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HISENSE HOME APPLIANCES GROUP CO., LTD.

海信家電集團股份有限公司

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

(Stock Code: 00921)

**ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

All members (the “Directors”) of the board of directors (the “Board”) of HISENSE HOME APPLIANCES GROUP CO., LTD. (the “Company” or “Hisense Appliances”) announce the annual audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2018 (the “Reporting Period”) together with the 2017 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 2018	31 December 2017
Assets			
Current assets			
Cash at bank and on hand		3,648,463,609.61	2,996,028,194.89
Transactional financial assets		207,350.00	N/A
Financial assets at fair value through profit or loss for the current period		N/A	82,670.52
Derivative financial assets			
Notes receivable and Accounts receivable		6,068,203,234.09	6,350,259,386.45
Including: Notes receivable		2,971,748,608.75	3,517,031,644.77
Accounts receivable	5	3,096,454,625.34	2,833,227,741.68
Prepayments		224,120,738.37	239,594,948.71
Others receivables		318,926,986.30	312,462,291.68
Including: Interest receivable		197,325.00	151,200.00
Dividend receivable			

Inventories		2,955,752,775.71	3,397,860,489.07
Contract assets			N/A
Holding assets for sale			
Non-current assets due within one year			
Other current assets		1,081,172,953.81	1,551,317,129.32
Total current assets		14,296,847,647.89	14,847,605,110.64
Non-current assets			
Investments in debt			N/A
Financial assets available-for-sale		N/A	100,000.00
Other investments in debt			N/A
Held to maturity investments		N/A	
Long-term receivables			
Long-term equity investments		3,326,783,023.78	2,509,631,188.19
Other equity investment			N/A
Other non-current financial assets			N/A
Investment properties		22,511,361.05	24,997,438.39
Fixed assets		3,263,931,920.41	3,252,289,033.55
Construction in progress		84,296,518.04	148,361,940.80
Productive biological assets			
Oil and gas assets			
Intangible assets		714,706,893.47	716,335,386.22
Development expenditure			
Goodwill			
Long-term prepaid expenses		25,349,762.41	3,727,675.38
Deferred tax assets		93,477,911.35	104,404,613.17
Other non-current assets			
Total non-current assets		7,531,057,390.51	6,759,847,275.70
Total assets		21,827,905,038.40	21,607,452,386.34
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings			
Transactional financial liabilities		2,765,900.00	N/A
Financial liabilities at fair value through pr ofit or loss for the current period		N/A	373,723.35
Derivative financial liabilities			
Notes payable and Accounts payable	6	9,815,704,300.63	10,379,862,551.66
Advances from customers			791,262,245.11

Employee remunerations payable		328,800,107.19	323,419,615.39
Taxes payable		230,675,886.53	265,563,541.86
Other payable		1,766,319,446.79	1,709,226,096.76
Including: Interests payable			
Dividends payable			
Contract liability		716,041,073.75	N/A
Holding liabilities for sale			
Non-current liabilities due within one year			
Other current liabilities		646,178,914.93	639,347,580.40
Total current liabilities		13,506,485,629.82	14,109,055,354.53
Non-current liabilities			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Long-term payables			
Long-term Employee remunerations payable			
Provisions		329,557,537.00	337,091,145.64
Deferred income		98,410,309.53	73,013,121.41
Deferred tax liability		4,044,585.32	1,137,179.22
Other non-current liabilities			
Total non-current liabilities		432,012,431.85	411,241,446.27
Total liabilities		13,938,498,061.67	14,520,296,800.80
Shareholders' equity			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		2,076,473,214.56	2,078,119,839.70
Less : Treasury stock			
Other comprehensive incomes		16,896,290.49	13,390,695.59
Special reserves			
Surplus reserves		556,272,909.16	478,649,714.91
General risk reserves			
Retained profits		3,339,456,580.66	2,646,203,617.29

Total equity attributable to shareholders of the Parent		7,351,824,364.87	6,579,089,237.49
Minority interests		537,582,611.86	508,066,348.05
Total shareholders' equity		7,889,406,976.73	7,087,155,585.54
Total liabilities and shareholders' equity		21,827,905,038.40	21,607,452,386.34

Consolidated Income Statement

Item	Note	2018	2017
1. Total operating income	7	36,019,598,304.79	33,487,590,387.45
Operating revenue	7	36,019,598,304.79	33,487,590,387.45
2. Total operating costs		35,641,100,116.57	33,159,445,480.99
Including: Operating costs	7	29,171,524,760.00	26,969,830,953.33
Business taxes and surcharges		311,637,390.87	325,301,170.51
Selling and distribution expenses		5,005,944,320.73	4,771,756,662.02
General and administrative expenses		425,693,468.96	426,240,869.34
Research and development expenses		686,772,325.33	618,493,863.77
Financial expenses	8	34,610,575.42	9,777,593.76
Including: Interest expense		3,987,499.99	
Interest income		36,481,903.61	28,856,412.64
Impairment losses on assets		2,550,168.03	38,044,368.26
Impairment loss on credit		2,367,107.23	N/A
Add: Other gain		302,603,027.45	125,483,420.20
Investment gain (loss expressed with "-")	9	828,685,091.63	1,582,980,508.56
Including: Share of profit of associates and joint ventures	9	783,792,628.40	769,755,573.15
Net open hedge income (loss expressed with "-")			N/A
Gain or loss from changes in fair values (loss expressed with "-")		-2,267,497.17	-9,986,122.87
Gains on disposal of asset (loss expressed with "-")		1,210,083.22	4,136,179.65
3. Operating profits (loss expressed with "-")		1,508,728,893.35	2,030,758,892.00
Add: Non-operating income		74,020,079.75	237,692,697.13
Less: Non-operating expenses		17,843,104.64	15,577,352.42

4. Total profits (loss expressed with "-")		1,564,905,868.46	2,252,874,236.71
Less: Income tax expenses	10	141,831,492.77	181,067,121.45
5. Net profits (loss expressed with "-")		1,423,074,375.69	2,071,807,115.26
(1) Classification by business continuity			
1) Net profit for continuing operations (loss expressed with "-")		1,423,074,375.69	2,071,807,115.26
2) Termination of operating net profit (loss expressed with "-")			
(2) Classification by ownership			
1) Net profit attributable to shareholders of the parent company (loss expressed with "-")		1,377,457,177.70	2,018,112,935.64
2) Minority shareholder gains and losses (loss expressed with "-")		45,617,197.99	53,694,179.62
6. Net after tax for other comprehensive income		3,618,965.46	-11,293,988.72
Net after-tax net of other comprehensive income attributable to shareholders of the parent company		3,605,594.90	-11,493,035.75
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1) Re-measure the change in the defined benefit plan			
2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3) Changes in fair value of other equity instruments investment			N/A
4) Changes in the fair value of the company's own credit risk			N/A
5) Others			
(2) Other comprehensive income that will be reclassified into profit or loss		3,605,594.90	-11,493,035.75

1) Other comprehensive income of convertible gains and losses under the equity method		-289,459.62	-4,588,457.44
2) Changes in fair value of other investments in debt			N/A
3) Gains and losses from changes in fair value of available-for-sale financial assets		N/A	
4) The amount of financial assets reclassified into other comprehensive income			
5) Held-to-maturity investments are reclassified as gains and losses on available-for-sale financial assets		N/A	
6) Other debt investment credit impairment provisions			N/A
7) Cash flow hedge reserve (effective portion of cash flow hedge profit and loss)			
8) Foreign currency financial statement translation difference		3,895,054.52	-6,904,578.31
9) Others			
Net after-tax net of other comprehensive income attributable to minority shareholders		13,370.56	199,047.03
7. Total comprehensive income		1,426,693,341.15	2,060,513,126.54
Total comprehensive income attributable to shareholders of the parent company		1,381,062,772.60	2,006,619,899.89
Total comprehensive income attributable to minority shareholders		45,630,568.55	53,893,226.65
8. Earnings per share :			
(1) Basic earnings per share	13	1.01	1.48
(2) Diluted earnings per share	13	1.01	1.48

Notes:

1. General information

Hisense Home Appliances Group Co., Ltd. (the “Company”) is a 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 Hong Kong Stock Exchange on 23 July 1996,

whereas the Company's domestic shares (the "A Shares") were listed on the Shenzhen Stock Exchange on 13 July 1999.

On 29 January 2007, a share reform scheme (the "Reform of Non-tradable Shares Scheme") was set up 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, 612,221,909 restricted A shares of the Company held by Hisense Air-Conditioning were no longer subject to selling moratorium and were listed for trading.

On 23 May, 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 4,440,810 new stocks approved for listing.

On 19 June 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 approved the registration, and the exercise of 4,229,810 new stocks were approved for listing.

As at 31 December 2018, the total number of issued shares of the Company was 1,362,725,370 and the registered capital of the Company was RMB1,362,725,370.00, of which Hisense Air-Conditioning held 516,758,670 shares, representing 37.92% 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 2018, 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 42 specific accounting standards, application guidelines for Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as "Accounting Standards For Business Enterprises") issued and revised on 15 February 2006 or later, and the

Information Disclosure Regulations for Companies Publicly Issuing Securities No. 15 - General Provisions for Financial Statements (Revised 2014) issued by China Securities Regulatory Commission.

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

The Company is listed in both Mainland and the 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 Hong Kong Stock Exchange (the "Hong Kong Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

3. Changes in accounting policies

Description on the change in accounting policies of the Company during the Reporting period:

The Ministry of Finance promulgated Accounting Standards for Business Enterprises ("ASBE") No. 22 — Recognition and Measurement of Financial Instruments (2017 revision) (Cai Kuai [2017] No. 7), ASBE No. 23 — Transfer of Financial Assets (2017 revision) (Cai Kuai [2017] No. 8), ASBE No. 24 — Hedge Accounting (2017 revision) (Cai Kuai [2017] No. 9) respectively on 31 March 2017, and promulgated ASBE No. 37 — Presentation of Financial Instruments (2017 revision) (Cai Kuai [2017] No.14) on 2 May 2017 (collectively referred to as "New FI Standards"), requiring that companies that are dually listed on domestic and foreign stock exchanges and companies that are listed on foreign stock exchanges and adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises are required to apply the New FI Standards when preparing their financial statements since 1 January 2018. The Company has implemented the above New FI Standards in the time as required by the Ministry of Finance. The Group retroactively applies the New FI Standards. However, the Group does not restate categorization and estimation (including impairments) that is related to the data on the prior comparative financial statements and different from the New FI Standards.

a. Financial instrument classification and book value adjustment table at the first implementation date

Item	31 December 2017 (Before Adjustment)	Reclassification	Remeasurement	1 January 2018 (After Adjustment)
Assets :				
Financial assets measured at fair value through profit or loss	82,670.52	-82,670.52		
Transactional financial assets		82,670.52		82,670.52
Accounts receivable	2,833,227,741.68		-7,790,219.41	2,825,437,522.27
Financial assets available-for-sale	100,000.00	-100,000.00		
Other equity investments		100,000.00	-100,000.00	

Item	31 December 2017 (Before Adjustment)	Reclassification	Remeasurement	1 January 2018 (After Adjustment)
Deferred tax assets	104,404,613.17		434,850.57	104,839,463.74
Liabilities :				
Financial liabilities measured at fair value through profit or loss	373,723.35	-373,723.35		
Transactional financial liabilities		373,723.35		373,723.35
Shareholders' equity :				
Other comprehensive income	13,390,695.59		-100,000.00	13,290,695.59
Surplus reserves	478,649,714.91		-28,312.50	478,621,402.41
Retained profits	2,646,203,617.29		-6,953,544.78	2,639,250,072.51
Minority interests	508,066,348.05		-373,511.56	507,692,836.49

b. Adjustment table of the impairment provision of financial assets at the first implementation date

Measurement category	31 December 2017 (Before Adjustment)	Reclassification	Remeasurement	1 January 2018 (After Adjustment)
Impairment provision of Accounts receivable	144,356,210.53		7,790,219.41	152,146,429.94

The Ministry of Finance promulgated ASBE No. 14 — Revenue (2017 revision) (Cai Kuai [2017] No. 22) on 5 July 2017 (hereafter referred to as “New Revenue Standard”). It required that companies that are dually listed on domestic and foreign stock exchanges and companies that are listed on foreign stock exchanges and adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises are required to apply the New FI Standards and the New Revenue Standard when preparing their financial statements since 1 January 2018. The Company has implemented the New Revenue Standard in the time as required by the Ministry of Finance. The Company shall adjust the opening balance of retained earnings and the amount of other related items in the financial statements in accordance with the cumulative effect of the first application of the New Revenue Standard, where the data related to the annual financial statements of 2017 shall not be adjusted.

The impact of implementing new revenue standards on the company is as follows:

The content of change	Item	31 December 2017 (Before change)	1 January 2018 (After change)
Presentation	Contract liabilities		791,262,245.11
Presentation	Advance from customers	791,262,245.11	

There were no changes in accounting estimate of the Company during the Reporting Period.

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	16,072,977,215.28	14,891,475,954.73	1,826,615,410.60		32,791,068,580.61
2. Revenue from inter-segment sales			1,679,689,240.87	-1,679,689,240.87	
3. Gain from investment in associates and joint ventures	-504,258.96	750,392,496.55	33,904,390.81		783,792,628.40
4. Depreciation and amortization	378,205,070.55	200,061,104.69	94,582,698.27		672,848,873.51
5. Gain from changes in fair value			-2,267,497.17		-2,267,497.17
6. Impairment losses on assets	-8,592,868.32	11,078,664.23	2,431,479.35		4,917,275.26
7. Total profit (Total loss)	328,778,851.86	1,061,850,269.85	216,333,643.07	-42,056,896.32	1,564,905,868.46
8. Total assets	17,745,245,158.47	10,289,848,161.85	3,035,032,607.60	-9,242,220,889.52	21,827,905,038.40
9. Total liabilities	12,223,207,963.39	5,624,142,112.77	1,687,647,022.55	-5,596,499,037.04	13,938,498,061.67
10. Additions to other non-current assets other than long-term equity investments	-160,593,587.31	57,442,506.42	56,874,509.54		-46,276,571.35

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

Amount for current period	Refrigerators and washing machines	Air- conditioners	Others	Elimination	Total
1. Revenue from external sales	14,110,925,211.40	14,587,570,871.00	1,731,557,425.66		30,430,053,508.06
2. Revenue from inter-segment sales			1,532,162,384.83	-1,532,162,384.83	
3. Gain from investment in associates and joint ventures	-485,120.74	731,516,261.29	38,724,432.60		769,755,573.15
4. Depreciation and amortization	397,085,954.36	213,982,047.99	97,936,397.24		709,004,399.59
5. Gain from changes in fair value	-4,716,426.32	-4,716,426.32	-553,270.23		-9,986,122.87
6. Impairment losses on assets	3,420,192.57	31,900,224.52	2,723,951.17		38,044,368.26
7. Total profit (Total loss)	77,095,307.72	1,249,018,672.67	968,771,362.27	-42,011,105.95	2,252,874,236.71
8. Total assets	16,371,138,556.05	11,497,620,081.72	3,943,091,446.57	-10,204,397,698.00	21,607,452,386.34
9. Total liabilities	11,027,922,339.72	7,721,893,570.20	1,804,121,334.07	-6,033,640,443.19	14,520,296,800.80
10. Additions to other non-current assets other than long-term equity investments	-30,992,581.07	-132,175,143.60	-8,512,160.76		-171,679,885.43

(2) Geographic information

Category	2018	2017
Revenues from domestic customers	22,039,246,655.83	20,575,313,709.67

Revenues from overseas customers	10,751,821,924.78	9,854,739,798.39
Total	32,791,068,580.61	30,430,053,508.06
Domestic non-current assets	7,519,372,027.42	6,747,344,235.43
Overseas non-current assets	11,685,363.09	12,837,890.84
Total	7,531,057,390.51	6,760,182,126.27

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

The credit period granted by the Group to customers is generally 60 days. For some large and reputable customers, the Group will give an account period of no more than one year. In general, for smaller new customers, sales are settled in cash at the time of shipment. Accounts receivable are not interest-bearing.

The aging of accounts receivable is analyzed as follows:

Item	31 December 2018	1 January 2018
Within three months	2,762,702,194.47	2,788,391,220.34
Over three months but within six months	141,501,772.55	63,798,420.20
Over six months but within one year	44,637,494.79	10,157,769.52
Over one year	301,022,572.82	115,236,542.15
Total	3,249,864,034.63	2,977,583,952.21
Less: provision for bad debts	153,409,409.29	152,146,429.94
Book value	3,096,454,625.34	2,825,437,522.27

6. Notes payable and Accounts payable

項目	31 December 2018	1 January 2018
Notes payable	5,442,369,087.15	6,141,025,710.22
Accounts payable	4,373,335,213.48	4,238,836,841.44
合計	9,815,704,300.63	10,379,862,551.66

(1) Notes payable

項目	31 December 2018	1 January 2018
Bank's Acceptance Bill	3,348,110,396.41	3,168,085,830.99
Trade acceptance draft	2,094,258,690.74	2,972,939,879.23
Total	5,442,369,087.15	6,141,025,710.22

(2) The aging of accounts payable is analyzed as follows:

Item	31 December 2018	1 January 2018
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Within one year	4,259,455,773.64	4,127,751,339.22
Over one year	113,879,439.84	111,085,502.22
Total	4,373,335,213.48	4,238,836,841.44

7. Operating revenues and costs

Item	2018	2017
Revenue from principal operations	32,791,068,580.61	30,430,053,508.06
Revenue from other operations	3,228,529,724.18	3,057,536,879.39
Total	36,019,598,304.79	33,487,590,387.45
Item	2018	2017
Cost of principal operations	26,084,829,925.12	24,038,279,128.40
Cost of other operations	3,086,694,834.88	2,931,551,824.93
Total	29,171,524,760.00	26,969,830,953.33

8. Financial expenses

Item	2018	2017
Interest expenses	3,987,499.99	
Less: interest income	36,481,903.61	28,856,412.64
Gain/(Loss) on Foreign Exchange	1,324,681.18	32,092,103.57
Others	65,780,297.86	6,541,902.83
Total	34,610,575.42	9,777,593.76

9. Investment gain

(1) Particulars of investment gain

Item	2018	2017
Gain from long-term equity investment by the equity method	783,792,628.40	769,755,573.15
Gain from disposal of long-term equity investment		789,851,622.56
Gain from disposal of financial assets measured at fair value whose change is included in the current profit and loss	-3,208,253.46	-2,554,083.63
Gain from financial product	48,100,716.69	25,927,396.48
Total	828,685,091.63	1,582,980,508.56

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

Investee	2018	2017
Hisense Hitachi*海信日立	750,896,755.51	732,001,382.03
Hisense Financial Holdings*海信金融控股	16,491,283.61	4,913,770.50
Qingdao Hisense commercial Trading Development Co.,	-1,008,517.92	-970,241.48

Ltd.*(青島海信商貿發展有限公司)		
Hisense International Co., Ltd.*青島海信國際營銷股份有限公司	17,413,107.20	33,810,662.10
Total	783,792,628.40	769,755,573.15

10. Income tax expenses

Item	2018	2017
Current income tax expenses	127,562,534.28	187,778,829.75
Including: PRC enterprise income taxes	127,528,410.13	177,445,449.35
Hong Kong profit taxes	34,124.15	10,333,380.40
Deferred tax expenses	14,268,958.49	-6,711,708.30
Total	141,831,492.77	181,067,121.45

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

Item	2018
Total profits	1,564,905,868.46
Income tax expenses calculated at statutory (or applicable) tax rates	391,226,467.12
Tax effects of different tax rates applicable to certain subsidiaries	-27,529,340.36
Adjustments of income tax in previous period	3,059,594.96
Effects of non-taxable incomes	-193,467,772.44
Effects of non-deductible costs, expenses and losses	2,035,514.47
Effects of deductible losses not recognized as deferred tax assets in previous period	-20,130,881.28
Effects of deductible temporary differences or deductible losses not recognized as deferred tax assets in current period	43,301,712.84
Effects of additional deduction relating to costs of research and development	-56,663,802.54
Others	
Income tax expenses	141,831,492.77

Certain subsidiaries have been recognized as “high technology” companies and are entitled to a preferential tax rate of 15% (2017: 15%).

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits.

Except as disclosed above, other subsidiaries of the Company which are established and operated in the PRC, are subject to enterprise income tax at a standard rate of 25% (2017: 25%).

11. Net current assets

Item	31 December 2018	1 January 2018
Current assets (Consolidated)	14,296,847,647.89	14,839,814,891.23
Less : Current liabilities (Consolidated)	13,506,485,629.82	14,109,055,354.53
Net current assets (Consolidated)	790,362,018.07	730,759,536.70
Current assets (the Parent)	1,497,470,009.51	2,123,051,526.21
Less : Current liabilities (the Parent)	1,013,365,658.22	1,018,999,097.08

Net Current assets (the Parent)	484,104,351.29	1,104,052,429.13
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12. Total assets less current liabilities

Item	31 December 2018	1 January 2018
Total assets (Consolidated)	21,827,905,038.40	21,599,997,017.50
Less : Current liabilities (Consolidated)	13,506,485,629.82	14,109,055,354.53
Total assets less current liabilities (Consolidated)	8,321,419,408.58	7,490,941,662.97
Total assets (the Parent)	7,489,244,597.52	7,307,730,730.84
Less : Current liabilities (the Parent)	1,013,365,658.22	1,018,999,097.08
Total assets less current liabilities (the Parent)	6,475,878,939.30	6,288,731,633.76

13. Earnings per share

(1) Basic earnings per share

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

Item	2018	2017
Consolidated net profit attributable to ordinary shareholders of the parent	1,377,457,177.70	2,018,112,935.64
Weighted average number of issued ordinary shares of the Company outstanding	1,362,725,370.00	1,362,725,370.00
Basic earnings per share	1.01	1.48

(2) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the 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 2018 and 2017, there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

(3) Dividends

The Board proposed to pay a cash dividend of RMB3.03 (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 2018, without bonus issue and not to issue shares by way of conversion of capital reserve. (2017: paid a cash dividend of RMB4.4 (tax inclusive) per 10 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

I .INDUSTRY OVERVIEW

Refrigerator Market: According to inferential statistics from CMM, in 2018, the cumulative retail

volume in the domestic refrigerator sector decreased by 6.2% year-on-year, and cumulative retail sales grew by only 0.7% year-on-year, indicating that the domestic refrigerator sector is still in a cold winter. From the perspective of product and technology development trends, the sector continued to seize opportunities to upgrade consumption and product structure with adjustments to technological innovations, and refrigerator products continued to develop in a high-end direction. According to offline statistics from CMM, in 2018, while the proportion of retail sales of multi-door refrigerator products continued to steadily increase, among which retail sales of five-door refrigerator products grew by 36.7% year-on-year, significantly exceeding the overall growth of the sector

Residential Air-conditioner Market: During the Reporting Period, the domestic residential air-conditioner market fell. In the second half of 2018, the residential air-conditioner offline market changed from growth in the first half of the year to a decrease of more than 10%, affected by the negative impacts of real estate and macroeconomic downturns. CMM statistics show that cumulative retail sales volume increased by 2.3% year-on-year, and the cumulative retail sales amount increased by 4.9% year-on-year in the whole year. From the perspective of product technology, residential air-conditioning products continued to develop in the direction of frequency conversion, high energy efficiency, health and comfort; consumption continued to upgrade; the air-cooling + purifying integrated conditioner has gained prominence, and products with “dual temperature and humidity control” and “comfortable airflow functions have greatly increased their market share.

Central Air-conditioner Market: According to statistics from www.aicon.com.cn, in 2018 the overall capacity of domestic central air-conditioner market was about 100 billion. Growth of central air-conditioners in 2018 was less than 10% as compared to an approximate increase of 20% in 2017. From the perspective of pipelines, the home furnishing retail market’s overall capacity nearly saw no increase as compared to 2017 due to the impact of real estate regulation policies, and its percentage of overall central air-conditioner market decreased. The slow overall market increase of 2018 was mainly caused by the weak home furnishing retail market. Benefiting from the promotion of property fitting-out policies and other factors, growth in engineering project market was higher than expected. Super-large, small and middle-sized projects and auxiliary facilities for property projects saw a balanced development and continued to grow. From a product type perspective, the growth rate of multi-connected products – the largest and most crucial category in central air-conditioner market – was approximately 10% in 2018. They accounted for 48.5% of the overall central air-conditioner market, and their market share is steadily increasing.

II. ANALYSIS OF THE COMPANY’S OPERATION

During the Reporting Period, the Company’s name was changed to “Hisense Home Appliances Group Co., Ltd.”. Facing a complex, intense and changeable business environment, the Company focused on its core of home appliances and concentrated on operating its main business. It unveiled its Hisense home appliances 3.0 strategy, which set a new corporate vision of “revitalising national industry and making hundreds of millions of families happy” and optimised its internal organisational structure for improved efficiency and capability. The Company achieved operating revenues of RMB 36.02 billion, representing a year-on-year increase of 7.56%, and principal operating revenue of RMB 32.791 billion, representing a year-on-year increase of 7.76%. Revenue from the refrigerator and washing machine business accounted for 49.02% of the principal

operating revenue, representing a year-on-year increase of 13.90%; revenue from the air-conditioner business accounted for 45.41% of the principal operating revenue, representing a year-on-year increase of 2.08%. The domestic sales business recorded a principal operating revenue of RMB 22.039 billion, representing a year-on-year increase of 7.11%, whereas the export sales business recorded a principal operating revenue of RMB 10.752 billion, representing a year-on-year increase of 9.10%. Net profits attributable to shareholders in the listed Company reached RMB 1.377 billion, representing a year-on-year increase of 12.36%, of which net profits after deducting non-recurring gains or losses were representing a year-on-year increase of 12.36%. Earnings per share were RMB 1.01. The Company continued to strengthen capital management, accelerate the turnover of capital, and reduce its inventory level. Turnover of inventory was accelerated by 1.23 days year on year. The Company's gearing ratio has continuously improved, decreasing by 3.36 percentage points during the Reporting Period.

The major work of each business is as follows:

1. The Refrigerator and Washing Machine Business

During the Reporting Period, the Refrigerator Company adhered to a philosophy of "creating value for customers and creating high-quality products" and was united in an effort to ensure a business recovery. Its major work was as follows:

(1) Continuing to promote technology, health and life-based products and technical concepts, and building the Company on technology and leading products

The Company strives to create high-quality, advanced technology product that will be highly competitive and well received by users. The "God of Cooking" product series by Hisense Refrigerator achieved the aims of overall product improvement by offering excellent technology and performance and an enhanced user experience through humanised design. The series won the "Annual Product Innovation" award at IFA in Berlin, as well as the 14th Chinese Home Appliance Innovation Promotion Activity. The series also passed a special evaluation of the Zhidian Laboratory on "Home Appliances Suitable for Mothers and Children" by virtue of its full-spectrum purification system and excellent performance in humidity control, preservation, antibacterial and other test items.

(2) Expanding the network coverage and improving marketing efficiency

The Company continued to maintain good strategic cooperative relationships with home appliance chains, important e-commerce platforms and third- and fourth-tier customers. The Company strengthened channel development, deepened market segmentation and planning, and explored other online market segments on the basis of maintaining and deepening strategic cooperation with important e-commerce platforms. The substantial growth of high-end product sales drove improvements in the overall market structure and scale. According to data from CMM, online retail sales of the "Ronshen" brand increased by 26.4% year on year, much higher than the 15.5% growth of the whole industry's online retail sales. The Company carried out Hisense home appliance promotional activities to increase the sales scale of the whole category. Market share steadily increased. In 2018, the Company's cumulative retail market share in refrigerator products increased by 1.29 percentage points year on year according to statistics from CMM.

(3) Communicating brand quality, innovative promotion and marketing, and increasing brand and

product popularity

The Company promoted its brand from the perspectives of current events, social public benefit and daily living. It communicated with consumers from different user groups via a correspondingly wide range of channels, and raised the brand's profile through such means as exclusive offers and promotions. Brand communication was expanded and its image and influence improved through participation in publically beneficial activities, sponsorship of China Central Television programmes and other means. As for product promotion, the Company strengthened cross-industry cooperation and carried out joint promotions, and strove to build a brand flagship store to improve its image at the retail level.

(4) Expanding new industries and strengthening the development of commercial cold chains

The Company streamlined its entire operational system, particularly in aspects of customer development and relationship maintenance, independent research and development, manufacturing and quality management, cooperation with important strategic customers, and in a rapidly increased scale of commercial cold chains. In 2018, the Company's sales of display cabinets increased by 40% year on year and the scale of supermarkets and vending machines achieved an important breakthrough.

2. The Residential Air-conditioner Business

Though it faced a complex and changeable business environment during the Reporting Period, the Air-Conditioning Company continued to improve the competitiveness of its products and ensured profitability through user demand mining, technological innovation and other measures under the strategy of "manufacturing high-quality products". The major work was as follows:

(1) Continued innovation in key and core technologies

The Company continued to innovate in key and core technologies, to meet the consumer requirements for accurate humidity control, quick temperature control and energy efficiency.

(2) "Healthy and comfortable" product upgrades

The Company launched Male Idol X series air conditioners with the 360-degree rotating air supply and humidity control functions, meeting user requirements for a comfortable air supply and precise humidity control. In the field of comfort frequency conversion, the Company launched industry-leading products such as purification integrated X610 air conditioners and fresh air integrated X630 air conditioners which enhanced product comfort from the perspective of "air cleanliness". Product systems were further diversified and competitiveness was continuously improved. At the "2018 China's Quality Summit Forum and the 15th Award Ceremony of Originality Award of the People's Choice", the Hisense X610 purified air conditioner and its "creating good air" concept was honoured with a "People's Originality Product Award" due to its air purification ability and excellent temperature, humidity, cleanliness and air comfort control performance.

3. The Central Air-conditioner Business

During the Reporting Period, Hisense Hitachi's launches several technology-led products. It also maintained a stable growth through consolidating cooperation with engineering companies and

focusing on market segments and other strategies. The major work was as follows:

(1) Maintaining the technological leadership advantage

The Company continued to push technological innovation and completed research and development and industrialisation of multiple general technologies and new platforms. Several of its scientific and technological projects received awards from the industry. For example, the “Air Source Heat Pump System with Self-Adjusting Ability of Refrigerant Volume in a Wide Temperature Zone” took a second prize Scientific and Technological Award from the China National Light Industry Council. The “Household Multi-Dimensional Intelligent Air Quality Management System” received first prize Scientific and Technological Award from the China Society for the Promotion of Science and Technology Commercialization.

(2) Maintaining the quality leader advantage

The Company continued to fulfil its philosophy of "manufacturing high-quality products", and by implementing the “seven rules of quality management”, it constantly improved product quality. Both quality process management ability and systems operation performance were steadily improved. The Company’s adaptability to internal and external environments and its risk resistance were further enhanced. The Company passed ISO 9001:2015/ISO 14001:2015 new system certification, which helps to enhance user satisfaction. In March 2018, Hisense Hitachi was named as a “National Advanced Enterprise of Quality and Credit” and a “National Demonstration Enterprise of Integrity in Product and Service Quality” by the China Association for Quality Inspection. In December 2018, Hisense Hitachi obtained an IECQ QC080000 system certificate for the first time. It systematically managed the conformity of products and hazardous substances in the manufacturing process, practiced “green manufacturing”, and improved the enterprise’s environmental protection credentials

Environmental policies and performance

The Group is committed to achieve sustainable development of the environment and has integrated it into the daily operations of the Group. The Group continued to promote green measures and awareness in its daily business operations, complied with the "6S Management System" and implemented various green office measures, such as: two-sided printing and copying, promoting the use of recycle bags and turning off idle lights and electrical appliances to reduce energy consumption. The Group insisted on the development strategy of “technology orientation”, by launching technologically innovative projects to upgrade the energy saving technology and intelligentisation technology for household electrical appliances.

The Group continued to carry out technology improvement and efficiency enhancement projects to enhance efficiency, conserve energy and reduce consumption. The Group also formulated an environmental protection and resources conservation system and established a sound ISO14001 environmental management system and continuously maintained the effective operation of those systems. The ISO14001 environmental management system of the Group has passed the re-certification audit by the China Academy of Safety Science and Technology in November 2018, which assured the certification remained valid. The Company has established a sound occupational health and safety management system. 44 production safety management systems are formulated at the headquarter level according to relevant national laws and regulations, including “Standards for Evaluation of Occupational Health and Safety and Environmental Responsibility Targets”,

“Standards for Rewards and Penalties Management for Occupational Health and Safety and Environmental Governance”, “Standards for Identification and Evaluation of Sources of Hazards and Environmental Factors”, “Standards for Management under Laws, Regulations and Other Requirements” and “Standards for Environmental Safety Training”. In addition, the equipment and facilities of its subordinate factories all have corresponding safe operation rules in place. The occupational health and safety management system of the Company has successfully passed the renewal verification of the certification authority, China Academy of Safety Science and Technology, in November 2018, which assured the certification of Hisense HA remained valid.

According to the requirements of relevant document by the State Administration of Work Safety, the Company has vigorously facilitated the establishment of A Grade Safe Production Standardization Enterprise, constantly intensified the basic management of production safety and increased the intrinsic safety of equipment and facilities, so as to create a safe, healthy and comfortable working environment for staff. During the reporting period, nine subsidiaries of the Company obtained national certificates for A grade enterprises on safe production standardization and two controlled subsidiaries of the Company obtained certificates for B grade enterprises on safe production standardization issued by the Shandong and Zhejiang respectively.

Compliance with laws and regulations

The Group's business is mainly carried out by its subsidiaries in mainland China, and the Company is dually listed on the Shenzhen Stock Exchange and Hong Kong Stock Exchange. Accordingly, the operations of the Group should comply with the relevant laws and regulations of mainland China and Hong Kong. During the Reporting Period, to the best knowledge of the Company, the Group has complied with the relevant laws and regulations of mainland China and Hong Kong which has a significant impact on the business and operations of the Group. There was no material breach of or non-compliance with the applicable laws and regulations which has a significant impact on the business and operations of the Group.

Relationships with staff, customers, suppliers and other persons

The Group continued to improve its occupational training system in order to provide equal opportunities for its staff. The training system enhances the quality of its staff and their career development. In order to provide comprehensive support and healthcare services to its staff, the Group also paid attention to their living environment through building new apartments, canteens and clinic, which were managed by a specialised institution of the Group.

The Group has established and implemented a strict quality control and inspection system over its products. In order to enhance the standard of products and services proactively, the Group has implemented a “30 days guaranteed return and replacement” return policy for all its household electrical appliances.

The Group conducted site inspections on its suppliers to ensure that the terms of agreements have been complied with. The Group has established close and stable relationships with a number of major suppliers, and past records of the Group showed that no significant shortages or delays were experienced when receiving supplies or services from the suppliers. During the Reporting Period, there has not been a major and significant dispute between the Group and the suppliers.

The Group adhered to the principle of “operating with integrity”. The Code of Integrity applies to

all staff of the Group and they should observe the rules of integrity involving shareholders, staff, customers, partners, government and society.

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

Correction of accounting errors:

Details of the correction of accounting errors can be found in the announcement regarding Correction of Accounting Errors published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 28 March 2019.

Item	2018	2017		Increase or decrease as compared to last year (%)	2016	
		Before correction	After correction	After correction	Before correction	After correction
Operating revenue (RMB)	36,019,598,304.79	33,487,590,387.45	33,487,590,387.45	7.56	26,730,219,497.07	26,730,219,497.07
Net profits attributable to shareholders of listed company (RMB)	1,377,457,177.70	1,997,530,073.54	2,018,112,935.64	-31.75	1,087,732,130.38	1,116,558,833.87
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	1,161,082,586.93	1,012,806,955.02	1,033,389,817.12	12.36	997,923,876.59	1,026,750,580.08
Net cash flow from operating activities (RMB)	1,049,366,564.25	455,048,576.31	455,048,576.31	130.61	2,925,929,985.25	2,925,929,985.25
Basic earnings per share (RMB/share)	1.01	1.47	1.48	-31.76	0.80	0.82
Diluted earnings per share (RMB/share)	1.01	1.47	1.48	-31.76	0.80	0.82
Weighted average rate of return on net assets (%)	19.79	35.12	34.71	-14.92	24.23	24.33
Item	At the end of 2018	At the end of 2017		Increase or decrease	At the end of 2016	

				as compared to last year (%)		
		Before correction	After correction	After correction	Before correction	After correction
Total assets (RMB)	21,827,905,038.40	21,473,666,822.72	21,607,452,386.34	1.02	19,055,058,608.32	19,173,160,840.00
Net assets attributable to shareholders of listed company (RMB)	7,351,824,364.87	6,445,303,673.87	6,579,089,237.49	11.75	4,867,466,177.17	4,985,568,408.85

QUARTERLY MAJOR FINANCIAL INDICATORS

Unit: RMB

Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenue (RMB)	8,974,222,298.65	11,396,536,990.93	8,437,634,566.46	7,211,204,448.75
Net profits attributable to shareholders of listed company (RMB)	282,882,785.69	508,751,744.66	355,255,733.77	230,566,913.58
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	266,491,076.30	471,587,439.53	263,945,522.85	159,058,548.25
Net cash flow from operating activities (RMB)	-676,019,105.62	1,312,966,761.53	1,201,292,051.53	-788,873,143.19

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

Unit: RMB

Item	Amount of 2018	Amount of 2017	Amount of 2016	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-613,768.58	787,734,808.88	-15,647,219.04	
Government grants recognized in the profits or losses (excluding government grants closely related to the Company's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	213,299,858.04	151,239,597.39	104,597,125.81	
Profit and losses from assets which entrust others to invest or manage	48,100,716.69			
Other non-operating income and expenses other than the aforementioned items	13,866,327.84	113,236,402.15	24,049,500.83	
Less: Effect of income tax	42,991,932.03	48,767,136.54	14,854,388.82	
Effect of minority interests (after tax)	15,286,611.19	18,720,553.36	8,336,764.99	
Total	216,374,590.77	984,723,118.52	89,808,253.79	

(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)	2018	2017	Increase or decrease as compared to corresponding period last year (%)
Home appliances manufacturing industry	Sales volume	2,237	2,096	6.73
	Production volume	2,240	2,114	5.96

	Inventory volume	138	135	2.22
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2. Composition of operating revenue

Unit: RMB

Item	2018		2017		Increase or decrease as compared to corresponding period last year (%)
	Amount	Weight to operating revenue (%)	Amount	Weight to operating revenue (%)	
By industry					
Home appliances manufacturing industry	32,791,068,580.61	91.04	30,430,053,508.06	90.87	7.76
By product					
Refrigerators and washing machines	16,072,977,215.28	44.62	14,110,925,211.40	42.14	13.90
Air-conditioners	14,891,475,954.73	41.34	14,587,570,871.00	43.56	2.08
Others	1,826,615,410.60	5.08	1,731,557,425.66	5.17	5.49
By region					
Domestic	22,039,246,655.83	61.19	20,575,313,709.67	61.44	7.11
Overseas	10,751,821,924.78	29.85	9,854,739,798.39	29.43	9.10

3. Composition of operating costs

Unit: RMB ten thousand

Industry Category	Item	2018		2017		Increase or decrease as compared to corresponding period last year (%)
		Amount	Weight to operating costs (%)	Amount	Weight to operating costs (%)	
Home appliances manufacturing industry	Raw materials	2,414,360.96	92.56	2,221,770.42	92.43	8.67
	Direct expense	96,804.77	3.71	82,583.22	3.44	17.22
	Others	97,317.27	3.73	99,474.27	4.13	-2.17

4. Expenses

Unit: RMB

Expense Item	2018	2017	Increase or decrease as compared to corresponding period last year (%)	Reason for the significant changes
Sales expense	5,005,944,320.73	4,771,756,662.02	4.91	/
Management expense	425,693,468.96	426,240,869.34	-0.13	/
Research and development expenses	686,772,325.33	618,493,863.77	11.04	/
Finance expense	34,610,575.42	9,777,593.76	253.98	Because of the increase in handling fees

5. Cash Flow

Unit: RMB

Item	2018	2017	Increase or decrease as compared to corresponding period last year (%)
Sub-total of cash inflows from operating activities	28,157,226,836.14	25,873,346,562.68	8.83

Sub-total of cash outflows from operating activities	27,107,860,271.89	25,418,297,986.37	6.65
Net cash flows from operating activities	1,049,366,564.25	455,048,576.31	130.61
Sub-total of cash inflows from investing activities	2,876,183,272.24	5,073,544,791.60	-43.31
Sub-total of cash outflows from investing activities	2,647,770,326.20	4,342,463,973.07	-39.03
Net cash flows from investing activities	228,412,946.04	731,080,818.53	-68.76
Sub-total of cash inflows from financing activities	200,000,000.00	13,791,204.00	1,350.20
Sub-total of cash outflows from financing activities	1,361,175,775.74	1,033,958,292.64	31.65
Net cash flows from financing activities	-1,161,175,775.74	-1,020,167,088.64	N/A
Net increase in cash and cash equivalents	109,045,092.16	157,334,076.78	-30.69

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

√ Applicable □ Not applicable

The decrease in cash inflows from investment activities was mainly due to the decrease in wealth management products recovered after maturity;

The decrease in cash outflows from investment activities was mainly due to the decrease in the purchase of wealth management products;

The increase in cash inflows from financing activities was mainly due to short-term borrowings during the period;

The increase in cash outflows from financing activities was mainly due to the increase in short-term borrowings and dividends during the period.

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, bringing breakthrough in core technology, and enriching high-end product mix. 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

Item	2018	2017	Change in proportion (%)
Number of research and development staff	1,309	1,170	11.88
Proportion of number of research and development staff (%)	3.98	3.47	0.51
Amount of research and development inputs (RMB)	1,007,917,568.01	726,596,221.47	38.72
Proportion of research and development inputs to operating revenue (%)	2.80	2.17	0.63
Amount of capitalized research and development inputs (RMB)	-	-	/
Proportion of capitalized research and development inputs to research and development inputs	-	-	/

(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	Increase or decrease in costs of operating businesses as compared to	Increase or decrease in gross profit margin as compared to
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				period last year (%)	corresponding period last year (%)	corresponding period last year (%)
By industry						
Home appliances manufacturing industry	32,791,068,580.61	26,084,829,925.12	20.45	7.76	8.51	-0.55
By products						
Refrigerators and washing machines	16,072,977,215.28	12,742,548,502.69	20.72	13.90	12.10	1.27
Air-conditioners	14,891,475,954.73	11,852,793,724.90	20.41	2.08	5.05	-2.24
Others	1,826,615,410.60	1,489,487,697.53	18.46	5.49	7.30	-1.38
By region						
Domestic	22,039,246,655.83	16,065,246,541.47	27.11	7.11	7.96	-0.57
Overseas	10,751,821,924.78	10,019,583,383.65	6.81	9.10	9.41	-0.26

(V) ASSETS AND LIABILITIES POSITION

Significant changes in asset items

Unit: RMB

Items	At the end of 2018		At the beginning of 2018		Change in proportion (%)	Explanation of significant changes
	Amount	Percenta ge to total assets (%)	Amount	Percenta ge to total assets (%)		
Monetary funds	3,648,463,609.61	16.71	2,996,028,194.89	13.87	2.84	No major changes
Accounts receivable	3,096,454,625.34	14.19	2,825,437,522.27	13.08	1.11	No major changes
Inventories	2,955,752,775.71	13.54	3,397,860,489.07	15.73	-2.19	No major changes
Investment properties	22,511,361.05	0.10	24,997,438.39	0.12	-0.02	No major changes
Long-term equity investment	3,326,783,023.78	15.24	2,509,631,188.19	11.62	3.62	Mainly due to the recognition of investment income from the joint venture company Hisense Hitachi
Fixed assets	3,263,931,920.41	14.95	3,252,289,033.55	15.06	-0.11	No major changes
Construction in progress	84,296,518.04	0.39	148,361,940.80	0.69	-0.30	Mainly due to the completion of part of the project and transfer to fixed assets

(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	Impairm ent 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	82,670.52	124,679.48			124,679.48		207,350.00

value are accounted for as gain or loss of the period (excluding derivative financial assets)							
2. Derivative financial assets							
3. Other investments in debt							
4. Other investments in equity instruments							
Sub-total of financial assets	82,670.52	124,679.48			124,679.48		207,350.00
Investment Properties							
Productive biological assets							
Others							
Total	82,670.52	124,679.48			124,679.48		207,350.00
Financial liabilities	-373,723.35	-2,392,176.65			-2,392,176.65		-2,765,900.00

(VII) CORE COMPETITIVENESS ANALYSIS

1. Technological advantages

The Company adheres to its development strategy of “technology orientation” and focuses on “intelligence” and “green” 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 over thousands of technical personnel. The Company is continuously 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 products of the Company, namely “Hisense”, “Ronshen” and “Kelon”, have good brand reputation and market base. Among these brands, the market share of “Hisense” inverter 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. As the Company gradually accelerated the process of internationalization and continuously promoted the internationalisation of its own brands, the Company have been selected as one of the “Top Ten Chinese Brands Familiar to Foreigners” in five consecutive years. In 2018, the “BrandZ China Top 50 Brands” report was released, of which “Hisense” ranked among the top ten and was awarded “the fastest growing home appliance brand”. “Ronshen” has a long history, during the

reporting period, the company held the 35th anniversary celebration with the theme of “Ronshen, Quality Inheritance”, to demonstrate and inherit the outstanding achievements in the past 35 years. The brand image of “Ronshen, Ronshen, Quality Assurance” rooted in the hearts of the people; “Kelon” focuses on air-conditioning for 35 years, accurately positioning customers' needs, and continues to innovate technology on the basis of years of technological precipitation. It has launched a series of high-efficiency and healthy air conditioners to maintain the forefront of the industry in terms of product energy efficiency and temperature control technology.

3. Culture of integrity

“No person can find a place in society without integrity; and no business can flourish without credit”. Integrity is the Company’s core value, is a crucial element of our corporate culture, and as such is regarded as essential to the Company’s continuing operation. To ensure that all staff act in accordance with the values of “honesty, integrity, practicability and progressiveness” and that interactions between the Company and its stakeholders are in the same spirit as will as in compliance with law and regulation, the Company formulated a Code of Integrity which makes integrity a rule, a code and a normality pervading all its activities.

(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	1,192,168.17	606,921.48	1,098,666.68	194,732.85	160,321.77

Acquisition and disposal of subsidiaries during the Reporting Period

☐ Applicable ☒ Not applicable

(IX) Material changes of major assets

Major assets	Description of the material changes
Equity assets	Mainly due to the increase in recognised investment return in Hisense Hitachi, a joint venture company and the increase in investment in Hisense Financial Holdings
Fixed assets	No significant change
Intangible assets	No significant change
Projects in progress	Mainly due to the increase in investment on technological improvement in fixed assets

(X) Particulars of disposal of major equity during the Reporting Period

☐ Applicable ☒ Not applicable

IV. OUTLOOK

According to inferential statistics from CMM, the overall retail sales volume for the refrigerator industry in 2019 is expected to decrease by 4.4% year on year, while online and offline market retail sales volumes for the air-conditioner industry will respectively drop by 14.3% and 8.3% year on year. In conjunction with the impact of high industry inventory and other factors, operational pressure on home appliance enterprises is expected to be further aggravated. Facing a “winter”, the Company will focus its abilities on growth, fulfilling its promise of "manufacturing high-quality

products", pushing "collaboration", "change", "innovation" and "efficiency", driving toward the industrial premium point and exploring market segment opportunities to achieve a robust and sustainable rate of development on the way to becoming a worldwide home appliance brand.

1. Improving marketing

Adjust the mechanism, create a high-end promotion atmosphere, highlight the main line, improve the sales proportion of mid- and high-end products. Upgrade the retail level image. Enhance e-commerce ability, accelerate large-scale growth of e-commerce and increase the share of e-commerce. Finely explore three- and four-tier markets with diversified, differentiated products.

2. Further develop the high-quality product strategy

Work primarily in the direction of "stressing the process, paying attention to experience, strengthening verification and performing the whole life cycle management". Deepen and improve the high-quality product strategy.

3. Improve the supply chain's delivery ability

Reduce the number of models in use and improve the efficiency of those that remain. Further improve the accuracy of market forecasts and plans. Enhance the universal and modular design level of components. Optimise the delivery mode and structure, raise the level of informatisation, reduce the order delivery cycle and improve punctuality of product delivery.

4. Intensify efforts to develop central air-conditioning business

Consolidate market base and enhance marketing capabilities; lay a solid foundation and increase export scale.

5. Accelerating the development of key industries

Create differentiated products, enhance product competitiveness and focus on cross-industry alliance to achieve a rapid increase in business scale and the benefits of "washing machines", "commercial cold chains", "environmental control appliances", "kitchen appliances" and other businesses.

6. Increase the export scale and benefit

Enrich product lineups, improve product differentiation and the competitiveness of exported products. Increase the sales proportion of middle- and high-end products and continue to optimise the structure of exported products.

7. Strictly control capital risks and improve capital utilisation efficiency

Strengthen payment period controls, reduce the occupation of invalid capital, accelerate capital turnover and improve capital utilisation ability.

FINAL DIVIDEND

The Group recorded net profit attributable to shareholders of the listed company of RMB1,377 million for the year ended 31 December 2018. The Board proposed to pay all shareholders a cash

dividend of RMB 3.03 (tax inclusive) per 10 shares held by such shareholder (the “Proposed Dividend”) on the basis of the total share capital of 1,362,725,370 shares of the Company as at 31 December 2018, without bonus issue and not to issue shares by way of conversion of capital reserve (For the year ended 31 December 2017, the Company paid to all shareholders a cash dividend of RMB4.4 (tax inclusive) per 10 shares held by such shareholders on the basis of the total share capital of the Company being 1,362,725,370 shares as at 31 December 2017).

The Proposed Dividend is subject to approval by the shareholders at the 2018 annual general meeting (the “Annual General Meeting”). Subject to the approval of the Proposed Dividend by the shareholders, the Proposed Dividend is expected to be paid on or about 15 August 2019. The total amount of profits to be so distributed is expected to be RMB412,905,787.11. Details of the payment of the Proposed Dividend will be announced after the conclusion of the Annual General Meeting.

LIQUIDITY AND SOURCES OF FUNDS

For the year ended 31 December 2018, net cash generated from operating activities of the Group amounted to approximately RMB1,049 million (2017: net cash generated from operating activities amounted to approximately RMB 455 million).

As at 31 December 2018, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB3,648 million (2017: RMB 2,996 million), and no bank loans (2017: no bank loans).

Total capital expenditures of the Group for the year ended 31 December 2018 amounted to approximately RMB330 million (2017: RMB 390 million).

HUMAN RESOURCES AND EMPLOYEES’ REMUNERATION

As at 31 December 2018, the Group had approximately 32,858 employees, mainly comprising 4,663 technical staff, 12,928 sales representatives, 367 financial staff, 732 administrative staff and 14,168 production staff. The Group had 33 employees with a doctorate degree, 914 with a master’s degree and 31,911 with a bachelor’s degree or below.

For the year ended 31 December 2018, the Group’s staff payroll amounted to RMB 3,169 million (corresponding period in 2017 amounting to RMB 2,866 million).

EMPLOYEES’ TRAINING AND REMUNERATION POLICY

Employees and talented personnel are the basis for corporate development. Through the platform provided by Hisense College, the Company has established a three-tier training system, a well-rounded curriculum system and a training regulatory system. The Company has also actively promoted the building up of teacher resources internally and externally in order to effectively support the development of its management and technical team and enhance its human resources. Every year, the Company will formulate education and training programs for employees based on the annual operational strategy and human resources development needs.

The Company has provided a total of 12,946 course hours to a total of 1.65 million participants during the Reporting Period. The courses mainly include areas such as corporate management, quality

craftsmanship, corporate culture, production and manufacturing as well as technological research and development and they are provided for employees at different levels, ranging from base level staff who are responsible for works 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 2018, the Group did not have any property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables (31 December 2016: Nil) which 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 28 March 2019, based on publicly available information and to the best of their knowledge, 25% or above of the total issued share capital of the Company were held by the public. Therefore, the public float of the Company satisfies the requirement stipulated under the Hong Kong Listing Rules.

AUDIT COMMITTEE

The tenth session of the audit committee of the Company has reviewed the final results of the Group for the year ended 31 December 2018.

CAPITAL EXPENDITURE

The Group expects that the capital expenditure for 2019 will be approximately RMB61 million. The Group has sufficient funds to meet the funding requirement for purposes such as capital expenditure plans and daily operations.

TRUST DEPOSITS

As at 31 December 2018, 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 2018, the Group did not have any long-term bank borrowings and its cash and cash equivalents amounted to RMB3,648 million (2017: RMB2,996 million), of which more than RMB3,473 million are denominated in Renminbi.

As at 31 December 2018, the Group's current liabilities amounted to RMB13,506 million, non-current liabilities amounted to RMB432 million, and shareholders' equity attributable to the shareholders of the Company amounted to RMB7,352 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 2018, the Group's gearing ratio (calculated according to the formula: total liabilities /total assets) was 63.86% (2017: 67.20%).

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The tenth 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 tenth 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 2018.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the tenth session of the Board have reviewed the continuing connected transactions of the Group for the year 2018, and confirmed that these transactions were conducted in the ordinary course of business of the Company 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 2018, the share capital structure of the Company was as follows:

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

TOP TEN SHAREHOLDERS

As at 31 December 2018, there were 39,996 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	516,758,670	37.92%	57.22%	0
HKSCC (Nominees) Limited ^{Note 1}	Foreign legal person	457,252,069	33.55%	99.49%	0
Cental Huijin Investment Ltd.	State-owned legal person	26,588,700	1.95%	2.94%	0
Shanghai Gaoyi Asset Management Partnership - Gaoyi Linshan No. 1 Long-range Fund* 上海高毅資產管理合夥企業（有限合夥）－高毅鄰山1號遠望基金	Other	21,077,056	1.55%	2.33%	0
Bank of China - China International Fund Management Core Growth Stock Securities Investment Fund* 中國銀行股份有限公司－上投摩根核心成	Other	16,191,143	1.19%	1.79%	0

長股票型證券投資基金					
Bank of Communications - HSBC Jintrust Fund Management Stock Securities Investment Fund*交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金 ^{Note2}	Other	13,187,500	0.97%	1.46%	0
The Hong Kong Securities Clearing Company (HKSCC)	Foreign legal person	12,343,804	0.91%	1.37%	0
Zhang Shao Wu	Domestic natural shareholders	7,200,000	0.53%	0.80%	0
Agricultural Bank of China - Anxin Comparative Advantage Flexible Allocation of Mixed Securities Investment Fund*中國農業銀行股份有限公司－安信比較優勢靈活配置混合型證券投資基金	Other	6,243,975	0.46%	0.69%	0
Bank of Communications - HSBC Jintrust Fund Management Dynamic Strategy Hybrid Securities Investment Fund*交通銀行－滙豐晉信動態策略混合型證券投資基金 ^{Note2}	Other	5,582,836	0.41%	0.62%	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 holding of the company's 27.25 million H shares and 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 managers of Bank of Communications - HSBC Jintrust Fund Management Stock Securities Investment Fund*交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金 and Bank of Communications - HSBC Jintrust Fund Management Dynamic Strategy Hybrid Securities Investment Fund*交通銀行－滙豐晉信動態策略混合型證券投資基金 are HSBC Jintrust Fund Management Company Limited.;
 - 3、As at the date being one month preceding the date of this announcement of result (that is, 28 March 2019), the total number of shareholders holding ordinary shares is 35,587.
- 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).

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	516,758,670	RMB ordinary shares
HKSCC (Nominees) Limited ^{Note1}	457,252,069	Overseas listed foreign shares
Cental Huijin Investment Ltd.	26,588,700	RMB ordinary shares
Shanghai Gaoyi Asset Management Partnership - Gaoyi Linshan No. 1 Long-range Fund*上海高毅資產管理合夥企業（有限合夥）－高毅鄰山1號遠望基金	21,077,056	RMB ordinary shares
Bank of China - China International Fund Management Core Growth Stock Securities Investment Fund* 中國銀行股份有限公司－上投摩根核心成長股票型證券投資基金	16,191,143	RMB ordinary shares
Bank of Communications - HSBC Jintrust Fund Management Stock Securities Investment Fund*交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金	13,187,500	RMB ordinary shares

Note2		
The Hong Kong Securities Clearing Company (HKSCC)	12,343,804	RMB ordinary shares
Zhang Shao Wu	7,200,000	RMB ordinary shares
Agricultural Bank of China - Anxin Comparative Advantage Flexible Allocation of Mixed Securities Investment Fund*中國農業銀行股份有限公司－安信比較優勢靈活配置混合型證券投資基金	6,243,975	RMB ordinary shares
Bank of Communications - HSBC Jintrust Fund Management Dynamic Strategy Hybrid Securities Investment Fund*交通銀行－滙豐晉信動態策略混合型證券投資基金 Note2	5,582,836	RMB ordinary shares

Note :

- 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 holding of the company's 27.25 million H shares and 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 managers of Bank of Communications - HSBC Jintrust Fund Management Stock Securities Investment Fund*交通銀行股份有限公司-滙豐晉信大盤股票型證券投資基金 and Bank of Communications - HSBC Jintrust Fund Management Dynamic Strategy Hybrid Securities Investment Fund*交通銀行－滙豐晉信動態策略混合型證券投資基金 are 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).

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 2018, 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 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 total number of shares in issue	Percentage of the respective type of shares
Qingdao Hisense Air-conditioning Company Limited <i>Note 1</i>	Beneficial owner	A shares	516,758,670 (L)	37.92%	57.22%
Qingdao Hisense Electric Holdings Company Limited <i>Note 1</i>	Interest of controlled corporation	A shares	516,758,670 (L)	37.92%	57.22%
Hisense Company Limited <i>Note 1</i>	Interest of controlled corporation	A shares	516,758,670 (L)	37.92%	57.22%

Hisense (Hong Kong) Company Limited ^{Note 1}	Beneficial owner	H shares	124,452,000 (L)	9.13%	27.08%
Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	H shares	124,452,000 (L)	9.13%	27.08%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	H shares	124,452,000 (L)	9.13%	27.08%

The letter “L” denotes a long position.

Notes: 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.

Save as disclosed above, as at 31 December 2018, in so far as the Directors, supervisors and the 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

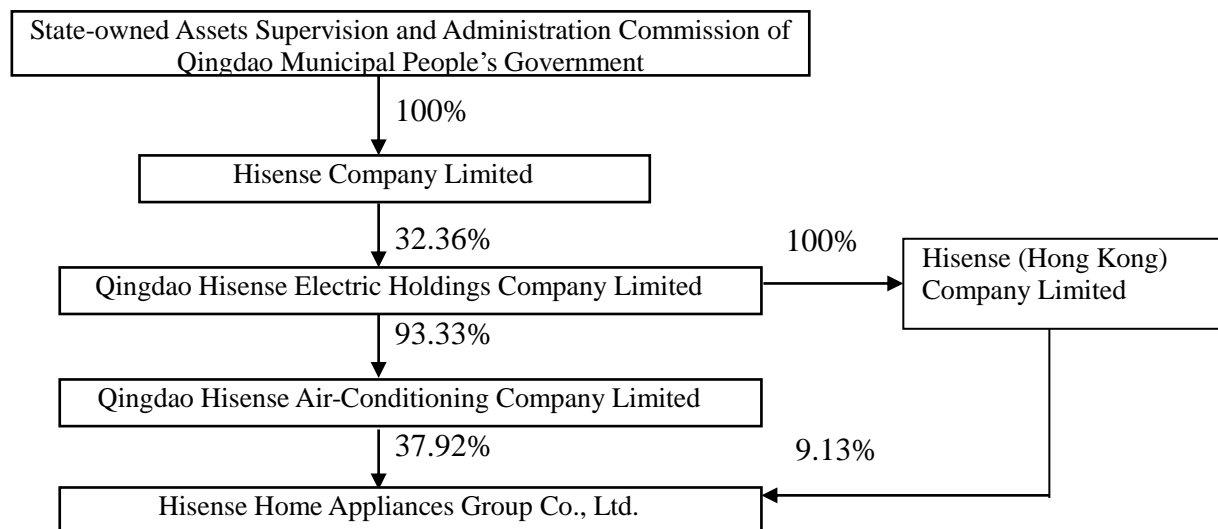
1. Qingdao Hisense Air-Conditioning Company Limited, the controlling shareholder of the Company, was incorporated on 17 November 1995. Its registered address is Changsha Road, Hi-tech Industrial Zone, Qingdao, the PRC and the legal representative is Mr. Tang Ye Guo and its registered capital is RMB674.79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

2. Hisense Company Limited was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Zhou Houjian is the legal representative of Hisense Group, a wholly state-owned enterprise with the registered capital of RMB806,170,000. 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, leasing of immovable property; catering management services, catering services, conference services and parking services (projects which require

permit/approval under the laws, commencement of operations of the businesses which require approval from the relevant department).

3. The ultimate beneficial controller of the Company is the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People's Government.

4. Relationship between the Company and its beneficial controllers:



5. 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 2018, save as disclosed below, 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 A shares	Percentage to the relevant class of issued shares of the Company (%)	Percentage to the total issued shares of the Company (%)
Tang Ye Guo	Beneficial owner	831,600	0.092	0.061
Jia Shao Qian	Beneficial owner	404,360	0.045	0.030
Wang Yun Li	Beneficial owner	52,120	0.006	0.004

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate amount of the Group's purchases from the top five suppliers was RMB4,100.16 million, representing 15.72% of the total purchase amount of the Group for the year and the aggregate sales amount to the top five customers was RMB15,538 million, representing 47.39% 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 2018, as considered and approved at the shareholders' general meeting of the Company, the Company agreed to re-appoint Ruihua Certified Public Accountants as the auditor of the Company for the financial year of 2018, 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

Particulars of material connected transactions of the Company during the Reporting Period

Connected transactions during the reporting period

(I) On 28 November 2017, the Company entered into a Business Co-operation Framework Agreements, Agency Financing Procurement Framework Agreements, Financial Service Agreements, Financial Business Framework Agreements and Business Framework Agreements with Hisense Group and Hisense Electric, Hisense HK, Hisense Finance, Hisense Financial Holdings and Hisense Hitachi respectively. On 28 May 2018, the Company entered into the supplemental agreement to Business Framework Agreement with Hisense Hitachi.

Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding approximately 37.92% of the issued shares of the Company and Hisense Hong Kong holds approximately 9.13% of the issued shares of the Company and Hisense Electric is owned as to 39.53% by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries (including without limitation Qingdao Hisense International Co., Ltd and its subsidiaries, and Hisense Commercial Trading) are connected persons of the Company according to the Hong Kong Listing Rules. Hisense Finance and Hisense Financial Holdings are subsidiaries of Hisense Group, Hisense Finance and Hisense Financial Holdings therefore are connected persons of the Company according to the Hong Kong Listing Rules. As certain directors of the Company are also directors of Hisense Hitachi, Hisense Hitachi is a connected person 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, the Financial Services Agreement with Hisense Finance, the Business Framework

Agreement with Hisense Hitachi can be found in the announcements and the circulars published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 28 November 2017, 3 January 2018 respectively. Details of the Supplemental Agreement to Business Framework Agreement with Hisense Hitachi can be found in the announcements published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 8 May 2018

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 28 November 2017.

The above transactions (other than the Business Framework Agreement and the supplemental agreement to the Business Framework Agreement with Hisense Hitachi) 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, the Financial Services Agreement, Financial Business Framework Agreements are set out as follows:

1. 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. 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 18 January 2018 until

31 December 2018, which can be terminated before its expiration by mutual agreement of the parties.

(2) Pricing for the mutual 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. Pricing for the mutual 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 mutual 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.

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

Types of connected transactions	Division by products or services	Connected person	Annual cap (RMB ten thousand) (Excluding VAT)
Sale of products and materials	Sale of home electrical appliances products by the Group	Hisense Group	1,304,880
		Hisense Electric	306
	Sale of equipment by the Group	Hisense Group	1,650
	Sale of moulds by the Group	Hisense Group	32,355
		Hisense Electric	13,000
	Sale of raw materials, parts and components by the Group	Hisense Group	9,831
		Hisense Electric	8,242
Provision of services	Provision of design, processing services and property services by the Group	Hisense Group	2,834
	Provision of labour services by the Group	Hisense Electric	188
Purchase of products and materials	Purchase of home electrical appliances products by the Group	Hisense Group	91
		Hisense Electric	76
	Purchase of raw materials, parts and components by the Group	Hisense Group	20,846
		Hisense Electric	2,740
Receipt of services	Receipt of material processing, installation and maintenance, property, medical, leasing, design, inspection, testing, property construction, management consultancy, technical support and information system	Hisense Group	62,243

Types of connected transactions	Division by products or services	Connected person	Annual cap (RMB ten thousand) (Excluding VAT)
	maintenance by the Group		
	Receipt of property services by the Group	Hisense Electric	2,005

2. The Financial Services Agreement with Hisense Finance and the Financial Business Framework Agreements with Hisense Financial Holdings.

The Group is expected to benefit from the rates on loans and deposits offered by Hisense Finance to the Group, which will be equal to or more favourable than those offered by the PRC commercial banks, and at the same time, Hisense Finance's better understanding of the operations of the Group which should allow the provision of more expedient and efficient services than those offered by PRC commercial banks. On the other hand, Hisense Finance is regulated by 中國銀行業監管管理委員會 (China Banking Regulatory Commission) and complies with the regulations and operation requirements issued by the relevant regulatory authorities in its provision of financial services. The primary customers of Hisense Finance are the companies within the Hisense Group. In general, as the risks exposed to Hisense Finance are less than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard the customers' funds more effectively. As such, the Company entered into the Financial Services Agreement with Hisense Finance, the principal terms of which are as follows:

(1) The term of the Financial Services Agreement shall commence from 18 January 2018 until 31 December 2018, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

(2) The services to be provided by Hisense Finance to the Group include 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).

(3) The maximum daily balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement shall not exceed the cap of RMB6,500,000,000 (inclusive of interest) on any given day. The maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the cap of RMB6,000,000,000 (inclusive of interest and service fees). The annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the cap of RMB50,000,000. The annual amount settled or sold by Hisense Finance for the Group shall not exceed the cap of US\$500,000,000. The annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) shall not exceed the cap of RMB3,000,000.

In order to further revitalize the company's reserve assets, obtain capital operation income, and improve the efficiency of capital operation, the Company entered into a Financial Business

Framework Agreement with Hisense Financial Holdings. The main terms are as follows:

(1) The term of the Financial Business Framework Agreement shall commence from 18 January 2018 until 31 December 2018, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.

(2) The daily closing balance of the recourse factoring services provided by Hisense Financial Holdings to the Company under the Financial Business Framework Agreement shall not exceed RMB100,000,000 (inclusive of interest). The aggregated annual value of the transactions conducted for the non-recourse factoring services provided by Hisense Financial Holdings to the Company under the Financial Business Framework Agreement during the term of the Financial Business Framework Agreement shall not exceed RMB500,000,000 (inclusive of interest).

(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 Group	Purchase	Finished goods	Agreed price	25.76	
Hisense Electric	Purchase	Finished goods	Agreed price	7.08	
Hisense Hitachi	Purchase	Finished goods	Agreed price	3.22	
Hisense Group	Purchase	Materials	Agreed price	18,124.44	0.62
Hisense Electric	Purchase	Materials	Agreed price	1,259.84	0.04
Hisense Hitachi	Purchase	Materials	Agreed price	1,143.67	0.04
Hisense Group	Receipt of services	Receipt of services	Agreed price	38,249.32	1.31
Hisense Electric	Receipt of services	Receipt of services	Agreed price	1,229.96	0.04
Hisense Hong Kong	Receipt of purchase financing agency services	Receipt of purchase financing agency services	Agreed price	23,900.10	0.82
Hisense Group	Sale	Finished goods	Agreed price	982,783.94	27.28
Hisense Electric	Sale	Finished goods	Agreed price	71.34	
Hisense Hitachi	Sale	Finished goods	Agreed price	48,846.56	1.36
Hisense Group	Sale	Materials	Agreed price	7,680.90	0.21
Hisense Electric	Sale	Materials	Agreed price	2,443.54	0.07
Hisense Hitachi	Sale	Materials	Agreed price	265.62	0.01
Hisense Group	Sale	Moulds	Market price	6,953.33	0.19
Hisense Electric	Sale	Moulds	Market price	11,147.06	0.31
Hisense Hitachi	Sale	Moulds	Market price	1,490.18	0.04
Hisense Group	Sale	Equipment	Market price	460.26	0.01
Hisense Group	Provision of services	Provision of services	Agreed price	2,367.74	0.07
Hisense Electric	Provision of services	Provision of services	Agreed price	89.80	
Hisense Hitachi	Provision of	Provision of	Agreed price	8.30	

	services	services			
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As at the end of the Reporting Period, the Company and its subsidiaries had the balance of deposit of RMB3,377 million and interest income received of RMB32.1158 million, the actual balance of loan of RMB0 balance of electronic bank acceptance bill of RMB3,416 million, and the handling fee for opening accounts for electronic bank acceptance bill of RMB3.4311 million with Hisense Finance. The actual amount of discounted interest for the provision of draft discount services was RMB7.5374 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was RMB69.5479 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB0.3215 million.

The Company and its subsidiaries had the actual balance of the recourse factoring services of RMB0 and the actual value of the transaction conducted for the non-recourse factoring services is RMB108.8144 million with Hisense Commercial Factoring.

(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:

No.	Agreement	Counterparty to the agreement	Particulars of connected transactions	Annual cap
1	Business Co-operation Framework Agreement dated 28 November 2018	Hisense Group, Hisense International, Hisense Commercial Trading and Hisense Electric	Sell products and products to connected persons	RMB1,508.57 million
		Hisense Group, Hisense International and Hisense Electric	Sell raw materials to connected persons	RMB161.4 million
		Hisense Group, Hisense International and Hisense Electric	Sell moulds to connected persons	RMB228.32 million

		Hisense International	Sell equipment to connected persons	RMB12.50 million
		Hisense Group, Hisense International and Hisense Electric	Provision of services by the Group	RMB 34.39 million
		Hisense Group, Hisense International and Hisense Electric	Purchase products and products from connected persons	RMB 278.29 million
		Hisense Group, Hisense International and Hisense Electric	Purchase raw materials and products from connected persons	RMB 267.90 million
		Hisense Group, Hisense International, Hisense Commercial Trading and Hisense Electric	Receipt the services provided by connected persons	RMB 838.24 million
2	Purchase Financing Agency Framework Agreement dated 26 November 2018	Hisense Hong Kong	Receipt of financing agency services by the Group to purchase imported raw materials, components and equipment	USD100,000,000

3	Financial Services Agreement dated 26 November 2018	Hisense Finance	<p>The services to be provided by Hisense Finance to the Group include 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).</p>	<ol style="list-style-type: none"> 1. The maximum daily balance of the deposits placed by the Group with Hisense Finance at any time shall not exceed the cap of RMB8,000,000,000 (inclusive of interest) on any given day. 2. The maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group shall not exceed the cap of RMB9,000,000,000 (inclusive of interest and service fees). 3. The annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services shall not exceed the cap of RMB50,000,000. 4. The annual amount settled or sold by Hisense Finance for the Group shall not exceed the cap of US\$500,000,000. 5. The annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務) shall not exceed the cap of RMB3,000,000.
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4	the Supplemental Agreement to the Financial Business Framework Agreement dated 26 November 2018	Hisense Financial Holdings	The Group accepts factoring services and financial leasing business	The daily closing balance of the recourse factoring services provided by Hisense Financial Holdings to the Company shall not exceed RMB800,000,000 (inclusive of interest). The aggregated annual value of the transactions conducted for the non-recourse factoring services provided by Hisense Financial Holdings to the Company shall not exceed RMB400,000,000 (inclusive of interest). The daily closing balance of the financial leasing services shall not exceed RMB 300,000,000 (including interest).
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The signature date of the above agreement is November 26, 2018. The terms of the Business Co-operation Framework Agreement, Financial Services Agreement, the Financial Business Framework Agreement and the Purchase Financing Agency Framework Agreement commence from the date of which such agreements were approved by the independent shareholders (that is, 23 January 2019) until 31 December 2019. The relationship between the Group on one hand and Hisense Group, Hisense Electric, Hisense Hong Kong, Hisense Finance and Hisense Financial Holdings 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 27 November 2018 and 7 January 2019 respectively.

Connected transactions in Acquisition and Sale of Assets or Equity Rights

During the reporting period, there were no connected transactions involving the acquisition or sale of assets or equity.

Connected Transaction in Relation To Joint External Investment

Joint venture parties	Connected relationship	Name of the joint venture company	Major business of the joint venture company	Registered capital of the joint venture company (RMB ten thousand)	Total assets of the joint venture company (RMB ten thousand)	Net asset of the joint venture company (RMB ten thousand)	Net profit of the joint venture company (RMB ten thousand)
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Hisense Electric Co., Ltd.	Control led by the same beneficial controller	Qingdao Hisense Commercial Trading Development Co., Ltd*(青島海信商貿發展有限公司)	TV, air conditioners, household appliances and accessories, electronic products, communication equipment, communication equipment (except satellite antennas), sensing and control equipment wholesale, retail, agency sales, after-sales service, extended warranty services, marketing planning, security Sales, construction and technical services of monitoring equipment, e-commerce technical services, [Internet information services, Internet operations and promotion] (based on the issuance of licenses by telecommunications authorities to carry out business activities), exhibition display services, design, production, release, agency Domestic advertising, logistics design, supply chain management, cargo road transportation (according to the traffic management department issuing licenses to carry out business activities)	10,000.00	12,241.38	9,605.50	-178.89
Progress of significant projects in progress of the joint venture company (if any)				Not applicable.			

Connected creditor's rights and liabilities

During the reporting period, the company hasn't had any non-operational connected creditor's rights and liabilities.

Other Major Connected Transactions

During the reporting period of the company, no other major connected transactions has been occurred.

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.

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	Status	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 and President	Male	56	Current	327.34	No
Jia Shao Qian	Director 、 Former President	Male	46	Current	253.99	No
Lin Lan	Director	Male	61	Current	0	Yes
Dai Hui Zhong	Director	Male	53	Current	0	Yes
Wang Yun Li	Director 、 Vice President	Male	46	Current	193.48	No
Ma Jin Quan	Independent non-executive Director	Male	76	Current	14	No
Zhong Geng Shen	Independent non-executive Director	Male	58	Current	7	No
Cheung Sai Kit.	Independent non-executive Director	Male	47	Current	10	No
Liu Zhen Shun	Chairman of Supervisory Committee	Male	49	Current	0	Yes
Yang Qing	Supervisor	Male	45	Current	0	Yes
Fan Wei	Supervisor	Female	52	Current	58.40	No
Chen Xiao Lu	the Chief Financial Officer	Male	42	Current	0	Yes
Huang Qian Mei	Secretary to the Board	Female	35	Current	20.72	No
Wong Tak Fong	Company Secretary	Female	51	Current	16.92	No
Liu Hong Xin	Former Director	Male	52	Resigned	0	Yes
Xu Xiang Yi	Former Independent non-executive Director	Male	63	Resigned	7	No
Liu Xiao Feng	Former Independent non-executive Director	Male	57	Resigned	14	No
Wang Zhi Gang	Vice President	Male	49	Resigned	149.15	No
Gao Yu Ling	the Chief Financial Officer	Female	38	Resigned	142.71	No
Total	--	--	--	--	1,214.71	--

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

The remuneration of the Directors of the Company is determined based on recommendations 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 recommendation 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 recommendation to the Board based on the senior management's experience, responsibilities, risk and pressure undertaken for operation under his/her management and his/her contribution to the Company. The said remuneration recommendation 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. Guarantee items

☐ Applicable ☒ Not applicable

IV. PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

☒ Applicable ☐ Not applicable

unit: RMB 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	self-owned funds	123,000	54,000	0
Total		123,000	54,000	0

During the reporting period, the Company did not have high-risk entrusted wealth management with single amount or low security, poor liquidity and no insurance, and there was no expectation that the entrusted wealth management could not recover the principal or other circumstances that might lead to impairment.

V. Derivatives investment

Unit: RMB (in ten thousand)

Name of operators of derivatives investment	Connection	Whether or not a connected transaction	Type of derivatives investment	Initial investment 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
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Bank	No	No	Forward foreign exchange contracts	5,050.05	01 January 2018	31 December 2018	5,050.05	22,886.53	20,827.35		7,109.23	0.97	-547.58
Total				5,050.05	--	--	5,050.05	22,886.53	20,827.35		7,109.23	0.97	-547.58
Source of derivatives investment funding				Export trade receipts									
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 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 locks in the foreign exchange rates within a reasonable range 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 derivatives business. 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 during the Reporting Period, 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-2.2675 million. Investment gain amounted to RMB-3.2083 million, resulting in a total profits or losses of RMB-5.4758 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>									

VI. Description of changes in scope of consolidation as compared to financial report last year

☐ Applicable ☒ Not applicable

During the reporting period, the company did not change the scope of the consolidated statements.

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”, or “Hisense Appliances”	HISENSE HOME APPLIANCES GROUP CO., LTD.
“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 Finance”	Hisense Finance Company Limited
“Hisense Hong Kong”	Hisense (Hong Kong) Company Limited
“Hisense Financial Holdings”	Qingdao Hisense Financial Holdings Co., Ltd.
“Hisense Commercial Trading”	Qingdao Hisense Commercial Trading Development Co., Ltd*青島海信商貿發展有限公司
“Hisense International”	Hisense International Co., Ltd*青島海信國際營銷股份有限 公司
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
HISENSE HOME APPLIANCES GROUP CO., LTD.
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 28 March 2019

As at the date of this announcement, the Company’s executive directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. 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.

**For identification purpose only*