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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)

2018 FIRST QUARTERLY REPORT

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "Company") pursuant to Part XIVA of the Securities and Futures Ordinance (CAP.571) and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

I. IMPORTANT NOTICE

1. The board of directors (the "Board"), the supervisory committee (the "Supervisory Committee"), the directors (the "Directors"), the supervisors (the "Supervisors") and the senior management (the "Senior Management") of the Company warrant that there are no false representation or misleading statements contained in, or material omissions from, this report; and jointly and severally accept legal responsibility for the truthfulness, accuracy and completeness of the information contained herein.
2. Mr. Tang Ye Guo, the person in charge of the Company and Ms. Gao Yu Ling, the person in charge of the accounting function and Ms. Liang Hong Tao, the person in charge of the accounting department, warrant the truthfulness, accuracy and completeness of the contents of the financial statements in this quarterly report.
3. All Directors attended the Board meeting for considering and approving the 2018 first quarterly report.
4. The financial statements of the Company for the first quarter of 2018 have not been audited by accountants.
5. The full text of the Company's balance sheet, income statement and cash flow statement are published on the website as designated by the Shenzhen Stock Exchange for release of information: <http://www.cninfo.com.cn>.

II. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Yes No

Items	This reporting period	The period last year	Increase or decrease of this reporting period as compared to the corresponding period last year (%)
Operating revenue (RMB)	8,974,222,298.65	7,708,966,633.23	16.41
Net profits attributable to shareholders of listed company (RMB)	287,986,771.63	256,258,113.99	12.38
Net profits attributable to shareholders of listed company after deducting extraordinary profit and loss (RMB)	271,595,062.24	245,995,510.99	10.41
Net cash flow from operating activities (RMB)	-676,019,105.62	-283,670,463.69	Not applicable
Basic earnings per share (RMB/share)	0.21	0.19	10.53
Diluted earnings per share (RMB/share)	0.21	0.19	10.53
Weighted average rate of return on net assets (%)	4.37	5.13	-0.76
Items	End of this reporting period	End of last financial year	Increase or decrease at the end of this reporting period as compared to the end of last financial year (%)
Total assets (RMB)	22,288,936,754.17	21,473,666,822.72	3.80
Net assets attributable to shareholders of listed company (RMB)	6,729,264,071.70	6,445,303,673.87	4.41

Extraordinary profit and loss items and amounts

Applicable Not applicable

Unit: RMB

Item	Amounts from the beginning of the year to the end of the reporting period	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	36,902.70	
Government subsidy recorded in the profits or losses of the current period (except government subsidy which is closely related to the Company's business and is entitled for fixed amounts or fixed percentage based on unified standards promulgated by the government)	20,922,713.10	
Non-operating income and expenses other than the aforementioned items	-1,816,862.48	
Less: Effect of income tax	2,085,111.58	

Effect of minority interests (after tax)	665,932.35	
Total	16,391,709.39	--

III. Table showing total number of shareholders and the shareholding of the top ten holders of ordinary shares at the end of the reporting period

Unit: shares

Total number of shareholders of ordinary shares at the end of the reporting period	39,022					
The shareholding of the top ten holders of ordinary shares						
Name of Shareholder	Nature of Shareholder	Percentage to the total issued share capital of the Company (%)	No. of shares held	No. of shares held subject to selling restrictions	Situation of pledged or frozen shares	
					Share status	Quantity
Qingdao Hisense Air-conditioning Company Limited	State-owned legal person	37.92%	516,758,670	0		
HKSCC Nominees Limited ^{Note1}	Foreign legal person	33.62%	458,176,069	0		
Cental Huijin Asset Management Ltd.	State-owned legal person	1.95%	26,588,700	0		
Bank of China Ltd. - Putting Up JP Morgan Core Growth Equity Securities Investment Fund	Other	1.79%	24,348,783	0		
China Merchants Bank Co., Ltd. - Cathay Pacific Growth Optimized Hybrid Securities Investment Fund ^{Note2}	Other	1.47%	20,039,186	0		
China Life Insurance Co., Ltd. - Traditional - General Insurance - 005L-CT001	Other	0.73%	10,002,869	0		
Taikang Life Insurance Co., Ltd. - Investment Link - Industry Configuration	Other	0.69%	9,448,120	0		
China Construction Bank Corporation - Cathay Pacific Jinxin Securities Investment Fund ^{Note2}	Other	0.65%	8,919,590	0		
China Construction Bank Corporation - Huitianfu Consumer Industry Hybrid Securities Investment Fund	Other	0.59%	8,000,020	0		
Zhang Shao Wu	Domestic natural person	0.53%	7,200,000	0		
The shareholding of the top ten holders of ordinary shares not subject to selling restrictions						
Name of Shareholder	Number of shares held not subject to	Class of shares				
		Class of shares	Quantity			

	selling restrictions		
Qingdao Hisense Air-conditioning Company Limited	516,758,670	RMB ordinary shares	516,758,670
HKSCC Nominees Limited ^{Note1}	458,176,069	Overseas listed foreign shares	458,176,069
Cental Huijin Asset Management Ltd.	26,588,700	RMB ordinary shares	26,588,700
Bank of China Ltd. - Putting Up JP Morgan Core Growth Equity Securities Investment Fund	24,348,783	RMB ordinary shares	24,348,783
China Merchants Bank Co., Ltd. - Cathay Pacific Growth Optimized Hybrid Securities Investment Fund ^{Note2}	20,039,186	RMB ordinary shares	20,039,186
China Life Insurance Co., Ltd. - Traditional - General Insurance - 005L-CT001	10,002,869	RMB ordinary shares	10,002,869
Taikang Life Insurance Co., Ltd. - Investment Link - Industry Configuration	9,448,120	RMB ordinary shares	9,448,120
China Construction Bank Corporation - Cathay Pacific Jinxin Securities Investment Fund ^{Note2}	8,919,590	RMB ordinary shares	8,919,590
China Construction Bank Corporation - Huitianfu Consumer Industry Hybrid Securities Investment Fund	8,000,020	RMB ordinary shares	8,000,020
Zhang Shao Wu	7,200,000	RMB ordinary shares	7,200,000

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, held a total of 97,202,000 H shares of the Company as at the end of the reporting period, representing 7.13% of the total number of shares of the Company;
2. The manager of both China Merchants Bank Co., Ltd. - Cathay Pacific Growth Optimized Hybrid Securities Investment Fund and China Construction Bank Corporation - Cathay Pacific Jinxin Securities Investment Fund is Cathay Pacific Fund Management Co., Ltd..

Save as disclosed above, the Company is not aware of whether any shareholders is connected with each other or any of them is a party acting in concert with any of the other within the meaning of 《上市公司收購管理辦法》 (Administrative Measures for the Takeover of Listed Companies).

IV. SIGNIFICANT MATTERS

1. Details of and reasons for significant changes of the principal accounting items and financial indicators during the reporting period

Applicable Not applicable

Unit: RMB

Balance sheet items	Closing balance	Opening balance	Change (%)	Reason for the change
Accounts receivable	4,153,801,615.36	2,833,227,741.68	46.61	mainly due to the increase in scale of sales during the reporting period, resulting in an increase in accounts receivable at the end of the reporting period accordingly
Construction in	195,469,127.44	148,361,940.80	31.75	mainly due to the increase in investment in

progress				technological transformation of fixed assets at the end of the reporting period
Income statement items	Amount for the period from the beginning of the year to the end of the reporting period	Amount for the corresponding period last year	Change (%)	Reason for the change
Other income	50,643,410.13	22,147,289.51	128.67	mainly due to the increase in government subsidy received
Statement of cash flow items	Amount for the period from the beginning of the year to the end of the reporting period	Amount for the corresponding period last year	Change (%)	Reason for the change
Cash received from other operating related activities	157,361,489.93	99,485,764.98	58.17	mainly due to the increase in government subsidy received
Cash received from other investment related activities	400,000,000.00	2,100,000,000.00	-80.95	due to the decrease in redemption of wealth management products during the reporting period
Cash received from other investment related activities	400,000,000.00	900,000,000.00	-55.56	due to the decrease in redemption of wealth management products during the reporting period

2. Development of significant matters and analysis of their impacts and solutions

Applicable Not applicable

3. Undertakings not yet performed after the due date during the reporting period by the Company, shareholder(s), beneficial controller(s), acquirer(s), director(s), supervisor(s), senior management or other connected party(ies)

Applicable Not applicable

During the reporting period, there were no incidents of undertaking not yet performed after the due date by the Company's beneficial controller(s), shareholder(s), connected party(ies), acquirer(s) and the Company.

4. Estimate of operating results for first six months of 2018

Warnings and explanations of any estimated losses or significant changes to accumulated net profit from the beginning of the year to the end of next reporting period compared to the same period last year

Applicable Not applicable

5. Derivatives investment

Applicable Not applicable

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	5050.05	1 January 2018	31 March 2018	5050.05	9,117.75	4,690.98		9,476.82	1.41	111.52
Total				5050.05	--	--	5050.05	9,117.75	4,690.98		9,476.82	1.41	111.52
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)				29 March 2018									
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)				Not applicable -									
Risk analysis of positions in derivatives and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.) during the reporting period				<p>The derivatives business conducted by the Company mainly are the forward foreign exchange contracts entered into for the purpose of avoiding 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				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									

period, where specific methods and relevant assumptions and parameters used in the analysis of derivatives' fair value shall be disclosed	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 1.0543 million, investment gain amounted to RMB6.09 million, resulting in a total profits or losses of RMB1.1152 million.
Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the reporting period and the last reporting period	During the reporting period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to last reporting period.
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	Opinion of independent Directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the Internal Control System for Forward Foreign Exchange Capital Transactions to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.

This quarterly report is prepared in Chinese and English respectively. In case of inconsistency, the Chinese text of this quarterly report shall prevail over its English text.

By order of the Board of

Hisense Kelon Electrical Holdings Company Limited

Tang Ye Guo

Chairman

Foshan City, Guangdong, the PRC, 10 April 2018

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr. Liu Hong Xin, Mr. Lin Lan, Mr. Dai Hui Zhong, Mr. Jia Shao Qian and Mr. Wang Yun Li; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Xu Xiang Yi and Mr. Liu Xiao Feng.