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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 2020

The board of directors (the **“Board”**) of Hisense Home Appliances Group Co., Ltd. (the **“Company”**) announced that the audited financial results of the Company and its subsidiaries (collectively the **“Group”**) for the year ended 31 December 2020 (the **“Reporting Period”**), together with the 2019 comparative figures in accordance with China Accounting Standards for Business Enterprises. The following financial information is prepared in accordance with China Accounting Standards for Business Enterprises:

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

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

Audited Consolidated Balance Sheet

Item	Note	31 December 2020	31 December 2019
Assets			
Current assets			
Cash at bank and on hand		7,110,772,454.16	6,120,563,237.47
Transactional financial assets		2,620,898,474.73	2,120,000,000.00
Derivative financial assets			
Notes receivable		548,498,540.36	1,095,849,666.16
Accounts receivable	5	6,594,103,859.23	3,967,576,310.11
Factoring of accounts receivable		4,241,240,626.01	4,099,608,704.80
Prepayments		224,425,215.31	192,798,549.08
Others receivables		398,205,694.16	297,145,507.98

Including: Interest receivable			
Dividend receivable			
Inventories		4,295,262,485.11	3,498,945,347.28
Contract assets			
Holding assets for sale			
Non-current assets due within one year			
Other current assets		4,198,014,186.53	3,127,969,954.11
Total current assets		30,231,421,535.60	24,520,457,276.99
Non-current assets			
Investments in debt			
Other investments in debt			
Long-term receivables			
Long-term equity investments		523,754,399.78	468,080,722.63
Other equity investment			
Other non-current financial assets			
Investment properties		36,648,535.29	20,240,850.71
Fixed assets		3,879,403,505.69	3,813,541,683.85
Construction in progress		228,887,385.20	216,943,108.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets		68,097,563.78	74,162,585.09
Intangible assets		1,745,045,423.43	1,918,063,341.32
Development expenditure			
Goodwill		132,571,746.36	132,571,746.36
Long-term prepaid expenses		33,335,296.27	43,497,841.56
Deferred tax assets		704,014,028.34	634,774,585.10
Other non-current assets		4,228,456,393.79	2,148,329,801.65
Total non-current assets		11,580,214,277.93	9,470,206,266.86
Total assets		41,811,635,813.53	33,990,663,543.85
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings		22,026,317.50	100,083,424.66
Transactional financial liabilities		201,236.00	
Derivative financial liabilities			
Notes payable	6	10,775,376,397.87	7,560,312,550.23
Accounts payable	7	7,291,829,266.10	5,317,357,636.81

Advances from customers			
Employee remunerations payable		649,954,046.76	620,495,237.41
Taxes payable		498,918,207.73	510,978,731.47
Other payable		2,011,559,493.31	1,920,036,363.71
Including: Interests payable			
Dividends payable			
Contract liability		1,100,531,262.91	1,013,239,070.20
Holding liabilities for sale			
Non-current liabilities due within one year		29,562,279.68	40,736,624.70
Other current liabilities		4,339,380,802.73	3,755,169,074.60
Total current liabilities		26,719,339,310.59	20,838,408,713.79
Non-current liabilities			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Lease liability		28,356,873.04	24,822,981.21
Long-term payables			
Long-term employee remunerations payable			
Provisions		483,878,615.22	475,055,256.42
Deferred income		99,076,794.22	113,146,567.49
Deferred tax liability		74,465,181.93	58,367,004.14
Other non-current liabilities			
Total non-current liabilities		685,777,464.41	671,391,809.26
Total liabilities		27,405,116,775.00	21,509,800,523.05
Shareholders' equity			
Share capital		1,362,725,370.00	1,362,725,370.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		2,061,712,990.12	2,056,057,145.37
Less : Treasury share			
Other comprehensive income		37,578,293.42	26,318,501.35
Special reserves			
Surplus reserves		692,802,893.38	632,235,869.58

General risk reserves			
Retained profits		5,624,296,033.51	4,644,256,846.32
Total equity attributable to shareholders of the Company		9,779,115,580.43	8,721,593,732.62
Minority interests		4,627,403,458.10	3,759,269,288.18
Total shareholders' equity		14,406,519,038.53	12,480,863,020.80
Total liabilities and shareholders' equity		41,811,635,813.53	33,990,663,543.85

Audited Consolidated Income Statement

Item	Note	2020	2019
1. Total operating income		48,392,870,703.11	37,453,043,968.74
Operating revenue	8	48,392,870,703.11	37,453,043,968.74
2. Total operating costs		45,768,715,855.51	36,863,313,263.94
Including : Operating costs	8	36,756,301,476.78	29,424,809,268.66
Taxes and surcharges		326,892,814.47	326,711,730.88
Sales expenses		6,891,389,066.25	5,670,186,916.64
Management expenses		619,163,555.38	515,205,417.61
Research and development expenses		1,284,848,949.46	934,412,243.42
Financial expenses	9	-109,880,006.83	-8,012,313.27
Including: Interest expense	9	11,232,002.12	3,000,971.48
Interest income	9	211,191,601.67	90,453,444.36
Add: Other gain		370,236,822.37	278,436,805.32
Investment gain (loss expressed with “-”)	10	195,655,206.20	1,122,348,640.53
Including: Share of profit of associates and joint ventures	10	84,204,976.35	724,081,435.92
Gain or loss from changes in fair values (loss expressed with “-”)		20,697,238.73	2,558,550.00
Impairment losses on credit (loss expressed with “-”)		-21,050,179.77	-44,094,598.92
Impairment losses on assets (loss expressed with “-”)		-18,748,668.13	-15,861,861.29
Gains on disposal of asset (loss expressed with “-”)		24,533,842.26	121,585,370.54
3. Operating profits (loss expressed with “-”)		3,195,479,109.26	2,054,703,610.98
Add: Non-operating income		304,252,672.49	126,227,060.64

Less: Non-operating expenses		14,601,798.35	28,680,356.96
4. Total profits (loss expressed with “-”)		3,485,129,983.40	2,152,250,314.66
Less: Income tax expenses	11	639,095,340.17	201,801,162.14
5. Net profits (loss expressed with “-”)		2,846,034,643.23	1,950,449,152.52
(1) Classification by business continuity		2,846,034,643.23	1,950,449,152.52
1) Net profit for continuing operations (loss expressed with “-”)		2,846,034,643.23	1,950,449,152.52
2) Termination of operating net profit (loss expressed with “-”)			
(2) Classification by ownership		2,846,034,643.23	1,950,449,152.52
1) Net profit attributable to shareholders of the Company		1,578,882,732.14	1,793,669,013.19
2) Minority shareholder gains and losses		1,267,151,911.09	156,780,139.33
6. Net after tax for other comprehensive income		11,321,016.05	9,415,682.64
Net after-tax net of other comprehensive income attributable to shareholders of the Company		11,259,792.07	9,422,210.86
(1) Other comprehensive income that cannot be reclassified into profit or loss			
1) Re-measurement of 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			
4) Changes in the fair value of the Company’s own credit risk			
5) Others			
(2) Other comprehensive income that will be reclassified into profit or loss		11,259,792.07	9,422,210.86

1) Other comprehensive income of convertible gains and losses under the equity method		6,933,319.39	8,965,885.37
2) Changes in fair value of other investments in debt			
3) Amount of financial assets reclassified into other comprehensive income			
4) Other debt investment credit impairment provisions		-1,095,858.39	1,095,858.39
5) Cash flow hedge reserve (effective portion of cash flow hedge profit and loss)			
6) Foreign currency financial statement translation difference		5,422,331.07	-639,532.90
7) Others			
Net after-tax net of other comprehensive income attributable to minority shareholders		61,223.98	-6,528.22
7. Total comprehensive income		2,857,355,659.28	1,959,864,835.16
Total comprehensive income attributable to shareholders of the Company		1,590,142,524.21	1,803,091,224.05
Total comprehensive income attributable to minority shareholders		1,267,213,135.07	156,773,611.11
8. Earnings per share :			
(1) Basic earnings per share	12	1.16	1.32
(2) Diluted earnings per share	12	1.16	1.32

Notes:

1. General information

The Company was incorporated in the PRC on 16 December 1992. The Company's overseas 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 holders 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 at 31 December 2020, the total number of issued shares of the Company was 1,362,725,370 and the registered capital of the Company was RMB1,362,725,370.00, of which Hisense Air-Conditioning held 516,758,670 shares, representing approximately 37.92% of the Company's total issued share capital.

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

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 the 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 on both the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Besides the relevant regulations as mention 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 Hong Kong Stock Exchange (the “**Hong Kong Listing Rules**”) and the Hong Kong Companies Ordinance.

3. Changes in accounting policies

There were no changes in accounting policies of the Company 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 year is as follows:

Unit: RMB

Amount for current period	Refrigerators and washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	18,709,002,118.33	23,386,192,179.17	1,749,450,605.45		43,844,644,902.95
2. Revenue from inter-segment sales	924,293.66	269,673.44	2,054,460,241.91	-2,055,654,209.01	
3. Gain from investment in associates and joint ventures	1,004,688.61	1,004,688.61	82,195,599.13		84,204,976.35
4. Depreciation and amortisation	385,678,345.13	608,903,122.66	82,612,929.26		1,077,194,397.05
5. Gain from changes in fair value	7,953,753.43		12,743,485.30		20,697,238.73
6. Impairment losses on credit and assets	-7,974,328.58	-73,228,986.37	41,404,467.05		-39,798,847.90
7. Total profit (Total loss)	675,799,231.43	2,334,901,054.06	474,429,697.91		3,485,129,983.40
8. Total assets	23,343,204,319.44	29,081,028,731.23	4,024,147,783.73	-14,636,745,020.87	41,811,635,813.53
9. Total liabilities	16,840,812,935.31	16,438,688,250.13	1,945,852,568.88	-7,820,236,979.32	27,405,116,775.00
10. Additions to other non-current assets other than long-term equity investments	240,366,866.48	1,817,173,405.72	-3,205,938.28		2,054,334,333.92

Segment information as at and for the year ended 31 December 2019 is as follows:

Unit: RMB

Amount for last period	Refrigerators and washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	16,127,991,501.27	16,368,984,335.90	1,699,951,263.66		34,196,927,100.83
2. Revenue from inter-segment sales			1,747,760,131.33	-1,747,760,131.33	
3. Gain from investment in associates and joint ventures	-1,206,128.31	699,392,601.32	25,894,962.91		724,081,435.92
4. Depreciation and amortisation	385,340,938.93	335,690,969.73	91,729,246.98		812,761,155.64
5. Gain from changes in fair value			2,558,550.00		2,558,550.00
6. Impairment losses on credit and assets	345,271.79	-49,033,480.53	-11,268,251.47		-59,956,460.21
7. Total profit (Total loss)	688,842,975.00	1,332,259,069.05	173,906,691.82	-42,758,421.21	2,152,250,314.66
8. Total assets	20,507,026,368.03	24,245,312,188.57	3,383,863,079.47	-14,145,538,092.22	33,990,663,543.85
9. Total liabilities	14,314,818,316.76	13,603,351,559.71	1,793,926,935.48	-8,202,296,288.90	21,509,800,523.05
10. Additions to other non-current assets other than long-term equity investments	-165,347,853.52	5,024,291,418.27	-61,092,387.25		4,797,851,177.50

(2) Geographic information

Unit: RMB

Category	2020	2019
Revenues from domestic customers	29,205,488,972.24	22,712,402,936.91
Revenues from overseas customers	14,639,155,930.71	11,484,524,163.92
Total	43,844,644,902.95	34,196,927,100.83
Domestic non-current assets	11,464,768,117.14	9,460,087,833.58
Overseas non-current assets	115,446,160.79	10,118,433.28
Total	11,580,214,277.93	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 90 days. For a small number of large-scale and reputable customers, 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	31 December 2020	31 December 2019
Within three months	5,914,907,293.47	3,576,878,056.75
Over three months but within six months	379,329,357.17	174,766,391.40
Over six months but within one year	152,580,320.08	92,713,978.80
Over one year	357,966,032.55	317,582,075.49
Total	6,804,783,003.27	4,161,940,502.44
Less: provision for bad debts	210,679,144.04	194,364,192.33
Book value	6,594,103,859.23	3,967,576,310.11

6. Notes payable

Unit: RMB

Item	31 December 2020	31 December 2019
Bank's Acceptance Bill	8,275,444,382.48	5,498,626,969.29
Trade acceptance draft	2,499,932,015.39	2,061,685,580.94
Total	10,775,376,397.87	7,560,312,550.23

7. Accounts payable

The ageing of accounts payable is analysed as follows:

Unit: RMB

Item	31 December 2020	31 December 2019
Within one year	7,214,872,681.32	5,189,464,190.07
Over one year	76,956,584.78	127,893,446.74
Total	7,291,829,266.10	5,317,357,636.81

8. Operating revenues and costs

Unit: RMB

Item	2020	2019
Revenue from principal operations	43,844,644,902.95	34,196,927,100.83
Revenue from other operations	4,548,225,800.16	3,256,116,867.91
Total	48,392,870,703.11	37,453,043,968.74
Item	2020	2019
Cost of principal operations	32,451,870,805.44	26,368,132,763.52
Cost of other operations	4,304,430,671.34	3,056,676,505.14
Total	36,756,301,476.78	29,424,809,268.66

9. Financial expenses

Unit: RMB

Item	2020	2019
Interest expenses	11,232,002.12	3,000,971.48
Less: interest income	211,191,601.67	90,453,444.36
Loss on foreign exchange	16,919,753.03	3,432,744.04
Others	73,159,839.69	76,007,415.57
Total	-109,880,006.83	-8,012,313.27

10. Investment gain

(1) Particulars of investment gain

Unit: RMB

Item	2020	2019
Gain from long-term equity investment by the equity method	84,204,976.35	724,081,435.92
Gain from disposal of long-term equity investment		47,763,133.83
Gain from disposal of trading financial assets	111,450,229.85	53,960,651.46
Gains from re-measurement of the originally held equity at fair value after obtaining the control right		296,543,419.32
Total	195,655,206.20	1,122,348,640.53

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

Unit: RMB

Investee	2020	2019
Hisense Hitachi*(海信日立)		700,598,729.62 (note)
Hisense Financial Holdings*(海信金控)	24,899,650.46	24,927,624.46
Hisense Marketing Management *(海信營銷管理)	2,009,377.22	-2,412,256.61
Hisense International *(海信國際營銷)	57,295,948.67	967,338.45
Total	84,204,976.35	724,081,435.92

Note: Since 30 September 2019, Hisense Hitachi has become a subsidiary of the Company and the financial results of Hisense Hitachi are consolidated into that of the Group. From 1 January 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	2020	2019
Current income tax expenses	692,236,605.62	250,453,742.56
Including: PRC enterprise income taxes	690,580,998.53	250,453,742.56
Hong Kong profit taxes	1,655,607.09	
Deferred tax expenses	-53,141,265.45	-48,652,580.42

Total	639,095,340.17	201,801,162.14
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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	2020
Total profits	3,485,129,983.40
Income tax expenses calculated at statutory (or applicable) tax rates	871,282,495.85
Tax effects of different tax rates applicable to certain subsidiaries	-241,293,864.69
Adjustments of income tax in previous period	31,404,256.13
Effects of non-taxable incomes	-224,786,908.30
Effects of non-deductible costs, expenses and losses	54,054,076.63
Effects of deductible losses not recognised as deferred tax assets in previous period	-82,594,038.30
Effects of deductible temporary differences or deductible losses not recognised as deferred tax assets in current period	336,437,167.85
Change in balance of deferred tax assets/ liability at the beginning of the period due to tax rate adjustment	-873,551.09
Effects of additional deduction relating to costs of research and development	-104,030,752.23
Others	-503,541.68
Income tax expenses	639,095,340.17

Certain subsidiaries have been 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 the rate of 8.25% on the estimated assessable profits up to HK\$2,000,000 and 16.5% on the excess of HK\$2,000,000 on the estimated assessable profits (2019: 16.5%).

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	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	1,578,882,732.14	1,793,669,013.19
Weighted average number of issued ordinary shares of the Company	1,362,725,370.00	1,362,725,370.00

Basic earnings per share	1.16	1.32
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(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. Dividends

The Board proposed to pay a cash dividend of RMB3.47 (tax inclusive) per 10 shares held by all shareholders on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2020, without bonus issue and issue of shares by way of conversion of capital reserve. (2019: a cash dividend of RMB3.95 (tax inclusive) per 10 shares was declared and paid).

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

Refrigerator market: the refrigerator market turned positive after an unfavourable start in 2020. Impacted by the coronavirus pandemic, the market scale decreased dramatically in the first quarter of 2020 as compared with the same period of last year, and recovered gradually subsequently. According to inferential statistics from China Market Monitor Co., Ltd. (CMM), the retail sales of domestic refrigerator market in 2020 decreased by 3.3% year-on-year. From a product breakdown perspective, both online and offline sales leaned towards high volume refrigerators, and the growth in sales of multi-temperature products such as multi-door and side-by-side combination refrigerators were remarkable. According to CMM's data, the offline retail market share of multi-door refrigerators increased by 6.7 percentage points year-on-year, while in online domestic market, the retail market share of multi-door refrigerators increased by 4.1 percentage points year-on-year. In terms of technological development of product, with increasing pursuit of customer of healthy, intelligent and high quality living concepts, refrigerator products are centring on preservation, degerming, odour cleaning, healthy and intelligent food management and home living internet as the basis of technology development.

Air-conditioner market: According to China's Central Air-conditioner Market Research Report 2020 released by www.aicon.com.cn, the domestic central air-conditioner market maintained at an overall scale of over RMB100 billion in 2020, with a year-on-year decrease of 1.0%. From the perspective of sales channels, the home furnishing retail market scale declined for the second consecutive year in 2020, which was one of the reasons for the decline in the domestic central air-conditioner market's overall capacity in 2020. The engineering project market recorded growth

against market segments such as medical, rail transit, data centres continued to grow, and the property fitting-out furnishing market contributed the most in terms of growth of the engineering project market in 2020. As for product types, the multi-connected central air-conditioner was the most popular category and captured the largest market share. Benefited from the growth of engineering project market, the market scale of the multi-connected central air-conditioner increased by 2% year-on-year, and accounted for a stable 49.5% of the total central air-conditioner market. From the perspective of technological development trend, the central air-conditioner market will continue to have technological development such as energy saving and environmental friendly, comfortable and healthy and intelligent technologies. The domestic residential air-conditioner market was still experiencing a harsh market environment, and the market scale has contracted as compared with the same period of last year. According to CMM inferential statistics, the retail sales volume of domestic residential air-conditioner market in 2020 decreased by 22.0% year-on-year. With regard to product structure, products with new power efficiency standards promoted industry upgrades, low power efficiency products became obsolete, air-conditioner products beneficial to health has become popular, and the sales of “Fresh Air” air-conditioners maintained its growth. In terms of technological development of product, along with the official implementation of the new power consumption standards and the increasing consumer demand for comfortable, healthy, green and intelligent products, the Company’s residential air-conditioner products will be developed in the direction of satisfying user demand such as “improving air quality”, “Fresh Air” and “Degerming”.

II. ANALYSIS OF THE COMPANY’S OPERATION

Faced with the impact brought by the coronavirus pandemic outbreak and the decline in needs for household appliances, the Company actively responded to upholding the philosophy of to be user-oriented, precisely satisfied user needs, and ensured stable operations through approaches such as innovation of technologies and products as well as strengthening the promotion of mid-to-high-end products. During the Reporting Period, the Company achieved operating revenue of RMB48.393 billion, representing a year-on-year increase of 29.21%. As for product types, operating revenue of the refrigerator and washing machine business amounted to RMB18.709 billion, representing a year-on-year increase of 16.00% while the operating revenue of the air-conditioner business amounted to RMB23.386 billion, representing a year-on-year increase of 42.87%. Meanwhile, the Group’s domestic sales business recorded operating revenue of RMB29.205 billion, representing a year-on-year increase of 28.59%, and the export sales business recorded operating revenue of RMB14.639 billion, representing a year-on-year increase of 27.47%. Net profits attributable to shareholders of the Company reached RMB1.579 billion, representing a year-on-year decrease of 11.97%. The decrease was mainly caused by the operating loss of residential air-conditioning business. Earnings per share were RMB1.16. The Company continued to strengthen its capital management with net cash flows from operating activities amounting to RMB5.963 billion, representing a year-on-year increase of 197.34%.

The major performance of each business is as follows:

1. Refrigerators and washing machines

During the Reporting Period, coupled with the increased costs of raw-materials and the continuous increase in production costs, the market scale decreased and refrigerator manufacturers faced serious operating pressure. Faced with adverse environment, the Company actively adjusted sales strategy, focusing on enhancing the sales capabilities, striving to improve the sales structure, achieving breakthroughs in sales of high-end products, ensuring the growth of both scale and effectiveness. The major work was as follows: **(1) Continuously launching high quality products and maintaining the competitiveness of products:** the Company thoroughly considered user needs, with an user-oriented approach, and increased the input in pre-research and funding of high-end differentiated technologies. With rapid application of technologies, the Company released vacuum product series equipped with “vacuum preservation technology + ion degerming and odour cleaning” functions and whole refrigerator food identification management product series equipped with RFID (Radio Frequency Identification) technology, providing preservation technology in terms of “freshness, temperature, humidity, speed and purity”, thus enhancing product competitiveness and differentiation. During the Reporting Period, the Company’s refrigerator products were awarded with the “2020 Chinese Refrigerator and Vacuum Preservation Innovation Product (2020 中國冰箱行業真空保鮮創新產品)” award, and the “Product Innovation of the Year”, etc. According to the statistics from CMM, in 2020, the retail market share of the Company’s mid-to-high-end products represented a year-on-year increase of 2.9 percentage points. As for washing machine products, being the first manufacturer in the industry in setting the group standard for “steaming, ironing and washing” technologies, the Company continued to focus on “steaming, ironing and washing” as its focus for technology research, released high-end product of the “streaming, ironing and washing” series, aimed to provide anti-bacteria and clothing care function without ironing. The Company’s washing machine products were awarded with honours such as “2020 iF Product Design Award” as recognition of the outstanding performance of the products. **(2) Strengthening the development of export business:** the Company actively responded to the needs of export markets, swiftly enhancing production effectiveness, improving the export delivery process and ensuring in time delivery for overseas orders to achieve significant growth in export scale. **(3) Strengthening the brand promotion and enhancing the influence of the brands:** the Company adopted the promotion strategy of “focus on product branding, focus resources on major products”, actively innovated new transmission mode, rapidly enhancing the brand influence through cooperation with well-known celebrities and popular variety platform, etc. Hisense VACUUM Refrigerator was the exclusive title sponsor of CCTV’s “Yue Zhan Yue Yong (越戰越勇)”, and featured on CCTV at “Chinese Brand Story (品牌在行動)”, and sponsored the “Season 6 of Go Fridge (拜託了冰箱第六季)”. The Company cooperated with Hunan Satellite TV’s “Chinese Restaurant (中餐廳)”, and the Ronshen WILL Refrigerator was assigned as the official refrigerator to be used in the show.

2. Air-conditioning

During the Reporting Period, the overall market scale of central air-conditioning sector declined as

compared with the same period of last year. However, through measures such as focusing on technology upgrade, upholding good and high quality product strategy and enhancing sales capabilities, the Company's central air-conditioning business achieved growth in sale and steadily increased its scale, profit and market share. The major work was as follows: **(1) Leading the market with technology and upholding the good and high quality product strategy:** after releasing the first 5G central air-conditioner in the industry, the Company led the technology upgrade again and released Hisense Ai Household series (海信 Ai 家系列), the first central air-conditioner applying PLC technology. Hisense Ai Household series integrates IoT and PLC technology, enabling the effective and steady integrated real-time control in intelligent household scenario, which is available when connected with power without extra cable connections between devices, achieving the limitless expansion in intelligent household scenario. In order to satisfy the trend for green and healthy consumption patterns, the Company relied on pre-research bank, achieving the rapid application of new technologies, first releasing products equipped with purification and degerming functions. In the "11.28 Air-conditioner Purification Festival (11.28 全民空淨節)" in 2020, the Hisense 5G version of the Honorary Home (榮耀家) series was awarded with "Nanshan Award (南山獎)", the highest honour in the air purification industry, being the first and the only product awarded with such honour in the central air-conditioner industry. **(2) Actively planning for market channels, focusing on the sales opportunities brought by the new trend:** in 2020, faced with the adverse environment in the industry and the impact of the coronavirus pandemic, the Company thoroughly considered user needs under the pandemic, precisely established sales promotion plans and service plans to enhance product sales and steady growth of market scale and market share. The Company's residential air-conditioning business upheld the high-end sales strategy, focused on value marketing, and continued to be user-oriented during the year such as upholding "open the air-conditioner for three minutes, the house is filled with fresh air" and the promotion theme of "Fresh Air" air conditioner products, which effectively occupies market segments, increasing market share of the "Fresh Air" sector. According to the retail sales data of All View Cloud Data Technology Co., Ltd., in 2020, the online retail market share of Hisense "Fresh Air" conditioner series ranked second in the industry, the offline retail market share of Hisense "Fresh Air" conditioner series ranked third in the industry and the Hisense "Fresh Air" conditioner series passed strict tests with great performance, becoming the first "Fresh Air" conditioner product that obtains the JQA (Japan Quality Assurance Organization) certification. **(3) Developing export business vigorously:** Faced with adverse environment in domestic market, the Company actively explored and expanded the export business by multiple approaches, adjusted the export strategy, focused on major markets and planned for differentiated products, and thus continuously increasing the export scale.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

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

years due to changes in accounting policies and correction of accounting errors?

☐Yes ☒No

Item	2020	2019	Increase or decrease as compared to last year (%)	2018
Operating revenue (RMB)	48,392,870,703.11	37,453,043,968.74	29.21	36,019,598,304.79
Net profits attributable to shareholders of listed company (RMB)	1,578,882,732.14	1,793,669,013.19	-11.97	1,377,457,177.70
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	1,096,068,604.60	1,226,400,481.95	-10.63	1,161,082,586.93
Net cash flow from operating activities (RMB)	5,962,707,809.84	2,005,337,052.56	197.34	1,049,366,564.25
Basic earnings per share (RMB/share)	1.16	1.32	-12.12	1.01
Diluted earnings per share (RMB/share)	1.16	1.32	-12.12	1.01
Weighted average rate of return on net assets (%)	16.99	22.21	-5.22 percentage points	19.79
Item	At the end of 2020	At the end of 2019	Increase or decrease as compared to last year (%)	At the end of 2018
Total assets (RMB)	41,811,635,813.53	33,990,663,543.85	23.01	21,827,905,038.40
Net assets attributable to shareholders of listed company (RMB)	9,779,115,580.43	8,721,593,732.62	12.13	7,351,824,364.87

Note: Since 30 September 2019, Hisense Hitachi has become a subsidiary of the Company and the financial results of Hisense Hitachi are consolidated into that of the Group. The items in 2019 income statement and 2019 cash flow statement include only the financial results from 1 October to 31 December 2019 for Hisense Hitachi. From 1 January to 30 September 2019, the profit from Hisense Hitachi was recognised by the equity method and was shown in “Investment gain”. On a comparable basis, the Company’s operating revenue increased by 5.33% and net cash flows from operating activities increased by 61.70% in 2020 compared to the same period last year.

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

Unit: RMB

Item	2020	2019	2018	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	23,149,183.27	161,553,026.75	-613,768.58	
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)	236,769,593.38	207,585,345.39	213,299,858.04	
Profit and losses from assets which entrust others	103,945,862.69	55,224,136.96	48,100,716.69	

Item	2020	2019	2018	Description
to invest or manage				
Except for effective hedging operations related to the Company's normal business operations, gain or loss from changes in fair values of transactional financial assets, derivative financial assets, transactional financial liabilities and derivative financial liabilities, and investment gain from the disposal of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities and other investments in debt	10,010,794.53			
Other non-operating income and expenses other than the aforementioned items	204,984,818.62	13,629,718.63	13,866,327.84	
Other profit and loss items that satisfy the definition of non-recurring profit and loss	10,012,040.17	50,909,442.00		
Less: Effect of income tax	61,586,354.09	2,786,974.99	42,991,932.03	
Effect of minority interests (after tax)	44,471,811.03	-81,153,836.50	15,286,611.19	
Total	482,814,127.54	567,268,531.24	216,374,590.77	

(III) ANALYSIS OF PRINCIPAL BUSINESS

1. Analysis of operating revenue, operating costs and gross profit margin

Unit: RMB

Item	Revenue from major operating businesses	Costs of major operating businesses	Gross profit margin (%)	Increase or decrease in revenue from major operating businesses as compared to corresponding period last year (%)	Increase or decrease in costs of major operating businesses 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	43,844,644,902.95	32,451,870,805.44	25.98	28.21	23.07	3.09
By products						
Refrigerators and washing machines	18,709,002,118.33	14,685,528,054.98	21.51	16.00	19.40	-2.23
Air-conditioners	23,386,192,179.17	16,382,597,669.13	29.95	42.87	29.14	7.45
Others	1,749,450,605.45	1,383,745,081.33	20.90	2.91	0.09	2.23
By region						
Domestic	29,205,488,972.24	19,170,426,142.76	34.36	28.59	20.36	4.49
Overseas	14,639,155,930.71	13,281,444,662.68	9.27	27.47	27.21	0.18

2. Expenses

Unit: RMB

Expense Item	2020	2019	Increase or decrease as compared to corresponding	Reason for the significant changes
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			period last year (%)	
Sales expense	6,891,389,066.25	5,670,186,916.64	21.54	No significant changes
Management expense	619,163,555.38	515,205,417.61	20.18	No significant changes
Research and development expenses	1,284,848,949.46	934,412,243.42	37.50	Mainly due to the increase of investment in research and development
Finance expense	-109,880,006.83	-8,012,313.27	Not applicable	Mainly due to the increase in interest income caused by improvement in the Company's operation and activation of idle funds

3. Cash Flow

Unit: RMB

Item	2020	2019	Increase or decrease as compared to corresponding period last year (%)
Sub-total of cash inflows from operating activities	41,196,926,173.02	30,781,842,654.92	33.84
Sub-total of cash outflows from operating activities	35,234,218,363.18	28,776,505,602.36	22.44
Net cash flows from operating activities	5,962,707,809.84	2,005,337,052.56	197.34
Sub-total of cash inflows from investing activities	12,102,168,856.45	8,535,674,820.63	41.78
Sub-total of cash outflows from investing activities	16,002,723,454.97	8,615,903,834.47	85.73
Net cash flows from investing activities	-3,900,554,598.52	-80,229,013.84	N/A
Sub-total of cash inflows from financing activities	411,836,500.00	136,830,668.56	200.98
Sub-total of cash outflows from financing activities	2,924,294,190.93	1,059,280,977.16	176.06
Net cash flows from financing activities	-2,512,457,690.93	-922,450,308.60	N/A
Net increase in cash and cash equivalents	-447,904,024.01	1,003,742,533.45	N/A

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

√ Applicable □ Not applicable

The increase in cash inflows from operating activities was mainly due to the continuous improvement in the Group's operation and the consolidation of Hisense Hitachi's full year financial results into that of the Group.

The increase in net cash flows from operating activities was mainly due to the continuous improvement in the Group's operation and the consolidation of Hisense Hitachi's full year financial results into that of the Group.

The year-on-year increase in cash inflows from investing activities was mainly due to the increase in wealth management products recovered after maturity.

The year-on-year increase in cash outflows from investing activities was mainly due to the increase in the purchase of wealth management products.

The year-on-year decrease in net cash flows from investing activities was mainly due to the increase in the undue wealth management products.

The increase in cash inflows from financing activities was mainly due to the increase in short-term borrowings received by the Company.

The increase in cash outflows from financing activities was mainly due to the repayment of short-term borrowings and the year-on-year change in the note margin.

(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 31 December 2020	Amount of undue principal and return as at 31 December 2020	Overdue balance return as at 31 December 2020
Wealth management products of banks	Self-owned funds	348,000.00	260,000.00	0.00
Total		348,000.00	260,000.00	0.00

During the Reporting Period, the Company has invested in various wealth management products of banks. The Company did not have high-risk entrusted wealth management product which has significant individual amount, or low security, poor liquidity or no assurance on investment principal, 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

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	USD150 million	1,588,503.50	708,698.31	1,333,118.46	276,273.15	213,238.56

IV. OUTLOOK

(I) The Company's development strategy

With the mission of "committing to technological innovation, raising people's living standard and making hundreds of millions of families happy", the Company firmly implements its "smart ecological strategy" in the production of high quality smart household electrical appliances, with

an aim to becoming the world's high-end home appliances smart manufacturing enterprise.

(II) Business highlights for 2020

In 2021, the Company will continuously adhere to its high quality product strategy, focusing on its competitive edges, creating product strength and market strength, activating organizational vitality, developing continuous growing capacity. Major tasks of the Company are as follows:

1. Upholding its philosophy of making good and high quality products: Continuing to be user-oriented, upholding the high quality product strategy, capturing value marketing, refining product sales structure, and steadily promoting the increase of product variety and market share of high-end products.

2. Increasing inputs in research and development, maintaining our technological advantages: Focusing on core technology and smart scenario, increasing the inputs in research and development, improving pre-research system and management process, promoting the application of pre-research outcomes, and enhancing the standard of intelligent household electrical appliances.

3. Focusing on advantageous resources, achieving forward-leaping brand developments: Focusing on advantageous resources, enhancing brand influence, adopting measures such as “continuous enhancing product competitiveness”, “increasing efforts in rejuvenating brands”, “securing cooperation with terminal clients” and “penetrating major markers” to achieve the rapid growth in brand scale.

4. Reinforcing collaboration and enhancing production efficiency: Strengthening production collaboration and supply chain planning, and enhancing production efficiency in order to achieve high quality order delivery.

5. Accelerating capital turnover and improving utilisation of fund: Strengthening the management and control of the capital risks, improving the management of the payment terms, and reducing extraordinary use of funds to enhance the effectiveness of capital turnover.

6. Optimising planning and achieving breakthrough in business scale: For washing machine business, continuously optimising the planning for mid-to-high-end products with differentiated functions such as steaming, ironing and washing to enlarge business scale; as for commercial cold chain business, continuously thoroughly cultivating deep freezing technology, continuously investing in technologies such as deep freezing preservation, vacuum preservation and differentiated storage to achieve renovation; as for kitchen and bath business, further optimising product planning, enhancing revenue in each store; enhancing the planning for high-end products to continuously achieve breakthrough in business scale.

(III) Risks faced by the Group include:

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

FINAL DIVIDEND

The Group recorded net profit attributable to shareholders of the Company of RMB1,578.88 million for the year ended 31 December 2020. The Board proposed to pay all shareholders a cash dividend of RMB3.47 (tax inclusive) per 10 shares held by the shareholders (the “**Proposed Dividend**”) on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2020, without bonus issue and issue shares by way of conversion of capital reserve (For the year ended 31 December 2019, the Company paid to all shareholders a cash dividend of RMB3.95 (tax inclusive) per 10 shares held by the shareholders on the basis of the total number of 1,362,725,370 shares of the Company as at 31 December 2019).

The Proposed Dividend is subject to approval by the shareholders at the 2020 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 13 August 2021. The total amount of profits to be so distributed is expected to be RMB472,865,703.39. Details of the payment of the Proposed Dividend will be announced after the conclusion of the Annual General Meeting.

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.

EVENT AFTER THE REPORTING PERIOD

On 1 March 2021, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with Sanden, pursuant to which Sanden has conditionally agreed to issue and the Company has conditionally agreed to subscribe for 83,627,000 shares of common stock of Sanden, representing approximately 75% of the total voting rights of Sanden as enlarged by the issue of the subscription shares, at the subscription price of JPY256 (equivalent to approximately HK\$19) per subscription share for a total subscription amount of JPY21,408,512,000 (equivalent to approximately HK\$1,562,665,109). The Company will also be required to provide a guarantee in respect of the remaining ADR debts owed to the ADR creditors after the debt forgiveness under the turnaround plan. Upon closing, Sanden will become a non-wholly owned subsidiary of the Company. The Share Purchase Agreement is subject to the shareholder’s approval. An extraordinary general meeting will be convened and held by the Company for the shareholders to consider and if thought fit, approve the Share Purchase Agreement and the transactions contemplated thereunder. Details of the Share Purchase Agreement are set out in the announcement of the Company dated 1 March 2021.

AUDIT COMMITTEE

The tenth session of the audit committee of the Company has reviewed the financial results of the Group for the year ended 31 December 2020.

CAPITAL EXPENDITURE

The Group expects that the capital expenditure for 2021 will be approximately RMB550.34 million. The Group has sufficient funds to meet the funding requirement for purposes such as capital expenditure plans and daily operations.

GEARING RATIO

As at 31 December 2020, the Group’s gearing ratio (calculated according to the formula: total liabilities/total assets) was 65.54% (2019: 63.28%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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.

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

(I) On 5 November 2019, the Company entered into (i) a business co-operation framework agreement (as supplemented by a supplemental agreement on 31 July 2020), (ii) a purchase financing agency framework agreement, (iii) a financial services agreement, and (iv) a financial business framework agreement with Hisense Group, Hisense Holdings and its subsidiaries, Hisense Hong Kong, Hisense Finance, and Hisense Financial Holdings respectively. On 11 September 2019, the Company entered into a business cooperation agreement with Johnson Hitachi. Details of the above agreements are set out in the announcements and circulars of the Company published on the website of the Hong Kong Stock Exchange on 11 September 2019, 6 November 2019, 20 December 2019, 31 July 2020 and 3 September 2020.

(II) During the Reporting Period, certain connected transactions were conducted by the Group in the ordinary and usual course of operation pursuant to the agreements mentioned above, details of which are as follows:

Unit: RMB ten thousand (Excluding VAT)

Connected parties	Type of connected transaction	Annual Cap	Connected transaction amount
Hisense Group, Hisense Holdings and its subsidiaries	Sales and provision of service	1,717,696.00	1,378,058.91
	Purchasing and receipt of services	177,090.00	110,186.36
Hisense Hong Kong	Receipt of purchase financing agency services	USD100,000,000	USD38,887,300
Johnson Hitachi	Sales and provision of service	30,553.00	22,664.04
	Purchasing and receipt of services	109,691.00	55,445.89

As at the end of the Reporting Period, the Group had the balance of deposit of RMB14.484 billion, recognised interest income of RMB210 million, the actual balance of loan of RMB22 million, the balance of electronic bank acceptance bill of RMB8.584 billion, the handling fee for opening accounts for electronic bank acceptance bill of RMB7.339 million, and recognised interest on loans of RMB6.6893 million with Hisense Finance. For the Reporting Period, the actual amount of discounted interest for the provision of draft discount services was RMB4.3649 million, the actual amount involved in the provision of settlement and sale of foreign exchange services was RMB0.396 billion and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB0.8098 million.

As at the end of the Reporting Period, the Group had the actual balance of the recourse factoring services of RMB nil with Hisense Financial Holdings and the actual value of the transaction conducted for the non-recourse factoring services with Hisense Financial Holdings is RMB nil million with Hisense Financial Holdings.

(III) The business co-operation framework agreement, financial services agreement and business cooperation agreement mentioned in (I) above expired on 31 December 2020. On 30 October 2020,

the Company entered into a new business co-operation framework agreement and a new financial services agreement with Hisense Group, Hisense Holdings and its subsidiaries and Hisense Finance, respectively, for continuing connected transactions to be conducted in 2021. Details of such agreements are set out in the announcement and circular of the Company published on the website of the Hong Kong Stock Exchange on 30 October 2020 and 28 December 2020. The aforementioned new continuing connected transactions agreements were considered and approved by the shareholders of the Company at the 2021 first extraordinary general meeting of the Company held on 22 January 2021. On 22 January 2021, the Company entered into a new business cooperation agreement with Johnson Hitachi for continuing connected transactions to be conducted in 2021 and 2022. Details of such agreement are set out in the announcement of the Company dated 22 January 2021.

SCOPE OF WORK OF SHINEWING CERTIFIED PUBLIC ACCOUNTANTS LLP

The figures in respect of the consolidated balance sheet and consolidated income statement of the Company, and the related notes thereto, for the Reporting Period as set out in this announcement have been agreed by ShineWing Certified Public Accountants LLP, the auditor of the Company, to the amounts set out in audited consolidated financial statements of the Company for the Reporting Period. The work performed by ShineWing Certified Public Accountants LLP in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ShineWing Certified Public Accountants LLP on this announcement.

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 RESULTS AND 2020 ANNUAL REPORT

This announcement is published on the websites of the Company (<http://hxjd.hisense.cn/>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2020 annual report of the Company will be despatched to the shareholders of the Company and will also be available on the websites of the Company and the Hong Kong Stock Exchange stated above 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 otherwise requires, 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 Holdings, which 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 Holdings
“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 Holdings
“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 Holdings”	Hisense Group Holdings Co., Ltd. (海信集團控股股份有限公司), formerly known as Qingdao Hisense Electric Holdings Company Limited (青島海信電子產業控股股份有限公司),

a company incorporated in the PRC with limited liability

“Hisense Hong Kong”

Hisense (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Hisense Holdings, which 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 Holdings

“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

“Hong Kong Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Johnson Hitachi”

Johnson Controls-Hitachi Air Conditioning Holding (UK) Ltd. , a company incorporated in the United Kingdom

“JPY”

Japanese Yen, the lawful currency of Japan

“PRC”

the People’s Republic of China

“RMB”

Renminbi, the lawful currency of the PRC

“Sanden”

Sanden Holdings Corporation, a joint stock corporation organised under the laws of Japan, whose shares are listed on the First Section of the Tokyo Stock Exchange

“USD”

United States dollars, the lawful currency of the United States of America

**For identification purposes only*

By order of the Board

Hisense Home Appliances Group Co., Ltd.

Tang Ye Guo

Chairman

Foshan City, Guangdong, the PRC, 30 March 2021

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.