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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)

2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of Hisense Home Appliances Group Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with comparative figures for the corresponding period in 2019. The unaudited interim results for the Reporting Period have been reviewed by the tenth session of the audit committee of the Company.

FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(Unless otherwise specified, all amounts are denominated in RMB)

Consolidated Balance Sheet

Item	Note	30 June 2020	31 December 2019
Current assets:			
Cash at bank and on hand		6,689,879,614.82	6,120,563,237.47
Balancing with clearing companies			
Lending capital			
Transactional financial assets		2,440,425,542.00	2,120,000,000.00
Derivative financial assets			
Notes receivable		832,002,164.01	1,095,849,666.16
Accounts receivable	5	5,060,522,094.47	3,967,576,310.11
Factoring of accounts receivables		4,234,777,947.92	4,099,608,704.80
Prepayments		155,475,633.05	192,798,549.08
Insurance premium receivable			
Receivables from reinsurers			

Reserves for reinsurance contract receivable			
Others receivables		274,811,260.42	297,145,507.98
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories		3,578,309,334.28	3,498,945,347.28
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		3,456,635,747.65	3,127,969,954.11
Total current assets		26,722,839,338.62	24,520,457,276.99
Non-current assets:			
Disbursement of loans and advances			
Bond investments			
Other bond investments			
Long-term receivables			
Long-term equity investments		449,817,212.77	468,080,722.63
Other equity instrument investments			
Other non-current financial assets			
Investment properties		18,910,228.04	20,240,850.71
Fixed assets		3,718,188,762.22	3,813,541,683.85
Construction in progress		202,244,635.03	216,943,108.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets		71,928,989.80	74,162,585.09
Intangible assets		1,814,817,870.58	1,918,063,341.32
Development expenditure			
Goodwill		132,571,746.36	132,571,746.36
Long-term prepaid expenses		41,913,696.04	43,497,841.56
Deferred tax assets		626,348,858.28	634,774,585.10
Other non-current assets		2,879,988,617.82	2,148,329,801.65
Total non-current assets		9,956,730,616.94	9,470,206,266.86
Total assets		36,679,569,955.56	33,990,663,543.85
Current liabilities:			
Short-term borrowings			100,083,424.66
Borrowings from central bank			
Loans from other banks			

Transactional financial liabilities		1,233,219.00	
Derivative financial liabilities			
Notes payable	6	7,797,687,103.84	7,560,312,550.23
Accounts payable	7	6,916,897,072.87	5,317,357,636.81
Advances from customers			
Contract liabilities		1,293,303,000.71	1,013,239,070.20
Proceeds from disposal of financial assets under agreements to repurchase			
Receipt of deposits and deposits from other banks			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee remunerations payable		512,284,569.32	620,495,237.41
Taxes payable		397,658,610.33	510,978,731.47
Other payables		2,330,622,752.84	1,920,036,363.71
Including: Interests payable			
Dividends payable		538,276,521.15	
Handling fees and commission payable			
Reinsured accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		35,342,893.50	40,736,624.70
Other current liabilities		4,289,616,135.71	3,755,169,074.60
Total current liabilities		23,574,645,358.12	20,838,408,713.79
Non-current liabilities:			
Reserves for reinsurance contract			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bond			
Lease liabilities		26,103,736.10	24,822,981.21
Long-term payables			
Long-term employee remunerations payable			
Provisions		458,087,565.95	475,055,256.42
Deferred income		104,565,653.12	113,146,567.49
Deferred tax liabilities		56,354,221.76	58,367,004.14
Other non-current liabilities			
Total non-current liabilities		645,111,176.93	671,391,809.26
Total liabilities		24,219,756,535.05	21,509,800,523.05

Shareholders' equity:			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preference shares			
Perpetual bond			
Capital reserves		2,056,057,145.37	2,056,057,145.37
Less: Treasury shares			
Other comprehensive income		26,715,993.00	26,318,501.35
Special reserves			
Surplus reserves		632,235,869.58	632,235,869.58
General risk provisions			
Retained profits		4,609,287,840.58	4,644,256,846.32
Total equity attributable to shareholders of the Company		8,687,022,218.53	8,721,593,732.62
Minority interests		3,772,791,201.98	3,759,269,288.18
Total shareholders' equity		12,459,813,420.51	12,480,863,020.80
Total liabilities and shareholders' equity		36,679,569,955.56	33,990,663,543.85

Consolidated Income Statement

Item	Note	January to June 2020	January to June 2019
I. Total operating revenue		21,086,699,809.27	18,950,275,309.93
Including: Operating revenue	8	21,086,699,809.27	18,950,275,309.93
Interest income			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating costs		20,119,898,070.03	18,499,546,808.04
Including: Operating costs	8	16,242,231,290.38	15,091,028,662.14
Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance reserves provided			
Policyholder dividend expenses			
Reinsurance premium expenses			
Taxes and surcharges		134,121,265.76	150,663,690.48
Sales expenses		2,929,008,342.00	2,624,883,463.85
Management expenses		314,893,289.04	241,004,121.20

Research and development expenses		570,088,355.30	377,178,975.93
Financial expenses	9	-70,444,472.45	14,787,894.44
Including: Interest expenses		8,420,709.44	973,801.85
Interest income		98,650,603.42	24,740,076.79
Add: Other income		95,262,312.10	107,479,058.57
Investment income (Loss denoted by “-”)	10	52,520,463.97	498,007,782.36
Including: Share of profit of associates and joint ventures	10	9,967,112.37	487,374,859.09
Income from derecognition of financial assets and amortised cost			
Foreign exchange gains (Loss denoted by “-”)			
Gain net exposure to hedging (Loss denoted by “-”)			
Gains from changes in fair value (Loss denoted by “-”)		-807,677.00	2,266,560.00
Impairment losses on credit (Loss denoted by “-”)		-8,391,291.91	-8,530,913.64
Impairment losses on assets (Loss denoted by “-”)		-910,060.85	2,505,781.48
Gains on disposal of assets (Loss denoted by “-”)		966,689.46	586,691.50
III. Operating profits (Loss denoted by “-”)		1,105,442,175.01	1,053,043,462.16
Add: Non-operating income		103,853,562.74	66,745,068.73
Less: Non-operating expenses		6,358,114.25	10,841,854.97
IV. Total profits (Total loss denoted by “-”)		1,202,937,623.50	1,108,946,675.92
Less: Income tax expenses	11	261,703,838.42	122,414,482.21
V. Net profits (Net loss denoted by “-”)		941,233,785.08	986,532,193.71
(I) Classified on a going concern basis			
1. Net profit from continuing operations (Net loss denoted by “-”)		941,233,785.08	986,532,193.71
2. Net profit from discontinued operations (Net loss denoted by “-”)			
(II) Classified by ownership of equity			
1. Net profit attributable to owners of the Company		503,307,515.41	959,746,468.35
2. Profit and loss of minority interests		437,926,269.67	26,785,725.36
VI. Other comprehensive income after tax, net		454,327.61	5,722,706.04
Other comprehensive income after tax attributable to shareholders of the Company, net		397,491.65	5,722,706.04
(I) Items not to be reclassified into profit or loss			
1. Changes arising from remeasurement of defined benefit plans			
2. Other comprehensive income not to be reclassified into profit or loss under the equity method			
3. Change in fair value of other equity instrument investments			
4. Changes in fair value of the Company’s own credit risk			

5. Others			
(II) Items to be reclassified into profit or loss		397,491.65	5,722,706.04
1. Other comprehensive income to be reclassified into profit or loss under the equity method		-300,622.23	6,666,182.49
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt instruments		1,896,824.06	
5. Reserve for cash flow hedging			
6. Differences on translation of foreign currency financial statements		-1,198,710.18	-943,476.45
7. Others			
Other comprehensive income after tax attributable to minority interests, net		56,835.96	
VII. Total comprehensive income		941,688,112.69	992,254,899.75
Total comprehensive income attributable to shareholders of the Company		503,705,007.06	965,469,174.39
Total comprehensive income attributable to minority interests		437,983,105.63	26,785,725.36
VIII. Earnings per share:			
(I) Basic earnings per share	12	0.37	0.70
(II) Diluted earnings per share	12	0.37	0.70

Notes:

1. General information

The Company is a joint stock limited company incorporated in the People's Republic of China (the "PRC") on 16 December 1992. The Company's overseas listed public shares (the "H Shares") were listed on the 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 was set up by the Company for converting the non-freely transferable domestic legal person shares into freely transferable A Shares. The scheme was approved by the holder of the A Shares at a general meeting, and further approved by the Ministry of Commerce of the PRC on 22 March 2007.

On 31 August 2009, the Company constituted a major asset reorganisation and entered into a conditional sale and purchase agreement regarding the acquisition of the white goods assets and business of Hisense Air-Conditioning. 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 in consideration of the acquisition.

On 18 June 2013, 612,221,909 restricted A Shares held by Hisense Air-Conditioning were no longer subject to selling moratorium and were listed for trading.

On 23 May 2014, the exercise conditions were satisfied for the Company's first exercise period of the first phase of its stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration and the listing of the 4,440,810 new stocks which would be issued upon the exercise of the stock options.

On 19 June 2015, the exercise conditions were satisfied for the Company's second exercise period of the first phase of its stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration and the listing of the 4,229,810 new stocks which would be issued upon the exercise of the stock options.

As of 30 June 2020, 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, of which Hisense Air-Conditioning held 516,758,670 shares, representing approximately 37.92% of the Company's total issued share capital. Hisense Air-Conditioning continues to be the immediate controlling shareholder of the Company.

In the opinion of the directors of the Company (the “**Directors**”), as at 30 June 2020, Hisense Group, a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder of the Company.

The Group is principally engaged in the research and development, manufacturing and marketing of electrical products such as refrigerators, household air-conditioners, central air-conditioners, freezers, washing machines, kitchen appliances, etc.

The address of the registered office and principal place of business of the Company is No. 8 Ronggang Road, Ronggui Street, Shunde District, Foshan City, Guangdong Province, the PRC.

2. Basis of preparation of financial statements

The financial statements are prepared based on going-concern assumption and actual transactions and events according to the Accounting Standards for Business Enterprises – Basic Standard (the Ministry of Finance Order No. 33 Issue, the Ministry of Finance Order No. 76 Amendment) issued by the Ministry of Finance, and 41 specific accounting standards, application guidelines for Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as “**Accounting Standards For Business Enterprises**”) issued and revised on 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, the financial statements take the historical cost as the accounting basis. If an asset is impaired, the provision for impairment shall be accrued in accordance with the relevant provisions.

The Company is listed on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Besides the relevant regulations as mentioned above, the financial statements of the Company also comply with the applicable disclosure requirements under the Rules Governing Listing of Shares on Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Hong Kong Companies Ordinance.

3. Significant changes in accounting policies

There were no significant changes in accounting policies during the Reporting Period.

4. Segment information

The Group manages its business by divisions which are organised by a mixture of both business lines and geographical areas.

(1) Segment information as at and for the Reporting Period is as follows:

Unit: RMB

Amount for current period	Air-conditioners	Refrigerators and washing machines	Others	Elimination	Total
1. Revenue from external sales	11,207,575,905.80	7,266,745,240.35	699,644,627.65		19,173,965,773.80
2. Revenue from inter-segment transactions			839,649,473.68	-839,649,473.68	
3. Gain from investment in associates and joint ventures	704,926.75	704,926.75	8,557,258.87		9,967,112.37
4. Depreciation and amortisation	261,932,795.34	196,973,117.78	62,375,619.07		521,281,532.19
5. Gain from changes in fair value			-807,677.00		-807,677.00
6. Impairment losses on assets (Including credit impairment loss)	-8,375,233.92	780,085.52	-1,706,204.36		-9,301,352.76
7. Total profit (Total loss)	882,605,931.37	241,853,311.21	97,364,487.22	-18,886,106.30	1,202,937,623.50
8. Total assets	28,251,373,712.82	21,674,418,473.22	3,421,755,908.99	-16,667,978,139.47	36,679,569,955.56
9. Total liabilities	17,695,577,299.94	15,167,918,382.34	1,842,350,523.95	-10,486,089,671.18	24,219,756,535.05
10. Additions to other non-current assets other than long-term equity investments	614,594,752.03	-28,167,638.79	-81,639,253.30		504,787,859.94

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

Unit: RMB

Amount for corresponding period last year	Air-conditioners	Refrigerators and washing machines	Others	Elimination	Total
1. Revenue from external sales	8,914,777,401.66	7,659,743,689.33	754,928,517.55		17,329,449,608.54
2. Revenue from inter-segment transactions			828,152,745.34	-828,152,745.34	
3. Gain from investment in associates and joint ventures	462,955,720.14	-815,560.28	25,234,699.23		487,374,859.09
4. Depreciation and amortisation	114,788,623.84	194,348,715.49	41,233,028.90		350,370,368.23
5. Gain from changes in fair value			2,266,560.00		2,266,560.00
6. Impairment losses on assets (Including credit impairment loss)	-431,649.47	-1,997,694.12	-3,595,788.57		-6,025,132.16
7. Total profit (Total loss)	777,277,815.49	278,109,311.05	78,515,970.70	-24,956,421.32	1,108,946,675.92
8. Total assets	13,256,822,058.57	18,398,418,501.84	3,241,425,643.63	-10,187,617,073.89	24,709,049,130.15
9. Total liabilities	8,576,063,321.52	12,279,011,172.67	1,684,459,567.99	-6,276,585,599.40	16,262,948,462.78
10. Additions to other non-current assets other than long-term equity investments	20,794,613.15	-80,997,563.28	-68,111,686.38		-128,314,636.51

(2) Geographical information

Unit: RMB

Region	January to June 2020	January to June 2019
Revenue from domestic transactions	12,491,456,155.12	10,996,497,355.33
Revenue from overseas transactions	6,682,509,618.68	6,332,952,253.21
Total	19,173,965,773.80	17,329,449,608.54
Region	30 June 2020	31 December 2019
Non-current assets - Domestic	9,946,504,014.67	9,460,087,833.58
Non-current assets - Overseas	10,226,602.27	10,118,433.28
Total	9,956,730,616.94	9,470,206,266.86

The business of the Company is mainly operated in Mainland China, where the majority of the non-current assets of the Company are held. As such, it is not necessary to present more detailed regional information.

5. Accounts receivable

The credit period granted by the Company to its customers is generally 60 days. For large-scale and reputable customers with small sales volume, the Company will give a credit period of no more than one year. In general, for small-scale customers, sales are settled by these customers in cash at the time of shipment made by the Company. Accounts receivable are not interest-bearing.

The ageing of accounts receivable is analysed as follows:

Unit: RMB

Item	30 June 2020	31 December 2019
Within three months	4,640,170,222.42	3,576,878,056.75
Over three months but within six months	81,940,055.74	174,766,391.40
Over six months but within one year	203,735,998.07	92,713,978.80
Over one year	339,823,895.61	317,582,075.49
Total	5,265,670,171.84	4,161,940,502.44
Less: Provision for bad debts	205,148,077.37	194,364,192.33
Book value	5,060,522,094.47	3,967,576,310.11

6. Notes payable

Unit: RMB

Item	30 June 2020	31 December 2019
Bank's acceptance bill	6,265,401,163.56	5,498,626,969.29
Trade acceptance draft	1,532,285,940.28	2,061,685,580.94
Total	7,797,687,103.84	7,560,312,550.23

7. Accounts payable

The aging of accounts payable is analysed as follows:

Unit: RMB

Item	30 June 2020	31 December 2019
Within one year	6,801,010,372.87	5,189,464,190.07
Over one year	115,886,700.00	127,893,446.74
Total	6,916,897,072.87	5,317,357,636.81

8. Operating revenues and costs

Unit: RMB

Item	January to June 2020	January to June 2019
Revenue from principal operations	19,173,965,773.80	17,329,449,608.54
Revenue from other operations	1,912,734,035.47	1,620,825,701.39
Total	21,086,699,809.27	18,950,275,309.93
Item	January to June 2020	January to June 2019
Cost of principal operations	14,447,911,708.69	13,580,858,060.22
Cost of other operations	1,794,319,581.69	1,510,170,601.92

Total	16,242,231,290.38	15,091,028,662.14
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9. Financial expenses

Unit: RMB

Item	January to June 2020	January to June 2019
Interest expenses	8,420,709.44	973,801.85
Less: interest income	98,650,603.42	24,740,076.79
Gain/(loss) on foreign exchange	-4,792,692.15	2,504,516.23
Others	24,578,113.68	36,049,653.15
Total	-70,444,472.45	14,787,894.44

10. Investment income

(1) Particulars of investment gain

Unit: RMB

Item	January to June 2020	January to June 2019
Gain from long-term equity investment under the equity method	9,967,112.37	487,374,859.09
Investment gain from disposal of transactional financial assets	42,553,351.60	10,632,923.27
Total	52,520,463.97	498,007,782.36

(2) Gain from long-term equity investment under the equity method

Unit: RMB

Investee	January to June 2020	January to June 2019
Hisense Hitachi		463,771,280.41
Hisense Financial Holdings	8,600,468.40	22,173,792.69
Hisense Marketing Management	1,409,853.49	-1,631,120.55
Hisense International	-43,209.52	3,060,906.54
Total	9,967,112.37	487,374,859.09

Note: Since 30 September 2019, Hisense Hitachi becomes a subsidiary of the Company and the financial results of Hisense Hitachi are consolidated into that of the Group. From 1 January 2019 to 30 September 2019, gain from long-term equity investments in Hisense Hitachi was recognised by the equity method.

11. Income tax expenses

Unit: RMB

Item	January to June 2020	January to June 2019
Current income tax expenses	255,290,893.98	108,185,727.08

Including: PRC enterprise income taxes	255,290,893.98	108,185,727.08
Hong Kong profit taxes		
Deferred tax expenses	6,412,944.44	14,228,755.13
Total	261,703,838.42	122,414,482.21

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

Unit: RMB

Item	January to June 2020
Total profits	1,202,937,623.50
Income tax expenses calculated at statutory (or applicable) tax rates	462,453,594.30
Tax effects of different tax rates applicable to certain subsidiaries	-70,391,566.22
Adjustments of income tax in previous period	
Effects of non-taxable incomes	-104,001,003.56
Effects of non-deductible costs, expenses and losses	8,811,296.83
Effects of deductible losses not recognised as deferred tax assets in previous period	-25,003,457.09
Effects of deductible temporary differences or deductible losses not recognised as deferred tax assets in current period	41,082,462.27
Change in balance of deferred tax assets/ liability at the beginning of the period due to tax rate adjustment	
Effects of additional deduction relating to costs of research and development	-51,247,488.11
Others	
Income tax expenses	261,703,838.42

Certain subsidiaries of the Company are either recognised as “high technology” companies, or in other cases in accordance with other local laws and regulations, and are entitled to a preferential tax rate of 15% or 20% (2019: 15% or 20%).

Hong Kong Profits Tax is calculated at 16.5% (2019: 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% (2019: 25%).

12. 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 issued ordinary shares of the Company:

Unit: RMB

Item	January to June 2020	January to June 2019
Consolidated net profit attributable to ordinary shareholders of the Company	503,307,515.41	959,746,468.35
Weighted average number of issued ordinary shares of the Company	1,362,725,370.00	1,362,725,370.00
Basic earnings per share	0.37	0.70

(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 Company adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares of the Company in issue. The Company has no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

13. Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020. No interim dividend was paid for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

During the Reporting Period, due to the adverse impact of the novel coronavirus (“COVID-19”) epidemic, the demand in household appliance industry was sluggish and the market size has contracted as compared with last year. According to the inferential statistics from China Market Monitor Company Limited (“CMM”), for the first half of 2020, the cumulative retail sales volume and amount in the domestic refrigerator segment decreased by 7.0% and 11.1% year-on-year, respectively; the cumulative retail sales volume and amount in the domestic air-conditioning segment decreased by 15.3% and 26.0% respectively, as compared to the corresponding period last year. According to the Report on Central Air-conditioning Market of China in the First Half of 2020 issued by aircon (艾肯), the overall domestic central air-conditioning market capacity in the first half of 2020 decreased by 14.9% year-on-year. Household appliance enterprises are facing severe and complex operating situations.

II. ANALYSIS OF THE COMPANY’S OPERATION

During the Reporting Period, in the face of severe challenges, the Company adhered to the business philosophy of “making good, high-quality products”, vigorously promoted mid-to-high-end products while actively optimising product structure. Meanwhile, as the “offline” market was adversely impacted by COVID-19, the Company actively changed its marketing model to ensure stable operations. The Company achieved operating revenues of RMB21.087 billion, representing a year-on-year increase of 11.27% for the Reporting Period. In terms of products, the air-conditioner business achieved principal operating revenue of RMB11.208 billion, representing a year-on-year increase of 25.72%;

the refrigerator and washing machines business achieved principal operating revenue of RMB7.267 billion, representing a year-on-year decrease of 5.13%. In terms of domestic and overseas revenues, principal operating revenues of domestic sales business and export sales business amounted to RMB12.491 billion and RMB6.683 billion respectively, representing year-on-year increases of 13.59% and 5.52% respectively.

During the Reporting Period, net profits attributable to shareholders of the Company amounted to RMB503 million, representing a year-on-year decrease of 47.56%. Notwithstanding the decrease, the performance of the Group in the second quarter of 2020 improved significantly as compared with the first quarter.

The major performance of each business is as follows:

1. Air-conditioner business

Central air-conditioner business:

During the Reporting Period, despite the fact that the industry has generally suffered from year-on-year decline in performance, Hisense Hitachi, through exploring innovative marketing models, strengthening the promotion of mid-to-high-end products and empowering strategic partners, was able to consolidate and improve business confidence of its terminal clients and its capabilities of sales and operation, laying a solid foundation for subsequent recovery in scale. In the second quarter of 2020, operating revenue of Hisense Hitachi achieved a double-digit growth as compared with the corresponding period last year, of which revenue of labour and installation achieved a year-on-year increase of over 20%. In addition, with the continuous addition of premium products, the Hisense Hi-Multi New M2 series of central air-conditioner was launched as scheduled, which provides a comprehensive air-conditioning system solution for broader usage in more settings. The competitiveness of the Group's air-conditioning products was continuously highlighted, with the Hisense 5G version of the Honorary Home (榮耀家) series of central air-conditioner being awarded the title of "2020 Outstanding Product Award for Ingenuity and Quality" in the 2020 International Quality Manufacturing Festival.

Residential air-conditioner business:

During the Reporting Period, the Group's air-conditioner company continued to be user-oriented, focused on value marketing, and realised continuous innovation and breakthroughs in technology and products surrounding the user needs of "comfort, health, green, and smart". In line with the consumption trend of healthy household appliances, the Company took the lead in formulating the first group standard for domestic "Fresh Air" (新風) air-conditioners - "Room Air-Conditioners with Fresh Air Function", and actively launched the "Fresh Air" series of new air-conditioners to continuously optimise product structure and promote product competitiveness. According to the statistics from CMM, the

Company's offline cumulative sales volume of "Fresh Air" cabinet air-conditioners and "Fresh Air" on-board air-conditioner ranked the second and the third in the industry, respectively. With its outstanding performance, Hisense X7 "Fresh Air" cabinet air-conditioner has passed rigorous testing and became the only "Fresh Air" air-conditioning product in the world which has passed the accreditation of JQA (Japan Quality Assurance Organisation). The continuous improvement of product power and user experience has driven the simultaneous increase of both the customer satisfaction in the Company's air-conditioning products and the Group's overall brand influence. In the "2020 China's Customer Satisfaction Index (C-CSI) Brand Ranking and Analysis Report", which was regarded as the "consumption weather vane in China", the Group's product strength is further demonstrated when customer satisfaction of Hisense air-conditioner ranked the third in the air-conditioning category.

2. Refrigerator and washing machine business

During the Reporting Period, the Group's refrigerator company adhered to its high-end strategy, enhanced product competitiveness with technologies, continued to optimise sales structure, expanded into the high-end market, and kept up with the rising trend of "livestream sale of products" to continuously innovate and promote the media communication model, rapidly expand the Group's brand and product fame, strengthen product and brand promotion, and achieve a breakthrough in the market share of high-end products. According to the statistics of CMM, in the first half of 2020, the cumulative online and offline retail market share of the two brands under the Company, "Hisense" and "Ronshen", increased by 1.6 percentage point. The Ronshen WILL Refrigerator repeatedly topped the CMM weekly best-selling list of refrigerators valued at over RMB10,000 since it was being launched, and the Hisense VACUUM Refrigerator has as well constantly entered top 10 of the best-selling list with its unique ice temperature technology. As for washing machines, focusing on the serialised matrix of "tri-tube washing, steaming, ironing and washing, swirling and waterfall washing, and maternity washing", the Group continues to create industry-leading new technologies and new products, especially the deep cultivation of "steaming, ironing and washing" technologies, to become the first manufacturer in the industry in setting the group standard for "steaming, ironing and washing" technologies. Following the launch of the Hisense Warm Idol S9 washing machine featuring "fast steaming and wrinkle removal within 15 minutes" in March 2020, the Group's products and technologies have been further upgraded. In July 2020, the black technology "ion steaming, ironing and streaming" was released with the launch of the new Hisense steaming and ironing washing machine S60, which integrates the functions of "washing, protecting and drying clothes, and ironing". In addition, the Group's refrigerator company actively developed overseas business, fully utilised its production capacity and product advantages, ensured that overseas orders were delivered on time, and, as a result, larger growth in export sales revenue was achieved.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Did the Company need to make retrospective adjustment to or restatement of the accounting data of prior years?

☐ Yes ☒ No

Unit: RMB

Item	Amount for the Reporting Period	Amount for the corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	21,086,699,809.27	18,950,275,309.93	11.27
Net profits attributable to shareholders of the Company (RMB)	503,307,515.41	959,746,468.35	-47.56
Net profits after deducting non-recurring profit and loss attributable to shareholders of the Company (RMB)	331,261,366.70	878,846,308.56	-62.31
Net cash flow from operating activities (RMB)	2,540,816,943.34	1,969,095,990.99	29.03
Basic earnings per share (RMB/share)	0.37	0.70	-47.14
Diluted earnings per share (RMB/share)	0.37	0.70	-47.14
Weighted average rate of return on net assets (%)	5.67	12.36	-6.69 percentage point
Item	At the end of the Reporting Period	At the end of 2019	Increase or decrease as compared to last year (%)
Total assets (RMB)	36,679,569,955.56	33,990,663,543.85	7.91
Net assets attributable to shareholders of the Company (RMB)	8,687,022,218.53	8,721,593,732.62	-0.40

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

Unit: RMB

Item	Amount	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-250,761.55	
Government grants recognised 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)	124,509,272.22	
Profit and losses from assets which entrust others to invest or manage	43,263,435.60	
Other non-operating income and expenses other than the aforementioned items	42,303,144.08	
Less: Effect of income tax	23,431,285.74	
Effect of minority interests (after tax)	14,347,655.90	
Total	172,046,148.71	

(III) ANALYSIS OF PRINCIPAL BUSINESS

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

Unit: RMB

Item	Closing balance at the end of the Reporting Period	Opening balance at the beginning of the Reporting Period	Change (%)	Reasons of change
Other non-current assets	2,879,988,617.82	2,148,329,801.65	34.06	Mainly due to the increase of fixed term deposit at the end of the Reporting Period.
Accounts payable	6,916,897,072.87	5,317,357,636.81	30.08	Mainly due to the increase of purchase amount with the increase of sales since the end of the Reporting Period is a peak season of sales.
Item	Amount for the Reporting Period	Amount for the corresponding period last year	Change (%)	Reasons of change
Operating revenue	21,086,699,809.27	18,950,275,309.93	11.27	No significant changes
Operating costs	16,242,231,290.38	15,091,028,662.14	7.63	No significant changes
Sales expenses	2,929,008,342.00	2,624,883,463.85	11.59	No significant changes
Management expenses	314,893,289.04	241,004,121.20	30.66	Mainly due to the consolidation of the financial results of Hisense Hitachi into those of the Group for the Reporting Period (the “Consolidation of Hisense Hitachi”).
Research and development expenses	570,088,355.30	377,178,975.93	51.15	Mainly due to the increase of research and development expenses and the Consolidation of Hisense Hitachi.
Financial expenses	-70,444,472.45	14,787,894.44	Not applicable	Mainly due to the increase of interest income.
Investment income	52,520,463.97	498,007,782.36	-89.45	Mainly due to the profits of Hisense Hitachi being recognised by equity method and listed under investment gain in the corresponding period last year before the consolidation of Hisense Hitachi.
Non-operating income	103,853,562.74	66,745,068.73	55.60	Mainly due to the Consolidation of Hisense Hitachi.
Income tax expenses	261,703,838.42	122,414,482.21	113.79	Mainly due to the Consolidation of Hisense Hitachi.
Cash received from sales of goods and rendering of service	17,833,168,508.85	13,398,803,503.74	33.10	Mainly due to the Consolidation of Hisense Hitachi.
Cash paid for purchases of commodities and receipt of services	11,105,370,886.09	8,123,396,535.83	36.71	Mainly due to the Consolidation of Hisense Hitachi.
Cash paid for taxes and surcharges	912,166,726.27	640,693,975.21	42.37	Mainly due to the Consolidation of Hisense Hitachi.
Net cash flow from operating activities	2,540,816,943.34	1,969,095,990.99	29.03	No significant changes
Cash received from recovery of investments	27,930,000.00	753,441,600.00	-96.29	Mainly due to the profits of Hisense Hitachi being recognised by equity method and dividends were received in the corresponding period last year before the consolidation of Hisense Hitachi.
Cash received from investment income	43,263,435.60	12,582,123.27	243.85	Mainly due to the increase of investment gain received from expired wealth management products for the Reporting Period.
Cash received relating to other investing activities	5,339,490,186.08	790,000,000.00	575.88	Mainly due to the increase in recovery of expired wealth management products and fixed term deposit in the Reporting Period.
Cash paid for acquisition of fixed assets, intangible assets and other	176,306,048.83	129,728,799.89	35.90	Mainly due to the Consolidation of Hisense Hitachi.

long-term assets				
Cash paid relating to other investing activities	6,352,500,000.00	1,980,000,000.00	220.83	Mainly due to the increase of purchase of wealth management products and additional fixed term deposit in the Reporting Period.
Net cash flow from investing activities	-1,117,975,720.54	-553,341,688.58	Not applicable	Mainly due to the increase of purchase of wealth management products and additional fixed term deposit in the Reporting Period.
Cash paid for distribution of dividends, profits or payment of interest expenses	432,813,844.46	23,380,327.66	1751.19	Mainly due to the Consolidation of Hisense Hitachi.
Net cash flow from financing activities	-1,414,862,522.90	-710,572,704.38	Not applicable	Mainly due to the Consolidation of Hisense Hitachi.
Net increase in cash and cash equivalents	7,467,861.92	704,697,522.03	-98.94	Mainly due to the profits of Hisense Hitachi being recognised by equity method and dividends were received in the corresponding period last year before the consolidation of Hisense Hitachi.

2. Analysis of principal business segments and gross profit margin

Unit: RMB

Item	Principal operating revenue	Principal operating costs	Gross profit margin (%)	Increase or decrease in principal operating revenue as compared to corresponding period last year (%)	Increase or decrease in principal operating costs as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (percentage point)
By industry						
Home appliances manufacturing industry	19,173,965,773.80	14,447,911,708.69	24.65	10.64	6.38	3.02
By product						
Air-conditioners	11,207,575,905.80	8,221,893,451.48	26.64	25.72	15.82	6.27
Refrigerators and washing machines	7,266,745,240.35	5,666,730,740.56	22.02	-5.13	-3.39	-1.41
Others	699,644,627.65	559,287,516.65	20.06	-7.32	-9.32	1.76
By region						
Mainland	12,491,456,155.12	8,384,460,922.22	32.88	13.59	7.88	3.56
Overseas	6,682,509,618.68	6,063,450,786.47	9.26	5.52	4.39	0.98

(IV) PARTICULARS OF ENTRUSTED WEALTH MANAGEMENT

Unit: RMB ten thousand

Product type	Source of funding for entrusted wealth management	Total subscription amount of entrusted wealth management as at 30 June 2020	Amount of undue principal and return as at 30 June 2020	Overdue balance return as at 30 June 2020
Wealth management products of banks	Self-owned funds	244,000.00	244,000.00	
Total		244,000.00	244,000.00	

During the Reporting Period, the Company did not have high-risk entrusted wealth management the individual amount of which was significant, and the Company was not aware of any circumstances indicating the possibility that the principal of the entrusted wealth management could not be recovered or other circumstances that might lead to impairment of the Group's entrusted wealth management.

(V) MAJOR SUBSIDIARIES AND COMPANIES IN WHICH THE COMPANY HAS EQUITY INTEREST

Unit: RMB ten thousand

Name of company	Company type	Major product or service	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hisense Hitachi	A subsidiary of the Company	Production and sale of commercial air-conditioners	US\$150 million	1,324,419.85	593,147.15	559,073.78	98,204.56	81,023.82

IV. THE RISKS FACED BY THE GROUP AND OUTLOOK

The major risks faced by the Group are as follows:

- (1) Macroeconomic cyclical fluctuation risk: If the macroeconomic growth trend slows down, domestic consumption may be insufficient to support the industry, which will affect the consumer demand for household appliances.
- (2) Market risks brought about by trade barriers that may continue to increase: In order to protect their own economic interests, some countries and regions have imposed higher tariffs and compulsory certification, resulting in increased operating costs.
- (3) Exchange rate fluctuation risk: If the RMB exchange rate fluctuates sharply, it will directly affect the cost competitiveness of the Company's export products, thereby affecting the profitability of its export business.
- (4) Increasing costs risk: If the price of raw materials increases significantly, it will affect the Company's product costs. In addition, the rising cost of installation services may adversely affect the Company's profitability.

For the second half of 2020, major tasks of the Group are as follows:

- (1) Maintaining scale and adjusting structure: Focusing on key domestic and overseas markets, incremental markets and market segments, enriching marketing and promotion models, promoting cooperation by forming cross-industry alliance, and achieving steady growth in scale, deepening technological innovation, creating differentiated high-end products while continuously implementing high-end strategies, focusing on high-end promotion, constantly improving the sales structure, and gaining a larger share of the high-end market.

- (2) Creating high-quality products and enhancing product capabilities: Continuously refining the quality system construction and improving key technologies, creating high-quality differentiated products and enhancing product competitiveness.
- (3) Achieving efficiency improvement and upgrade: Firmly implementing smart manufacturing strategies, promoting smart manufacturing and in-depth transformation, enhancing supply chain delivery capabilities while further improving the level of informatisation and promoting mass consumption to help improve system efficiency.
- (4) Enhancing brand value: Deploying multi-brand operations, clarifying and forming effective brand positioning and differentiation, strengthening brand labels, raising brand awareness, and enhancing brand value.
- (5) Strictly controlling capital risks: Strengthening the management and control of the payment terms, reducing the keeping of idle funds, accelerating capital turnover and improving the proceeds utilisation capabilities.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and 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 purposes.

AUDIT COMMITTEE

The tenth session of the audit committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2020.

GEARING RATIO

As at 30 June 2020, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 66% (as at 30 June 2019: 66%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its code for securities transaction by Directors. After having made specific enquiries to the Directors, all Directors confirmed that they had acted in full compliance with the Model Code during their term of office in the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**PARTICULAR OF CONNECTED TRANSACTIONS IN RELATION TO
ORDINARY BUSINESS OCCURRED DURING THE REPORTING PERIOD**

Connected party	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	186.73	0.01
Hisense Visual Technology	Purchase	Finished goods	Agreed price	0.61	Less than 0.01
Hisense International	Purchase	Finished goods	Agreed price	1,967.58	0.12
Johnson Hitachi	Purchase	Finished goods	Agreed price	1,462.30	0.09
Hisense Group	Purchase	Materials	Agreed price	15,760.25	0.97
Hisense Visual Technology	Purchase	Materials	Agreed price	1,450.57	0.09
Johnson Hitachi	Purchase	Materials	Agreed price	17,980.91	1.11
Hisense Group	Receipt of services	Receipt of services	Agreed price	22,723.71	1.40
Hisense Visual Technology	Receipt of services	Receipt of services	Agreed price	1,121.88	0.07
Hisense International	Receipt of services	Receipt of services	Agreed price	282.08	0.02
Hisense Marketing Management	Receipt of services	Receipt of services	Agreed price	7,501.65	0.46
Johnson Hitachi	Receipt of services	Receipt of services	Agreed price	1,101.66	0.07
Hisense Hong Kong	Receipt of purchase financing agency services	Receipt of purchase financing agency services	Agreed price	16,150.92	0.99
Hisense Group	Sale	Finished goods	Agreed price	11,031.91	0.52
Hisense Visual Technology	Sale	Finished goods	Agreed price	85.82	Less than 0.01
Hisense International	Sale	Finished goods	Agreed price	587,057.30	27.84
Hisense Marketing Management	Sale	Finished goods	Agreed price	16,610.79	0.79
Johnson Hitachi	Sale	Finished goods	Agreed price	12,418.26	0.59
Hisense Group	Sale	Materials	Agreed price	6,100.13	0.29
Hisense Visual Technology	Sale	Materials	Agreed price	69.31	Less than 0.01
Hisense International	Sale	Materials	Agreed price	2,092.55	0.10
Johnson Hitachi	Sale	Materials	Agreed price	578.00	0.03
Hisense Visual Technology	Sale	Moulds	Market price	2,979.36	0.14
Hisense International	Sale	Moulds	Market price	1,792.22	0.08
Hisense Group	Provision of services	Provision of services	Agreed price	1,204.66	0.06
Hisense Visual Technology	Provision of services	Provision of services	Agreed price	367.54	0.02
Hisense International	Provision of services	Provision of services	Agreed price	117.31	0.01
Johnson Hitachi	Provision of services	Provision of services	Agreed price	6.01	Less than 0.01

As at the end of the Reporting Period, the Company had the balance of deposit of approximately RMB12.071 billion, recognised interest income of approximately RMB117 million, the actual balance of loan of RMB nil, the balance of electronic bank acceptance

bill of approximately RMB6.497 billion, and the handling fee for opening accounts for electronic bank acceptance bill of approximately RMB2.7634 million with Hisense Finance. For the Reporting Period, the loan interest paid was approximately RMB6.6531 million, the actual amount of discounted interest for the provision of draft discount services was approximately RMB0.9653 million, the actual amount involved for the provision of settlement and sale of foreign exchange services was approximately RMB275 million and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was approximately RMB0.372 million. As at the end of the Reporting Period, the balance of recourse factoring services at Hisense Financial Holdings was RMB nil, the balance of non-recourse factoring services was RMB nil, and the balance of financial leasing services was RMB nil.

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 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The 2020 interim report of the Company will be despatched to the shareholders of the Company and will be made available on the websites of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://hxjd.hisense.cn>) in due course.

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”	Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange
“Hisense Air-Conditioning”	Qingdao Hisense Air-Conditioning Company Limited* (青島海信空調有限公司), a company incorporated in the PRC with limited liability and indirectly controlled by Hisense Group, and holds approximately 37.92% of the issued shares of the Company as at the date of this announcement
“Hisense Finance”	Hisense Finance Co., Ltd.* (海信集團財務有限公司),

	a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Financial Holdings”	Qingdao Hisense Financial Holdings Co., Ltd.* (青島海信金融控股有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Group”	Hisense Company Limited (海信集團有限公司), a company incorporated in the PRC with limited liability
“Hisense Hitachi”	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. (青島海信日立空調系統有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Hisense Hong Kong”	Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Group, and holds approximately 9.13% of the issued shares of the Company as at the date of this announcement
“Hisense International”	Hisense International Co., Ltd. (青島海信國際營銷股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group
“Hisense Marketing Management”	Hisense Marketing Management Co., Ltd.* (海信營銷管理有限公司), a company incorporated in the PRC with limited liability and 50% owned by the Company
“Hisense Visual Technology”	Hisense Visual Technology Co., Ltd. (海信視像科技股份有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Hisense Group, and whose shares are listed on the Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Johnson Hitachi”	Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd.
“RMB”	Renminbi, the lawful currency of the PRC

* For identification purposes only

By order of the Board of
Hisense Home Appliances Group Co., Ltd.
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 20 August 2020

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, Mr. Duan Yue Bin and Mr. Fei Li Cheng; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.