The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognized a gain on change in fair value of the derivatives of RMB -2.5391 million. Investment gain amounted to RMB 57.6709 million, resulting in a total profits or losses of RMB 55.1318 million.</p> |
| 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 | <p>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.</p> |
| Specific opinions of independent Directors on the derivatives investment and risk control of the Company | <p>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.</p> |

VII. CONSIGNMENT FINANCING

Applicable Not applicable

Unit: RMB (in ten thousand)

| Name of trustee | Whether it is a connected transaction | Product type | Amount of consigned financing | Commencement date | Expiration date | Mode of determining remuneration | The actual amount of principal received during the Reporting Period | Amount of provision for impairment (if any) | Expected revenue | Actual amount of profit and loss during the Reporting Period | Actual recovery of profit and loss during the Reporting Period |
|---|---------------------------------------|---------------------------------|-------------------------------|-------------------|-----------------|--|---|---|------------------|--|--|
| Bank | No | Bank's asset management product | 20,000 | 31 December 2015 | 1 February 2016 | Revenue guaranteed type, investment revenue rate (annual rate of 4%) | 0 | 0 | 70.13 | 0 | Not applicable |
| Total | | | 20,000 | -- | -- | -- | 0 | 0 | 70.13 | 0 | -- |
| Source of funding for consigned financing | | | | | | | | | | | Internal funding of the Company |
| Total amount of overdue principal and revenue which was not yet recovered | | | | | | | | | | | 0 |

| | |
|---|----------------|
| Legal disputes involved (if applicable) | Not applicable |
| Date of publishing the announcement in respect of the Board meeting held to approve the consigned financing (if applicable) | Not applicable |
| Date of publishing the announcement in respect of the Shareholders' meeting held to approve the consigned financing (if applicable) | Not applicable |
| Whether there is any plan for consigned financing in the future | Yes |

VIII.DESCRIPTION OF CHANGES IN SCOPE OF CONSOLIDATION AS COMPARED TO FINANCIAL REPORT LAST YEAR

Applicable Not applicable

Newly consolidated subsidiary:

Jiangmen Hisense Electrical Appliances Co., Ltd., a subsidiary newly established by the Company during the Reporting Period, was consolidated for the Reporting Period.

Subsidiaries no longer included in the scope of consolidation:

During the Reporting Period, the Company cancelled a wholly-owned subsidiary Foshan Shunde Kelon Household Electrical Appliance Company Limited, which was no longer consolidated since the month following the cancellation.

During the Reporting Period, the Company transferred its entire equity interests in a wholly-owned subsidiary Hisense Home Appliance (Europe) Research & Development Center GmbH, which was no longer consolidated since the month following completion of the transfer.

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.. |
| “Guangdong Freezer” | Hisense Ronshen (Guangdong) Freezer Co., Ltd. |
| “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 |
| “RMB” | Renminbi |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |