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HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

*(Formerly known as “海信科龍電器股份有限公司 Hisense Kelon Electrical Holdings Company Limited”)
(a joint stock limited company incorporated in the People’s Republic of China with limited liability)*

(Stock Code: 00921)

2018 THIRD QUARTERLY REPORT

This announcement is made by Hisense Home Appliances Group Co., Ltd.* (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 directors (the “Directors”), the supervisors and 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 third quarterly report.
4. The financial statements of the Company for the third 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	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)	21,532,035,209.67	21,473,666,822.72	0.27	
Net assets attributable to shareholders of listed company (RMB)	7,020,791,868.19	6,445,303,673.87	8.93	
Items	This reporting period	Increase or decrease as compared to corresponding period last year(%)	The beginning of the year to the end of the reporting period	Increase or decrease (the beginning of the year to the end of the reporting period as compared to corresponding period last year)(%)
Operating revenue (RMB)	8,437,634,566.46	-3.99	28,808,393,856.04	9.15
Net profits attributable to shareholders of listed company (RMB)	367,564,987.39	-65.24	1,170,523,001.24	-32.33
Net profits attributable to shareholders of listed company after deducting extraordinary profit and loss (RMB)	276,254,776.47	-9.15	1,025,656,775.80	12.88
Net cash flow from operating activities (RMB)	-	-	1,838,239,707.44	100.73
Basic earnings per share (RMB/share)	0.27	-65.38	0.86	-32.28
Diluted earnings per share (RMB/share)	0.27	-65.38	0.86	-32.28
Weighted average rate of return on net assets (%)	5.38	-13.36	17.30	-13.87

Note: If the effect of disposal gain recognized from the sale of equity interest of subsidiary in the corresponding period last year is excluded, the net profits attributable to shareholders of the listed company during this reporting period will increase by 22.87% year-on-year, and the net profits attributable to shareholders of the listed companies from the beginning of the year to the end of the reporting period will increase by 20.52% year-on-year.

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)	-720,225.89	

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)	171,876,124.66	
Non-operating income and expenses other than the aforementioned items	18,991,694.16	
Less: Effect of income tax	39,094,143.22	
Effect of minority interests (after tax)	6,187,224.27	
Total	144,866,225.44	--

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	40,002					
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	33.53%	456,911,069	0		
Central 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	Other	1.47%	22,449,100	0		
Bank of Communications Co., Ltd. - HSBC Jintrust Large Cap Equity Securities Investment Fund	Other	0.73%	11,649,800	0		
China Construction Bank Corporation - Cathay Pacific Jinxin Securities Investment Fund	Other	0.69%	9,470,690	0		
Zhang Shao Wu	Domestic natural person	0.65%	7,200,000	0		
Bank of Communications Co., Ltd - HSBC Jintrust Dynamic Strategy Mixed Securities Investment Fund	Other	0.59%	5,582,836	0		
Agricultural Bank of China Limited – Essence Comparative Advantage	Other	0.53%	5,501,346	0		

Flexible Allocation of Hybrid Securities Investment Fund					
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 selling restrictions	Class of shares			
		Class of shares	Quantity		
Qingdao Hisense Air-conditioning Company Limited	516,758,670	RMB ordinary shares	516,758,670		
HKSCC Nominees Limited ^{Note 1}	456,911,069	Overseas listed foreign shares	456,911,069		
Central 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	22,449,100	RMB ordinary shares	22,449,100		
Bank of Communications Co., Ltd - HSBC Jintrust Large Cap Equity Securities Investment Fund	11,649,800	RMB ordinary shares	11,649,800		
China Construction Bank Corporation - Cathay Pacific Jinxin Securities Investment Fund	9,470,690	RMB ordinary shares	9,470,690		
Zhang Shao Wu	7,200,000	RMB ordinary shares	7,200,000		
Bank of Communications Co., Ltd - HSBC Jintrust Dynamic Strategy Mixed Securities Investment Fund	5,582,836	RMB ordinary shares	5,582,836		
Agricultural Bank of China Limited– Essence Comparative Advantage Flexible Allocation of Hybrid Securities Investment Fund	5,501,346	RMB ordinary shares	5,501,346		

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 holdings by 27,250,000H shares, held a total of 124,452,000 H shares of the Company as at the end of the reporting period, representing 9.13% 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.. The manager of both Bank of Communications - HSBC Jintrust Large Cap Equity Securities Investment Fund and Bank of Communications - HSBC Jintrust Dynamic Strategy Balanced Fund is HSBC Jintrust Fund Management Company Limited. 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

(I) Details of and reasons for 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
Cash and cash equivalents	4,551,502,290.56	2,996,028,194.89	51.92	Mainly due to the increase in net cash flows from operating activities
Other current assets	1,010,598,806.49	1,551,317,129.32	-34.86	Mainly due to the receipt from certain wealth management products upon their maturity at the end of the reporting period
Construction in progress	71,339,562.29	148,361,940.80	-51.92	Mainly due to the completion of certain construction works and conversion thereof into fixed assets
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	241,345,488.58	87,896,008.18	174.58	Mainly due to the increase in government subsidy received
Investment income	657,050,300.04	1,389,925,885.07	-52.73	Mainly due to the recognition of income from the disposal of equity interest of a subsidiary in the corresponding period, and not for the current period, resulting in the decrease
Non-operating income	56,520,713.42	83,074,176.52	-31.96	Mainly due to the decrease in other government subsidy received
Income tax expenses	126,479,218.89	202,087,596.84	-37.41	Mainly due to the undistributed deficit of certain subsidiaries resulting in the decrease in income tax expenses
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	676,524,880.57	395,312,722.47	71.14	Mainly due to the increase in government subsidy received
Cash received from investment income	50,251,697.52	32,665,976.46	53.83	Mainly due to the increase in income received from wealth management products
Cash paid for distribution of dividends, profit or payment of interest expenses	615,303,035.48	421,861,203.32	45.85	Mainly due to the increase in payment of dividend by listed company

(II) Development of significant matters and analysis of their impacts and solutions

Applicable Not applicable

(III) Undertakings not yet performed after the due date during the reporting period by the Company's beneficial controller(s), shareholder(s), acquirer(s), or the Company

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), acquirer(s) or the Company.

(IV) Estimate of operating results for the year 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

(V) Securities investment

Applicable Not applicable

During the reporting period, there were no securities investments.

(VI) Particulars of entrusted wealth management

Applicable Not applicable

Unit: RMB (in ten thousand)

Product type	Source of funding for entrusted wealth management	Subscription amount of entrusted wealth management	Amount of undue principal and revenue	Overdue balance
Bank wealth management products	Self-owned funds	123,000.00	58,000.00	-

(VII) 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	5,050.05	1 January 2018	30 September 2018	5,050.05	20,011.45	16,005.35		9,056.15	1.29	-563.24

			exchange contracts			18							
Total				5,050.05	--	--	5,050.05	20,011.45	16,005.35		9,056.15	1.29	-563.24
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)				30 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 period, where specific methods and relevant assumptions and parameters used in the analysis of derivatives' fair value shall be disclosed				<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 -5.6445 million, investment gain amounted to RMB 0.0121 million, resulting in a total profits or losses of RMB -5.6324 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>									

**The Company has received a new business licence bearing the Company's new Chinese name “海信家電集團股份有限公司”. However, the Company has yet to obtain the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company to be issued by the Companies Registry in Hong Kong to reflect the change of Chinese and English names of the Company. Please refer to the announcement of the Company regarding change of company name*

dated 25 October 2018 for further details.

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 Home Appliances Group Co., Ltd.

Tang Ye Guo

Chairman

Foshan City, Guangdong, the PRC, 25 October 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. Zhong Geng Shen and Mr. Cheung Sai Kit.