

Hisense 海信科龙

海信科龍電器股份有限公司

Hisense Kelon Electrical Holdings Company Limited

Stock Code: 00921



2012
INTERIM REPORT

The Board of Directors (the "Board") of Hisense Kelon Electrical Holdings Company Limited (the "Company") hereby announces the unaudited interim report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012 (the "Reporting Period") together with comparative figures for the corresponding period in 2011. This interim report has been reviewed by the Company's Audit Committee.

Financial information prepared in accordance with China Accounting Standards

(Unless otherwise stated, all amounts are denominated in Renminbi)

CONSOLIDATED BALANCE SHEET

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		461,593,172.16	398,532,682.30
Balances with clearing companies			
Lending capital			
Held-for-trading financial assets		13,058,618.94	33,787,696.24
Notes receivable		1,594,426,485.68	502,919,307.39
Accounts receivable		2,068,355,256.32	1,193,767,494.97
Prepayments		216,787,617.79	315,474,246.14
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Interests receivable		—	—
Dividends receivable		—	—
Other receivables		387,518,168.50	439,873,135.47
Financial assets purchased under agreements to resell			
Inventories		1,801,805,377.20	1,547,277,865.07
Non-current assets due within one year			
Other current assets		6,169,695.16	3,568,803.11
Total current assets		6,549,714,391.75	4,435,201,230.69
Non-current assets:			
Disbursement of entrusted loans and advances			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		637,870,699.71	610,755,845.36
Investment properties		36,794,470.76	38,019,850.43
Fixed assets		1,933,578,709.60	1,947,070,154.12
Construction in progress		117,362,310.12	80,702,425.28
Construction materials			
Disposal of fixed assets		—	—
Productive biological assets			
Oil and gas assets			
Intangible assets		508,884,125.02	520,066,256.26
Development expenses			
Goodwill			
Long-term prepaid expenses		—	—
Deferred income tax assets		4,652,897.43	3,623,816.22
Other non-current assets			
Total non-current assets		3,239,143,212.64	3,200,238,347.67
Total assets		9,788,857,604.39	7,635,439,578.36

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED BALANCE SHEET — Continued

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		1,102,472,575.34	1,004,998,894.20
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Held-for-trading financial liabilities		—	6,636,121.77
Notes payable		755,778,257.70	612,667,073.33
Accounts payable		3,419,481,207.97	2,054,610,132.81
Advance receipts		466,318,733.78	758,206,285.15
Proceeds from disposal of financial assets under agreements to repurchase			
Handling fees and commission payable			
Staff remuneration payables		207,787,402.12	190,026,739.08
Taxes payable		(100,643,456.00)	(90,090,833.72)
Interests payable		1,503,837.59	1,447,530.16
Dividends payable		2,067.02	2,067.02
Other payables		1,511,151,037.06	1,156,195,947.88
Reinsured accounts payable			
Reserves for reinsurance contract			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Non-current liabilities due within one year			
Other current liabilities		524,144,484.00	467,458,815.86
Total current liabilities		7,887,996,146.58	6,162,158,773.54
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Special payables			
Estimated liabilities		296,037,777.55	271,488,354.42
Deferred income tax liabilities			
Other non-current liabilities		41,713,740.75	40,977,575.97
Total non-current liabilities		337,751,518.30	312,465,930.39
Total liabilities		8,225,747,664.88	6,474,624,703.93

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED BALANCE SHEET — Continued

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

<u>Item</u>	<u>Note</u>	<u>Closing balance</u>	<u>Opening balance</u>
Owners' equity (or shareholders' equity):			
Share capital		1,354,054,750.00	1,354,054,750.00
Capital reserve		2,099,253,284.26	2,096,929,058.26
Less: Treasury shares			
Special reserves			
Surplus reserves		145,189,526.48	145,189,526.48
General risk provisions			
Retained profits		(2,437,286,064.56)	(2,817,156,683.25)
Differences on translation of foreign currency financial statements		26,002,141.95	26,106,945.84
Total equity attributable to owners of the Company		1,187,213,638.13	805,123,597.33
Minority interests		375,896,301.38	355,691,277.10
Total owners' equity (or shareholders' equity)		1,563,109,939.51	1,160,814,874.43
Total liabilities and shareholders' equity		9,788,857,604.39	7,635,439,578.36

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

COMPANY BALANCE SHEET

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash at bank and on hand		149,171,914.44	98,869,779.84
Held-for-trading financial assets		—	—
Notes receivable		1,559,412,158.62	437,663,532.61
Accounts receivable		2,049,145,072.97	808,512,974.99
Prepayments		128,436,810.72	756,622,872.10
Interests receivable		—	—
Dividends receivable		—	—
Other receivables		882,273,144.69	934,852,209.18
Inventories		1,292,653,582.94	984,923,528.87
Non-current assets due within one year			
Other current assets		3,376,131.06	3,082,829.08
Total current assets		6,064,468,815.44	4,024,527,726.67
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		3,008,619,134.74	2,981,504,280.39
Investment properties		15,910,466.00	16,605,766.00
Fixed assets		194,311,335.63	211,015,835.20
Construction in progress		3,698,321.48	—
Construction materials			
Disposal of fixed assets		—	—
Productive biological assets			
Oil and gas assets			
Intangible assets		230,679,408.00	235,490,945.00
Development expenses			
Goodwill			
Long-term prepaid expenses		—	—
Deferred income tax assets		—	—
Other non-current assets			
Total non-current assets		3,453,218,665.85	3,444,616,826.59
Total assets		9,517,687,481.29	7,469,144,553.26

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

COMPANY BALANCE SHEET — Continued

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		145,000,000.00	350,000,000.00
Held-for-trading financial liabilities		—	—
Notes payable		794,518,257.70	641,592,857.89
Accounts payable		3,779,218,634.75	2,078,189,683.49
Advance receipts		392,624,133.09	609,092,217.78
Staff remuneration payables		96,843,239.46	90,224,591.92
Taxes payable		(14,099,890.71)	6,431,126.07
Interests payable		233,425.00	258,875.78
Dividends payable		—	—
Other payables		1,464,983,713.63	1,084,806,857.61
Non-current liabilities due within one year			
Other current liabilities		382,448,648.97	366,496,222.69
Total current liabilities		7,041,770,161.89	5,227,092,433.23
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Special payables			
Estimated liabilities		291,626,683.30	267,088,764.47
Deferred income tax liabilities			
Other non-current liabilities		27,641,218.90	26,427,298.90
Total non-current liabilities		319,267,902.20	293,516,063.37
Total liabilities		7,361,038,064.09	5,520,608,496.60
Owners' equity (or shareholders' equity):			
Share capital		1,354,054,750.00	1,354,054,750.00
Capital reserve		2,253,428,637.10	2,251,104,411.10
Less: Treasury shares			
Special reserves			
Surplus reserves		114,580,901.49	114,580,901.49
Retained profits		(1,565,414,871.39)	(1,771,204,005.93)
Differences on translation of foreign currency financial statements		—	—
Total owners' equity (or shareholders' equity)		2,156,649,417.20	1,948,536,056.66
Total liabilities and owners' equity (or shareholders' equity)		9,517,687,481.29	7,469,144,553.26

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED INCOME STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Amount for current period	Amount for previous period
I. Total operating revenue		9,967,726,766.93	10,734,908,708.73
Including: Operating revenues		9,967,726,766.93	10,734,908,708.73
Interest incomes			
Insurance premium earned			
Income from handling fees and commission			
II. Total operating cost		9,653,155,392.60	10,652,649,458.81
Including: Operating costs		7,982,126,495.52	8,910,556,396.46
Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance contract reserves provided			
Policyholder dividend expense			
Reinsurance premium income			
Business taxes and surcharges		32,387,549.72	26,603,072.03
Selling and distribution expenses		1,310,271,064.86	1,399,644,377.22
General and administrative expenses		299,727,610.10	275,034,094.98
Financial expenses		25,298,032.29	28,526,360.55
Impairment losses on assets		3,344,640.11	12,285,157.57
Add: Gain from changes in fair value (Loss denoted by “—”)		(14,092,955.53)	(6,703,478.40)
Investment income (Loss denoted by “—”)		100,107,033.46	99,396,120.11
Including: Share of profit of associates and jointly controlled entities		76,114,854.35	36,258,657.14
Foreign exchange gains (Loss denoted by “—”)			
III. Operating profits (Loss denoted by “—”)		400,585,452.26	174,951,891.63
Add: Non-operating revenues		11,588,454.87	126,379,617.61
Less: Non-operating expenses		4,710,751.58	8,964,553.03
Including: Loss on disposal of non-current assets		1,985,884.72	2,641,645.91
IV. Total profit (Total loss denoted by “—”)		407,463,155.55	292,366,956.21
Less: Income tax expenses		5,621,187.99	7,688,210.00
V. Net profits (Net loss denoted by “—”)		401,841,967.56	284,678,746.21
Including: Net profits of consolidated parties prior to consolidation			
Net profits attributable to shareholders of the parent		379,870,618.69	285,838,725.03
Profit and loss of minority interests		21,971,348.87	(1,159,978.82)
VI. Earnings per share:		—	—
(1) Basic earnings per share		0.2805	0.2111
(2) Diluted earnings per share		0.2805	0.2111
VII. Other comprehensive income		(104,803.89)	(2,012,024.97)
VIII. Total comprehensive income		401,737,163.67	282,666,721.24
Total comprehensive income attributable to shareholders of the parent		379,765,814.80	283,826,700.06
Total comprehensive income attributable to minority interests		21,971,348.87	(1,159,978.82)

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

For acquisitions through business combination under common control during the period, the net profit of the acquirees realized prior to business combination was: RMB0.

COMPANY INCOME STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Note	Amount for current period	Amount for previous period
I. Total operating revenue		6,951,817,491.24	6,369,521,242.32
Less: Operating costs		5,680,520,878.87	5,048,080,806.36
Business taxes and surcharges		20,081,103.39	19,162,583.18
Selling and distribution expenses		1,103,959,516.55	1,037,062,926.62
General and administrative expenses		24,374,899.45	25,460,035.73
Financial expenses		2,388,342.10	21,122,321.51
Impairment losses on assets		1,037,167.57	13,691,807.04
Add: Gain from changes in fair value (Loss denoted by “—”)		—	—
Investment income (Loss denoted by “—”)		86,441,222.95	95,419,511.90
Including: Share of profit of associates and jointly controlled entities		76,114,854.35	36,258,657.14
II. Operating profits (Loss denoted by “—”)		205,896,806.26	300,360,273.78
Add: Non-operating revenues		2,295,107.21	108,526,644.95
Less: Non-operating expenses		2,402,778.93	2,364,658.47
Including: Loss on disposal of non-current assets		56,052.71	—
III. Total profit (Total loss denoted by “—”)		205,789,134.54	406,522,260.26
Less: Income tax expenses		—	—
IV. Net profits (Net loss denoted by “—”)		205,789,134.54	406,522,260.26
V. Earnings per share:		—	—
(1) Basic earnings per share		0.1520	0.3002
(2) Diluted earnings per share		0.1520	0.3002
VI. Other comprehensive income		—	(2,982,192.07)
VII. Total comprehensive income		205,789,134.54	403,540,068.19

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	3,752,286,603.70	4,199,124,881.12
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders		
Net increase from disposal of held-for-trading financial assets		
Cash received from interests, fees and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in repurchase business capital		
Tax rebates received	342,767,072.30	314,179,476.08
Other cash received concerning operating activities	114,798,118.12	200,707,785.42
Subtotal of cash inflows from operation activities	4,209,851,794.12	4,714,012,142.62
Cash paid for purchases of commodities and receipt of labor services	2,246,530,087.14	2,977,160,818.86
Net increase in loans and advances to customers		
Net increase in deposits with central bank and other financial institutions		
Cash paid for indemnity of original insurance contract		
Cash paid for interests, fees and commissions		
Policyholder dividend paid		
Cash paid to and for employees	747,008,600.90	679,378,431.16
Cash paid for taxes and surcharges	304,625,376.25	304,128,095.97
Cash paid for other operating activities	880,142,766.65	888,778,717.03
Subtotal of cash outflows from operation activities	4,178,306,830.94	4,849,446,063.02
Net cash flows from operating activities	31,544,963.18	(135,433,920.40)
2. Cash flows from investing activities:		
Cash received from returns on investments	49,000,000.00	84,404,301.37
Cash received from investment revenues	3,800,000.00	3,534,000.00
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	941,548.18	467,428.73
Net cash received from disposals of subsidiaries and other operation units	42,534,178.70	—
Cash received relating to other investing activities	—	—
Subtotal of cash inflows from investing activities	96,275,726.88	88,405,730.10
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	88,888,161.76	145,554,269.74
Cash paid for investments	—	—
Net increase in pledged amount		
Cash paid for obtaining subsidiaries and other operation units	—	—
Cash paid relating to other investing activities	—	—
Subtotal of cash outflows from investing activities	88,888,161.76	145,554,269.74
Net cash flows from investing activities	7,387,565.12	(57,148,539.64)

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED CASH FLOW STATEMENT — Continued

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
3. Cash flows from financing activities:		
Cash received from disposal of investments	—	—
Including: Cash contribution from minority shareholders' investment by subsidiaries		
Cash received from borrowings	1,307,500,749.18	1,433,524,115.05
Cash received from issue of bonds		
Cash received relating to other financing activities	150,596.82	8,118,917.24
Subtotal of cash inflows from financing activities	1,307,651,346.00	1,441,643,032.29
Cash paid for repayment of borrowings	1,262,800,257.67	1,329,845,434.25
Cash paid for distribution of dividends, profit or interest expenses	20,572,529.95	18,546,992.01
Including: Dividend and profit paid to minority shareholders by subsidiaries		
Cash paid relating to other financing activities	—	—
Subtotal of cash outflows from financing activities	1,283,372,787.62	1,348,392,426.26
Net cash flows from financing activities	24,278,558.38	93,250,606.03
4. Effects of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	63,211,086.68	(99,331,854.01)
Add: Balance of cash and cash equivalents at the beginning of the period	396,814,919.98	419,921,513.93
6. Balance of cash and cash equivalents at the end of the period	460,026,006.66	320,589,659.92

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

COMPANY CASH FLOW STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	842,389,012.74	807,229,973.31
Tax rebates received	—	8,057.69
Other cash received concerning operating activities	2,825,574,423.90	1,969,316,412.68
Subtotal of cash inflows from operation activities	3,667,963,436.64	2,776,554,443.68
Cash paid for purchases of commodities and receipt of labor services	744,020,772.18	1,708,840,613.90
Cash paid to and for employees	277,936,710.67	268,807,606.79
Cash paid for taxes and surcharges	184,677,423.86	176,259,944.14
Cash paid for other operating activities	2,281,438,535.04	900,981,122.33
Subtotal of cash outflow from operation activities	3,488,073,441.75	3,054,889,287.16
Net cash flows from operating activities	179,889,994.89	(278,334,843.48)
2. Cash flow from investing activities:		
Cash received from returns on investments	49,000,000.00	84,404,301.37
Cash received from investment revenues	10,326,368.60	13,323,552.90
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	92,050.78	18,094.00
Net cash received from disposals of subsidiaries and other operation units	26,784,178.70	—
Cash received relating to other investing activities	—	—
Subtotal of cash inflows from investing activities	86,202,598.08	97,745,948.27
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	4,694,718.37	1,319,525.10
Cash paid for investments	—	—
Cash paid for obtaining subsidiaries and other operation units	—	—
Cash paid relating to other investing activities	—	—
Subtotal of cash outflows from investing activities	4,694,718.37	1,319,525.10
Net cash flows from investing activities	81,507,879.71	96,426,423.17
3. Cash flows from financing activities:		
Cash received from disposal of investments	—	—
Cash received from borrowings	70,000,000.00	350,000,000.00
Cash received relating to other financing activities	—	—
Subtotal of cash inflows from financing activities	70,000,000.00	350,000,000.00
Cash paid for repayment of borrowings	275,000,000.00	255,074,400.00
Cash paid for distribution of dividends, profit or interest expenses	6,095,740.00	8,568,291.16
Cash paid relating to other financing activities	—	—
Subtotal of cash outflows from financing activities	281,095,740.00	263,642,691.16
Net cash flows from financing activities	(211,095,740.00)	86,357,308.84
4. Effects of foreign exchange rate changes on cash and cash equivalents		
5. Net increase in cash and cash equivalents	50,302,134.60	(95,551,111.47)
Add: Balance of cash and cash equivalents at the beginning of the period	98,869,779.84	163,407,687.61
6. Balance of cash and cash equivalents at the end of the period	149,171,914.44	67,856,576.14

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period									
	Attributable to the owners of the Company								Total owners' equity	
	Share capital	Capital reserve	Less:			Retained profits	Other	Minority interests		
		Treasury shares	Special reserves	Surplus reserves	General risk provisions					
1. Closing balance of previous year	1,354,054,750.00	2,096,929,058.26			145,189,526.48		(2,817,156,683.25)	26,106,945.84	355,691,277.10	1,160,814,874.43
Add: Changes in accounting policies										-
Correction for error in previous period										-
Other										-
2. Opening balance of the year	1,354,054,750.00	2,096,929,058.26	-	-	145,189,526.48	-	(2,817,156,683.25)	26,106,945.84	355,691,277.10	1,160,814,874.43
3. Movements in the current year										
(Decreases denoted in "-")	-	2,324,226.00	-	-	-	-	379,870,618.69	(104,803.89)	20,205,024.28	402,295,065.08
(1) Net Profit							379,870,618.69		21,971,348.87	401,841,967.56
(2) Other comprehensive income								(104,803.89)		(104,803.89)
Subtotal of (1) and (2) above	-	-	-	-	-	-	379,870,618.69	(104,803.89)	21,971,348.87	401,737,163.67
(3) Owner contributions and capital reductions	-	2,324,226.00	-	-	-	-	-	-	-	2,324,226.00
1. Owner contributions										-
2. Amount of share-based payment included in owners' equity		2,324,226.00								2,324,226.00
3. Other										-
(4) Profit Distribution	-	-	-	-	-	-	-	-	(1,766,324.59)	(1,766,324.59)
1. Appropriations to surplus reserve										-
2. Appropriations to general risk provisions										-
3. Distribution to owners (or shareholders)									(1,766,324.59)	(1,766,324.59)
4. Other										-
(5) Transfer of owners' equity	-	-	-	-	-	-	-	-	-	-
1. Transfer to capital (or equity capital) from capital reserve										-
2. Transfer to capital (or equity capital) from surplus reserve										-
3. Surplus reserves for making up losses										-
4. Other										-
(6) Special reserves	-	-	-	-	-	-	-	-	-	-
1. Provided during the period										-
2. Used during the period										-
(7) Other										-
4. Closing balance for the period	1,354,054,750.00	2,099,253,284.26	-	-	145,189,526.48	-	(2,437,286,064.56)	26,002,141.95	375,896,301.38	1,563,109,939.51

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY — *Continued*

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for previous year									
	Attributable to the owners of the Company									
	Share capital	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	Other	Minority interests	Total owners' equity
1. Closing balance of previous year	1,354,054,750.00	2,053,683,491.30			145,189,526.48		(3,044,171,810.12)	32,485,452.41	369,706,458.86	910,947,868.93
Add: Changes in accounting policies										—
Correction for error in previous period										—
Other										—
2. Opening balance of the year	1,354,054,750.00	2,053,683,491.30	—	—	145,189,526.48	—	(3,044,171,810.12)	32,485,452.41	369,706,458.86	910,947,868.93
3. Movements in the current year										
(Decreases denoted in "—")	—	43,245,566.96	—	—	—	—	227,015,126.87	(6,378,506.57)	(14,015,181.76)	249,867,005.50
(1) Net Profit							227,015,126.87		(1,565,898.87)	225,449,228.00
(2) Other comprehensive income		(2,986,537.67)						(6,378,506.57)		(9,365,044.24)
Subtotal of (1) and (2) above	—	(2,986,537.67)	—	—	—	—	227,015,126.87	(6,378,506.57)	(1,565,898.87)	216,084,183.76
(3) Owner contributions and capital reductions	—	1,560,000.00	—	—	—	—	—	—	—	1,560,000.00
1. Owner contributions										—
2. Amount of share-based payment included in owners' equity		1,560,000.00								1,560,000.00
3. Other										—
(4) Profit Distribution	—	—	—	—	—	—	—	—	(12,449,282.89)	(12,449,282.89)
1. Appropriations to surplus reserve										—
2. Appropriations to general risk provisions										—
3. Distribution to owners (or shareholders)									(12,449,282.89)	(12,449,282.89)
4. Other										—
(5) Transfer of owners' equity	—	—	—	—	—	—	—	—	—	—
1. Transfer to capital (or equity capital) from capital reserve										—
2. Transfer to capital (or equity capital) from surplus reserve										—
3. Surplus reserves for making up losses										—
4. Other										—
(6) Special reserves	—	—	—	—	—	—	—	—	—	—
1. Provided during the period										—
2. Used during the period										—
(7) Other		44,672,104.63								44,672,104.63
4. Closing balance for the period	1,354,054,750.00	2,096,929,058.26	—	—	145,189,526.48	—	(2,817,156,683.25)	26,106,945.84	355,691,277.10	1,160,814,874.43

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period						Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	
1. Closing balance of previous year	1,354,054,750.00	2,251,104,411.10			114,580,901.49	(1,771,204,005.93)	1,948,536,056.66
Add: Changes in accounting policies							—
Correction for error in previous period							—
Other							—
2. Opening balance of the year	1,354,054,750.00	2,251,104,411.10	—	—	114,580,901.49	—	1,948,536,056.66
3. Movements in the current year (Decreases denoted in "—")		2,324,226.00	—	—	—	—	208,113,360.54
(1) Net Profit							205,789,134.54
(2) Other comprehensive income							—
Subtotal of (1) and (2) above	—	—	—	—	—	—	205,789,134.54
(3) Owner contributions and capital reductions	—	2,324,226.00	—	—	—	—	2,324,226.00
1. Owner contributions							—
2. Amount of share-based payment included in owners' equity		2,324,226.00					2,324,226.00
3. Other							—
(4) Profit Distribution	—	—	—	—	—	—	—
1. Appropriations to surplus reserve							—
2. Appropriations to general risk provisions							—
3. Distribution to owners (or shareholders)							—
4. Other							—
(5) Transfer of owners' equity	—	—	—	—	—	—	—
1. Transfer to capital (or equity capital) from capital reserve							—
2. Transfer to capital (or equity capital) from surplus reserve							—
3. Surplus reserves for making up losses							—
4. Other							—
(6) Special reserves	—	—	—	—	—	—	—
1. Provided during the period							—
2. Used during the period							—
(7) Other							—
4. Closing balance for the period	1,354,054,750.00	2,253,428,637.10	—	—	114,580,901.49	—	2,156,649,417.20

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY — Continued

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for previous year							Total owners' equity
	Share capital	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	
1. Closing balance of previous year	1,354,054,750.00	2,252,530,948.77			114,580,901.49		(2,017,224,872.51)	1,703,941,727.75
Add: Changes in accounting policies								—
Correction for error in previous period								—
Other								—
2. Opening balance of the year	1,354,054,750.00	2,252,530,948.77	—	—	114,580,901.49	—	(2,017,224,872.51)	1,703,941,727.75
3. Movements in the current year								
(Decreases denoted in "—")	—	(1,426,537.67)	—	—	—	—	246,020,866.58	244,594,328.91
(1) Net Profit							246,020,866.58	246,020,866.58
(2) Other comprehensive income		(2,986,537.67)						(2,986,537.67)
Subtotal of (1) and (2) above	—	(2,986,537.67)	—	—	—	—	246,020,866.58	243,034,328.91
(3) Owner contributions and capital reductions	—	1,560,000.00	—	—	—	—	—	1,560,000.00
1. Owner contributions								—
2. Amount of share-based payment included in owners' equity		1,560,000.00						1,560,000.00
3. Other								—
(4) Profit Distribution	—	—	—	—	—	—	—	—
1. Appropriations to surplus reserve								—
2. Appropriations to general risk provisions								—
3. Distribution to owners (or shareholders)								—
4. Other								—
(5) Transfer of owners' equity	—	—	—	—	—	—	—	—
1. Transfer to capital (or equity capital) from capital reserve								—
2. Transfer to capital (or equity capital) from surplus reserve								—
3. Surplus reserves for making up losses								—
4. Other								—
(6) Special reserves	—	—	—	—	—	—	—	—
1. Provided during the period								—
2. Used during the period								—
(7) Other								—
4. Closing balance for the period	1,354,054,750.00	2,251,104,411.10	—	—	114,580,901.49	—	(1,771,204,005.93)	1,948,536,056.66

Company legal representative: Tang Ye Guo

Person in charge of finance: Li Jun

1. COMPANY PROFILE

Hisense Kelon Electrical Holdings Company Limited (hereinafter referred to as the "Company") was formerly Guangdong Shunde Pearl River factory (廣東順德珠江冰箱廠) established in 1984. After the restructuring into a joint stock limited company in December 1992, the Company was named Guangdong Kelon Electrical Holdings Company Limited. The Company's 459,589,808 overseas listed public shares (the "H Shares") were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996. In 1998, the Company obtained approval to issue 110,000,000 domestic shares (the "A Shares"), which were listed on the Shenzhen Stock Exchange on 13 July 1999.

In October 2001 and March 2002, the former single largest shareholder of the Company, Guangdong Kelon (Rongsheng) Group Company Limited (hereinafter referred to as "Rongsheng Group", previously held 34.06% interest in the Company) entered into a share transfer agreement and a supplementary agreement with Shunde Greencool Enterprise Development Company Limited (it was renamed as "Guangdong Greencool Enterprises Development Company Limited in 2004, hereinafter referred to as "Guangdong Greencool"), in connection with the transfer of 20.64% of the total share capital of the Company to Guangdong Greencool by Rongsheng Group. In April 2002, Rongsheng Group transferred its shareholding of 6.92%, 0.71% and 5.79% of the total share capital of the Company to Shunde Economic Consultancy Company, Shunde Dong Heng Development Company Limited and Shunde Xin Hong Enterprise Company Limited, respectively. After the abovementioned share transfers, Rongsheng Group, the former single largest shareholder of the Company, no longer held shares of the Company.

On 14 October 2004, Guangdong Greencool, as transferee, had been transferred 5.79% of the total share capital of the Company held by Shunde Xin Hong Enterprise Company. Upon completion of the share transfer, the percentage of total share capital of the Company held by Guangdong Greencool increased to 26.43%.

On 13 December 2006, 26.43% of the total share capital of the Company held by Guangdong Greencool Enterprises Development Company Limited was transferred to Qingdao Hisense Air-Conditioning Company Limited ("Qingdao Hisense Air-Conditioning"). Upon completion of the transfer, Guangdong Greencool, the former single largest shareholder of the Company, no long held shares of the Company.

The Company's share reform scheme was approved on the A shareholders' meeting on 29 January 2007 and approved by the Ministry of Commerce PRC on 22 March 2007. The shareholding of the largest shareholder, Qingdao Hisense Air-Conditioning, in the Company changed to 23.63% after the scheme. Since 2008, Qingdao Hisense Air Conditioning has successively increased the shareholding of the Company through secondary market. At the end of 2009, Qingdao Hisense Air Conditioning held 25.22% of the total share capital of the Company.

On 20 June 2007, the name of the Company was changed from "Guangdong Kelon Electrical Holdings Company Limited" to "Hisense Kelon Electrical Holdings Company Limited".

In accordance with the resolutions of the fourth interim meeting of the Company held on 31 August 2009, and as approved by the approval of China Securities Regulatory Commission dated 23 March 2010 "Letter of Reply Concerning the Approval for the Major Asset Restructuring of Hisense Kelon Electrical Holdings Company Limited and the Acquisition of Assets through Issuance of Shares to Qingdao Hisense Air-Conditioning Company Limited (Zheng Jian Xu Ke (2010) No. 329)", and the Letter of Reply Concerning the Approval for the Announcement by Qingdao Hisense Air-Conditioning Company Limited of the Acquisition Report of Hisense Kelon Electrical Holdings Company Limited and the Waiver of its General Offer Obligation (Zheng Jian Xu Ke (2010) No. 330), it was approved that the Company was to issue 362,048,187 renminbi ordinary shares (A shares) to Qingdao Hisense Air-conditioning (as a specific object), as consideration for the acquisition of 100% equity interests in Hisense (Shandong) Air-Conditioner Co., Ltd., 51% equity interests in Hisense (Zhejiang) Air-Conditioner Co., Ltd., 49% equity interests in Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd. ("Hisense Hitachi"), 55% equity interests in Hisense (Beijing) Air-Conditioner Co., Ltd., 78.70% equity interests in Qingdao Hisense Mould Co., Ltd. and the white goods marketing businesses and assets including refrigerators and air-conditioners of Qingdao Hisense Marketing Co., Ltd. ("Hisense Marketing");

I. COMPANY PROFILE — Continued

In 2010, the connected transaction in relation to the acquisition of assets by way of share (A share) issue by the Company from a specific object was completed, and the Company issued an additional of 362,048,187 A shares to Qingdao Hisense Air-conditioning under seasoned offering. The new shares were listed on 10 June 2010. On 30 June 2010, the registered capital of the Company changed from RMB992,006,563.00 to RMB1,354,054,750.00.

As at 30 June 2012, the total share capital of the Company was 1,354,054,750.00 shares and the registered share capital of the Company was RMB1,354,054,750.00, of which, the shareholding of the Company held by Qingdao Hisense Air-Conditioning was 45.22%.

Scope of operations of the Company:	Manufacture and sales businesses of refrigerators, air-conditioners and home appliances.
Place of registration of the Company:	No.8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.
Address of headquarters:	No.8 Ronggang Road, Ronggui, Shunde, Foshan, Guangdong Province.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS**1. Basis of preparation of the financial statements**

These financial statements were prepared in accordance with the Basic Standards and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and Application Guidance for the Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter, (hereafter referred to as "Accounting Standards for Business Enterprises", or "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission).

As the Company is listed on both Mainland and Hong Kong stock exchanges, apart from the relevant regulations mentioned above, the financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance.

2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflects the financial state, operating results, changes in shareholders' equity, cash flow and other related information of the Company.

3. Accounting period

The accounting period is based on the calendar year, starts on 1 January and ends on 31 December.

4. Reporting currency

Renminbi (RMB) was adopted by the Company as the reporting currency.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**5. Accounting treatments for business combinations involving entities under common and not under common control****(1) Business combinations involving entities under common control**

Business combination under common control is accounted for by the Polling of Interest method by the Company. Apart from adjustments necessary due to differences in accounting policies, the assets and liabilities acquired by the acquirer in business combination shall be measured at the carrying value of the acquiree on the date of combination. The difference between the carrying value of the net assets acquired by the acquirer and the carrying value of the consideration paid for combination (or total nominal value of the issued shares) shall be adjusted in the capital reserve. If such difference cannot be absorbed in the capital reserve, the remaining balance is adjusted against retained earnings.

For business combinations in which the Company is the acquirer, the incurred auditing, legal, appraisal and consulting and other agency fees and related management fees are charged to the profit or loss during the period in which they are incurred. Handling fees, commissions and other expenses paid for issuance of bonds or other liabilities committed in relation to business combination shall be charged to the initial measuring value of the bonds and other liabilities issued. Handling fees, commissions and other expenses paid for issuance of equity securities in relation to business combination shall be offset against the premium income from equity securities and whereas such amount cannot be offset by premium income, it shall be adjusted in retained earnings.

(2) Business combination involving entities not under common control

Business combination not under common control is accounted for by the acquisition method by the Company. The cost of acquisition represents the fair value of the cash or non-cash assets paid, liabilities issued or committed and equity securities issued by the Company as at the date of acquisition in consideration for acquiring the controlling power in the acquiree. For business combinations in which the Company is the acquirer, the incurred auditing, legal, appraisal and consulting and other agency fees and related management fees are charged to the profit or loss during the period in which they are incurred; the transaction fees related to the issuance of equity shares or bond securities as the consideration of business combination are charged to the initial measuring value of equity shares or bond securities issued.

The cost of combination as at the date of acquisition is identified as the initial investment cost for obtaining the long-term equity investment through business combination involving entities not under common control, and are recognized and measured by the fair values of all identifiable assets and liabilities acquired through business combination involving entities not under common control by the Company as at the date of acquisition. Where the cost of the combination exceeds the acquirer's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**6. Preparation of consolidated financial statements****(1) Preparation of consolidated financial statements**

The consolidated financial statements are prepared by the Company based on the separate financial statements of the Company and its subsidiaries and in accordance with other information after adjustments to the long-term equity investment in the subsidiaries under the equity method; where the accounting policies and accounting period adopted by the subsidiaries differ from those of the Company, necessary adjustments are made, and transactions or matters between companies within the scope of consolidation and internal liabilities are offset in the preparation of the consolidated financial statements; shareholders' equity in a subsidiary no longer held by the parent is separately set out as minority interests under the shareholders' equity of the consolidated financial statements; in case the loss for the current period loss attributable to minority shareholders of a subsidiary exceeds their share of owners' equity in the subsidiary at the beginning of the period, the difference shall be offset against the minority interests.

(2) Discloseable related accounting treatment of acquisition followed by disposal or disposal followed by acquisition of the equity of the same subsidiary within two consecutive accounting years

There was no acquisition followed by disposal or disposal followed by acquisition of the equity of the same subsidiary during the Reporting Period and the corresponding period.

7. Criteria for the recognition of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with bank and short-term (maturing within 3-months from the date of acquisition) an highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and translation of financial statements in foreign currency**(1) Foreign currency transactions**

Foreign currency transactions are translated into the denominating currency using the spot exchange rate prevailing at the date of the transaction.

As at the balance sheet date, foreign currency monetary items are translated into the denominating currency using the spot exchange rate prevailing at the balance sheet date, translation difference arising from a difference between the spot exchange rate prevailing at the balance sheet date and the spot exchange rate prevailing at initial recognition or the previous balance sheet date is charged to finance costs; foreign currency non-monetary items at historical cost are translated using the spot exchange rate prevailing at the transaction date; foreign currency non-monetary items at fair value are translated at adoption date of fair value using the spot exchange rate, and any difference between the translated amount in the measurement currency and the original amount in the measurement currency is charged to the profit or loss for the period as changes in fair value, except that the relevant translation difference of foreign currency non-monetary items available for sale is charged to the capital reserve.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**8. Foreign currency transactions and translation of financial statements in foreign currency — Continued****(2) Translation of financial statements in foreign currency**

For the translation of financial statements of a subsidiary denominated in foreign currency, all the assets and liabilities items in the balance sheet are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statement are translated using the spot exchange rate prevailing at the transaction date; all items in the cash flow statement are translated using the spot exchange rate prevailing at the date on which the relevant cash flow is incurred or a rate approximating the spot exchange rate. The effect of changes in the exchange rate on cash is separately presented as an adjustment as "Effect of foreign exchanges rate changes on cash and cash equivalents" in the cash flow statements.

Differences arising from the translation of foreign currency financial statements are separately set out as "Difference on translation of foreign currency financial statements" under "Shareholders' equity" in the consolidated balance sheet.

On disposal of overseas operations, the corresponding difference of foreign currency translation related to the overseas operations shall be transferred from shareholders' equity to the profit or loss for the current period. For partially disposed overseas operations, the translation difference of the financial statements are calculated based on the proportion of disposal and recognized in the profit or loss for the current period.

9. Financial instruments**(1) Classification of financial instruments**

The Company classifies the financial assets and liabilities by their purposes: financial assets or liabilities at fair value and accounted into current profits and losses (including held-for-trading financial assets or liabilities); held to maturity investments; accounts receivable; financial assets available for sale and other financial liabilities.

(2) Recognition and measurement of financial instruments**1. Recognition and derecognition of financial assets and financial liabilities**

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset when the following conditions are met:

- ① The rights to receive cash flows from the asset have expired;
- ② The financial asset has been transferred and the following conditions for the derecognition of financial assets are met.

A financial asset or part of it is derecognized when the existing obligation of the financial asset are fully or partially derecognized.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**9. Financial instruments — Continued****(2) Recognition and measurement of financial instruments — Continued****2. Classification and measurement of financial assets and financial liabilities**

Financial assets and financial liabilities of the Company are, at initial recognition, classified into the following five categories: financial assets or financial liabilities at fair value through profit or loss (including held-for-trading financial assets or financial liabilities and those designated upon initial recognition as financial assets at fair value through profit or loss; held-to-maturity investments, accounts receivable, available-for-sale financial assets and other financial liabilities. A financial asset or financial liability is recognized initially at fair value. In the case of financial assets or financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognized in the profit or loss for the current period; transaction costs relating to financial assets or financial liabilities of other categories are included in their initial recognized amount.

- ① Financial assets or financial liabilities at fair value through profit or loss for the current period

Financial assets at fair value through profit or loss include held-for-trading financial assets and those designated upon initial recognition as financial assets at fair value through profit or loss. Held-for-trading financial assets mainly refer to shares, bonds, funds and non-hedging derivatives held for disposal in the short-term or financial liabilities assumed for repurchase in the short-term; financial assets or financial liabilities designated as ones at fair value through the profit or loss for the current period mainly refer to those so designated by the Company for risk management, strategic investment and other purposes.

Such kind of financial assets or financial liabilities are measured at fair value. Except when they are used as effective derivatives, all realized and unrealized gains or losses on these financial assets are recognized in the profit or loss for the current period.

- ② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets such as sovereignty bonds at fixed rate and company bonds at floating rates that has fixed or determinable payments and fixed maturity and for which the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recognized at the sum of the fair value (after deduction of bond interests whose period has matured but not charged yet) and the related transactions fees by the Company.

During the holding period, held-to-maturity investments are measured at amortized cost using the effective interest rate method. Gains or losses arising from amortization or impairment and derecognition are recognized in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — *Continued*

9. Financial instruments — *Continued*

(2) *Recognition and measurement of financial instruments — Continued*

2. *Classification and measurement of financial assets and financial liabilities — Continued*

③ Accounts receivable

Accounts receivable refer to receivable creditor's right caused by the sale of goods and the providing of labor services to external customers by the Company, and receivables in other companies excluding debt instruments quoted in active markets, including accounts receivable, other receivables and long-term receivables. Accounts receivable are initially recognized at the contract price charged to the buyers or the agreed consideration. During the holding period, accounts receivable are measured at amortized cost using the effective interest rate method. Upon disposal, the difference between the sale value and the book value of the receivables shall be accounted into profits or losses of the current period on its recovery or disposal.

④ Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative financial assets that are designated as available for sale upon initial recognition and financial assets not classified as the above three categories of financial assets.

Available-for-sale financial assets are initially recognized at the sum of the fair value (after deduction of cash dividends which has been declared but not distributed yet bond interests whose period has matured but not charged yet) and the related transactions fees by the Company.

Available-for-sale financial assets are subsequently measured at fair value. The premium or discount is amortized using effective interest rate method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized as other comprehensive income in capital reserve, except for impairment losses and foreign exchange gains or losses resulted from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gain or loss previously recognized is transferred to the profit or loss for the current period. Interests and dividends relating to an available-for-sale financial asset are recognized in the profit or loss for the current period.

Upon disposal, the difference between acquisition consideration and the carrying value of financial assets shall be recognized as investment profits and losses, and the accumulated changes in fair value from the disposal shall be at the same time transferred from the shareholders' equity to investment profits and losses.

⑤ Other financial liabilities

Other financial liabilities refer to financial liabilities not measured at their fair values and the variation of which is not accounted into the profits or losses of the current period.

Other financial liabilities are initially recognized at the sum of the fair value and relevant transaction expenses. During the holding period, other financial liabilities are measured at amortized cost using the effective interest rate method. Gains or losses upon amortization or derecognition are accounted into profits and losses of the current period.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

9. Financial instruments — Continued

(3) Recognition and measurement of transfer of financial assets

- ① Financial assets are derecognized when the Group has transferred substantially all the risks and rewards of their ownership to the transferee or when the risks and rewards of their ownership are neither transferred nor retained upon loss of control of the financial assets.
- ② The principle of “substance over form” is adopted in judging the termination or not of recognizing financial assets. The transfer of financial assets is also divided into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:
 - A. The book value of the transferred financial asset;
 - B. The aggregate consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholders’ equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).
- ③ If the transfer of partial financial asset satisfies the conditions for stopping recognition, the carrying amount of the entire financial asset transferred shall, between the portion that has been derecognized and the portion that has not been derecognized (under such circumstance, the service asset retained shall be deemed as a portion that has not been derecognized), be allocated at their respective relative fair value, and the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:
 - A. The book value of the portion that has been derecognized;
 - B. The aggregate consideration of the portion that has been derecognized, and the portion of the accumulative amount of the changes in the fair value originally recorded in the shareholders’ equities which is corresponding to the portion that has been derecognized (in the event that the financial asset involved in the transfer is a financial asset available for sale).
- ④ Financial assets continue to be recognized when their transfer does not fulfill the derecognition conditions, and considerations received are recognized as financial liabilities.
- ⑤ For a financial asset transferred by the method of continuous involvement, the Company continues to recognize the financial asset being transferred by the method of continuous involvement as a financial asset as to the extent of transfer, and recognizes a financial liability at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**9. Financial instruments — Continued****(4) Conditions for derecognizing financial liabilities**

If the current obligations of financial liabilities has been lifted in whole or in part, then the Company shall derecognize the financial liabilities in whole or in part thereof; if the Company signs an agreement with creditors in order to take on new ways to replace the existing financial liabilities, and the new liabilities and the existing financial terms are substantially different, the Company shall terminate recognizing the existing financial liabilities, and begin to recognize the new financial liabilities at the same time.

If the terms of the contract involving the existing financial liabilities have been made with substantive changes in whole or in part, the Company shall terminate recognizing the existing financial liabilities in whole or in part, and at the same time, adopt the modified version of financial liabilities as a new one.

On derecognizing the financial liabilities in whole or in part, the difference between the book value of these financial liabilities and the payment (including the roll-out of non-cash assets and new financial liabilities to be assumed) shall be accounted into the profit or loss for the current period.

If repurchasing part of the financial liabilities, in accordance with the comparative fair value of the part to be continuously recognized and to be derecognized, the Company shall allocate the entire financial liabilities on the date of repurchasing. The difference between the part assigned to the derecognized book value and the payment (including the roll-out of non-cash assets or new financial liabilities to be assumed) shall be included into profits and losses of the current period.

(5) Determination of fair value of financial assets and liabilities

- ① If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.
- ② If no active market exists for a financial instrument, its fair value is determined using appropriate valuation techniques.

(6) Impairment of financial assets (excluding accounts receivables)

The Group assesses at the balance sheet date the carrying amount of every financial asset (excluding accounts receivable) at the balance sheet date. If there is objective evidence indicating a financial asset may be impaired, a provision is made for the impairment.

- ① Impairment provision of held-to-maturity investments:

Impairment provisions are measured at the difference between the carrying amount and the present value of the estimated future cash flows. Detailed reference to methods of measurement for impairment provision of receivables is carried out.

If there is objective evidence of a recovery in value of the financial assets and the recovery can be related to an event occurring after the impairment was recognized (such as an increase in the credit grade of the debtor), the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

9. Financial instruments — Continued

(6) Impairment of financial assets (excluding accounts receivables) — Continued

② Impairment provision of available-for-sale financial assets:

If there is objective evidence of a significant decrease in the fair value of an available-for-sale financial asset that is expected to form a trend and not transient, it can be ascertained that the available-for-sale financial assets has impaired and impairment provision shall be made. Upon impairment provision is made in respect of impaired available-for-sale financial assets, the accumulated loss from the decline in fair value originally recognized directly in shareholder's equity is removed. The accumulated loss so removed equals the balance of the initial acquisition cost of the available-for-sale financial asset (net of deducting principal payment and amortized amount) and current fair value less impairment losses originally recognized in the profit or loss.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. For the impairment loss recognized on an investment in an equity instrument classified as available-for-sale any increase of fair value that occurs after the impairment is reversed in shareholder's equity, not in profit or loss.

(7) Particulars of the basis for changes in intention or capacity for holding undue held-to-maturity investments reclassified as financial assets available for sale

During the Reporting Period and the corresponding period, the Company had no undue held-to-maturity investments that were reclassified as financial assets available for sale.

10. Recognition criteria and accounting treatment of accounts receivable

(1) Bad debt provisions for accounts receivable individually significant and subject to separate provision

Criteria and amount for individually significant receivables	Accounts for 10% or above (including 10%) of the total accounts receivable except the Greencool receivables.
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Accounting treatment of bad debt provisions for individually significant and subject to separate provision	Individually significant receivables are subject to separate impairment assessment, where there is clear evidence of impairment, the amount of the present value of the future cash flows expected to be derived from the receivables is less than the carrying amount shall be treated as impairment loss and accounted for as provision for bad debts. Where there is no impairment on according to the separate impairment assessment, shall be combined into certain groups with similar credit risk characteristics and subject to impairment assessment by groups.
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NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**10. Recognition criteria and accounting treatment of accounts receivable — Continued****(2) Accounts receivable subject to bad debt provisions by groups**

<u>Name of group</u>	<u>Accounting treatment of bad debt provisions by groups</u>	<u>Basis for recognition by groups</u>
Group 1	Based on aging analysis method	Groups of accounts receivable based on aging characteristics
Group 2	Individual impairment assessment, where the amount of the present value of the future cash flows expected to be derived from the receivables is less than the carrying amount shall be treated as impairment loss and accounted for as provision for bad debts	Greencool receivables

Among the groups, bad debt provisions made using aging analysis:

Applicable Not applicable

<u>Aging</u>	<u>Percentage to provision of accounts receivable (%)</u>
Within 3 months (including 3 months)	0
Over 3 months but within 6 months (including 6 months)	10
Over 6 months but within 1 year (including 1 year)	50
Over 1 year	100

Bad debt provisions made using balance percentage method in the category:

Applicable Not applicable

Bad debt provisions made using other methods in the category:

Applicable Not applicable

The amount of the present value of the future cash flows less than the carrying amount shall be treated as impairment loss and accounted for as provision for bad debts.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

10. Recognition criteria and accounting treatment of accounts receivable — Continued

(3) Accounts receivable individually insignificant but subject to separate provision

Reason for individual provision	Accounts receivable which are individually insignificant in one year or above
Method for bad debt provision	Accounts receivable which shall be separated from groups for individual assessment, where there is clear evidence of impairment. The amount of the present value of the future cash flows expected to be derived from the receivables is less than the carrying amount shall be treated as impairment loss and accounted for bad debt

11. Inventories

(1) Classification of inventories

Inventories are classified into: raw materials, goods in processing contract, low-value consumables, packaging materials, self-manufactured semi-finished goods, construction in progress, goods in transit, commodity stocks and etc.

(2) Calculation of the cost of inventories

FIFO method Weighted average method Individual determination Other

Raw materials are measured in accordance with the standard cost upon delivery, and amortized at the end of each month according to cost differences in order to adjust the standard cost to actual cost.

Construction in progress and commodity stocks are measured is accounted in accordance with the actual cost upon delivery, whereas the actual cost is determined using the weighted average method.

(3) Basis for the determination of net realizable value and the method of provision for declines in value of inventories

The net realizable value of finished goods, commodity stocks, materials ready for sale, and commodity inventories on immediate sales, is determined based on the estimated selling price in the ordinary course of business, less the estimated selling and distribution costs and related taxes.

The net realizable value of raw material is determined based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale, and related taxes;

For inventories held for fulfilling sales contract or labor contract, the net realizable value is based on the contract price; if the amounts of inventories held exceed the amounts of sales ordered specified in the contract, the exceeding amount is determined based on the market price.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — *Continued*

11. Inventories — *Continued*

(3) ***Basis for the determination of net realizable value and the method of provision for declines in value of inventories*** — *Continued*

The Company carries out inventory checkup at end of each accounting period, and states or adjusts impairment loss on inventories at the lower of cost or net realizable value. The provision for impairment loss on inventories is made on an individual basis in principle; for inventories in large quantity and with relatively low unit prices, provision for impairment loss on inventories shall be determined on an aggregated basis. In case of low-cost and numerous-in-variety inventories, the Company classifies the provision for impairment loss on inventories. And the Company consolidates the provision for impairment loss on inventories related to the production and sales of products in the same region, with the same or similar utilization and purpose, and difficult to calculate separately. In case the factors impacting the write-down of the inventories' value disappear, the write-down amount shall be reversed and the according provision of impairment shall be returned to the profit or loss for the current period.

(4) ***Inventories system***

Perpetual inventory system Regular inventory system Other

(5) ***Amortization of low-value consumables and packaging materials***

Low-value consumables

Method of amortization: expensed upon issuance.

Packaging materials

Method of amortization: expensed upon issuance.

12. Long-term equity investments

(1) ***Initial recognition***

1. *Long-term equity investments acquired from business combination involving entities under common control*

For long-term equity investments acquired from business combination involving entities under common control, the share of the book value of the shareholders' equity of the merged enterprise as at the date of combination after adjustments in accordance with the Company's accounting policies shall be taken as the initial investment cost.

2. *Long-term equity investments acquired from business combination involving entities not under common control*

For long-term equity investments acquired from business combination involving entities not under common control, the cost of combination as at the date of acquisition shall be taken as the initial investment cost.

For the gradual combination realized by separate procedures, the sum of book value shareholders' equity in the acquiree prior to the date of acquisition and the additional acquisition cost as at the date of acquisition shall be taken as the initial investment cost.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**12. Long-term equity investments — Continued****(1) Initial recognition — Continued****3. Long-term equity investment acquired by other methods**

The initial investment cost of a long-term equity investment obtained by making payment in cash shall be accounted for its actual cash paid.

The initial investment cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued (excluding declared but not yet paid cash dividends or profits received from the investee).

The initial investment cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement except the unfair value stipulated in the contract or agreement.

Under the conditions that the exchange of non-monetary assets is characterized with business essence, and the fair value of the assets received or surrendered can be accounted in a reliable way, the book value of assets received is defined on basis of the fair value of assets surrendered, except there are conclusive evidences for the stronger reliability of the fair value of assets received. For the exchange of non-monetary assets not meeting the above premises, the book value of assets surrendered and related taxes shall be accounted as cost of assets received and the profits and losses shall not be concluded.

The initial investment cost of long-term equity investment obtained by recombination of liabilities shall be accounted at fair value.

(2) Subsequent measurement and recognition of profits and losses

Long-term equity investments on the subsidiary company of an investing enterprise, investees not under common control or significant influence, and long-term equity investments not quoted in an active market and where its fair value cannot be measured reliably shall be accounted by the cost method. Long-term equity investments under common control or significant influence shall be accounted by the equity method.

Upon accounting of long-term equity investments using the cost method:

Apart from the actual consideration paid upon investment or cash dividends or profits already declared but not yet paid included in the consideration, the Company recognizes investment returns according to cash dividends or profits declared for payment by the investee to which it is entitled.

Upon accounting of long-term equity investments using the equity method:

1. If the initial cost of a long-term equity investment is more than the investing enterprise's attributable share of the fair value of the investee's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is lower than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the profit or loss for the current period and the cost of the long-term equity investment shall be adjusted at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**12. Long-term equity investments — Continued****(2) Subsequent measurement and recognition of profits and losses — Continued**

2. The Group recognizes its share of the net profit or loss made by the investee as investment income or losses, and adjusts the carrying amount of the investment accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments to the investee's net profit or loss based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profit or loss arising from internal transactions with its joint ventures and associates attributable to the investor according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognized in full).
3. The Group's share of net losses of the investee is recognized to the extent that the carrying amount of the long-term equity investment, together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has incurred obligations to assume additional losses. Subsequent net profits realized by the investee are re-recognized as share of profits after setting off un-recognized losses in its share of profits.
4. Entitlements to profits or cash dividends declared by the investee are calculated to write down the carrying value of the long-term investments.

Where any change is made to the shareholders' equity other than the net profits and losses of the investee, the book value of the long-term equity investment shall be adjusted and be included in the shareholders' equity, and the capital reserves shall be accordingly adjusted, in accordance with the attributable share of the net profits or losses of the investee.

(3) Definition of joint control and significant influence over the investees

1. Evidences for common control:

Joint control is the contractually agreed sharing of control over an economic activity. Generally upon the establishment of a joint venture, significant financial and production, operating and decision-making procedures of the joint venture being established by the joint venture parties to the investment contract or agreement are subject to the agreement by all the joint venture parties. Common control is evidenced by the following three bases:

- A. None of the parties shall be controlling the production and operating activities of the joint venture on a sole basis.
- B. Decision-making related to the fundamental operation of the joint venture requires the unanimous consent of the joint venture parties.
- C. The joint venture parties may by way of contract or agreement appoint one of the joint venture parties to carry out management of the ordinary activities of the joint venture, given that the management power shall be exercised within the financial, operating and policy-making scope unanimously agreed upon by the joint venture parties.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

12. Long-term equity investments — Continued

(3) Definition of joint control and significant influence over the investees — Continued

2. Evidences for significant influence:

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an entity, but not the power to control or jointly control over the formulation of such policies with other parties. When the Company directly or indirectly through a subsidiary owns more than 20% (including 20%) but less than 50% of the voting rights of an investee, significant influence over the investee is established unless there is clear evidence that the situation constitutes no significant influence as the Company is unable to participate in making decisions on the financial and operating policies of the investee. When the Company owns less than 20% of the voting rights of an investee, significant influence over the investee is generally not established unless there is clear evidence that the situation constitutes significant influence as the Company is able to participate in making decisions on the financial and operating policies of the investee.

(4) Test of impairment and recognition of provision for impairment

For long-term equity investments characterized with significant impact, not quoted in active markets, and whose fair value cannot be reliably measured, the impairment loss is determined on basis of the difference between their book value and the present value of similar financial assets whose market rate of return on future cash flow can be discounted.

Other than goodwill arising from business combination, long-term equity investment with the evidence of impairment is impaired if the recoverable amount of the measurement results shows that the recoverable amount of the long-term equity investment is below its book value, and the difference will be recognized as impairment loss.

For goodwill arising from business combination, regardless of whether there is indication of impairment, annual impairment testing shall be conducted.

The impairment loss of long-term equity investments cannot be reversed once recognized.

13. Investment properties

Investment properties refer to properties held to earn rental or capital appreciation or both of them, and represents buildings which have been leased out in the Company.

Investment properties are recognized at the cost of initial acquisition, and are provided for depreciation or amortization for the period in accordance with the relevant requirements for fixed assets and intangible assets.

Where there is evidence for depreciation, the Company estimates the recoverable value and defines the impairment loss when the recoverable value is lower than its book value.

The impairment loss of investment property cannot be reversed once recognized.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**14. Fixed assets****(1) Recognition of fixed assets**

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year. Fixed assets are recognized when they meet the following conditions:

1. When it is probable that the economic benefits associated with the fixed asset are likely to flow into the Company;
2. The cost of the fixed asset can be reliably measured.

(2) Recognition and measurement of fixed assets under finance leases

The Company had no fixed assets under finance leases during the Reporting Period and the corresponding period.

(3) Depreciation of fixed assets

Fixed assets are depreciated by categories using the straight-line method over their useful lives. Fixed assets are initially depreciated when they are available for intended use, and are derecognized when they are derecognized or categorized as non-current assets available for sale (except fixed assets that are fully provided and are under continuous use, and lands accounted for separately). When no impairment provision is made, the annual depreciation rates for different fixed assets are determined by residual value, asset category, and estimated useful life as follows:

Category	Useful life (year)	Rate of residual value (%)	Annual depreciation rate (%)
Buildings	20-50	0-10	1.8-5
Machineries and equipment	5-20	5-10	4.5-19
Electronic equipment	5-10	5-10	9-19
Motor vehicles	5-10	5-10	9-19
Other equipment (moulds)	3	0	33.33
Fixed assets under finance leases:	—	—	—
Including: Buildings			
Machineries and equipment			
Electronic equipment			
Motor vehicles			
Other equipment			

Remarks: The depreciation policies for the above categories of fixed assets have been updated according to the actual implementation of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**14. Fixed assets — Continued****(3) Depreciation of fixed assets — Continued**

Due to negligence of the Company's financial staff, the disclosure of depreciation policies for fixed assets were not complete in the regular report, resulting in non-conformity of the depreciation policies for fixed assets for the previous period with the actual situation. However, there has been no change in the depreciation policies for the fixed assets of the Company and its subsidiaries, provision for depreciation remained the same as the previous policies to strictly adhere to the principle of consistence. These updates do not affect the amount of depreciation of fixed assets for the current and previous periods, and the carrying amount of fixed assets was not affected.

(4) Testing and provision for depreciation of fixed assets

The Company determines whether there is evidence of impairment that may occur upon fixed assets at end of each period.

If there is indication of impairment of fixed assets, the Company shall estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value at the end of assets after subtracting

When the recoverable amount of fixed assets is below their book value, the book value of fixed assets shall be written down to its recoverable amount, and the amount of write-down shall recognized as impairment loss of fixed assets, and included into current profits and losses. At the same time, the provision for depreciation of fixed assets shall be accrued.

After the recognition of impairment losses of fixed assets, the depreciation of fixed assets for impairment shall be accordingly adjusted in future periods so that during the remaining useful life of the fixed assets, the book value of adjusted fixed assets can be systematically amortized (less the estimated net residual value).

After the recognition, the impairment loss of fixed assets shall not be reversed in the subsequent accounting period.

If there are indications showing that a possible impairment of fixed assets could take place, the Company shall estimate its recoverable amount based on individual fixed assets. If difficult to do so, the Company shall determine the recoverable amount of the assets group on basis of the asset groups to which the fixed assets belong.

(5) Other illustrations

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**15. Construction in progress****(1) Categories of construction in progress**

Constructions in progress are measured at actual cost and are accounted for by individual projects.

(2) Time-point of transfer from construction in progress to fixed assets

Constructions in progress are transferred to fixed assets when all the actual expenses incurred and are ready for their intended use. When construction in progress is ready for its intended use but has not completed the final accounts, it is transferred to fixed assets using an estimated cost on the day when it is ready for intended use and depreciation is made accordingly pursuant to the Company's depreciation policy, the estimated cost can be based on project budget, project price or actual construction cost. The estimated cost is adjusted by the actual cost after the completion of the final accounts without adjustments to the depreciation already provided.

(3) Testing and provision for impairments of construction in progress

The Company determines whether there is evidence of impairment that may occur upon construction in progress at end of each period.

If there is indication of impairment of construction in progress, the Company shall estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value of construction in progress after subtracting costs of disposal and the present value of expected future cash flow from construction in progress.

When the recoverable amount of construction in progress is below their book value, the book value of construction in progress shall be written down to its recoverable amount, and the amount of write-down shall recognized as impairment loss of construction in progress, and included into current profits and losses. At the same time, the provision for depreciation of construction in progress shall be accrued.

After the recognition, the impairment loss of construction in progress shall not be reversed in subsequent accounting period.

If there are indications showing that impairment of certain construction in progress is possible, the Company shall estimate its recoverable amount based on individual construction. If difficult to do so, the Company shall determine the recoverable amount of the assets group on basis of the asset groups to which the construction in progress belongs.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**16. Borrowing costs****(1) Principles of recognition for capitalization of the borrowing costs**

Assets eligible for capitalization refer to the fixed assets, investment real estate, inventories and other assets that require a substantially long period of time of acquisition and construction or production to become available for its intended use commence or for sale. Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary costs, and exchange differences arising from foreign currency borrowings.

Where the borrowing costs incurred to the Company can be directly attributed to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the profit or loss for the current period.

The borrowing costs shall not be capitalized unless they meet the following requirements at the same time:

1. The asset expenses are already incurred, which shall include expenses in form of cash, transfer of non-cash assets or interest bearing debts paid for the acquisition and construction or production of preparing assets eligible for capitalization;
2. The borrowing costs are already incurred;
3. The acquisition and construction or production activities necessary to prepare the asset for its intended use or sale have already commenced.

(2) Period of capitalization of the borrowing costs

Borrowing costs are capitalized as a cost of the qualifying assets being acquired, constructed or produced before they become ready for its intended use or sale; and the capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current year.

(3) Suspension of capitalization period

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. Where the interrupted acquisition and construction or production of the qualified asset is available for intended use or marketable condition, the capitalization of loans shall reinitiate. The borrowings occurred during the suspension period shall be determined as profits and losses of the current period, and the capitalization will not reinitiate until the reactivation of the interrupted acquisition and construction or production of the qualified asset.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**16. Borrowing costs — Continued****(4) Calculation of capitalized borrowing costs**

For the specific borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of interest which is eligible for capitalization (deducting any interest earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowing) and the ancillary expense incurred to the specific borrowings incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale, shall be capitalized at the incurred amount when they are incurred.

For the general borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of interest which is eligible for capitalization is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

During the capitalization period, translation differences form principal and interest of amount in foreign exchange borrowed for a specific purpose are capitalized as a cost of the qualifying assets.

17. Biological assets

Nil

18. Oil and gas assets

Nil

19. Intangible assets**(1) Measurement of intangible assets**

Intangible assets are initially recognized based on the actual cost. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

The book value of the intangible assets acquired as debt assets through the recombination of liabilities shall be accounted on basis of the fair value of the intangible assets; under the conditions that the exchange of non-monetary assets is characterized with business essence, and the fair value of the assets received or surrendered can be accounted in a reliable way, the book value of assets received is defined on basis of the fair value of assets surrendered, except there are conclusive evidences for the stronger reliability of the fair value of assets received. For the exchange of those non-monetary assets not meeting the above premises, the book value of assets surrendered and related taxes shall be accounted as cost of assets received but not recognized in the profits and losses.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

19. Intangible assets — Continued

(2) Estimate of useful life for the intangible assets with finite useful life

Intangible asset with a finite useful life are amortized over the estimated useful life from the month of acquisition using the straight-line method. The useful life and method of amortization for intangible assets are reviewed and adjusted at least annually at the end of each year.

When a certain asset is expected to no longer generate any future economic benefits to the Company, the carrying value of the intangible asset is entirely transferred into the profit or loss for the period.

Item	Estimated useful life	Basis
Land use rights	Beneficial period	Accounting period
Trademarks	Beneficial period	Accounting period
Know-hows	10 years	Accounting period
Other intangible assets	Beneficial period	Accounting period

(3) Basis for determining intangible assets with uncertain useful life

Intangible assets whose useful life of economic benefits cannot be predicted are deemed as intangible assets with indefinite useful life.

(4) Provision for depreciation of intangible assets

Intangible assets with definite service life are subject to impairment testing at the end of period when there is obvious indications of impairment.

Intangible assets with indefinite service life are subject to impairment testing at the end of each period.

Impairment testing of intangible assets is used to estimate their recoverable amount. The recoverable amount of intangible assets represents the higher between the net fair value of intangible assets less disposal fees and the present value of estimated future cash flow of intangible assets.

When the recoverable amount of intangible assets is lower than their book value, the book value of intangible assets shall be written down to its recoverable amount, and the amount of write-down is recognized as an intangible asset impairment losses, included in current profits and losses, and the corresponding provision for depreciation shall be accrued at the same time.

After the recognition of impairment losses of intangible assets, the Company shall adjust accordingly the depletion or amortization costs in future periods, so that during the remaining useful life, the adjusted book value of intangible assets (less estimated net residual value) can be systematically amortized.

The impairment losses of intangible assets will not be recovered in subsequent accounting periods after the recognition.

If there are indications of a possible impairment of intangible assets, the Company shall estimate the recoverable amount based on the individual intangible assets. In case that it is difficult to estimate the recoverable amount of the individual intangible assets, the Company determines their recoverable amount based on the assets group to which the individual intangible assets belong.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**19. Intangible assets — Continued****(5) Specific criteria for the classification of research phase and development phase during internal research and development projects**

Research phase: the phase during which original and planned investigation and research are carried out with purpose of obtaining and understanding new scientific or technical knowledge.

Development phase: the phase during which the research achievement or other knowledge is applied to a particular project or design in order to produce new or substantially improved materials, devices, products, etc. before commercial production and utilization.

(6) Accounting of expenditure on internal research and development projects

Expenditure on the research phase of internal research and development projects are accounted into profit or loss for the current period.

Expenditure on the development phase of internal R&D projects is capitalized only if all of the following conditions are satisfied at the same time:

1. It is technically feasible to complete the intangible asset so that it will be available for use;
2. The project is intended to complete to be used or sold;
3. The method in which the intangible assets bring economic benefits can be demonstrated how the intangible asset will generate economic benefits or the intangible assets has its own market, or that they can be used in case of internal utilization;
4. The Company has adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;

The expenditure attributable to intangible assets during its development phase can be reliably measured.

20. Method of amortization for long-term prepaid expenses

Long-term prepaid expenses include expenditures incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on a straight-line basis over the expected beneficial period. Organization cost during preparatory period should be recognized in profit or loss in the month as incurred.

21. Asset transfer with repurchase conditions attached

Nil

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**22. Estimated liabilities****(1) Recognition of estimated liabilities**

Present obligation arising from pending litigation, product warranties, onerous contracts etc. are recognized as estimated liabilities when it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of obligation can be measured reliably.

(2) Measurement of estimated liabilities

Estimated liabilities is initially measured at the best estimate of the expenditure required to settle the related present obligation after comprehensively taking into account factors surrounding a contingency, such as the risks, uncertainties and the time value of money. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

23. Share-based payments and equity instruments**(1) Share-based payments**

Equity-settled share incentives granted to senior management by the Company. Equity instruments used for share incentives are measured by their fair value as at the date of grant.

(2) Determination of fair value of equity instruments

If there is an active market for an equity instrument granted such as share option, the quoted price in the active market is used to establish the fair value of the equity instrument. If there is no active market for the equity instrument granted such as share option, the option pricing model is used to determine the fair value.

(3) Recognition basis for the best estimate of fair value of exercisable equity instruments

On each balance sheet date within the vesting period, the estimated number of exercisable equity instruments is amended based on the latest subsequent information as to changes in the number of employees with exercisable rights. As at the exercise date, the final number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

(4) Accounting treatment of implementation, amendment and termination of share-based payments

The accumulated cost recognizable for the period is calculated based on the above fair value of equity instruments and estimated number of exercisable equity instruments, after deducting the recognized amount for the previous period, as the cost recognizable for the period.

24. Repurchase of shares of the Company

Nil

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**25. Income****(1) Specific criteria for time of recognition of income from sale of goods**

Revenue from the sale of goods is recognized when the following conditions are satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the associated economic benefits will flow to the Company; the relevant revenue and costs can be measured reliably.

(2) Basis for recognition of income from abalienating the right to use assets

When the economic benefits related to the transaction is likely to flow to the Company and the relevant income can be reliably measured. The treatment will be different under the following conditions:

The income of interests is determined on basis of the time and effective interest rate of the Company's cash funds which is utilized by other persons.

The income of royalties is determined on basis of the chargeable time and method fixed under relevant agreement or contract.

(3) Basis and method for determination of completion progress for contracts upon recognition of income from provision of labor and income from construction contracts using the percentage-of-completion method

On the balance sheet date, outcome of a transaction on rendering of services that could be reliably estimated shall be recognized using percentage-of-completion method. An enterprise may adopt the measurement of the work completed to ascertain the schedule of completion under the transaction concerning the providing of labor services.

The Company determines the total revenue from labor services in accordance with the received or receivable purchase price fixed by contract or agreement, except when the price is unfair. On the balance sheet date, the Company confirms the labor services income of the current period according to the total revenue of labor services multiplied by the percentage of completion and less the accumulated determined services revenues in previous periods. At the same time, the Company confirms the labor services expenditure of the current period according to the total cost of labor services multiplied by the percentage of completion and less the accumulated determined services expenditure in previous periods.

If an enterprise cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

1. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount.
2. If the cost of labor services incurred is not expected to compensate, the cost incurred shall be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**26. Government grant****(1) Categories**

Government subsidies refer to the monetary and non-monetary assets that the Company obtains free-of-charge from the Government. They are divided into asset-related government subsidies and benefit related government subsidies.

(2) Accounting treatment of government grants

A government grant related to an asset shall be recognized as deferred income immediately in profit or loss for the current period, and evenly amortized to profit or loss over the useful life of the related asset.

A government grant measured at a nominal amount is recognized immediately in profit or loss for the current period.

A government grant related to income, where the grant is a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant shall be recognized as deferred income; where the grant is a compensation for related expenses or losses already incurred by the enterprise, the grant shall be recognized immediately in profit or loss in the current period.

27. Deferred income tax assets and liabilities**(1) Basis for recognition of deferred income tax assets**

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized. Where it is impossible to estimate the amount of taxable income possibly expected to be obtained during the period in which the deductible temporary differences are expected to be reversed, the deferred tax assets related to the deductible temporary differences are not recognized. Deferred tax liabilities arising from taxable temporary differences related to investments in subsidiaries are recognized, except when the time of the reversal of taxable temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future. Deferred tax assets arising from taxable temporary differences related to investments in subsidiaries are recognized when they are likely to be reversed in the foreseeable future (that is, there are definite plans for the disposal of the investment in the foreseeable future), and it is expected that there will be adequate investment income to offset the deductible temporary differences, in addition to adequate taxable income.

(2) Basis for recognition of deferred income tax liabilities

The Company recognizes taxable temporary differences in current and previous periods as deferred income tax liabilities. However, goodwill, transactions not arising from business combination and whose occurrence will not impact accounting profits nor the taxable income or temporary differences of deductible losses shall not be included.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — *Continued*

28. Operating leases and finance leases

(1) *Accounting treatment of operating leases*

Where the Company is the lessor, rental incomes from operating leases are recognized as profit and loss of the current period using the straight line method over each period within the term of the lease. The initial overheads are accounted for in the profit and loss of the current period.

Where the Company is the lesser, rental incomes from operating leases are recognized as cost of the relevant assets or profit and loss of the current period using the straight line method over each period within the term of the lease. The initial overheads are accounted for in the profit and loss of the current period.

(2) *Accounting treatment of finance leases*

Nil

29. Assets available for sale held

(1) *Recognition of assets available for sale held*

Nil

(2) *Accounting treatment of assets available for sale held*

Nil

30. Asset securitization business

Nil

31. Accounting of hedging

Nil

2. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued

32. Changes in significant accounting policies and accounting estimates

Any changes in significant accounting policies and accounting estimates during the Reporting Period

Yes No

(1) Changes in significant accounting policies

Any changes in significant accounting policies during the Reporting Period

Yes No

(2) Changes in accounting estimates

Any changes in accounting estimates during the Reporting Period

Yes No

33. Correction of accounting errors of prior periods

Any accounting errors of prior periods discovered during the Reporting Period

Yes No

(1) Retrospective restatement method

Any accounting errors of prior periods discovered using the retrospective restatement method during the Reporting Period

Yes No

(2) Future applicable method

Any accounting errors of prior periods discovered using the future applicable method during the Reporting Period

Yes No

34. Other significant accounting policies, accounting estimates and preparation of financial statement

Nil

3. TAXATION

1. Major categories and rates of tax of the Company

Category of tax	Basis of taxation	Tax rate
Value-added tax	Taxable amount of added value	17%
Business tax	Taxable business turnover	5%
City maintenance and construction tax	Taxable turnover tax	1%-7%
Education surcharge	Taxable turnover tax	3%
Corporate income tax	Taxable income	25%

2. Tax preferences and approvals

Hisense Ronshen (Guangdong) Refrigerator Co., Ltd. (a subsidiary of the Company) has received the High/New Technology Enterprise Certificate (Number: GF201144000198) dated 23 August 2011 jointly issued by the Guangdong Science and Technology Department, Guangdong Provincial Finance Department, Guangdong Provincial Office of State Administration of Taxation and Guangdong Provincial Local Taxation Bureau, with an effective period of three years (2011, 2012 and 2013). According to the relevant tax preferences for High/New Technology Enterprises, the applicable enterprise income tax rate for the company in 2011, 2012 and 2013 was 15%.

Guangdong Kelon Mould Co., Ltd. (a subsidiary of the Company) has received the High/New Technology Enterprise Certificate (Number: GF201144000843) dated 13 October 2011 jointly issued by the Guangdong Science and Technology Department, Guangdong Provincial Finance Department, Guangdong Provincial Office of State Administration of Taxation and Guangdong Provincial Local Taxation Bureau, with an effective period of three years (2011, 2012 and 2013). According to the relevant tax preferences for High/New Technology Enterprises, the applicable enterprise income tax rate for the company in 2011, 2012 and 2013 was 15%.

Hisense Ronshen (Guangdong) Freezer Co., Ltd. (a subsidiary of the Company) received Certificate of High/New Technology Enterprise (Number: GR200944000796) dated 14 December 2009 jointly issued by the Guangdong Science and Technology Department, Guangdong Provincial Finance Department, Guangdong Provincial State Tax Bureau and Guangdong Provincial Local Taxation Bureau, with an effective period of three years (2009, 2010 and 2011). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2009, 2010 and 2011 is 15%. The re-assessment of High/New Technology Enterprise status for Ronshen Freezer in 2012 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

Guangdong Kelon Fittings Co., Ltd. (a subsidiary of the Company) received the Certificate of High/New Technology Enterprise (Number: GR201044000174) dated 26 September 2010 jointly issued by the Guangdong Science and Technology Department, Guangdong Provincial Finance Department, Guangdong Provincial State Tax Bureau and Guangdong Provincial Local Taxation Bureau, with an effective period of three years (2010, 2011 and 2012). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2010, 2011 and 2012 is 15%.

Hisense (Chengdu) Refrigerator Co., Ltd. (a subsidiary of the Company) received the Certificate of High/New Technology Enterprise (Number: GR200951000315) dated 28 December 2009 jointly issued by the Sichuan Science and Technology Department, Sichuan Provincial Finance Department, Sichuan Provincial State Tax Bureau and Sichuan Provincial Local Taxation Bureau, with an effective period of three years (2009, 2010 and 2011). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2009, 2010 and 2011 is 15%. The re-assessment of High/New Technology Enterprise status for Hisense Chengdu in 2012 is under progress, and according to the relevant requirements on State tax, the preferential rate of 15% is effective temporarily during the re-assessment period.

3. TAXATION — Continued**2. Tax preferences and approvals — Continued**

Hisense (Beijing) Electric Co., Ltd. (a subsidiary of the Company) received Certificate of High/New Technology Enterprise (Number: GF201111002104) dated 28 October 2011 jointly issued by the Beijing Science and Technology Department, Beijing Finance Department, Beijing State Taxation Bureau and Beijing Local Taxation Bureau, with an effective period of three years (2011, 2012 and 2013). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2011, 2012 and 2013 is 15%.

Hisense (Nanjing) Electric Co., Ltd. (a subsidiary of the Company) received the Certificate of High/New Technology Enterprise (Number: GR201032000380) dated 13 December 2010 jointly issued by the Jiangsu Science and Technology Department, Jiangsu Provincial Finance Department, Jiangsu Provincial State Taxation Bureau and Jiangsu Provincial Local Taxation Bureau, with an effective period of three years (2010, 2011 and 2012). According to the relevant tax preference regulation on High/New Technology Enterprises, income applicable enterprise tax rate for the company in 2010, 2011 and 2012 is 15%.

Hisense (Shandong) Air-conditioning Co., Ltd. (a subsidiary of the Company) received the Certificate of High/New Technology Enterprise (Number: GF201137100040) dated 6 September 2011 jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Shandong Provincial State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2011, 2012 and 2013). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2011, 2012 and 2013 is 15%.

Qingdao Hisense Mould Co., Ltd. (a subsidiary of the Company) received the Certificate of High/New Technology Enterprise (Number: GF201137100073) dated 6 September 2011 jointly issued by the Qingdao Science and Technology Department, Qingdao Finance Department, Shandong Provincial State Taxation Bureau and Qingdao Local Taxation Bureau, with an effective period of three years (2011, 2012 and 2013). According to the relevant tax preference regulation on High/New Technology Enterprises, the applicable enterprise income tax rate for the subsidiary in 2011, 2012 and 2013 is 15%.

Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd. and Xi'an Kelon Cooling Co., Ltd. (a subsidiary of the Company) are entitled to the preferential tax policy of "two-year holiday and three-year 50% reduction" at an applicable tax rate of 12.5%.

The subsidiaries of the Company in Hong Kong are taxed on the earned or estimated profits from Hong Kong at a rate of 16.5%

3. Other illustrations

Other taxes of the PRC, including real estate tax, land use tax, vehicle and vessel tax, stamp duty, withholding personal income tax etc., are calculated and payable in accordance with the relevant requirements of the National tax laws.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

General description of business combination and consolidated financial statements:

1. Subsidiaries

(1) Subsidiaries acquired from establishment or investment

Unit: RMB'0000

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business and principal activities	Registered capital	Entity type	Scope of business	Actual investment at the end of the Period	Shareholding (%)		% of voting rights	Consolidated or not	Minority interest
								Direct	Indirectly			
Hisense Ronshen ("Guangdong) Refrigerator Co., Ltd. ("Ronshen Refrigerator")	Wholly-owned subsidiary	Foshan	Industrial	US\$26,800,000	Limited liability company	Manufacture and sale of refrigerators	20,620.79	70%	30%	100.00%	Yes	
Guangdong Kelon Air-conditioner Co., Ltd. ("Kelon Air-conditioner") ¹	Subsidiary	Foshan	Industrial	US\$36,150,000	Limited liability company	Manufacture and sale of air-conditioners	28,100.00	60%		100.00%	Yes	
Hisense Ronshen ("Guangdong) Freezer Co., Ltd. ("Ronshen Freezer")	Wholly-owned subsidiary	Foshan	Industrial	23,700.00	Limited liability company	Manufacture and sale of freezers	3,593.09	44%	56%	100.00%	Yes	
Shunde Kelon Household Electrical Appliance Co., Ltd. ("Kelon HEA")	Wholly-owned subsidiary	Foshan	Industrial	1,000.00	Limited liability company	Manufacture and sale of household appliances	250.00	25%	75%	100.00%	Yes	
Guangdong Kelon Fittings Co., Ltd. ("Kelon Fittings")	Wholly-owned subsidiary	Foshan	Industrial	US\$5,620,000	Limited liability company	Manufacture and sale of spare parts for refrigerators and air-conditioners	4,325.48	70%	30%	100.00%	Yes	
Foshan Shunde Rongsheng Plastic Co., Ltd. ("Rongsheng Plastic")	Subsidiary	Foshan	Industrial	US\$15,827,400	Limited liability company	Manufacture of plastic parts	8,275.54	44.92%	25.13%	70.05%	Yes	8,023.49
Guangdong Kelon Mould Co., Ltd. ("Kelon Mould")	Subsidiary	Foshan	Industrial	US\$15,056,100	Limited liability company	Manufacture of mould	7,867.54	40.22%	29.89%	70.11%	Yes	4,432.80
Guangdong Huao Electronics Co., Ltd. ("Huao Electronics") ¹	Subsidiary	Foshan	Industrial	1,000.00	Limited liability company	Research and development, production and sale of electronic products	700.00		70%	100.00%	Yes	
Guangdong Foshan Shunde Kelon Property Service Co., Ltd. ("Kelon Property")	Wholly-owned subsidiary	Foshan	Service	500.00	Limited liability company	Corporate consultancy management, catering, household decoration design	492.78		100.00%	100.00%	Yes	
Foshan Shunde Wangao Import & Export Co., Ltd. ("Wangao I&E")	Wholly-owned subsidiary	Foshan	Commercial	300.00	Limited liability company	Import and export	300.00	20%	80%	100%	Yes	
Foshan Shunde Kelon Jake Electronics Co., Ltd. ("Kelon Jake")	Wholly-owned subsidiary	Foshan	Industrial	6,000.00	Limited liability company	IT and communication technology, and micro-electronics technology development	6,000.00	70%	30%	100%	Yes	
Guangdong Kelon Welli Electrical Appliances Co., Ltd. ("Kelon Welli")	Subsidiary	Zhongshan	Industrial	20,000.00	Limited liability company	Production of intelligent washing machines, intelligent air-conditioners and after-sale maintenance services and technology consultation for other products, 70% products for domestic sale		55%	25%	80%	Yes	(391.77)
Hisense Ronshen ("Yingkou) Refrigerator Co., Ltd. ("Yingkou Kelon")	Subsidiary	Yingkou	Industrial	20,000.00	Limited liability company	Manufacture and sale of refrigerators	14,331.60	42%	36.79%	78.79%	Yes	1,708.53
Jiangxi Kelon Industrial Development Co., Ltd. ("Jiangxi Kelon")	Wholly-owned subsidiary	Nanchang	Industrial	US\$29,800,000	Limited liability company	Manufacture and sale of household and commercial air-conditioners, refrigerators, freezers and small household appliances	24,233.57	60%	40%	100%	Yes	
Jiangxi Kelon Combine Electrical Appliances Co., Ltd. ("Jiangxi Combine") ¹	Subsidiary	Nanchang	Industrial	2,000.00	Limited liability company	Research and development, production and sale of household and commercial air-conditioners, refrigerators, freezers and small household appliances	1,100.00		55%	55%	No	
Hangzhou Kelon Electrical Co., Ltd. ("Hangzhou Kelon")	Wholly-owned subsidiary	Hangzhou	Industrial	2,400.00	Limited liability company	Research and development and production of high efficiency, energy saving and environmental friendly refrigerators, technology for environmental friendly refrigerators, information consultation, warehousing, and sale of the Company's products	2,400.00	100%		100%	Yes	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued

1. Subsidiaries — Continued

(1) Subsidiaries acquired from establishment or investment — Continued

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business and principal activities	Registered capital	Entity type	Scope of business	Actual investment at the end of the Period	Shareholding (%)		% of voting rights	Consolidated or not	Minority interest
								Direct	Indirectly			
Hisense Ronshen ("Yangzhou") Refrigerator Co., Ltd. ("Yangzhou Kelon")	Wholly-owned subsidiary	Yangzhou	Industrial	US\$44,447,900	Limited liability company	Production and sale of energy saving, environmental friendly refrigerators and other energy saving cooling electrical appliances	32,477.77	74.33%	25.67%	100%	Yes	
Shangqiu Kelon Electrical Co., Ltd. ("Shangqiu Kelon")	Wholly-owned subsidiary	Shangqiu	Industrial	15,000.00	Limited liability company	Research and development, manufacture and sale of household and commercial air-conditioners, refrigerators, freezers and small household appliances and parts and accessories, and provision of relevant information and technical consultancy services	15,000.00		100%	100%	Yes	
Zhuhai Kelon Electrical Industrial Development Co., Ltd. ("Zhuhai Kelon")	Wholly-owned subsidiary	Zhuhai	Industrial	US\$29,980,000	Limited liability company	Research and development and manufacture of refrigerators, air-conditioners, freezers, small household appliances and related accessories	23,710.71	75%	25%	100%	Yes	
Xi'an Kelon Cooling Co., Ltd. ("Xi'an Kelon")	Subsidiary	Xi'an	Industrial	20,200.00	Limited liability company	Development, manufacture, design and production of chlorofluorocarbon-free refrigerator (freezer) cooling compressor products; sales of products and conducting after-sale maintenance services	10,772.96	60%		60%	Yes	
Shenzhen Kelon Purchase Co., Ltd. ("Shenzhen Kelon")	Wholly-owned subsidiary	Shenzhen	Commercial	10,000.00	Limited liability company	Domestic business, material supply and marketing (excluding franchise, control and monopoly of goods); import and export; provision of warehousing, information consultation	10,000.00	95%	5%	100%	Yes	
Pearl River Electric Refrigerator Co., Ltd. ("Pearl River")	Wholly-owned subsidiary	Hong Kong	Commercial	HK\$400,000	Limited liability company	Sale of raw materials and accessories	32.56		100%	100%	Yes	
Kelon Development Co., Ltd. ("Kelon Development")	Wholly-owned subsidiary	Hong Kong	Investment	HK\$5,000,000	Limited liability company	Investment holding	1,120.00	100%		100%	Yes	
Kelon (Japan) Limited ("Kelon Japan")	Wholly-owned subsidiary	Japan	Commercial	JPY1,100,000,000	Limited liability company	Technical research and trading in electrical household appliances	2,481.75		100%	100%	Yes	
Kelon (USA) Inc. ("Kelon USA")	Wholly-owned subsidiary	USA	Service	US\$100	Limited liability company	Business liaison	190.06		100%	100%	Yes	
Kelon International Incorporation ("KII")	Wholly-owned subsidiary	British Virgin Islands	Commercial	US\$50,000	Limited liability company	Investment holding and sale of household appliances	0.0006		100%	100%	Yes	
Hisense (Chengdu) Refrigerator Co., Ltd. ("Hisense Chengdu")	Wholly-owned subsidiary	Chengdu	Industrial	5,000.00	Limited liability company	Manufacture of household appliances and refrigeration equipment, sale of the Company's products and provision of related after-sale services	5,000.00	100%		100%	Yes	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued

1. Subsidiaries — Continued

(2) Subsidiaries acquired from business combination involving entities under common control (Unit: RMB'0000)

Name of subsidiary	Type of subsidiary	Registered place	Nature of Business and principal activities	Registered capital	Entity type	Scope of business	Actual investment at the end of the Period	Shareholding (%)		% of voting rights held	Consolidated or not	Minority interest
								Direct	Indirectly			
Hisense (Beijing) Electric Co., Ltd. ("Hisense Beijing")	Subsidiary	Beijing	Industrial	8,571.00	Limited liability company	Manufacture of refrigerator products and other household appliances; sale of self-produced products; import and export of goods and technologies, and provision of import and export agency services	9,210.12	55%		55%	Yes	8,430.14
Hisense (Shandong) Air-conditioning Co., Ltd. ("Hisense Shandong")	Wholly-owned subsidiary	Qingdao	Industrial	50,000.00	Limited liability company	Research and development, manufacture and sale of air-conditioning products and injection moulds, and provision of after-sale maintenance services	56,717.55	100%		100%	Yes	
Hisense (Zhejiang) Air-conditioning Co., Ltd. ("Hisense Zhejiang")	Subsidiary	Huzhou	Industrial	11,000.00	Limited liability company	Production of air-conditioners, manufacture and sale of other household appliances, provision of related technical services, and import and export of goods and technologies	5,452.36	51%		51%	Yes	4,143.91
Qingdao Hisense Mould Co., Ltd. ("Hisense Mould")	Subsidiary	Qingdao	Industrial	2,764.20	Limited liability company	Design and manufacture of moulds, machine processing, design and manufacture of jigs, plastic injection, painting/brushing and processing etc.	12,162.80	78.70%		78.70%	Yes	4,581.68
Hisense (Nanjing) Electric Co., Ltd. ("Hisense Nanjing")	Subsidiary	Nanjing	Industrial	12,869.15	Limited liability company	Research and development, manufacture and sale of fluorine-free refrigeration products and other household appliances. Import and export of various goods and technologies self-manufactured and distributed	7,721.49		60%	60%	Yes	6,660.85

(3) Subsidiaries acquired from business combination involving entities not under common control

Applicable Not applicable

2. Special purpose vehicles or operational entities controlled through entrusted operation or lease

Applicable Not applicable

3. Changes in scope of business combination

Changes in scope of consolidated financial statements:

Applicable Not applicable

4. Entities newly included in the scope of consolidation during the Reporting Period and entities no longer included in the scope of consolidation during the Reporting Period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued**5. Business combination involving entities under common control during the Reporting Period** Applicable Not applicable**6. Business combination involving entities not under common control during the Reporting Period** Applicable Not applicable**7. Decrease in subsidiaries due to disposal of equity upon loss of control during the Reporting Period** Applicable Not applicable**8. Reverse acquisitions during the Reporting Period** Applicable Not applicable**9. Acquisitions and mergers during the Reporting Period** Applicable Not applicable**10. Exchange rate for major items in the financial statements of overseas operating entities**

Major items in the financial statements	Currency	Balances in foreign exchange	Exchange rate	Balances in RMB
Cash at bank and on hand	USD	90,040.77	6.3146	568,571.45
	HKD	53,710,190.50	0.8140	43,720,632.17
Net accounts receivable	USD	37,655.78	6.3146	237,781.19
	HKD	740,006,513.08	0.8140	602,372,701.71
Accounts payable	USD	11,004,635.80	6.3146	69,489,873.22
	HKD	515,694,168.40	0.8140	419,780,210.02
Other payables	HKD	654,655,200.96	0.8140	532,895,880.13
Total operating revenue	HKD	1,705,101,707.74	0.8124	1,385,147,897.79
General and administrative expenses	HKD	3,490,364.75	0.8124	2,835,415.26

Particulars of the exchange rate:

Within the scope of consolidation, overseas operating entities that are accounted in foreign currency include Pearl River Refrigerator, Kelon Development, KII, Japan Kelon and Kelon USA. On the date of consolidation, the Company has translated the items using spot exchange rate for assets and liabilities on the balance sheet date, whereas items under equity (except unallocated profits) were translated using historic exchange rate, and items under profit and loss were translated using average exchange rate. The difference between assets and liabilities and net assets was reflected in "Difference on translation of foreign currency financial statement" and was stated separately under "equity" in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise specified in the note below, opening balances refer to balances as at 1 January 2012, whereas closing balances refer to balances as at 30 June 2012, and the current period refers to January to June 2012, whereas the previous period refers to January to June 2011.)

1. Cash at bank and on hand

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash:						
RMB	234,955.55	1.0000	234,955.55	166,089.33	1.0000	166,089.31
USD	0.75	6.3146	4.74	0.75	6.3009	4.73
JPY	801.78	0.0792	63.49	779.65	0.0811	63.23
Other			0.08			0.06
Subtotal of cash:			235,023.86			166,157.33
Bank deposits:						
RMB	261,241,881.98	1.0000	261,241,881.98	260,094,504.27	1.0000	260,094,504.27
HKD	1,570,817.70	0.8140	1,278,661.32	2,905,900.88	0.8107	2,355,813.84
USD	29,647,361.93	6.3146	187,211,231.62	18,696,226.35	6.3009	117,803,052.63
JPY	96,481.21	0.0792	7,640.35	96,487.92	0.0811	7,825.17
EUR	1,209,155.52	7.9769	9,645,312.70	1,453,843.52	8.1625	11,866,997.70
Other			406,254.83			4,520,569.04
Subtotal of bank deposits:			459,790,982.80			396,648,762.65
Other cash at bank and on hand:						
RMB	49,769.68	1.0000	49,769.68	371,433.45	1.0000	371,433.45
USD	296.28	6.3146	1,870.89	45,332.13	6.3009	285,633.22
EUR	189,989.21	7.9769	1,515,524.93	129,947.4	8.1625	1,060,695.65
Subtotal of other cash at bank and on hand:			1,567,165.50			1,717,762.32
Total			461,593,172.16			398,532,682.30

Particulars of cash at bank and on hand:

Other cash at bank and on hand mainly represented guarantee deposits for letter of credit.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**2. Held-for-trading financial assets****(1) Held-for-trading financial assets**

Item	Closing fair value	Opening fair value
Held-for-trading bond investments		
Held-for-trading equity instruments		
Financial assets designated fair value through profit and loss of the current period		
Derivative financial assets	13,058,618.94	33,787,696.24
Hedging instruments		
Other		
Total	13,058,618.94	33,787,696.24

(2) Held-for-trading financial assets with selling restrictions

Nil

(3) Hedging instruments and related hedging trades

Nil

3. Notes receivable**(1) Classification of notes receivable**

Category	Closing balance	Opening balance
Bank acceptance notes	1,573,664,222.28	468,377,887.77
Trade acceptance notes	20,762,263.40	34,541,419.62
Total	1,594,426,485.68	502,919,307.39

(2) Pledged notes receivable as at the end of the period

Nil

(3) Notes receivable that are reclassified to accounts receivable due to inability of the companies of issuance, and notes endorsed to other parties but not due as at the end of the period

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

3. Notes receivable — Continued

(4) As at the end of the period, notes endorsed to other parties but not due amounted to RMB3,695,160,281.79 (31 December 2011: RMB2,887,110,721.24), with the particulars of the top five amounts as follows:

Company of issuance	Date of issuance	Due date	Amount	Remark
Nanjing procurement center of Suning Appliance Co., Ltd.	25 May 2012	2012/11/24	18,622,516.63	
Nanjing procurement center of Suning Appliance Co., Ltd.	25 May 2012	2012/11/24	17,752,150.96	
Nanjing procurement center of Suning Appliance Co., Ltd.	25 May 2012	2012/11/24	15,000,000.00	
Qingdao Yuheng Electronic Equipment Co., Ltd.	23 May 2012	2012/11/23	15,000,000.00	
Qingdao Yuheng Electronic Equipment Co., Ltd.	6 March 2012	2012/09/06	13,000,000.00	
Total			79,374,667.59	

4. Dividends receivable

Nil

5. Interests receivable

Nil

6. Accounts receivable

(1) Accounts receivable by category

Category	Closing balance				Opening balance			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Amount	Percentage (%)						
Accounts receivable individually significant and subject to separate provision for bad debts								
Accounts receivable provided for bad debts by category								
Aging analysis	2,213,685,652.50	98.28	161,293,437.82	7.29	1,343,347,381.18	97.20	165,542,927.85	12.32
Greencool Companies	38,689,983.28	1.72	22,726,941.64	58.74	38,689,983.28	2.80	22,726,941.64	58.74
Subtotal of the category	2,252,375,635.78	100.00	184,020,379.46	8.17	1,382,037,364.46	100.00	188,269,869.49	13.62
Accounts receivable individually insignificant but subject to separate provision for bad debts								
Total	2,252,375,635.78	—	184,020,379.46	—	1,382,037,364.46	—	188,269,869.49	—

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

6. Accounts receivable — Continued

(1) Accounts receivable by category — Continued

Categories of accounts receivable:

Accounts receivable individually significant and subject to separate provision for bad debts as at the end of the period

Applicable Not applicable

Accounts receivable provided for bad debts using aging analysis in the category:

Applicable Not applicable

Age	Closing balance			Opening balance		
	Carrying balance		Provision for bad debts	Carrying balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 3 months	2,046,334,710.83	90.84		1,174,482,507.39	84.98	
Over 3 months but within 6 months	4,909,362.96	0.22	490,936.30	3,594,295.40	0.26	359,429.54
Over 6 months but within 1 year	3,278,154.37	0.15	1,639,077.18	174,160.16	0.01	87,080.08
Over 1 year	159,163,424.34	7.07	159,163,424.34	165,096,418.23	11.95	165,096,418.23
Total	2,213,685,652.50	98.28	161,293,437.82	1,343,347,381.18	97.2	165,542,927.85

Accounts receivable provided for bad debts using balance percentage method in the category:

Applicable Not applicable

Accounts receivable provided for bad debts using other methods in the category:

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

6. Accounts receivable — Continued

(1) Accounts receivable by category — Continued

Accounts receivable provided for bad debts as for Greencool Companies in the category:

Company name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Hefei Weixi Electrical Appliance Co., Ltd. ("Hefei Weixi")	18,229,589.24	7,805,094.62	18,229,589.24	7,805,094.62
Wuhan Changrong Electrical Appliance Co., Ltd. ("Wuhan Changrong")	20,460,394.04	14,921,847.02	20,460,394.04	14,921,847.02
Total	38,689,983.28	22,726,941.64	38,689,983.28	22,726,941.64

Accounts receivable individually insignificant but subject to separate provision for bad debts as at the end of the period

Applicable Not applicable

(2) Accounts receivable reversed or recovered during the Reporting Period

Particulars of accounts receivable	Reason for reversal or recovery	Basis for recognition of original provision for bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Accounts receivable	Recovery of amount		4,249,490.03	
Total	—	—	4,249,490.03	—

Provision for bad debts for accounts receivable individually not significant but subject to separate impairment testing as at the end of the period:

Particulars of accounts receivable	Carrying balance	Amount of bad debt	Percentage of provision (%)	Reason
Total	—	—	—	—

Accounts receivable individually not significant but within a category with significant risks upon grouping by characteristics of credit risks: Nil

(3) Accounts receivable written off during the Reporting Period

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**6. Accounts receivable — Continued****(4) Amounts due from shareholder units holding 5% or more (including 5%) shares of the voting rights of the Company in the accounts receivable during the Reporting Period**

Applicable Not applicable

(5) Top five accounts receivable

<u>Company name</u>	<u>Relationship with the Company</u>	<u>Amount</u>	<u>Aging</u>	<u>Percentage to the total amount of accounts receivable (%)</u>
Top 1	Unrelated party	379,949,644.94	Within 1 year	16.87
Top 2	Unrelated party	285,027,802.57	Within 1 year	12.65
Top 3	Related party	259,317,183.53	Within 1 year	11.51
Top 4	Related party	104,406,788.12	Within 1 year	4.64
Top 5	Unrelated party	67,492,475.86	Within 1 year	3.00
Total	—	<u>1,096,193,895.02</u>	—	<u>48.67</u>

(6) Accounts receivable due from related parties

Please see Note (9) Related parties and related transactions for details of accounts receivable due from related parties as at the end of the period.

(7) Derecognition of accounts receivable

Nil

(8) Disclosure of amount of assets and liabilities formed by continuing involvement in relation to securitization of accounts receivable

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables

(1) Other receivables by category

Category	Closing balance				Opening balance			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables individually significant and subject to separate provision for bad debts								
Other receivables provided for bad debts by category								
Aging analysis	159,928,218.34	20.73	41,432,378.03	25.91	199,609,592.89	24.61	28,758,785.61	14.41
Greencool Companies	611,538,997.88	79.27	342,516,669.69	56.01	611,538,997.88	75.39	342,516,669.69	56.01
Subtotal of the category	771,467,216.22	100.00	383,949,047.72	49.77	811,148,590.77	100	371,275,455.30	45.77
Other receivables individually insignificant but subject to separate provision for bad debts								
Total	771,467,216.22	—	383,949,047.72	—	811,148,590.77	—	371,275,455.30	—

Categories of other receivables:

Other receivables individually significant and subject to separate provision for bad debts as at the end of the period:

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables — Continued

(1) Other receivables by category — Continued

Other receivables provided for bad debts using aging analysis in the category:

Applicable Not applicable

Age	Closing balance			Opening balance		
	Carrying balance		Provision for bad debts	Carrying balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 3 months	96,390,927.42	12.49		159,597,609.34	19.68	
Over 3 months but within 6 months	11,118,161.00	1.44	1,111,816.10	11,668,759.58	1.44	1,166,875.96
Over 6 months but within 1 year	24,197,135.98	3.14	12,098,567.99	1,502,628.64	0.18	751,314.32
Over 1 year	28,221,993.94	3.66	28,221,993.94	26,840,595.33	3.31	26,840,595.33
Total	159,928,218.34	20.73	41,432,378.03	199,609,592.89	24.61	28,758,785.61

Other receivables provided for bad debts using balance percentage method in the category:

Applicable Not applicable

Other receivables provided for bad debts using other methods in the category:

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables — Continued

(1) Other receivables by category — Continued

Other receivables provided for bad debts as Greencool Companies in the category:

Company name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Guangdong Greencool	13,754,600.00	7,962,961.47	13,754,600.00	7,962,961.47
Hainan Greencool Environmental Protection Engineering Co., Ltd. ("Hainan Greencool")	12,289,357.71	11,313,119.16	12,289,357.71	11,313,119.16
Jiangxi Kesheng Trading Co., Ltd. ("Jiangxi Kesheng")	27,462,676.72	21,390,370.86	27,462,676.72	21,390,370.86
Jinan San Ai Fu Chemical Co., Ltd. ("Jinan San Ai Fu")	121,496,535.45	64,813,858.20	121,496,535.45	64,813,858.20
Tianjin Xiangrun Trading Development Co., Ltd. ("Tianjin Xiangrun")	96,905,328.00	48,706,110.00	96,905,328.00	48,706,110.00
Tianjin Lixin	89,600,300.00	44,800,150.00	89,600,300.00	44,800,150.00
Greencool Technology Development (Shenzhen) Co., Ltd. ("Shenzhen Greencool Technology")	32,000,000.00		32,000,000.00	
Greencool Environmental Engineering Shenzhen Co., Ltd. ("Shenzhen Greencool Environmental")	33,000,000.00		33,000,000.00	
Jiangxi Keda Plastic Technology Co., Ltd. ("Jiangxi Keda")	13,000,200.00	6,500,100.00	13,000,200.00	6,500,100.00
Zhuhai Longjia Refrigerating Plant Co., Ltd. ("Zhuhai Longjia")	28,600,000.00	14,300,000.00	28,600,000.00	14,300,000.00
Zhuhai Defa Air-conditioner Fittings Co., Ltd. ("Zhuhai Defa")	21,400,000.00	10,700,000.00	21,400,000.00	10,700,000.00
Wuhan Changrong Electrical Appliance Co., Ltd. ("Wuhan Changrong")	20,000,000.00	10,000,000.00	20,000,000.00	10,000,000.00
Beijing Deheng Solicitors ("Deheng Solicitors")	4,000,000.00	4,000,000.00	4,000,000.00	4,000,000.00
Finance Bureau of Yangzhou Economic Development Zone	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00
Shangqiu Bingxiong Freezing Facilities Co., Ltd. ("Shangqiu Bingxiong")	58,030,000.00	58,030,000.00	58,030,000.00	58,030,000.00
Total	611,538,997.88	342,516,669.69	611,538,997.88	342,516,669.69

Other receivables individually insignificant but subject to separate provision for bad debts as at the end of the period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables — Continued

(2) Other receivables reversed or recovered during the Reporting Period

Particulars of other receivables	Reason for reversal or recovery	Basis for recognition of original provision for bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Nil				
Total	—	—		—

Provision for bad debts for other receivables individually not significant but subject to separate impairment testing as at the end of the period:

Particulars of other receivables	Carrying balance	Amount of bad debt	Percentage of provision (%)	Reason
Nil				
Total			—	—

Particulars of other receivables individually not significant but within a category with significant risks upon grouping by characteristics of credit risks:

(3) Other receivable written off during the Reporting Period

Company name	Nature of other receivables	Time of write-off	Amount written off	Reason for write-off	Arising from related transactions or not
Nil					
Total	—	—		—	—

(4) Amounts due from shareholder units holding 5% or more (including 5%) shares of the voting rights of the Company in the other receivables during the Reporting Period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables — Continued

(5) Nature or description of other receivables of a relatively significant amount

Company name	Carrying balance	Nature of description of amount	Percentage to the total amount of other receivables (%)
Guangdong Greencool	13,754,600.00	Greencool Companies	1.78
Hainan Greencool	12,289,357.71	Greencool Companies	1.59
Jiangxi Kesheng	27,462,676.72	"Specific third parties"	3.56
Jinan San Ai Fu	121,496,535.45	"Specific third parties"	15.76
Tianjin Xiangrun	96,905,328.00	"Specific third parties"	12.56
Tianjin Lixin	89,600,300.00	"Specific third parties"	11.61
Shenzhen Greencool Technology	32,000,000.00	Greencool Companies	4.15
Shenzhen Greencool Environmental	33,000,000.00	Greencool Companies	4.28
Jiangxi Keda	13,000,200.00	"Specific third parties"	1.69
Zhuhai Longjia	28,600,000.00	"Specific third parties"	3.71
Zhuhai Defa	21,400,000.00	"Specific third parties"	2.77
Wuhan Changrong	20,000,000.00	"Specific third parties"	2.59
Deheng Solicitors	4,000,000.00	"Specific third parties"	0.53
Finance Bureau of Yangzhou Economic Development Zone	40,000,000.00	"Specific third parties"	5.18
Shangqiu Bingxiong	58,030,000.00	"Specific third parties"	7.52
Total	611,538,997.88	—	79.27

(6) Top five other receivables

Company name	Relationship with the Company	Amount	Aging	Percentage to the total amount of accounts receivable (%)
Top 1	"Specific third parties"	121,496,535.45	Over 3 years	15.75
Top 2	"Specific third parties"	96,905,328.00	Over 3 years	12.56
Top 3	"Specific third parties"	89,600,300.00	Over 3 years	11.61
Top 4	"Specific third parties"	58,030,000.00	Over 3 years	7.52
Top 5	"Specific third parties"	40,000,000.00	Over 3 years	5.18
Total	—	406,032,163.45	—	52.62

(7) Other receivables due from related parties

Please see Note (9) Related parties and related transactions for details of other receivables due from related parties as at the end of the period.

(8) Derecognition of other receivables

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Other receivables — Continued

(9) Disclosure of amount of assets and liabilities formed by continuing involvement in relation to securitization of other receivables

Nil

8. Prepayments

(1) Prepayments by age

Age	Closing balance		Opening balance	
	<i>Amount</i>	<i>Percentage (%)</i>	<i>Amount</i>	<i>Percentage (%)</i>
Within 1 year	216,208,783.83	99.73	314,927,960.62	99.83
1 to 2 years	60,514.03	0.03	39,080.91	0.01
2 to 3 years	50,042.08	0.02	41,991.61	0.01
Over 3 years	468,277.85	0.22	465,213.00	0.15
Total	216,787,617.79	—	315,474,246.14	—

(2) Top five prepayments

Company name	Relationship with the Company	Amount	Aging	Reason for pending settlement
Top 1	Unrelated party	71,609,012.82	Within 1 year	Normal settlement
Top 2	Unrelated party	41,751,478.39	Within 1 year	Normal settlement
Top 3	Unrelated party	10,485,740.54	Within 1 year	Normal settlement
Top 4	Unrelated party	8,699,150.00	Within 1 year	Normal settlement
Top 5	Unrelated party	4,928,421.07	Within 1 year	Normal settlement
Total	—	137,473,802.82	—	—

(3) Amounts from shareholder units holding 5% or more (including 5%) shares of the voting rights of the Company in the prepayments during the Reporting Period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

9. Inventories

(1) Classification of inventories

Item	Closing balance			Opening balance		
	Carrying balance	Provision for depreciation	Carrying amount	Carrying balance	Provision for depreciation	Carrying amount
Raw materials	297,617,044.68	34,100,854.92	263,516,189.76	267,061,592.26	34,094,906.33	232,966,685.93
Works in progress	133,837,941.08	8,643,831.77	125,194,109.31	107,356,608.71	8,643,831.77	98,712,776.94
Commodity stocks	1,447,085,253.89	33,990,175.76	1,413,095,078.13	1,254,821,071.36	39,222,669.16	1,215,598,402.20
Transition materials						
Consumptive biological assets						
Total	1,878,540,239.65	76,734,862.45	1,801,805,377.20	1,629,239,272.33	81,961,407.26	1,547,277,865.07

(2) Provision for depreciation of inventories

Category of inventory	Opening balance	Provision for the period	Decrease for the period		Closing balance
			Reversal	Write-off	
Raw materials	34,094,906.33	62,462.75		56,514.16	34,100,854.92
Works in progress	8,643,831.77				8,643,831.77
Commodity stocks	39,222,669.16		5,141,925.03	90,568.37	33,990,175.76
Transition materials					
Consumptive biological assets					
Total	81,961,407.26	62,462.75	5,141,925.03	147,082.53	76,734,862.45

(3) Particulars of provision for depreciation of inventories

Item	Basis for provision for depreciation of inventories	Reason for reversal of provision for depreciation of inventories for the period	Percentage of reversal to the closing balance of the inventory
Raw materials	Net realizable amount below realizable cost		
Commodity stocks	Net realizable amount below realizable cost		0.37%
Works in progress	Net realizable amount below realizable cost		
Transition materials			
Consumptive biological assets			

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**10. Other current assets**

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Other	6,169,695.16	3,568,803.11
Total	<u>6,169,695.16</u>	<u>3,568,803.11</u>

Particulars of other current assets: mainly represented prepaid repair and maintenance costs.

11. Financial assets available for sale**(1) Financial assets available for sale**

Nil

(2) Long-term equity investments under financial assets available for sale

Nil

12. Held-to-maturity investments**(1) Held-to-maturity investments**

Nil

(2) Held-to-maturity investments sold before maturity during the Reporting Period

Nil

13. Long-term receivables

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Investments in jointly controlled entities and associates

(1) Investments in jointly controlled entities

Unit: RMB'0000

Entity	Entity type	Place of registration	Legal representative	Business nature	Registered capital	% of shareholding	% of voting rights	Total assets as at end of the period	Total liabilities as at end of the period	Total net assets as at end of the period	Total operating revenue for current year	Net profit for current year
						(%)	(%)					
Hisense Whirlpool (Zhejiang) Electric Appliances Co., Ltd. ("Hisense Whirlpool")	Limited company	Zhejiang	BORRABARBARA	Industrial	45,000.00	50	50	69,629.87	27,485.95	42,143.92	50,767.01	348.50
Hisense Hitachi	Limited company	Shandong	Qing Shan Gong	Industrial	4,600	49	49	134,581.27	66,506.52	68,074.75	116,257.82	15,040.64

(2) Investments in associates

Unit: RMB'0000

Entity	Entity type	Place of registration	Legal representative	Business nature	Registered capital	% of shareholding	% of voting rights	Total assets as at end of the period	Total liabilities as at end of the period	Total net assets as at end of the period	Total operating revenue for current year	Net profit for current year
Huayi Compressor Holdings Co., Ltd. ("Huayi Compressor")	Joint stock company	Jiangxi	Liu Ti Pin	Industrial	32,458.12	6.45	6.45	460,067.88	357,882.43	102,185.45	302,799.26	7,913.02
Attend Logistics Co., Ltd. ("Attend")	Limited company	Guangzhou	Ye Wei Long	Logistics	1,000.00	20	20	2,466.38	726.51	1,739.87	387.77	25.44

15. Long-term equity investments

(1) Particulars of long-term equity investments

Unit: RMB

Entity	Accounting treatment	Investment cost	Opening balance	Increase for the period	Decrease for the period	Ending balance	% Equity interest held	% Voting rights held	Provision for impairment	Impairment provided in the current year	Cash dividend in current year
							(%)	(%)			
1. Investment in jointly controlled entities											
Hisense Whirlpool	Equity method	225,000,000.00	206,388,118.32	2,154,188.99		208,542,307.31	50	50			
Hisense Hitachi	Equity method	332,821,597.45	353,301,093.20	70,973,958.34	49,000,000.00	375,275,051.54	49	49			49,000,000.00
2. Investment in associates											
Huayi Compressor	Equity method	41,686,088.96	43,637,782.08	2,935,819.51		46,573,601.59	6.45	6.45			
Attend	Equity method	2,000,000.00	3,428,851.76	50,887.51		3,479,739.27	20	20			
3. Other long-term equity investment											
Combine	Cost method	11,000,000.00	11,000,000.00			11,000,000.00	55	55	11,000,000.00		
Xinjiang Hisense Kelon Electrical Sales Co., Ltd. ("Xinjiang Kelon")	Cost method	100,000.00	100,000.00			100,000.00	2	2			
Fujian Kelon Air-condition Sales Co., Ltd. ("Fujian Kelon")	Cost method	100,000.00	100,000.00			100,000.00	2	2			
Qingdao Hisense International Marketing Co., Ltd. ("Hisense International Marketing")	Cost method	3,800,000.00	3,800,000.00			3,800,000.00	12.67	12.67			3,800,000.00
Total		616,507,686.41	621,755,845.36	76,114,854.35	49,000,000.00	648,870,699.71				11,000,000.00	52,800,000.00

(2) Situations of restricted capital injection into invested companies

Nil

(3) Particulars of long-term equity investments:

As Jiangxi Combine (a subsidiary of the Company) has declared liquidation and reorganization, it has not been consolidated in the financial statements, and the amount of investment in the company has been fully provided for impairment.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

16. Investment properties

(1) Investment properties measured using cost-method

Applicable Not applicable

<u>Item</u>	<u>Opening balance</u>	<u>Increase for the period</u>	<u>Decrease for the period</u>	<u>Closing balance</u>
I. Total original carrying value	67,801,787.18			67,801,787.18
1. Buildings	67,801,787.18			67,801,787.18
II. Total accumulated depreciation and amortization	29,781,936.75	1,225,379.67		31,007,316.42
1. Buildings	29,781,936.75	1,225,379.67		31,007,316.42
III. Total net carrying value of investment properties	38,019,850.43			36,794,470.76
1. Buildings	38,019,850.43			36,794,470.76
IV. Total accumulated provision for impairment of investment properties				
1. Buildings				
V. Total carrying amount of investment properties	38,019,850.43			36,794,470.76
1. Buildings	38,019,850.43			36,794,470.76

As at 30 June 2012, the cost and net amount of investment properties pledged by the Company were RMB32,228,200 and RMB14,503,900, respectively.

(2) Investment properties measured at fair value

Applicable Not applicable

Description of investment properties subject to changes in measurement method and investment properties without obtaining ownership certificates during the reporting Period, with the related reasons of without obtaining the ownership certificates and the estimated time of obtaining the ownership certificates:

As at 30 June 2012, the cost, accumulated depreciation and net amount of investment properties of the Company without obtaining ownership certificates were RMB13,794,500, RMB6,282,600 and RMB7,511,900, respectively.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

17. Fixed assets

(1) Particulars of fixed assets

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Total cost:	4,856,870,826.19	186,246,881.44	80,438,836.50	4,962,678,871.13
Including: Buildings	1,569,669,176.50	9,127,423.75		1,578,796,600.25
Machineries and equipment	2,395,158,791.23	69,304,249.11	22,532,406.91	2,441,930,633.43
Electronic devices	300,192,398.48	19,772,705.43	9,586,586.71	310,378,517.20
Motor vehicles	23,870,012.37	272,632.50	1,319,849.81	22,822,795.06
Moulds	567,980,447.61	87,769,870.65	46,999,993.07	608,750,325.19
	Opening balance	Addition for the period	Provision for the period	Decrease for the period
2. Total accumulated depreciation:	2,743,855,204.62		170,418,619.15	2,867,678,803.51
Including: Buildings	700,498,696.18		35,822,075.06	736,320,771.24
Machineries and equipment	1,412,605,891.65		68,206,259.49	1,473,020,087.96
Electronic devices	206,209,304.31		14,654,797.93	216,202,665.59
Motor vehicles	12,704,811.05		1,170,639.02	12,739,799.65
Moulds	411,836,501.43		50,564,847.65	429,395,479.07
	Opening balance			Closing balance for the period
3. Total net carrying value of fixed assets	2,113,015,621.57	—		2,095,000,067.62
Including: Buildings	869,170,480.32	—		842,475,829.01
Machineries and equipment	982,552,899.58	—		968,910,545.47
Electronic devices	93,983,094.17	—		94,175,851.61
Motor vehicles	11,165,201.32	—		10,082,995.41
Moulds	156,143,946.18	—		179,354,846.12
4. Total provision for impairment	165,945,467.45	—		161,421,358.02
Including: Buildings	34,175,618.43	—		34,175,618.43
Machineries and equipment	122,098,540.91	—		121,772,435.55
Electronic devices	1,394,140.34	—		1,367,611.27
Motor vehicles	1,061,125.06	—		1,053,846.63
Moulds	7,216,042.71	—		3,051,846.14
5. Total carrying amount of fixed assets	1,947,070,154.12	—		1,933,578,709.60
Including: Buildings	834,994,861.89	—		808,300,210.58
Machineries and equipment	860,454,358.67	—		847,138,109.92
Electronic devices	92,588,953.83	—		92,808,240.34
Motor vehicles	10,104,076.26	—		9,029,148.78
Moulds	148,927,903.47	—		176,302,999.98

Depreciation for the period amounted to RMB170,418,619.15. Fixed assets transferred from construction in progress amounted to RMB87,307,166.17.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**17. Fixed assets — Continued****(2) Fixed assets idle transitorily**

Nil

(3) Fixed assets held under finance leases Applicable Not applicable**(4) Fixed assets leased out under operating leases** Applicable Not applicable**(5) Fixed assets held for sale as at the end of the period**

Nil

(6) Fixed assets without obtaining ownership certificates

Nil

Particulars of fixed assets:

As at 30 June 2012, the cost and net amount of fixed assets pledged by the Company were RMB634,043,000 and RMB262,424,600, respectively.

18. Construction in progress**(1)**

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment of	Carrying amount	Carrying balance	Provision for impairment of	Carrying amount
Yangzhou Kelon	77,886,336.29	—	77,886,336.29	57,594,245.52	—	57,594,245.52
Xi'an Kelon	9,044,256.34	9,044,256.34	—	9,044,256.34	9,044,256.34	—
Other construction	50,801,809.50	11,325,835.67	39,475,973.83	34,434,015.43	11,325,835.67	23,108,179.76
Total	137,732,402.13	20,370,092.01	117,362,310.12	101,072,517.29	20,370,092.01	80,702,425.28

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

18. Construction in progress — Continued

(2) Changes in significant construction in progress

Name of item	Budget	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Contribution in budget (%)	Progress	Accumulated interests capitalized	Including: interests capitalized for the period	Interest capitalization rate for the period (%)	Source of fund	Closing balance
Foaming machine of Yangzhou Kelon	8,870,000.00	—	4,928,417.52	—	—	55.56	Not yet completed				Self-funding	4,928,417.52
Refrigerator foaming production line of Yangzhou Kelon	9,000,000.00	1,043,427.70	6,103,593.10	—	—	79.41	Not yet completed				Self-funding	7,147,020.80
Flow line of D production line of Yangzhou Kelon	5,644,000.00	1,346,153.85	3,148,941.05	—	—	79.64	Not yet completed				Self-funding	4,495,094.90
Utility works for production and training building, canteen and factory D of Yangzhou Kelon	34,881,021.00	24,711,427.58	1,408,372.42	—	—	74.88	Not yet completed				Self-funding	26,119,800.00
30-worker, door foaming production line of Hisense Nanjing	6,247,280.00	747,270.90	5,246,616.30	5,993,887.20		95.94	Basically completed				Self-funding	—
Other		73,224,237.26	103,995,806.52	81,313,278.97	864,695.90							95,042,068.91
Total	64,642,301.00	101,072,512.29	124,831,746.91	87,307,166.17	864,695.90	—	—					137,732,402.13

(3) Provision for impairment of constructions in progress

Item	Opening balance	Additions in the current year	Decreases in the current year	Closing balance	Reasons for provision
Spray painting line and natural gas pipeline works of Rongsheng Plastic	3,554,918.00			3,554,918.00	
Production line of Shangqiu Kelon	7,770,917.67			7,770,917.67	
Project of Xi'an Kelon	9,044,256.34			9,044,256.34	
Total	20,370,092.01			20,370,092.01	—

19. Construction materials

Nil

20. Disposal of fixed assets

Nil

21. Productive biological assets

(1) Measured at cost

Applicable Not applicable

(2) Measured at fair value

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — *Continued*

22. Oil and gas assets

Nil

23. Intangible assets

(1) *Particulars of intangible assets*

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Total cost	1,270,866,297.90	0.00	313,979.56	1,270,552,318.34
(1) Land use rights	619,385,483.07			619,385,483.07
(2) Trademarks	524,409,198.95			524,409,198.95
(3) Know-how	76,207,763.30			76,207,763.30
(4) Other	50,863,852.58		313,979.56	50,549,873.02
2. Total accumulated amortization	410,127,492.20	11,182,131.24	313,979.56	420,995,643.88
(1) Land use rights	191,994,780.52	6,528,737.14		198,523,517.66
(2) Trademarks	134,130,255.55			134,130,255.55
(3) Know-how	43,826,542.37	3,451,894.34		47,278,436.71
(4) Other	40,175,913.76	1,201,499.76	313,979.56	41,063,433.96
3. Total net amount of intangible assets	860,738,805.70			849,556,674.46
(1) Land use rights	427,390,702.55			420,861,965.41
(2) Trademarks	390,278,943.40			390,278,943.40
(3) Know-how	32,381,220.93			28,929,326.59
(4) Other	10,687,938.82			9,486,439.06
4. Total provision for impairment	340,672,549.44			340,672,549.44
(1) Land use rights	50,012,843.19			50,012,843.19
(2) Trademarks	286,061,116.40			286,061,116.40
(3) Know-how				0
(4) Other	4,598,589.85			4,598,589.85
5. Total carrying amount of intangible assets	520,066,256.26			508,884,125.02
(1) Land use rights	377,377,859.36			370,849,122.22
(2) Trademarks	104,217,827.00			104,217,827.00
(3) Know-how	32,381,220.93			28,929,326.59
(4) Other	6,089,348.97			4,887,849.21

Amortization for the period amounted to RMB11,182,131.24. As at 30 June 2012, cost and net amount of pledged land use rights of the Company were RMB256,558,000 and RMB147,800,000, respectively.

(2) *Expenses of development projects of the Company*

Nil

(3) *Intangible assets without ownership certificates*

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

24. Goodwill

Nil

25. Long-term prepaid expenses

Nil

26. Deferred tax assets and deferred tax liabilities

(1) Net amount of deferred tax assets and deferred tax liabilities before offsetting

Applicable Not applicable

(2) Net amount of deferred tax assets and deferred tax liabilities after offsetting

Applicable Not applicable

Item	Deferred tax assets or liabilities after offsetting at the end of the reporting period	Deductible or taxable temporary differences after offsetting at the end of the reporting period	Deferred tax assets or liabilities after offsetting at the beginning of the reporting period	Deductible or taxable temporary differences after offsetting at the beginning of the reporting period
Deferred tax assets:				
Provision for assets impairment	4,398,300.95	29,322,006.32	5,009,705.46	33,398,036.43
Held-for-trading financial assets	(1,518,673.77)	(10,124,491.83)	(2,810,784.05)	(18,738,560.35)
Others	1,773,270.25	11,821,801.73	1,424,894.81	9,499,298.76
Subtotal	<u>4,652,897.43</u>	<u>31,019,316.22</u>	<u>3,623,816.22</u>	<u>24,158,774.84</u>

Particulars of deferred tax assets and deferred tax liabilities:

Summary for set off of deferred tax assets and deferred tax liabilities

Item	Amount set off at the end of the period	Amount set off at the beginning of the period
Held-for-trading financial assets	(1,518,673.77)	(2,810,784.05)

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**27. Summary for provision for asset impairment**

Item	Opening balance	Increase for the period	Decrease for the period		Closing balance
			Reversal	Write-off	
1. Provision for bad debts	559,545,324.79	12,673,592.42	4,249,490.03	0.00	567,969,427.18
2. Provision for depreciation of inventories	81,961,407.26	62,462.75	5,141,925.03	147,082.53	76,734,862.45
3. Provision for impairment of financial assets available for sale					
4. Provision for impairment of held-to-maturity investments					
5. Provision for impairment of long-term equity investments	11,000,000.00				11,000,000.00
6. Provision for impairment of investment properties					
7. Provision for impairment of fixed assets	165,945,467.45			4,524,109.43	161,421,358.02
8. Provision for impairment of construction materials					
9. Provision for impairment of construction in progress	20,370,092.01				20,370,092.01
10. Provision for impairment of productive biological assets <i>Including: Provision for impairment of mature productive biological assets</i>					
11. Provision for impairment of oil and gas assets					
12. Provision for impairment of intangible assets	340,672,549.44				340,672,549.44
13. Provision for impairment of goodwill					
14. Other					
Total	1,179,494,840.95	12,736,055.17	9,391,415.06	4,671,191.96	1,178,168,289.10

28. Other non-current assets

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**29. Short-term borrowings****(1) Classification of short-term borrowings**

Item	Closing balance	Opening balance
Pledged borrowings		
Secured borrowings	305,077,763.11	128,790,564.42
Guaranteed borrowings	797,394,812.23	876,208,329.78
Unsecured borrowings		
Total	1,102,472,575.34	1,004,998,894.20

Particulars of short-term borrowings:

Among the guaranteed borrowings, RMB411,044,900 was borrowings by the Company and its subsidiaries from Hisense Finance Company Ltd. ("Hisense Finance") secured by guarantees provided by Hisense Group Company Limited ("Hisense Group"); RMB153,129,100 was borrowings by subsidiaries of the Company in USD secured by guarantees provided by the Company (of which RMB63,146,000 was also secured by guarantee letters with joint and several liability issued by Hisense Group to the Company, RMB89,983,100 was also secured by secured guarantee provided by the Company and its subsidiaries, namely Fittings Company and Yangzhou Refrigerator to the Company); RMB137,500,000 was discounted note borrowings of the Company in Hisense Finance; and RMB88,331,500 was financing borrowings for inward/outward documentary bills by the Company's subsidiaries and secured by guarantees provided by the Company; RMB7,389,300 was financing borrowings for inward/outward documentary bills by the Company's subsidiaries and secured by guarantees provided by Hisense Group.

Among the secured borrowings, RMB239,251,500 was the accounts receivable factoring business of the Company's subsidiaries; RMB65,826,300 was secured by export credit letter of a subsidiary of the Company.

(2) Due but outstanding short-term borrowings

Nil

30. Held-for-trading financial liabilities

Item	Closing fair value	Opening fair value
Held-for-trading bonds issued		
Financial liabilities designated fair value through profit and loss of the current period		
Derivative financial liabilities	0.00	6,636,121.77
Other financial liabilities		
Total	0.00	6,636,121.77

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**30. Held-for-trading financial liabilities — Continued**

Particulars of held-for-trading financial liabilities:

This mainly represented undue foreign exchange forward contracts entered into by the Company with banks that were recognized as held-for-trading financial assets or liabilities based on the difference between the quotation of the undue foreign exchange contracts and the future foreign exchange rate as at the end of the period.

31. Notes payable

Category	Closing balance	Opening balance
Trade acceptance notes	34,805,000.00	38,577,178.54
Bank acceptance notes	720,973,257.70	574,089,894.79
Total	755,778,257.70	612,667,073.33

Amount that will become due in the next accounting period: RMB143,426,464.42.

Particulars of notes payable:

As at 30 June 2012, there was no amount due to shareholders holding 5% or more (including 5%) of the voting rights of the Company.

Among the balance of notes payable as at the end of the period, amount due to related parties was: RMB19,338,540.00.

32. Accounts payable

(1)

Aging	Closing balance	Opening balance
Within one year	3,271,292,363.96	1,896,440,466.81
Over one year	148,188,844.01	158,169,666.00
Total	3,419,481,207.97	2,054,610,132.81

(2) *Amounts due to shareholders holding 5% or more (including 5%) of the voting rights of the Company among accounts payable for the Reporting Period*

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**33. Advances from customers**

(1)

Item	Closing balance	Opening balance
Within 1 year	427,471,995.98	724,328,844.60
Over 1 year	38,846,737.80	33,877,440.55
Total	466,318,733.78	758,206,285.15

(2) **Amounts due to shareholders holding 5% or more (including 5%) of the voting rights of the Company among advances from customers for the Reporting Period**

Applicable Not applicable

34. Employee benefits payables

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Wages and salaries, bonuses, allowances and subsidies	179,201,340.94	584,352,824.83	571,120,769.09	192,433,396.68
2. Staff welfare	2,879,380.23	28,506,640.61	25,193,265.57	6,192,755.27
3. Social insurance	5,379,004.34	59,800,340.57	59,321,690.16	5,857,654.75
4. Housing provident funds	434,209.56	13,543,474.82	13,781,866.39	195,817.99
5. Termination benefits		5,366,993.93	5,366,993.93	
6. Other	2,132,804.01	7,198,459.82	6,223,486.40	3,107,777.43
Total	190,026,739.08	698,768,734.58	681,008,071.54	207,787,402.12

Defaulted payables included in employee benefits payables: Nil.

Labor union funds and employee education funds: RMB3,107,777.43, non-monetary benefits: nil, and compensation upon termination of employment: RMB5,366,993.93.

Arrangements in respect of expected payout time and amount for employee benefits: calculated in the current month and paid in the following month.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

35. Taxes payable

Item	Closing balance	Opening balance
Value-added tax	(128,278,429.34)	(123,225,211.20)
Consumption tax		
Business tax	407,437.60	495,763.32
Enterprise income tax	5,226,272.73	9,465,576.15
Individual income tax	5,688,068.72	2,435,405.10
City maintenance and construction tax	3,926,588.98	3,316,311.19
Real estate tax	4,128,321.46	7,763,959.35
Land use tax	1,010,637.61	3,869,787.80
Education surcharges	2,678,559.15	1,707,928.35
Urban area embankment maintenance fee	2,669,089.83	3,118,821.60
Other	1,899,997.26	960,824.62
Total	(100,643,456.00)	(90,090,833.72)

36. Interests payable

Item	Closing balance	Opening balance
Interests of long-term borrowings with interests payable in installments and capital payable upon maturity		
Interests of corporate bonds		
Interests payable for short-term borrowings	1,503,837.59	1,447,530.16
Total	1,503,837.59	1,447,530.16

37. Dividends payable

Company name	Closing balance	Opening balance	Reason for being outstanding for over one year
Yingleng (Group) Co., Ltd.	2,067.02	2,067.02	
Total	2,067.02	2,067.02	—

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**38. Other payables**

(1)

Item	Closing balance	Opening balance
Within 1 year	1,212,173,056.65	880,233,889.90
Over 1 year	298,977,980.41	275,962,057.98
Total	1,511,151,037.06	1,156,195,947.88

(2) **Amounts due to shareholders holding 5% or more (including 5%) of the voting rights of the Company among other payables for the Reporting Period**

Applicable Not applicable

(3) **Particulars of significant other payables with aged of over one year**

Name	Amount	Reasons for being outstanding	Remark
Tianjin Taijin Yunye Company Limited ("Tianjin Taijin")	65,000,000.00	Current account	Specific third party amount
Zhuhai Longjia	28,316,425.03	Current account	Specific third party amount
Zhuhai Defa	21,400,000.00	Current account	Specific third party amount
Jiangxi Greencool	13,000,000.00	Current account	Greencool Companies

39. Estimated liabilities

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
External guarantees				
Pending litigations	5,985,197.71	1,546,038.61		7,531,236.32
Product warranties	265,503,156.71	23,003,384.52		288,506,541.23
Obligation restructuring				
Termination benefits				
Onerous contracts pending execution				
Other				
Total	271,488,354.42	24,549,423.13		296,037,777.55

Particulars of estimated liabilities: Product warranties represent repair and maintenance services provided to the relevant customers for free by the Company during the warranty period. According to the industry's experience and past data, the repair and maintenance fees were provided for based on the remaining years of offered warranty and the average repair fee per unit.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**40. Non-current liabilities due within one year**

Nil

41. Other current liabilities

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Installation fees	90,732,678.93	81,761,415.36
Sales discounts	265,509,210.10	237,048,057.80
Transportation fees	10,431,633.61	6,434,368.43
Audit and reorganization fees	1,413,733.30	1,245,067.00
Marketing fees	44,111,552.61	33,105,041.92
Other	111,945,675.45	107,864,865.35
Total	<u>524,144,484.00</u>	<u>467,458,815.86</u>

42. Long-term borrowings

Nil

43. Bonds payable

Nil

44. Long-term payables

Nil

45. Special payables

Nil

46. Other non-current liabilities

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Deferred income	41,713,740.75	40,977,575.97
Total	<u>41,713,740.75</u>	<u>40,977,575.97</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

46. Other non-current liabilities — Continued

Particulars of other non-current liabilities, including all asset-related and income-related government grants received during the Reporting Period and their closing balances:

Item	Closing balance	Opening balance
State debenture projects capital for technical advancement and industry upgrade	21,450,000.00	21,450,000.00
Production technology reform project for energy-saving household SBS large-size refrigerator	2,600,000.00	2,825,000.00
2008 Guangdong-Hong Kong projects of major breakthroughs in key areas (Foshan projects)	1,470,000.00	1,470,000.00
Acceptance of equipment donation from the United Nation in December 2006	2,274,796.85	2,527,552.07
Innovation capacity-building projects of National Engineering Research Center	5,003,505.99	0.00
Other	8,915,437.91	12,705,023.90
Total	<u>41,713,740.75</u>	<u>40,977,575.97</u>

47. Share capital

	Opening balance	Changes for the period (+/-)				Subtotal	Closing balance
		Issuance of shares	Bonus shares	Capitalized reserve fund	Other		
Total number of shares	1,354,054,750.00						1,354,054,750.00

48. Treasury shares

Nil

49. Special reserves

Nil

50. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	1,968,114,175.93			1,968,114,175.93
Other capital reserve	128,814,882.33	2,324,226.00		131,139,108.33
Total	<u>2,096,929,058.26</u>	<u>2,324,226.00</u>		<u>2,099,253,284.26</u>

Particulars of capital reserve:

Increase for the period represented share-based payments included in the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS — Continued
Half year of 2012
5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued
51. Surplus reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	145,189,526.48			145,189,526.48
Free surplus reserves				
Reserve funds				
Enterprise development funds				
Other				
Total	<u>145,189,526.48</u>			<u>145,189,526.48</u>

52. General risk provisions

Nil

53. Undistributed profits

Item	End of period		Beginning of period	
	Amount	% of appropriation or distribution	Amount	% of appropriation or distribution
Undistributed profits of the end of the previous year before adjustment	(2,817,156,683.25)	—	(3,044,171,810.12)	—
Adjustment of total undistributed profits (Increase + / Decrease -)		—		—
Undistributed profits at the beginning of the year after adjustment	(2,817,156,683.25)	—	(3,044,171,810.12)	—
Add: Net profits of the period attributable to the owners of the parent	379,870,618.69	—	227,015,126.87	—
Less: Appropriation of statutory surplus reserve				
Appropriation of free surplus reserve				
Appropriation of general risk provisions				
Ordinary shares dividends payable				
Capitalized dividends of ordinary shares				
Undistributed profits at the end of the period	(2,437,286,064.56)	—	(2,817,156,683.25)	—

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

54. Operating revenue and cost

(1) Operating revenue and cost

Item	Amount for current period	Amount for previous period
Revenue from principle operations	9,046,697,029.94	9,681,132,355.15
Revenue from other operations	921,029,736.99	1,053,776,353.58
Operating cost	7,982,126,495.52	8,910,556,396.46

(2) Principle operations (by industry)

Applicable Not applicable

(3) Principle operations (by products)

Applicable Not applicable

Product	Amount for current period		Amount for previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
1. Refrigerators	4,266,279,741.67	3,302,001,862.92	4,395,137,626.65	3,422,851,222.02
2. Air-conditioners	3,756,832,970.87	3,040,154,370.30	4,269,848,859.91	3,674,644,718.46
3. Freezers	432,587,138.10	357,494,742.52	435,819,728.51	376,472,763.94
4. Small home appliances and others	590,997,179.30	449,192,761.27	580,326,140.08	441,336,445.99
Total	9,046,697,029.94	7,148,843,737.01	9,681,132,355.15	7,915,305,150.41

(4) Principle operations (by region)

Applicable Not applicable

Region	Amount for current period		Amount for previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Domestic	5,893,113,321.84	4,308,427,288.57	6,837,559,628.68	5,241,418,456.17
Overseas	3,153,583,708.10	2,840,416,448.44	2,843,572,726.47	2,673,886,694.24
Total	9,046,697,029.94	7,148,843,737.01	9,681,132,355.15	7,915,305,150.41

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

54. Operating revenue and cost — Continued

(5) Operating revenues from the top five customers of the Company

Name of customer	Revenue from principle operations	Percentage to the total revenue from principle operations of the Company (%)
Top 1	973,453,229.23	9.77
Top 2	704,011,621.02	7.06
Top 3	463,777,359.60	4.65
Top 4	162,132,376.25	1.63
Top 5	153,848,824.51	1.54
Total	<u>2,457,223,410.61</u>	<u>24.65</u>

55. Contract revenue from projects

Applicable Not applicable

56. Business taxes and surcharges

Item	Amount for current period	Amount for previous period	Rate of taxes payable
Consumption tax			
Business tax	1,023,224.62	1,557,822.82	See Note (5) Taxation for details
City maintenance and construction tax	17,533,937.50	15,006,792.76	See Note (5) Taxation for details
Education surcharges	13,830,387.60	9,704,372.17	See Note (5) Taxation for details
Resources tax			
Other		334,084.28	
Total	<u>32,387,549.72</u>	<u>26,603,072.03</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**57. Gain arising from changes in fair value**

Sources of gain arising from changes in fair value	Amount for current period	Amount for previous period
Held-for-trading financial assets	(20,729,077.30)	(12,664,205.84)
Including: Gain arising from changes in fair value of derivative financial instruments	(20,729,077.30)	(12,664,205.84)
Held-for-trading financial liabilities	6,636,121.77	5,960,727.44
Investment properties at fair values		
Other		
Total	(14,092,955.53)	(6,703,478.40)

Particulars of gain arising from changes in fair value:

This mainly represented undue foreign exchange forward contracts entered into by the Company with banks. The amount is calculated based on the difference between the quotation of the undue foreign exchange contracts and the future foreign exchange rate as at the end of the period.

58. Investment income**(1) Summary of investment incomes**

Item	Amount for current period	Amount for previous period
Income from long-term equity investments recognized by the cost method	3,800,000.00	3,534,000.00
Income from long-term equity investments recognized by the equity method	76,114,854.35	36,258,657.14
Investment income from disposal of long-term equity investments	—	45,837,301.86
Investment income from disposal of held-for-trading financial assets		
Investment income from holding held-to-maturity investments over the investment return period		
Investment income from financial assets available for sale and others for the period		
Investment income from disposal of held-for-trading financial assets	20,192,179.11	13,766,161.11
Investment income from held-to-maturity investments		
Investment income from financial assets available for sale		
Other		
Total	100,107,033.46	99,396,120.11

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

58. Investment income — Continued

(2) Income from long-term equity investments recognized by the cost method

Investee	Amount for current period	Amount for previous period	Reason for change from the previous period
Hisense International Marketing	3,800,000.00	3,534,000.00	
Total	3,800,000.00	3,534,000.00	—

(3) Income from long-term equity investments recognized by the equity method

Investee	Amount for current period	Amount for previous period	Reason for change from the previous period
Huayi Compressor	2,935,819.51	989,680.85	
Hisense Whirlpool	2,154,188.99	(6,213,971.50)	Changes in the net profits of the investee
Attend	50,887.51	(158,936.44)	
Hisense Hitachi	70,973,958.34	41,641,884.23	Changes in the net profits of the investee
Total	76,114,854.35	36,258,657.14	—

Particulars of investment income should be noted in case there are significant restrictions in the remittance of investment income. Should there be no such significant restrictions, it should be noted that: there is no significant restriction in the remittance of investment income.

59. Asset impairment losses

Item	Amount for current period	Amount for previous period
1. Bad debt loss	8,424,102.39	(2,131,056.21)
2. Loss from decline in value of inventories	(5,079,462.28)	14,416,213.78
3. Impairment loss on financial assets available for sale		
4. Impairment loss on held-to-maturity investments		
5. Impairment loss on long-term equity investments		
6. Impairment loss on investment properties		
7. Impairment loss on fixed assets		
8. Impairment loss on construction materials		
9. Impairment loss on construction in progress		
10. Impairment loss on productive biological assets		
11. Impairment loss on oil and gas assets		
12. Impairment loss on intangible assets		
13. Impairment loss on goodwill		
14. Other		
Total	3,344,640.11	12,285,157.57

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

60. Non-operating revenue

(1)

Item	Amount for current period	Amount for previous period
Total gain from disposal of non-current assets	1,866,042.65	1,695,241.48
Including: Gain from disposal of fixed assets	1,866,042.65	1,695,241.48
Gain from disposal of intangible assets		
Gain from debt restructuring		30,000.00
Gain from non-monetary assets exchange		
Receipt of donations		
Government grants	6,924,917.27	114,584,108.95
Other	2,797,494.95	10,070,267.18
Total	11,588,454.87	126,379,617.61

(2) *Summary of government grants*

Item	Amount for current period	Amount for previous period	Description
1. Government grants related to assets			
Production technology reform project for energy-saving household SBS large-size refrigerator *1	(225,000.00)	(225,000.00)	
Special funds for high-and-new technologies *2	(252,755.22)	(252,755.22)	
Innovation capacity-building projects of National Engineering Research Center *3	5,003,505.99		
Other government grants related to assets	(3,789,585.99)	6,647,395.97	
Subtotal	736,164.78	6,169,640.75	
2. Government grants related to revenue			
Production technology reform project for energy-saving household SBS large-size refrigerator	225,000.00	225,000.00	
Special funds for high-and-new technologies	252,755.22	252,755.22	
Innovation capacity-building projects of National Engineering Research Center	237,233.52		
Financial subsidies for promotion of high efficiency air-conditioners *4		105,430,000.00	
Other government grants	6,209,928.53	8,676,353.73	
Subtotal	6,924,917.27	114,584,108.95	
Total	7,661,082.05	120,753,749.70	

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

60. Non-operating revenue — Continued

(2) Summary of government grants — Continued

- *1 The government grants represented the project award of RMB3,000,000 granted to the subsidiary of the Company Ronshen Refrigerator by the Financial Bureau of Foshan, Shunde under "Circulating the Circular of Guangdong Provincial Support for Technology Renovation Tender Projects and Supplementary Projects in 2007" (Fo Jing Mao (2007) No. 391), and the project award of RMB1,500,000.00 granted to the subsidiary of the Company Ronshen Refrigerator by the Economic and Trade Bureau of Foshan, Shunde under "Reply by the Office of the People's Government of Shunde, Foshan on Consenting to Grant Regional Subsidy for Science and Technology Outlay to Enterprises Including Guangdong Xinbao Electrical Appliances Holdings Co., Ltd. in 2007" (Shun Fu Ban Han (2008) No. 114). The project commenced from October 2007 and ended in October 2009. In April and May 2008, Ronshen Refrigerator has recognized deferred income after receiving the project government grants of RMB3,000,000 and RMB1,500,000 respectively from the Company, and the amounts received were accounted for in the books of Ronshen Refrigerator as deferred non-operating income over a period of 10 years. In 2008, Ronshen Refrigerator has recognized income in the amount of RMB325,000.00. In 2009, income in the amount of RMB450,000.00 was recognized. In 2010, income in the amount of RMB450,000.00 was recognized. In 2011, income in the amount of RMB450,000.00 was recognized. In the first half of 2012, income in the amount of RMB225,000.00 was recognized. The remaining amount of RMB2,600,000.00 was recognized as deferred income.
- *2 The amount represented equipment donated made by United Nations Industrial Development Organization on 11 May 2005 to Hisense Beijing pursuant to Montreal Protocol. The amount has been recognized by the Company as deferred income and recognized as non-operating income over a period of 10 years. As at 30 June 2012, the balance of RMB2,274,796.85 was pending to be recognized as deferred income.
- *3 The government subsidies represented central finance and local finance complementary subsidies for innovation capacity-building projects of National Engineering Research Center. The central finance subsidies were partly directly paid to the bid-winning units under the projects through the local finance and tax bureau. As at 30 June 2012, a total of RMB3,012,795.99 has been paid, whereas the local finance complementary payment amounted to RMB1,990,710.00. Project equipment tax credit of RMB237,233.52 has been recognized for the period.
- *4 The government grants represented grants to the Company according to the Notice on Financial Subsidy Budget Benchmark for June-December 2010 to the Ministry of Finance in Relation to Promotion of High Efficiency and Energy Saving Air-Conditioners (Yue Cai Gong (2011) No. 35), Notice on Financial Subsidy Budget Benchmark for January-March 2011 to the Ministry of Finance in Relation to Promotion of High Efficiency and Energy Saving Air-Conditioners (Yue Cai Gong (2011) No. 234) and Notice on Financial Subsidy Budget Benchmark for April 2011 to the Ministry of Finance in Relation to Promotion of High Efficiency and Energy Saving Air-Conditioners (Yue Cai Gong (2011) No. 306) issued by the Guangdong Provincial Department of Finance, and Notice on Central Financial Subsidy Budget Benchmark for June-December 2010 in Relation to Promotion of High Efficiency and Energy Saving Air-Conditioners (Qing Cai Jian Zhi (2011) No. 28) and Notice on Central Financial Subsidy Budget Benchmark for January-March 2011 in Relation to Promotion of High Efficiency and Energy Saving Air-Conditioners (Qing Cai Jian Zhi (2011) No. 104) issued by the Qingdao Bureau of Finance in accordance with the requirements of the Temporary Regulations for the Government Subsidy Management for Promotion of High Efficiency and Energy-Saving Products (Finance Ministry Document Cai Jian (2009) No. 213), Implementation Rules for Promotion of High Efficiency Room Air-Conditioners (Finance Ministry Document Cai Jian (2009) No. 214, Cai Jian (2010) No. 32, Cai Jian (2010) No.149, Cai Jian (2010) No.539).

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

61. Non-operating expenses

Item	Amount for current period	Amount for previous period
Total loss on disposal of non-current assets	1,985,884.72	2,641,645.91
Including: Loss on disposal of fixed assets	1,985,884.72	2,641,645.91
Loss on disposal of intangible assets		
Loss on debt restructuring		
Loss from non-monetary assets exchange		
Donation to external parties		
Other	2,724,866.86	6,322,907.12
Total	4,710,751.58	8,964,553.03

62. Income tax expenses

Item	Amount for current period	Amount for previous period
Current income tax calculated according to tax laws and related regulations	6,650,269.20	6,689,295.86
Adjustments in deferred tax expenses	(1,029,081.21)	998,914.14
Total	5,621,187.99	7,688,210.00

63. Calculation of basic and diluted earnings per share

Item		Amount for current period	Amount for previous period
Net profits attributable to ordinary shareholders of the Company of the reporting period	P1	379,870,618.69	285,838,725.03
Non-recurring item attributable to ordinary shareholders of the Company of the reporting period	F	5,240,684.73	55,465,009.68
Net profits after non-recurring item attributable to ordinary shareholders of the Company of the reporting period	P2=P1-F	374,629,933.96	230,373,715.35
Effect of dilutive events on net profits attributable to ordinary shareholders of the Company	P3		
Effect of dilutive events on net profits after non-recurring item attributable to ordinary shareholders of the Company	P4		
Weighted average number of ordinary shares	S	1,354,054,750.00	1,354,054,750.00
Add: Additional weighted average number of ordinary shares assuming conversion of all dilutive potential ordinary shares to ordinary shares	X1		
Weighted average number of ordinary shares in the calculation of diluted earnings per share	X2=S+X1	1,354,054,750.00	1,354,054,750.00
Basic earnings per share attributable to ordinary shareholders of the Company	Y1=P1/S	0.2805	0.2111
Basic earnings per share attributable to ordinary shareholders of the Company after non-recurring items	Y2=P2/S	0.2767	0.1701
Diluted earnings per share attributable to ordinary shareholders of the Company	Y3=(P1+P3)/X2	0.2805	0.2111
Diluted earnings per share attributable to ordinary shareholders of the Company after non-recurring items	Y4=(P2+P4)/X2	0.2767	0.1701

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**64. Other comprehensive incomes**

<u>Item</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>
1. Gain (Loss) from financial assets available for sale		
Less: Income tax effect arising from financial assets available for sale		
Net amount accounted for as other comprehensive incomes in the previous period and transferred to profit and loss in the current period		
Subtotal		
2. Recognition of share of other comprehensive incomes of the investee based on equity method		
Less: Income tax effect arising from recognition of share of other comprehensive incomes of the investee based on equity method		
Net amount accounted for as other comprehensive incomes in the previous period and transferred to profit and loss in the current period		(2,982,192.07)
Subtotal		(2,982,192.07)
3. Gain (Loss) from hedging instruments for cash flow		
Less: Income tax effect arising from hedging instruments for cash flow		
Net amount accounted for as other comprehensive incomes in the previous period and transferred to profit and loss in the current period		
Adjustments to amount of initial recognition of the hedged items		
Subtotal		
4. Difference on translation of foreign currency financial statements	(104,803.89)	970,167.10
Less: Net amount transferred to gain/(loss) upon disposal of foreign operations in the current period		
Subtotal	(104,803.89)	970,167.10
5. Other		
Less: Income tax effects from other items under comprehensive income		
Net amount accounted for as other comprehensive incomes in the previous period and transferred to profit and loss in the current period		
Subtotal		
Total	<u>(104,803.89)</u>	<u>(2,012,024.97)</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**65. Notes to cash flow statement****(1) Cash received relating to other operating activities**

Item	Amount
Interest incomes	1,420,787.63
Government subsidies	7,661,082.05
Other	105,716,248.44
Total	<u>114,798,118.12</u>

(2) Cash paid relating to other operating activities

Item	Amount
Cash payments of general and administrative expenses	143,446,171.48
Cash payments of selling and distribution expenses	586,127,194.29
Bank charges	5,715,263.01
Other	144,854,137.87
Total	<u>880,142,766.65</u>

(3) Cash received relating to investment activities

Item	Amount
Nil	
Total	

(4) Cash paid relating to investment activities

Item	Amount
Nil	
Total	

(5) Cash received relating to financing activities

Item	Amount
Receipt of guarantee deposits	150,596.82
Total	<u>150,596.82</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

65. Notes to cash flow statement — Continued

(6) Cash paid relating to financing activities

Item	Amount
Nil	
Total	

66. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Supplementary information	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	401,841,967.56	284,678,746.21
Add: Provision for assets impairment	3,344,640.11	12,285,157.57
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	171,643,998.82	154,725,238.42
Amortization of intangible assets	11,182,131.24	16,072,503.42
Amortization of long-term prepaid expenses		823,854.41
Loss on disposals of fixed assets, intangible and other long- term assets (Gain denoted in “—”)	119,842.07	946,404.43
Loss on scrapping of fixed assets (Gain denoted in “—”)		
Loss on change in fair value (Gain denoted in “—”)	14,092,955.53	6,703,478.40
Financial expenses (Gain denoted in “—”)	19,474,229.65	18,258,747.67
Investment loss (Gain denoted in “—”)	(100,107,033.46)	(99,396,120.11)
Decrease in deferred tax assets (Increase denoted in “—”)	(1,029,081.21)	998,914.14
Increase in deferred tax liabilities (Decrease denoted in “—”)		
Decrease in inventory (Increase denoted in “—”)	(249,300,967.32)	(171,153,862.98)
Decrease in operating receivables (Gain denoted in “—”)	(1,823,477,446.70)	(1,010,271,519.28)
Increase in operating payables (Decrease denoted in “—”)	1,583,759,726.89	649,894,537.30
Others		
Net cash flows from operating activities	31,544,963.18	(135,433,920.40)
2. Significant investing and financing activities not involving cash receipts and payment:	—	—
Liabilities converted into assets equity		
Convertible company debentures due within one year		
Fixed assets under finance leases		
3. Net movement in cash and cash equivalents:	—	—
Cash at the end of the period	460,026,006.66	320,589,659.92
Less: Cash at the beginning of the period	396,814,919.98	419,921,513.93
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	63,211,086.68	(99,331,854.01)

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**66. Supplementary information on cash flow statement — Continued****(2) Information on disposal of subsidiaries and other operating units during the reporting period**

Nil

(3) Details of cash and cash equivalents

Item	Closing balance	Opening balance
		<i>Unit: RMB</i>
1. Cash		
Including: Cash on hand	235,023.86	166,157.33
Bank deposit that are readily available for payment	459,790,982.80	396,648,762.65
Other cash that are readily available for payment		
Deposit at central bank available for payment		
Interbank deposits		
Placements from other financial institutions		
2. Cash equivalents		
Including: Bond investments due within three months		
3. Cash and cash equivalents as at the end of the period	460,026,006.66	396,814,919.98

67. Notes to statement of changes in owners' equity

Note on the name and amount of the "Other" adjustments to the closing balance of the previous year, retrospective adjustments arising from business combination under common control and other matters:

Nil

(6) ACCOUNTING TREATMENT OF ASSET SECURITIZATION BUSINESS**1. Note on the arrangements, related accounting treatments and terms of bankruptcy remote of major transaction under the asset securitization business**

Nil

2. Particulars of special purpose vehicles for which the Company does not have the control but bears the risks in effect

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS

1. Particulars of the parent company

Name of parent company	Relationship	Category of enterprise	Registration Address	Legal representative	Business nature
Qingdao Hisense Air-conditioning	Controlling shareholder	Foreign-sino joint venture	Qingdao	Tang Ye Guo	Manufacture of air-conditioners and moulds and after-sale services
Hisense Group	Ultimate holding shareholder	State wholly-owned	Qingdao	Zhou Hou Jian	Entrusted operation of state-owned assets; manufacture and sales of household appliances, communication products and services

Continued from above table

Name of parent company	Registered capital	Equity interest (%)	Voting rights (%)	Ultimate Holding Company	Organization code
Qingdao Hisense Air-conditioning	67,479	45.22%	45.22%	State-owned Assets Supervision and Administration Commission of Qingdao Municipal	61430651-4
Hisense Group	80,617			State-owned Assets Supervision and Administration Commission of Qingdao Municipal	16357877-1

2. Particulars of subsidiaries of the Company

See Note (6) Business combination and consolidated financial statements

3. Particulars of associates and joint ventures of the Company

See Note (7) 14.

4. Particulars of other related parties of the Company

(1) Related parties of Greencool Companies

Name of related parties of Greencool Companies	Relationship with the Company
Guangdong Greencool	Former controlling shareholder of the Company
Shenzhen Greencool Environmental	Related party of Guangdong Greencool
Shenzhen Greencool Technology	Related party of Guangdong Greencool
Greencool Procurement (Shenzhen) Co., Ltd. ("Greencool Procurement")	Related party of Guangdong Greencool
Hainan Greencool	Related party of Guangdong Greencool
Jiangxi Greencool Electrical Appliance Co., Ltd. ("Jiangxi Greencool")	Related party of Guangdong Greencool

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued**4. Particulars of other related parties of the Company — Continued****(2) The Greencool Companies had a series of transactions or abnormal cash inflow/outflow through the following “Specific Third Party Companies”**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jiangxi Kesheng	Specified Third Party Company
Jinan San Ai Fu	Specified Third Party Company
Tianjin Xiangrun	Specified Third Party Company
Tianjin Lixin	Specified Third Party Company
Jiangxi Keda	Specified Third Party Company
Hefei Weixi	Specified Third Party Company
Zhuhai Longjia	Specified Third Party Company
Zhuhai Defa	Specified Third Party Company
Wuhan Changrong	Specified Third Party Company
Tianjin Tajin	Specified Third Party Company
Deheng Solicitors	Specified Third Party Company
Shangqiu Bingxiong	Specified Third Party Company
Finance Bureau of Yangzhou Economic Development Zone	Specified Third Party Company

(3) Other related parties of the Company

<u>Name of other related parties</u>	<u>Other related parties Relationship with the Company</u>	<u>Institution code</u>
Hisense Finance	Subsidiary of ultimate holding company	71788291x
Qingdao Hisense Electric Co., Ltd. (“Hisense Electrical Appliances”)	Subsidiary of ultimate holding company	26462882-x
Xi’an Gaoke (Group) Limited (“Xi’an Gaoke”)	Minority shareholder of Xi’an Kelon	
Shunde Yunlong Consultancy Service Limited (“Shunde Yunlong Consultancy”)	Minority shareholder of Huaao Electronics	
Beijing Xuehua Group Company Limited (“Xuehua Group”)	Minority shareholder of Hisense Beijing	
Beijing Embraco Snowflake compressor Co., Ltd. (“Embraco”)	Subsidiary of Xuehua Group	
Hisense International (HK) Co., Ltd. (“Hisense Hong Kong”)	Subsidiary of ultimate holding company	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued
5. Related party transactions
(1) Statement of purchase of goods and receipt of services

			Amount for current period		Amount for previous period	
Related party	Particulars of related parties transactions	Pricing and decision-making procedures of related parties transactions	Percentage to similar transaction (%)		Percentage to similar transaction (%)	
			Amount		Amount	
Hisense Electrical Appliances and its subsidiaries	Purchase of finished goods	Agreed price	70,450.42			
Hisense Group and its subsidiaries	Purchase of finished goods	Agreed price			15,871.23	
Hisense Whirlpool	Purchase of finished goods	Agreed price	209,985,170.21	2.63	213,907,721.58	2.40
Subtotal of purchase of finished goods			210,055,620.63	2.63	213,923,592.81	2.40
Hisense Electrical Appliances and its subsidiaries	Purchase of raw materials	Agreed price	8,828,237.97	0.11	8,852,270.91	0.10
Hisense Group and its subsidiaries	Purchase of raw materials	Agreed price	2,016,523.86	0.03	4,834,205.00	0.05
Hisense Whirlpool	Purchase of raw materials	Agreed price	2,872,802.47	0.04	1,204,453.43	0.01
Hisense Hitachi	Purchase of raw materials	Agreed price	2,916,803.97	0.04	3,456,347.59	0.04
Huayi Compressor and its subsidiaries	Purchase of raw materials	Agreed price	396,280,145.09	4.96	395,318,041.56	4.44
Embraco	Purchase of raw materials	Agreed price	13,529,918.80	0.17	26,203,094.02	0.29
Subtotal of purchase of materials			426,444,432.16	5.35	439,868,412.51	4.93
Hisense Electrical Appliances and its subsidiaries	Receipt of services	Agreed price	3,109,919.40	0.04	2,797,824.32	0.03
Hisense Group and its subsidiaries	Receipt of services	Agreed price	101,295,054.95	1.27	79,756,144.98	0.90
Xuehua Group	Receipt of services	Agreed price	11,852,038.13	0.15	8,859,642.05	0.10
Subtotal of receipt of services			116,257,012.48	1.46	91,413,611.35	1.03
Hisense Hong Kong	Factoring purchase	Agreed price	48,924,559.05	0.61	23,655,574.00	0.27
Subtotal of financing purchase			48,924,559.05	0.61	23,655,574.00	0.27
Hisense Electrical Appliances and its subsidiaries	Purchase of fix assets	Agreed price	2,683.76	0	71,922.74	—
Hisense Group and its subsidiaries	Purchase of fix assets	Agreed price	143,005.00	0	686,018.97	0.01
Subtotal of purchase of fix assets			145,688.76	0.00	0.00	0.01

Unit: RMB

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — *Continued*

5. Related party transactions — *Continued*

(1) *Statement of purchase of goods and receipt of services — Continued*

The Company and the related subsidiaries of Hisense Group have entered into a Business Cooperation Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction with the Company being the purchaser and recipient of services was subject to an upper limit (inclusive of tax) of 401,250,000 (inclusive of tax).

The Company and Hisense Whirlpool have entered into a Business Framework Agreement (II) on 29 November 2011. During the effective period of the agreement, the transaction with the Company being the purchaser and recipient of services was subject to an upper limit (inclusive of tax) of RMB1,014,100,000 (inclusive of tax).

The Company and Huayi Compressor have entered into a Purchase and Supply of Compressors Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction with the Company being the purchaser was subject to an upper limit (inclusive of tax) of RMB1,380,000,000 (inclusive of tax).

The Company and Hisense Hitachi have entered into a Business Framework Agreement (I) on 29 November 2011. During the effective period of the agreement, the transaction with the Company being the purchaser was subject to an upper limit (inclusive of tax) of RMB15,000,000 (inclusive of tax).

The Company and Embraco have entered into a Purchase and Supply of Compressors Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction with the Company being the purchaser was subject to an upper limit (inclusive of tax) of RMB250,000,000 (inclusive of tax).

The Company and Xuehua Group have entered into a Property Service Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction in which the Company engaged Xuehua Group to provide property services was subject to an upper limit (inclusive of tax) of RMB33,200,000 (inclusive of tax).

The Company and Hisense Hong Kong have entered into a Factoring Purchase Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction in which Hisense Kelon shall perform factoring purchase through Hisense Hong Kong was subject to an upper limit of US\$150,000,000.

The above agreements were considered and approved at the fourteenth interim meeting of the Company's seventh session of the board of directors in 2011 convened on 29 November 2011.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(2) Statement of sale of goods and provision of services

Unit: RMB'000

Name of related party	Particulars of related parties transactions	Pricing policies and procedures for decision-making	Amount for current period		Amount for previous period	
			Amount	Percentage to similar transaction (%)	Amount	Percentage to similar transaction (%)
Hisense Electrical Appliances and its subsidiaries	Sale of finished goods	Agreed price	—	—	3,456,284.36	0.03
Hisense Group and its subsidiaries	Sale of finished goods	Agreed price	1,244,720,449.41	12.49	818,377,063.78	7.62
Hisense Whirlpool	Sale of finished goods	Agreed price	—	—	116,801.97	0.00
Hisense Hitachi	Sale of finished goods	Agreed price	26,796,830.82	0.27	17,185,873.41	0.16
Subtotal of sales amount of finished product			1,271,517,280.23	12.76	839,136,023.52	7.81
Hisense Electrical Appliances and its subsidiaries	Sale of raw materials	Agreed price	6,920.76	0.00	—	—
Hisense Group and its subsidiaries	Sale of raw materials	Agreed price	26,483,602.86	0.27	23,399,585.88	0.22
Hisense Whirlpool	Sale of raw materials	Agreed price	15,666,123.08	0.16	5,701,404.26	0.05
Hisense Hitachi	Sale of raw materials	Agreed price	25,771.24	0.00	14,393.97	0.00
Subtotal of sales amount of materials			42,182,417.94	0.42	29,115,384.11	0.27
Hisense Electrical Appliances and its subsidiaries	Sale of mould	Market price	27,826,536.17	0.28	18,664,999.99	0.17
Hisense Group and its subsidiaries	Sale of mould	Market price	74,117,573.22	0.74	53,945,629.00	0.50
Hisense Whirlpool	Sale of mould	Market price	0.00	0.00	—	—
Subtotal of sales amount of moulds			101,944,109.39	1.02	72,610,628.99	0.67
Hisense Electrical Appliances and its subsidiaries	Provision of services	Agreed price	231,000.00	0.00	—	—
Hisense Group and its subsidiaries	Provision of services	Agreed price	1,165,859.39	0.01	245,495.64	0
Attend	Provision of services	Agreed price	2,905.80	0.00	8,282.05	0
Subtotal of provision of services			1,399,765.19	0.01	253,777.69	0.00

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(2) Statement of sale of goods and provision of services — Continued

The Company and Hisense Group have entered into a Business Cooperation Framework Agreement on 29 November 2011. During the effective period of the agreement, the transaction in which the Company being the supplier and service provider was subject to an upper limit (inclusive of tax) of RMB2,881,920,000 (inclusive of tax).

The Company and Hisense Whirlpool have entered into a Business Framework Agreement (II) on 29 November 2011. During the effective period of the agreement, the transaction in which the Company being the supplier and service provider was subject to an upper limit (inclusive of tax) of RMB71,500,000 (inclusive of tax).

The Company and Hisense Hitachi have entered into a Business Framework Agreement (I) on 29 November 2011. During the effective period of the agreement, the transaction in which the Company being the supplier and service provider was subject to an upper limit (inclusive of tax) of RMB489,200,000 (inclusive of tax).

The above agreements were considered and approved at the fourteenth interim meeting of the Company's seventh session of the board of directors in 2011 convened on 29 November 2011.

(3) Particulars of connected trust/contracting

Statement of the Company as the trustee/contractor

Nil

Statement of the Company as the trustor/farmer

Nil

Note on connected trust/contracting

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(4) Particulars of connected leasing

Statement of the Company as the lessor

Unit: RMB

Name of lessor	Name of lessee	Category of leased asset	Conditions of leased asset	Amount involved of leased asset	Effective date of lease	Expiry date of lease	Pricing principle of lease	Lease income recognized for the period	Impact of lease income on the Company
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Nil

Statement of the Company as the lessee

Unit: RMB

Name of lessor	Name of lessee	Category of leased asset	Conditions of leased asset	Amount involved of leased asset	Effective date of lease	Expiry date of lease	Pricing principle of lease	Lease income recognized for the period	Impact of lease income on the Company
Hisense Group and its subsidiaries	The Company	Building	Normal		2008.1.1	2013.12.31	Lease agreement	1,064,626	
Hisense Electrical Appliances and its subsidiaries	The Company	Building	Normal		2012.1.1	2012.6.30	Lease agreement	64,365	
Xuehua Group	Hisense Beijing	Building	Normal		2011.1.1	2012.6.30	Lease agreement	3,760,864	
Xuehua Group	Hisense Beijing	Building	Normal		2009.12.1	2012.11.30	Lease agreement	150,658	
Xuehua Group	Hisense Beijing	Building	Normal		2012.2.1	2012.12.31	Lease agreement	136,500	
Hisense Group and its subsidiaries	Hisense Mould	Building	Normal		2009.1.1	2018.12.31	Lease agreement	57,124	
Hisense Electrical Appliances and its subsidiaries	Hisense Shandong	Building	Normal		2012.1.1	2012.12.31	Lease agreement	513,277	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(5) Particulars of related party guarantees

Unit: RMB'0000

Guarantor	Guaranteed party	Guarantee amount	Effective date of guarantee	Expiry date of guarantee	Guarantee fulfilled or not	Remark
Hisense Group	The Company	7,500.00	2011.10.20	2012.10.19	No	Borrowings
Hisense Group	The Company	7,000.00	2012.06.13	2013.06.12	No	Borrowings
Hisense Group	Ronshen Refrigerator	5,500.00	2011.10.14	2012.10.12	No	Borrowings
Hisense Group	Ronshen Refrigerator	9,000.00	2012.06.12	2013.06.11	No	Borrowings
Hisense Group	Hisense Beijing	8,000.00	2012.01.18	2013.01.17	No	Borrowings
Hisense Group	Ronshen Refrigerator	4,104.49	2012.03.19	2013.03.18	No	Borrowings
Hisense Group	The Company	6,314.60	2011.07.26	2012.08.10	No	Borrowings
Hisense Group	The Company	1,000.00	2012.01.16	2012.07.16	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.01.16	2012.07.16	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.01.16	2012.07.16	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.02.22	2012.08.21	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.02.22	2012.08.21	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.02.22	2012.08.22	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.02.22	2012.08.22	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.03.21	2012.08.31	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.03.19	2012.09.17	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.03.19	2012.09.17	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.03.19	2012.09.21	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	450.00	2012.04.19	2012.10.18	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	450.00	2012.04.19	2012.10.18	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	400.00	2012.04.20	2012.10.19	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	450.00	2012.04.20	2012.10.19	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	1,000.00	2012.05.21	2012.11.21	No	Discounted notes reclassified as borrowings
Hisense Group	The Company	764.50	2012.02.23	2012.08.23	No	Bank acceptance notes
Hisense Group	The Company	1,494.00	2012.05.29	2012.08.28	No	Bank acceptance notes
Hisense Group	The Company	300.00	2012.05.29	2012.09.27	No	Bank acceptance notes

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(5) Particulars of related party guarantees — Continued

Guarantor	Guaranteed party	Guarantee amount	Effective date of guarantee	Expiry date of guarantee	Guarantee fulfilled or not	Remark
Hisense Group	The Company	2,206.00	2012.05.29	2012.11.29	No	Bank acceptance notes
Hisense Group	The Company	7,261.00	2012.03.29	2012.08.29	No	Bank acceptance notes
Hisense Group	The Company	5,380.00	2012.03.29	2012.09.28	No	Bank acceptance notes
Hisense Group	The Company	5,600.00	2012.03.30	2012.09.28	No	Bank acceptance notes
Hisense Group	Hisense Shandong	1,772.00	2012.04.26	2012.07.26	No	Bank acceptance notes
Hisense Group	Hisense Shandong	2,084.00	2012.04.26	2012.10.25	No	Bank acceptance notes
Hisense Group	Hisense Shandong	4,000.00	2012.05.31	2012.08.29	No	Bank acceptance notes
Hisense Group	Hisense Shandong	2,020.00	2012.06.29	2012.09.28	No	Bank acceptance notes
Hisense Group	The Company	1,294.64	2012.01.18	2012.07.18	No	Bank acceptance notes
Hisense Group	The Company	5.22	2012.02.22	2012.07.20	No	Bank acceptance notes
Hisense Group	The Company	857.81	2012.02.22	2012.08.22	No	Bank acceptance notes
Hisense Group	The Company	2,405.00	2012.03.29	2012.07.06	No	Bank acceptance notes
Hisense Group	The Company	111.63	2012.03.29	2012.09.28	No	Bank acceptance notes
Hisense Group	The Company	926.34	2012.04.10	2012.07.10	No	Bank acceptance notes
Hisense Group	The Company	1,579.63	2012.04.10	2012.10.12	No	Bank acceptance notes
Hisense Group	The Company	2,568.00	2012.04.26	2012.07.26	No	Bank acceptance notes
Hisense Group	The Company	2,402.00	2012.04.26	2012.07.27	No	Bank acceptance notes
Hisense Group	The Company	135.18	2012.04.26	2012.10.26	No	Bank acceptance notes
Hisense Group	The Company	1,882.44	2012.04.27	2012.08.15	No	Bank acceptance notes
Hisense Group	The Company	650.82	2012.06.11	2012.09.11	No	Bank acceptance notes
Hisense Group	The Company	1,299.24	2012.06.15	2012.09.13	No	Bank acceptance notes
Hisense Group	The Company	924.94	2012.06.15	2012.12.14	No	Bank acceptance notes
Hisense Group	The Company	870.86	2012.06.18	2012.12.18	No	Bank acceptance notes
Hisense Group	The Company	98.58	2012.06.27	2012.09.13	No	Bank acceptance notes
Hisense Group	The Company	3,322.00	2012.06.27	2012.09.26	No	Bank acceptance notes
Hisense Group	The Company	2,388.14	2012.06.27	2012.12.27	No	Bank acceptance notes
Hisense Group	The Company	2,121.66	2012.06.27	2013.01.15	No	Bank acceptance notes
Hisense Group	Ronshen Plastic	738.93	2012.05.25	2012.09.27	No	Trade finance

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — *Continued*

5. Related party transactions — *Continued*

(5) *Particulars of related party guarantees — Continued*

Particulars of related party guarantee:

In February 2012, the Company and Hisense Finance have entered into Hai Xin Shou Xin Zi No. 037 Consolidated Credit Contract, pursuant to which, the Company might apply to Hisense Finance for the utilization of a maximum credit limit of RMB600,000,000 from 24 February 2012 to 21 March 2013. To ensure the settlement of the liabilities under the credit contract, Hisense Group and Hisense Finance have entered into Hai Xin Gao Bao Zi No. 019 Maximum Guarantee Contract to guarantee for the repayment of loan by the Company on 24 February 2012.

In January 2012, Ronshen Refrigerator and Hisense Finance have entered into Hai Xin Shou Xin Zi No. 036 Consolidated Credit Contract, pursuant to which, Ronshen Refrigerator might apply to Hisense Finance for the utilization of a maximum credit limit of RMB500,000,000 from 18 January 2012 to 17 February 2013. To ensure the settlement of the liabilities under the credit contract, Hisense Group and Hisense Finance have entered into Hai Xin Gao Bao Zi No. 018 Maximum Guarantee Contract to guarantee for the repayment of loan by Ronshen Refrigerator on 18 January 2012.

In October 2011, Hisense Group and the Qingdao Shandong Road branch of Industrial and Commercial Bank of China Limited have entered into a 3803001-2011 Ying Ye (Bao) Zi No. 0025 Maximum Guarantee Contract, pursuant to which Hisense Shandong would provide guarantee securities for the liabilities under the maximum credit limit of RMB200,000,000 applied from the Qingdao Shandong Road branch of Industrial and Commercial Bank of China Limited during the period from 22 October 2011 to 31 December 2012.

In January 2012, Hisense Beijing and Hisense Finance have entered into Hai Xin Shou Xin Zi No. 035 Consolidated Credit Contract, pursuant to which, Hisense Beijing might apply to Hisense Finance for the utilization of a maximum credit limit of RMB100,000,000 from 16 January 2012 to 31 December 2012. To ensure the settlement of the liabilities under the credit contract, Hisense Group and Hisense Finance have entered into Hai Xin Gao Bao Zi No. 017 Maximum Guarantee Contract to guarantee for the repayment of loan by the Company on 16 January 2012.

In January 2012, Hisense Group and the Foshan branch of Bank of Communications Co., Ltd. have entered into a Fo Jiao Yin Zui Bao Fei E Zi No. 2012106014 Maximum Guarantee Contract, pursuant to which the Foshan branch of Bank of Communications Co., Ltd. would guarantee to provide a series of credit facilities of the maximum liability limit of RMB165,000,000 to the Company, Ronshen Refrigerator, Kelon Fittings and Ronshen Plastic during the period from 27 December 2011 to 27 December 2013.

On 11 May 2011, the Guangzhou branch of ANZ issued a letter of standby credit in favor of the Company, which was guaranteed by Hisense Group in favor of the Company. The letter of credit was used to offer a guarantee by the Company for a US\$10,000,000 loan granted to KII by the Hong Kong Branch of ANZ, with the beneficiary being the Hong Kong branch of ANZ, in a term of guarantee from 26 July 2011 to 10 August 2012.

(6) *Lending and borrowings of related parties*

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued

5. Related party transactions — Continued

(7) Asset transfer and debt restructuring of related parties

Nil

(8) Other related transactions

Pursuant to the Finance Services Agreement entered into between the Company and Hisense Finance, the Company may commence deposits, loans, draft discount and other financial businesses with Hisense Finance in 2012 (see the Finance Services Agreement entered into by the Company and Hisense Finance on 29 November 2011 for details). As at 30 June 2012, the Company had a loan balance of RMB411,044,900 with Hisense Finance, including draft discount of RMB137,500,000, deposit balance of RMB163,063,800, interest expenses of RMB17,072,400, interest income of RMB548,300, balance of eBank acceptance notes issued of RMB258,486,200, interest expenses for notes of RMB4,822,500, handling fees for eBank acceptance notes issued of RMB150,300 of the Company with Hisense Finance.

6. Receivables from and payables to related parties

Receivables from related parties

		<i>Unit: RMB</i>	
Name of item	Related party	Closing balance	Opening balance
Accounts receivable	Hisense Electrical Appliances and its subsidiaries	5,946,720.96	5,680,553.92
Accounts receivable	Hisense Group and its subsidiaries	448,357,059.48	275,640,454.10
Accounts receivable	Hisense Whirlpool	8,652,395.57	2,784,028.98
Accounts receivable	Hisense Hitachi	3,957,082.42	—
Accounts receivable	Huayi Compressor and its subsidiaries	120,375.41	217,666.55
Subtotal of accounts receivable		<u>467,033,633.84</u>	<u>284,322,703.55</u>
Other receivables	Hisense Electrical Appliances and its subsidiaries	219,000.00	200,000.00
Other receivables	Hisense Group and its subsidiaries	296,828.41	6,420.00
Other receivables	Hisense Whirlpool	2,512.16	431,841.02
Other receivables	Shunde Yunlong Consultancy	4,455,375.57	4,455,375.57
Subtotal of other receivables		<u>4,973,716.14</u>	<u>5,093,636.59</u>
Notes receivable	Hisense Electrical Appliances and its subsidiaries	—	—
Notes receivable	Hisense Group and its subsidiaries	20,762,263.40	31,152,446.57
Subtotal of notes receivable		<u>20,762,263.40</u>	<u>31,152,446.57</u>
Prepayments	Hisense Electrical Appliances and its subsidiaries	—	—
Prepayments	Hisense Group and its subsidiaries	1,124,471.61	1,123,591.99
Subtotal of prepayments		<u>1,124,471.61</u>	<u>1,123,591.99</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued**6. Receivables from and payables to related parties — Continued****Payables to related parties**

		<i>Unit: RMB</i>	
Name of item	Related party	Closing balance	Opening balance
Accounts payable	Huayi Compressor and its subsidiaries	260,928,643.31	146,198,325.53
Accounts payable	Embraco	4,896,445.37	6,649,203.00
Accounts payable	Hisense Group and its subsidiaries	9,745,326.65	19,701,923.51
Accounts payable	Hisense Electrical Appliances and its subsidiaries	169,357.47	—
Accounts payable	Hisense Whirlpool	5,101,064.96	116,870,313.04
Subtotal of accounts payable		280,840,837.76	289,419,765.08
Other payable	Hisense Group and its subsidiaries	2,291,007.23	1,717,184.03
Other payable	Huayi Compressor and its subsidiaries	200,000.00	200,000.00
Other payable	Embraco	100,000.00	100,000.00
Other payable	Xi'an Gaoke	2,358,041.00	2,358,041.00
Other payable	Combine	5,099,880.00	5,099,880.00
Other payable	Xuehua Group	20,038.34	—
Subtotal of other payable		10,068,966.57	9,475,105.03
Advances from customers	Hisense Group and its subsidiaries	245,244.26	37,762,190.02
Advances from customers	Hisense Whirlpool	72,254.43	—
Advances from customers	Hisense Hitachi	16.80	—
Subtotal of advances from customers		317,515.49	37,762,190.02

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued
6. Receivables from and payables to related parties — Continued
Transactions with “specific third parties”

Name of item	Related party	Closing balance	Opening balance
Accounts receivable	Hefei Weixi	18,229,589.24	18,229,589.24
	Wuhan Changrong	20,460,394.04	20,460,394.04
Subtotal of accounts receivable		38,689,983.28	38,689,983.28
Prepayments	Hefei Weixi	465,213.00	465,213.00
Subtotal of prepayments		465,213.00	465,213.00
Other receivables	Jiangxi Kesheng	27,462,676.72	27,462,676.72
	Jinan San Ai Fu	121,496,535.45	121,496,535.45
	Tianjin Xiangrun	96,905,328.00	96,905,328.00
	Tianjin Lixin	89,600,300.00	89,600,300.00
	Jiangxi Keda	13,000,200.00	13,000,200.00
	Zhuhai Longjia	28,600,000.00	28,600,000.00
	Zhuhai Defa	21,400,000.00	21,400,000.00
	Wuhan Changrong	20,000,000.00	20,000,000.00
	Deheng Solicitors	4,000,000.00	4,000,000.00
	Finance Bureau of Yangzhou Economic Development Zone	40,000,000.00	40,000,000.00
Shangqiu Bingxiong	58,030,000.00	58,030,000.00	
Subtotal of other receivables		520,495,040.17	520,495,040.17
Other payables	Zhuhai Longjia	28,316,425.03	28,316,425.03
	Zhuhai Defa	21,400,000.00	21,400,000.00
	Tianjin Taijin	65,000,000.00	65,000,000.00
Subtotal other payables		114,716,425.03	114,716,425.03

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

7. RELATED PARTIES AND RELATED TRANSACTIONS — Continued**6. Receivables from and payables to related parties — Continued****Transactions with Greencool Companies**

<u>Name of item</u>	<u>Related party</u>	<u>Closing balance</u>	<u>Opening balance</u>
Other receivables	Guangdong Greencool	13,754,600.00	13,754,600.00
	Shenzhen Greencool		
	Environmental	33,000,000.00	33,000,000.00
	Shenzhen Greencool		
	Technology	32,000,000.00	32,000,000.00
	Hainan Greencool	12,289,357.71	12,289,357.71
		<u>91,043,957.71</u>	<u>91,043,957.71</u>
Subtotal of other receivables			
Other payables	Jiangxi Greencool	13,000,000.00	13,000,000.00
Subtotal of other payables		<u>13,000,000.00</u>	<u>13,000,000.00</u>

8. SHARE-BASED PAYMENT**1. General information about share-based payments**

Total equity instruments granted during the period	2,324,226.00
Total equity instruments exercised during the period	
Total equity instruments expired during the period	
Range of exercise price of share option outstanding and remaining term of contract as the end of the period	Exercise price of share option was RMB7.65, with a remaining term of contract term of 1,095 days
Range of exercise price of other equity instruments and remaining term of contract as at the end of the period	

2. Equity settled share-based payments

Determination on fair value of equity instruments as the date of grant	Fair value of share options under the Scheme calculated by using the Black-Scholes option pricing model
Determination on the best estimate of quantity of exercisable equity instruments	Determined by the number of incentive objects, expected gain of share option and performance assessment of incentive objects, etc
Reasons for significant discrepancies between estimate of current and previous period	Nil
Accumulated amount of equity settled share-based payments in capital reserve	3,884,226.00
Total expense recognized for equity settled share-based payments	2,324,226.00

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

8. SHARE-BASED PAYMENT — Continued**3. Cash settled share-based payments**

Nil

4. Share-based services

Total amount of employee services as a result of the share-based payments	2,324,226.00
Total amount of other services as a result of the share-based payments	

5. Revision and termination of share-based payments

Nil

9. CONTINGENCIES**1. Contingent Liabilities arising from pending litigations and their financial effect**

As at the end of the period, the pending litigations involving the Company are summarized as follows:

(1) Cases with the Company as the plaintiff

Plaintiff	Defendant	Causes	Total amount involved
Ronshen Refrigerator ^{*1}	Xi'an Kelon	Delinquency of purchase amount	99,984,100.00
The Company	Beijing Diamond Advertising Co., Ltd.	Dispute over advertising contract	5,000,000.00
Kelon Jiake	Shunde Yunlong Consultancy	Dispute over debts	4,455,375.57
Rongsheng Plastic	Shenzhen Fudong Industrial Equipment Co., Ltd., Zhang Yong, Yang Lanruo, Shenzhen Yonghecheng Blower Industry Co., Ltd.	Dispute over processing and outsourcing contract	4,287,600.00
The Company and its subsidiaries	Other		5,080,430.00
Total			118,807,505.57

^{*1} In December 2008, the Foshan Intermediate Court dismissed the case instituted by Ronshen Refrigerator on grounds of lack of facts and legal basis and Ronshen Refrigerator lodged an appeal to the Guangdong Higher Court. The Guangdong Higher Court overturned the civil judgment ((2007) Fo zhong Fa Min Er Chu Zi No. 88) of the Foshan Intermediate Court and ordered a retrial of the case by the Foshan Intermediate Court. On 23 December 2011, the Company received the civil judgment (2010) Fo Zhong Fa Min Er Chong Zi No. 2 from the Foshan Intermediate Court, pursuant to which, the first instance judgment for the retrial of the Foshan Intermediate Court has become effective.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

9. CONTINGENCIES — Continued**1. Contingent Liabilities arising from pending litigations and their financial effect — Continued****(2) Cases with the Company as the defendant**

<u>Plaintiff</u>	<u>Defendant</u>	<u>Cause</u>	<u>Total amount involved</u>
Supplier of raw materials	The Company	Dispute over sale and purchase contract and processing contract	29,202,169.17
Other	The Company	Labor dispute and others	8,547,939.35
Total			37,750,108.52

(3) Cases for which the judgment was in favor of the Company and become effective but was not yet executed**Greencool case**

<u>Plaintiff</u>	<u>Defendant</u>	<u>Cause</u>	<u>Total amount involved</u>
The Company*	Greencool and Gu Chu Jun	Fraud in purchase, capital infringement	725,414,350.00
Total			725,414,350.00

* As at 12 August 2009, the Company had received civil judgment, namely (2009) Yuegaofaliminzhongzi Nos. 238, 171, 172 and 116 and (2008) Yue Gao Fa Li Min Zhong Zi Nos. 439, 465, 441, 466, 440, 471, 396, 318, 319 and 206 from the Higher People's Court of Guangdong Province (the "Guangdong Higher Court"), being the final judgments in respect of the litigations instituted by the relevant controlling subsidiaries of the Company against Gu Chu Jun, the Greencool Companies and the specific third parties. It was judged that civil judgments namely (2006)Fo Zhong Fa Min Er Chu Zi Nos. 11, 12, 13, 10, 14, 153, 184, 185, 180, 154, 175, 181, 182 and 186 from the Foshan Intermediate Court become effective from the date of delivery of the final civil judgment from the Guangdong Higher Court mentioned above, and the judgments were in favor of the Company.

On 9 June 2008, the Company received the civil judgment, namely (2008) Yue Gao Fa Li Min Zhong Zi No. 190 and No. 191 from the Guangdong Higher Court, being the final judgments in respect of the litigations instituted by the Company against Gu Chu Jun, the Greencool Companies and the specific third parties, which stated the civil judgments numbered (2006) Fo Zhong Fa Min Er Chu Zi Nos. 93 and 94 from the Foshan Intermediate Court become effective from the date of delivery of the final civil judgment from the Guangdong Higher Court mentioned above, and the judgments were in favor of the Company.

On 15 August 2008, the Company received a notice from the Foshan Intermediate Court, stating that as the defendants had not appealed within the prescribed period under the law, the civil judgment, namely (2006) Fo Zhong Fa Min Er Chu Zi No. 179 and (2007) Fo Zhong Fa Min Er Chu Zi No. 56 from the Foshan Intermediate Court became effective, and the judgments were in favor of the Company.

On 9 January 2009, the Company received the civil judgment, namely (2006) Fo Zhong Fa Min Er Chu Zi No. 183 from the Foshan Intermediate Court, being the judgments in respect of the litigations instituted by the Company against Gu Chu Jun, the Greencool Companies and the specific third parties. The institution of legal proceedings was dismissed due to insufficiency of evidence submitted by the Company.

On 2 March 2009, the Company received the paper of civil judgment, namely (2006) Fo Zhong Fa Min Er Chu Zi i No. 178 from the Foshan Intermediate Court, being the judgments in respect of the litigations instituted by the Company against Gu Chu Jun, the Greencool Companies and the specific third parties. The Court agreed to the withdraw by the Company of the institution of legal proceedings due to insufficiency of evidence.

As at the end of the period, the above cases have not been executed by the relevant courts and it was determined that there was no actual difference in the recoverability as compared to 2011.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

9. CONTINGENCIES — Continued

1. Contingent Liabilities arising from pending litigations and their financial effect — Continued

(3) Cases for which the judgment was in favor of the Company and become effective but was not yet executed

Other cases:

Plaintiff	Defendant	Cause	Total amount involved
The Company	Shangqiu Kelon	Purchase amount outstanding	25,660,900.00
Total			25,660,900.00

It represented the request of the Company to the defendants to repay the purchase amount for goods and the related interests and bear all the litigation fees. The civil judgment is now in effect.

2. Contingent Liabilities arising from debt guarantees for other companies and their financial effects

Nil

10. COMMITMENT

1. Significant commitments

As at the end of the period, the assets of the Company and its subsidiaries used as securities for borrowings are as follows:

Mortgagor	Mortgagee	Balance of finance	Name of security	Pledge/security contracts	Unit: RMB'0000	
					Valuation amount (RMB'0000)	Net carrying amount of security (RMB'0000)
Yangzhou Kelon	Shunde, Foshan Branch of The Bank of China Limited		Buildings at No. 9 and 19 Hongyang Road	GDY476400120100007	17,702.02	10,678.46
Yangzhou Kelon	Shunde, Foshan Branch of The Bank of China Limited		Land use right of the west side of Yangzijiang South Road Yangzhou, No. 9 Hongyang Road and Fuyang Road North	GDY476400120100008	26,685.03	4,132.34
The Company	Shunde, Foshan Branch of The Bank of China Limited	25,001.51	No. 8 Ronggang Road, No. 13 Ronggang Road, No. 11 Ronggang Road and No. 29 Neighborhood Committee of Wenfeng North Road	GDY476400120100005	32,727.60	14,743.62
Kelon Fittings	Shunde, Foshan Branch of The Bank of China Limited		Buildings at the side of Rongqi Bridge, Buildings at the side of Rongqi Bridge	GDY476400120100006	5,566.00	3,574.11
Kelon Air-Conditioner	Shunde, Foshan Branch of The Bank of China Limited		No. 1 Rongqi Road, side of Rongqi Bridge	GDY476400120100009	25,751.00	9,344.32

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

10. COMMITMENT — Continued**2. Particulars of fulfillment of commitment of previous period:**

Capital repayment and interest payment were normal for all finances, and there was no incident of secured assets being executed.

11. EVENTS AFTER BALANCE SHEET DATE**1. Particulars of events after balance sheet date**

Nil

2. Profit distribution after balance sheet date

Profit or dividend proposed to be distributed	Nil
Profit or dividend distribution declared after approval	Nil

3. Other events after balance sheet date

Nil

12. OTHER SIGNIFICANT EVENTS**1. Exchange of non-monetary assets**

Nil

2. Debt restructuring

Nil

3. Business combination

Nil

4. Leases

(1) *Different categories of leased assets of the Company are as follows:*

	Closing carrying amount	Opening carrying amount
Categories of leased assets under operating leases		<i>Unit: RMB'0000</i>
Buildings	3,679.45	3,801.99
Total	3,679.45	3,801.99

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued**4. Leases****(2) The Company as lessor under operating lease**

The Company's investment properties are also leased to a number of tenants for different terms. The rental income for the Reporting Period amounted to RMB3,248,900 (Same period of 2011: RMB3,947,600).

The minimum rent receivables under non-cancellable operating leases as at the end of reporting period is are follows:

Item	Unit: RMB'0000	
	Amount for current period	Amount for previous period
Within 1 year	260.12	161.71
Over 1 year but within 5 years	231.89	218.52
Total	492.01	380.23

(3) The Company as lessee under operating lease

The Company leases certain leasehold land and buildings and plant and machinery under operating leases with lease terms from one to five years. The operating lease payments for the period ended 30 June 2012 was as follows:

Operating lease payments	Unit: RMB'0000	
	Amount for current period	Amount for previous period
Leasehold land and buildings	538.66	481.07
Plants and machineries	376.09	374.02
Total	914.75	855.09

(4) The total future minimum lease payments under non-cancellable operating leases at the end of reporting period falling due are as follows:

Item	Unit: RMB'0000	
	Amount for current period	Amount for previous period
Within 1 year	528.82	1,370.08
Over 1 year but within 5 years	440.80	514.60
Total	969.62	1,884.68

5. Financial instruments issued and convertible into shares as at the end of the period

Nil

6. Major contents and significant changes of annuity plans

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued**7. Other discloseable significant events****(1) Assets and liabilities measured at fair value**

Unit: RMB

Item	Opening balance	Amount of financial assets	Gain/(loss) from change in fair value	Impairment provision for the period	Closing Ending balance
Financial assets					
Derivative financial assets	33,787,696.24	(20,729,077.30)	(20,729,077.30)	—	13,058,618.94
Subtotal of financial assets	33,787,696.24	(20,729,077.30)	(20,729,077.30)	0.00	13,058,618.94
Derivative financial liabilities					
Derivative financial liabilities	(6,636,121.77)	6,636,121.77	6,636,121.77	—	0.00
Subtotal of financial liabilities	(6,636,121.77)	6,636,121.77	6,636,121.77	0.00	0.00

(2) Financial risk management objectives and policies

The Company's major financial instruments include: cash at bank and on hand, derivative financial instruments, notes receivable, accounts receivable, other receivable, notes payable, accounts payable, other payables, bank borrowings. Details of the financial instruments were disclosed in the relevant notes.

Risks associated with the above financial instruments include: credit risk, liquidity risk, interest rate risk and foreign currency risk.

(a) Credit risk

Credit risk is the risk exposed to the Company on financial losses arising from the failure of clients or financial instrument counterparties to fulfill contract obligations. It arises mainly from the bank balances, trade and other receivables and financial derivative.

The Company maintains substantially all of its bank balances in several major large state banks in the PRC. In strong support of the country on those banks, the Board is of the opinion that there is no significant credit risk exposed to losses associated with such assets.

The Company mitigates its exposure to risk relating to trade and other receivables by dealing with diversified customers with solid financial foundation. Certain new customers are required to place cash deposits with the Group to reduce the maximum exposure to credit risk. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by senior management.

The credit risk on derivative instruments is not significant as the counterparties are high creditworthy banks rated by international credit-rating agencies.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of financial assets shown on the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued

7. Other discloseable significant events — Continued

(2) Financial risk management objectives and policies — Continued

(b) Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequately by management to finance the Company's operations and mitigate the effects of short-term fluctuations in cash flows. The Company's treasury department is responsible for maintaining a balance between continuity of funding and flexibility through the use of bank credit and loan in order to meet the Company's liquidity requirements.

In order to mitigate the liquidity risk, the directors have carried out a detailed review of the liquidity of the Company, including maturity profile of its trade and other payables, borrowings and availability of loan financing provided by Hisense Finance and future renewal of bank borrowings, it is concluded that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements.

(c) Interest rate risk

The Company is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks, which are mostly short-term in nature whereas interest-bearing financial liabilities are primarily short-term bank borrowings. As at the end of the Reporting Period, the Company's short-term bank borrowings were at fixed rate. As all the Company's borrowings were short term loans, any change in the interest rate from time to time is not considered to have significant impact to the Company's performance.

(d) Foreign Currency risk

Foreign currency risk is the risk of loss due to adverse change in exchange rates relating to investments and transactions denominated in foreign currencies. The Group's monetary assets and transactions are mainly denominated in RMB, HKD, USD, JPY and Euro. The exchange rates between RMB, HKD, USD, JPY and Euro are not pegged, and there is fluctuation of exchange rates between RMB, USD, JPY and Euro.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in foreign currencies at the end of reporting period are as follows:

Unit: RMB

Currency	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
USD	1,081,499,929.63	593,289,816.79	566,052,696.12	105,444,838.96
Euro	90,822,334.43	27,151,082.86	120,539,277.81	8,380,259.01

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued**7. Other discloseable significant events — Continued****(2) Financial risk management objectives and policies — Continued****(d) Foreign Currency risk — Continued**

The following table indicates the approximate effect of reasonably possible foreign exchange rate changes on the net profit, to which the Group has significant exposure at the end of reporting period:

Sensitivity analysis of change in exchange rate:

Item	<i>Unit: RMB</i>	
	Increase/Decrease in profit after tax for current period	Increase/Decrease in profit after tax for previous period
USD to RMB		
Appreciates by 5%	18,307,879.23	13,532,062.61
Depreciates by 5%	(18,307,879.23)	(13,532,062.61)
Euro to RMB		
Appreciates by 5%	2,387,671.93	4,171,496.03
Depreciates by 5%	(2,387,671.93)	(4,171,496.03)

Sensitivity analysis of change in forward rate:

Item	<i>Unit: RMB</i>	
	Increase/Decrease in profit after tax for current period	Increase/Decrease in profit after tax for previous period
USD to RMB		
Appreciates by 5%	(12,056,250.00)	(11,298,750.00)
Depreciates by 5%	12,056,250.00	11,298,750.00
Euro to RMB		
Appreciates by 5%	(917,598.75)	(935,868.51)
Depreciates by 5%	917,598.75	935,868.51

12. OTHER SIGNIFICANT EVENTS — Continued

7. Other discloseable significant events — Continued

(3) Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital as at the end of the Reporting Period and during the year ended 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes bank and other borrowings, accounts payable, notes payable, other payables and debentures payables, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

Item	Closing balance	Opening balance
		<i>Unit: RMB</i>
Total debt	8,225,747,664.88	6,474,624,703.93
Including: Short-term borrowings	1,102,472,575.34	1,004,998,894.20
Accounts payable	3,419,481,207.97	2,054,610,132.81
Notes payable	755,778,257.70	612,667,073.33
Other payables	1,511,151,037.06	1,156,195,947.88
Less: Cash and cash equivalents	460,026,006.66	396,814,919.98
Net debt	7,765,721,658.22	6,077,809,783.95
Equity attributable to shareholders of the parent	1,187,213,638.13	805,123,597.33
Capital and net debt	8,952,935,296.35	6,882,933,381.28
Gearing ratio	86.74%	88.30%

(4) Retirement benefit scheme

The Company contributes mainly to a defined contribution pension scheme, which is administered by the provincial government, in respect of employees of the Company and subsidiaries. According to such scheme, the Company and subsidiaries shall pay an amount, calculated at several percentages of the total salaries and wages of the employees, to a retirement fund.

The total costs charged to the profit or loss approximately of RMB73,343,800 (Same period of previous year: RMB50,794,800) represents contributions to the scheme by the Company and subsidiaries at rates specified in the scheme.

(5) Dividends

No dividends was paid or proposed for the interim period of 2012 (2011: Nil), or reserve funds being capitalized.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued**7. Other discloseable significant events — Continued****(6) Capital commitment**

Balance	Closing balance	Opening balance
		<i>Unit: RMB</i>
Capital commitments for the investment in subsidiaries and jointly controlled entity:		
— Authorized but not contracted		
— Contracted but not paid	35,573,100.00	79,690,000.00
Capital commitments for the acquisition of property, plant and equipment of subsidiaries:		
— Contracted but not paid		

(7) Net current assets

Item	Closing balance	Opening balance
		<i>Unit: RMB</i>
Current assets (Consolidated)	6,549,714,391.75	4,435,201,230.69
Less: Current liabilities (Consolidated)	7,887,996,146.58	6,162,158,773.54
Net Current assets (Consolidated)	(1,338,281,754.83)	(1,726,957,542.85)
Current assets (Parent)	6,064,468,815.44	4,024,527,726.67
Less: Current liabilities (Parent)	7,041,770,161.89	5,227,092,433.23
Net Current assets (Parent)	-977,301,346.45	-1,202,564,706.56

(8) Total assets less current liabilities

Item	Closing balance	Opening balance
		<i>Unit: RMB</i>
Total assets (Consolidated)	9,788,857,604.39	7,635,439,578.36
Less: Current liabilities (Consolidated)	7,887,996,146.58	6,162,158,773.54
Total assets less current liabilities (Consolidated)	1,900,861,457.81	1,473,280,804.82
Total assets (Parent)	9,517,687,481.29	7,469,144,553.26
Less: Current liabilities (Parent)	7,041,770,161.89	5,227,092,433.23
Total assets less current liabilities (Parent)	2,475,917,319.40	2,242,052,120.03

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued

7. Other discloseable significant events — Continued

(9) Segment information

The Group manages its business by divisions which are organized by a mixture of both business lines and geographical locations. For the purpose of resource allocation and performance assessment, the management manages the operating results of each business segment separately, and the segment results are assessed based on the profits of the reporting segments.

Segmental profit or loss and assets and liabilities

Amount for current period						Unit: RMB
	Refrigerators	Air-conditioners	Freezers	Other	Elimination	Total
1. Revenue from external transactions	4,266,279,741.67	3,756,832,970.87	432,587,138.10	590,997,179.30		9,046,697,029.94
2. Revenue from inter-segment transactions				297,586,244.28	(297,586,244.28)	—
3. Share of profit of associates and jointly controlled entities	5,090,008.50	70,973,958.34		50,887.51		76,114,854.35
4. Depreciation and amortization	86,810,799.69	60,015,847.27	7,915,589.18	28,083,893.92		182,826,130.06
5. Gain from changes in fair value				(14,092,955.53)		(14,092,955.53)
6. Impairment losses on assets	1,278,358.84	(2,494,454.87)	(381,774.55)	4,942,510.68		3,344,640.10
7. Total profit (Total loss)	212,840,495.81	139,639,464.49	40,868,383.59	38,331,426.56	(24,216,614.91)	407,463,155.54
8. Income tax expenses				5,621,187.99		5,621,187.99
9. Net profit (Net loss) (Including minority interests)	212,840,495.81	139,639,464.49	40,868,383.59	32,710,238.57	(24,216,614.90)	401,841,967.56
10. Total assets	9,806,768,033.17	6,280,156,296.35	729,729,888.35	3,456,079,364.99	(10,483,875,978.47)	9,788,857,604.39
11. Total liabilities	7,136,336,152.06	5,201,670,930.50	526,550,941.56	2,728,099,004.31	(7,366,909,363.55)	8,225,747,664.88
12. Additions to other non-current assets other than long-term equity investments	29,748,556.73	(29,324,433.16)	239,104.49	(40,524,344.11)		(39,861,116.05)

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

12. OTHER SIGNIFICANT EVENTS — Continued

7. Other discloseable significant events — Continued

(9) Segment information — Continued

Amount for previous period	Refrigerators	Air-conditioners	Freezers	Others	Inter-segment elimination	Total
1. Revenue from external transactions	4,399,599,426.71	4,270,344,968.90	437,046,817.06	574,141,142.51		9,681,132,355.18
2. Revenue from inter-segment transactions				289,069,035.61	(289,069,035.61)	—
3. Share of profit off in associates and jointly controlled entities	(5,224,290.65)	41,641,884.23		(158,936.44)		36,258,657.14
4. Depreciation and amortization	76,518,610.72	60,373,403.53	7,104,435.52	26,801,292.07		170,797,741.84
5. Gain from changes in fair value				(6,703,478.40)		(6,703,478.40)
6. Impairment losses on assets	7,442,672.38	3,597,759.02	1,173,389.97	71,336.20		12,285,157.57
7. Total profit (Total loss)	209,182,904.08	29,760,598.96	26,248,272.99	13,865,073.70	13,310,106.48	292,366,956.21
8. Income tax expenses				7,688,210.00		7,688,210.00
9. Net profit (Net loss) (Including minority interests)	209,182,904.08	29,760,598.96	26,248,272.99	6,176,863.69	13,310,106.49	284,678,746.21
10. Total assets	8,470,781,384.90	6,883,476,655.80	588,610,899.13	3,508,160,462.38	(10,345,931,178.88)	9,105,098,223.33
11. Total liabilities	5,940,361,633.57	6,004,514,756.28	400,864,395.00	2,613,306,148.92	(7,039,623,226.79)	7,919,423,706.98
12. Additions to other non-current assets other than long-term equity investments	74,427,459.79	(22,262,949.99)	(2,180,292.97)	(8,122,332.65)		41,861,884.18

Geographic Information

Region	Unit: RMB	
	Amount for current period	Amount for previous period
Revenue from transactions in Mainland	5,893,113,321.84	6,837,559,628.68
Revenues from transactions in overseas	3,153,583,708.10	2,843,572,726.47
Total	9,046,697,029.94	9,681,132,355.15
Region	Amount for current period	Amount for previous period
Non-current assets in Mainland	2,819,490,351.64	2,778,410,063.08
Non-current assets in overseas	419,652,861.00	421,828,284.59
Total	3,239,143,212.64	3,200,238,347.67

The Company mainly carries out its operations in China Mainland, where the majority of non-current assets are located, therefore further details on the regional information is not required to be reported.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Accounts receivable

Category	Closing balance				Opening balance			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable individually significant and subject to separate provision for bad debts	—	—	—	—	—	—	—	—
Accounts receivable provided for bad debts by category								
Aging analysis	2,191,485,858.96	98.27	158,303,827.63	7.22	955,088,317.99	96.11	162,538,384.64	17.02
Greencool Companies	38,689,983.28	1.73	22,726,941.64	58.74	38,689,983.28	3.89	22,726,941.64	58.74
Subtotal of the category	2,230,175,842.24	100.00	181,030,769.27	8.12	993,778,301.27	100.00	185,265,326.28	18.64
Accounts receivable individually insignificant but subject to separate provision for bad debts	—	—	—	—	—	—	—	—
Total	2,230,175,842.24	—	181,030,769.27	—	993,778,301.27	—	185,265,326.28	—

Categories of accounts receivable:

Accounts receivable individually significant and subject to separate provision for bad debts as at the end of the period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

1. Accounts receivable — Continued

(1) Accounts receivable — Continued

Accounts receivable provided for bad debts using aging analysis in the category:

Applicable Not applicable

Age	Closing balance			Opening balance		
	Carrying balance		Provision for bad debts	Carrying balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 3 months	2,027,514,233.64	90.92		789,235,183.64	79.42	
Over 3 months but within 6 months	4,560,706.81	0.20	456,070.68	3,594,295.40	0.36	359,429.54
Over 6 months but within 1 year	3,126,323.13	0.14	1,563,161.57	159,767.70	0.02	79,883.85
Over 1 year	156,284,595.38	7.01	156,284,595.38	162,099,071.25	16.31	162,099,071.25
Total	2,191,485,858.96	98.27	158,303,827.63	955,088,317.99	96.11	162,538,384.64

Accounts receivable provided for bad debts using balance percentage method in the category:

Applicable Not applicable

Accounts receivable provided for bad debts using other methods in the category:

Applicable Not applicable

Accounts receivable provided for bad debts as for Greencool Companies in the category:

Company name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Hefei Weixi Electrical Appliance Co., Ltd. ("Hefei Weixi")	18,229,589.24	7,805,094.62	18,229,589.24	7,805,094.62
Wuhan Changrong Electrical Appliance Co., Ltd. ("Wuhan Changrong")	20,460,394.04	14,921,847.02	20,460,394.04	14,921,847.02
Total	38,689,983.28	22,726,941.64	38,689,983.28	22,726,941.64

Accounts receivable individually insignificant but subject to separate provision for bad debts as at the end of the period

Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

1. Accounts receivable — Continued

(2) Accounts receivable reversed or recovered during the Reporting Period

Particulars of accounts receivable	Reason for reversal or recovery	Basis for recognition of original provision for bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Accounts receivable	Recovery of amount		4,234,557.01	
Total	—	—	4,234,557.01	—

Provision for bad debts for accounts receivable individually not significant but subject to separate impairment testing as at the end of the period:

Particulars of accounts receivable	Carrying balance	Amount of bad debt	Percentage of provision (%)	Reason
Nil				
Total	—	—	—	—

Accounts receivable individually not significant but within a category with significant risks upon grouping by characteristics of credit risks: Nil

(3) Accounts receivable written off during the Reporting Period

Company name	Nature of other receivables	Time of write-off	Amount written off	Reason for write-off	Arising from related transactions or not
Nil					
Total	—	—	—	—	—

(4) Amounts due from shareholder units holding 5% or more (including 5%) shares of the voting rights of the Company in the accounts receivable during the Reporting Period

Applicable Not applicable

(5) Nature or description of accounts receivable of a relatively significant amount

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

1. Accounts receivable — Continued

(6) Top five accounts receivable

<u>Company name</u>	<u>Relationship with the Company</u>	<u>Amount</u>	<u>Aging</u>	<u>Percentage to the total amount of accounts receivable (%)</u>
Top 1	Subsidiary	529,399,848.92	Within 1 year	23.74
Top 2	Subsidiary	489,707,711.16	Within 1 year	21.96
Top 3	Unrelated party	369,017,107.73	Within 1 year	16.55
Top 4	Unrelated party	285,027,802.57	Within 1 year	12.78
Top 5	Subsidiary	96,826,777.99	Within 1 year	4.34
Total	—	1,769,979,248.37	—	79.37

(7) Receivables due from related parties

<u>Company name</u>	<u>Relationship with the Company</u>	<u>Amount</u>	<u>Percentage to the total amount of accounts receivable (%)</u>
	Related party	8,451,996.64	0.38
	Subsidiary	1,190,501,633.83	53.38
Total	—	1,198,953,630.47	53.76

(8) Transfer of accounts receivable not qualified for derecognition: RMB0.

(9) Asset securitization of accounts receivable requiring disclosure of the relevant transaction arrangements

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

2. Other receivables

(1) Other receivables

Category	Closing balance				Opening balance			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Percentage		Percentage		Percentage		Percentage	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Other receivables individually significant and subject to separate provision for bad debts								
Other receivables provided for bad debts by category								
Aging analysis	902,037,224.71	98.28	25,555,718.55	2.83	946,814,635.01	98.36	17,754,064.36	1.88
Greencool Companies	15,754,600.00	1.72	9,962,961.47	63.24	15,754,600.00	1.64	9,962,961.47	63.24
Subtotal of the category	917,791,824.71	100.00	35,518,680.02	3.87	962,569,235.01	100	27,717,025.83	2.88
Other receivables individually insignificant but subject to separate provision for bad debts								
Total	917,791,824.71	—	35,518,680.02	—	962,569,235.01	—	27,717,025.83	—

Other receivables individually significant and subject to separate provision for bad debts as at the end of the period:

Applicable Not applicable

Other receivables provided for bad debts using aging analysis in the category:

Applicable Not applicable

Age	Closing balance			Opening balance		
	Carrying balance		Provision for bad debts	Carrying balance		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 3 months	859,074,451.77	93.60		917,812,372.71	95.35	
Over 3 months but within 6 months	11,112,882.96	1.21	1,111,288.30	11,668,759.58	1.21	1,166,875.96
Over 6 months but within 1 year	14,810,919.46	1.61	7,405,459.73	1,492,628.64	0.16	746,314.32
Over 1 year	17,038,970.52	1.86	17,038,970.52	15,840,874.08	1.65	15,840,874.08
Total	902,037,224.71	98.28	25,555,718.55	946,814,635.01	98.37	17,754,064.36

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued**2. Other receivables — Continued****(1) Other receivables — Continued***Other receivables provided for bad debts using balance percentage method in the category:* Applicable Not applicable*Other receivables provided for bad debts using other methods in the category:* Applicable Not applicable*Other receivables provided for bad debts as for Greencool Companies in the category:*

Company name	Closing balance		Opening balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Guangdong Greencool	13,754,600.00	7,962,961.47	13,754,600.00	7,962,961.47
Beijing Deheng Solicitors ("Deheng Solicitors")	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Total	15,754,600.00	9,962,961.47	15,754,600.00	9,962,961.47

Other receivables individually insignificant but subject to separate provision for bad debts as at the end of the period Applicable Not applicable

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

2. Other receivables — Continued

(2) Other receivables reversed or recovered during the Reporting Period

Particulars of other receivables	Reason for reversal or recovery	Basis for recognition of original provision for bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Nil				
Total	—	—		—

Provision for bad debts for other receivables individually not significant but subject to separate impairment testing as at the end of the period:

Particulars of other receivables	Carrying balance	Amount of bad debt	Percentage of provision (%)	Reason
Nil				
Total			—	—

(3) Other receivable written off during the Reporting Period

Company name	Nature of other receivables	Time of write-off	Amount written off	Reason for write-off	Arising from related transactions or not
Nil					
Total	—	—		—	—

(4) Amounts due from shareholder units holding 5% or more (including 5%) shares of the voting rights of the Company in the other receivables during the Reporting Period

Applicable Not applicable

(5) Nature or description of other receivables of a relatively significant amount

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued**2. Other receivables — Continued****(6) Top five other receivables**

<u>Company name</u>	<u>Relationship with the Company</u>	<u>Amount</u>	<u>Aging</u>	<u>Percentage to the total amount of accounts receivable (%)</u>
Top 1	Subsidiary	211,977,693.44	With 1 year	23.10
Top 2	Subsidiary	170,691,806.19	With 1 year	18.60
Top 3	Subsidiary	116,740,975.44	With 1 year	12.72
Top 4	Subsidiary	99,575,370.79	With 1 year	10.85
Top 5	Subsidiary	63,588,915.14	With 1 year	6.93
Total	—	662,574,761.00	—	72.20

(7) Other receivables due from related parties

<u>Company name</u>	<u>Relationship with the Company</u>	<u>Amount</u>	<u>Percentage to the total amount of accounts receivable (%)</u>
	Related party	1,455,375.57	0.16
	Subsidiary	851,063,215.07	92.73
Total	—	852,518,590.64	92.89

(8) Transfer of other receivables not qualified for derecognition: RMB0.**(9) Asset securitization of other receivables requiring disclosure of the relevant transaction arrangements**

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued
3. Long-term equity investments

Investee	Accounting treatment	Investment cost	Opening balance	Changes	Closing balance	% equity interest held	% voting rights held	Provision for impairment	Impairment provided in the current period	Cash dividend in current period
Huayi Compressor	Equity method	41,686,088.96	43,637,782.08	2,935,819.51	46,573,601.59	6.45	6.45			
Attend	Equity method	2,000,000.00	3,428,851.76	50,887.51	3,479,739.27	20	20			
Hisense Whirlpool	Equity method	225,000,000.00	206,388,118.32	2,154,188.99	208,542,307.31	50	50			
Hisense Hitachi	Equity method	332,821,597.45	353,301,093.20	21,973,958.34	375,275,051.54	49	49			49,000,000.00
Equity method Subtotal		601,507,686.41	606,755,845.36	27,114,854.35	633,870,699.71					49,000,000.00
Ronshen Refrigerator	Cost method	155,552,425.85	155,552,425.85		155,552,425.85	70	70			
Kelon Air-Conditioner	Cost method	281,000,000.00	281,000,000.00		281,000,000.00	60	60	59,381,641.00		
Kelon Freezer	Cost method	15,668,880.00	15,668,880.00		15,668,880.00	44	44			
Kelon Household Electrical Appliance	Cost method	2,500,000.00	2,500,000.00		2,500,000.00	25	25			
Kelon Fittings	Cost method	32,634,553.70	32,634,553.70		32,634,553.70	70	70			
Rongsheng Plastic	Cost method	53,270,064.00	53,270,064.00		53,270,064.00	44.92	44.92			
Kelon Mould	Cost method	50,323,475.20	50,323,475.20		50,323,475.20	40.22	40.22			
Wangao I&E	Cost method	600,000.00	600,000.00		600,000.00	20	20			
Kelon Jiake	Cost method	42,000,000.00	42,000,000.00		42,000,000.00	70	70			
Kelon Weili	Cost method				0.00	55	55			
YingKou Kelon	Cost method	84,000,000.00	84,000,000.00		84,000,000.00	42	42			
Jiangxi Kelon	Cost method	147,763,896.00	147,763,896.00		147,763,896.00	60	60			
Hangzhou Kelon	Cost method	24,000,000.00	24,000,000.00		24,000,000.00	100	100			
Yangzhou Kelon	Cost method	252,356,998.00	252,356,998.00		252,356,998.00	74.33	74.33			
Zhuhai Kelon	Cost method	189,101,850.00	189,101,850.00		189,101,850.00	75	75			
Xi'an Kelon	Cost method	107,729,620.45	107,729,620.45		107,729,620.45	60	60			
Shenzhen Kelon	Cost method	95,000,000.00	95,000,000.00		95,000,000.00	95	95			
Kelon Development	Cost method	11,200,000.00	11,200,000.00		11,200,000.00	100	100			
Hisense Chengdu	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	100	100			
Hisense Beijing	Cost method	92,101,178.17	92,101,178.17		92,101,178.17	55	55			
Hisense Shandong	Cost method	567,175,477.74	567,175,477.74		567,175,477.74	100	100			
Hisense Zhejiang	Cost method	54,523,643.83	54,523,643.83		54,523,643.83	51	51			
Hisense Mould	Cost method	121,628,013.09	121,628,013.09		121,628,013.09	78.7	78.7			6,526,368.60
Xinjiang Kelon	Cost method	100,000.00	100,000.00		100,000.00	2	2			
Fujian Kelon	Cost method	100,000.00	100,000.00		100,000.00	2	2			
Hisense International Marketing	Cost method	3,800,000.00	3,800,000.00		3,800,000.00	12.67	12.67			3,800,000.00
Subtotal by cost method		2,434,130,076.03	2,434,130,076.03	0.00	2,434,130,076.03			59,381,641.00		10,326,368.60
Total		3,035,637,762.44	3,040,885,921.39	27,114,854.35	3,068,000,775.74			59,381,641.00		59,326,368.60

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

4. Operating revenue and cost — Continued

(1) Operating revenue and cost

Item	Amount for current period	Amount for previous period
Revenue from principle operations	5,544,481,852.02	6,220,961,530.07
Revenue from other operations	1,407,335,639.22	148,559,712.25
Operating cost	5,680,520,878.87	5,048,080,806.36

(2) Principle operations (by industry)

Applicable Not applicable

(3) Principle operations (by product)

Applicable Not applicable

Product	Amount for current period		Amount for previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Refrigerators	3,089,140,050.92	2,391,778,512.12	3,242,383,022.36	2,524,765,868.03
Air-conditioners	2,175,641,494.06	1,781,386,905.39	2,722,012,772.97	2,294,901,948.82
Freezers	102,321,056.51	81,910,707.64	90,473,756.63	73,647,237.84
Small electrical appliances and others	177,379,250.53	135,795,962.46	166,091,978.11	133,533,248.10
Total	5,544,481,852.02	4,390,872,087.61	6,220,961,530.07	5,026,848,302.79

(4) Principle operations (by region)

Applicable Not applicable

Region	Amount for current period		Amount for previous period	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Domestic	5,544,481,852.02	4,390,872,087.61	6,220,961,530.07	5,026,848,302.79
Overseas				
Total	5,544,481,852.02	4,390,872,087.61	6,220,961,530.07	5,026,848,302.79

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued
4. Operating revenue and cost — Continued
(5) Operating revenue from the top five customers of the company

No.	Amount for current period	Percentage of the total revenue from principle operations of the company (%)
Top 1	674,383,895.13	9.70
Top 2	414,869,792.03	5.97
Top 3	86,508,351.54	1.24
Top 4	27,527,121.53	0.40
Top 5	21,380,446.04	0.31
Total	<u>1,224,669,606.27</u>	<u>17.62</u>

5. Investment income
(1) Summary of investment incomes

Item	Amount for current period	Amount for previous period
Income from long-term equity investments recognized by the cost method	10,326,368.60	13,323,552.90
Income from long-term equity investments recognized by the equity method	76,114,854.35	36,258,657.14
Investment income from disposal of long-term equity investments		45,837,301.86
Investment income from disposal of held-for-trading financial assets		
Investment income from holding held-to-maturity investments over the investment return period		
Investment income from financial assets available for sale and others for the period		
Investment income from disposal of held-for-trading financial assets		
Investment income from held-to-maturity investments		
Investment income from financial assets available for sale		
Other		
Total	<u>86,441,222.95</u>	<u>95,419,511.90</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued**5. Investment income — Continued****(2) Income from long-term equity investments recognized by the cost method**

<u>Investee</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>	<u>Reason for change from the previous period</u>
Hisense International Marketing	3,800,000.00	3,534,000.00	
Hisense Mould	6,526,368.60	9,789,552.90	
Total	<u>10,326,368.60</u>	<u>13,323,552.90</u>	<u>—</u>

(3) Income from long-term equity investments recognized by the equity method

<u>Investee</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>	<u>Reason for change from the previous period</u>
Huayi Compressor	2,935,819.51	989,680.85	
Hisense Whirlpool	2,154,188.99	(6,213,971.50)	
Attend	50,887.51	(158,936.44)	
Hisense Hitachi	70,973,958.34	41,641,884.23	
Total	<u>76,114,854.35</u>	<u>36,258,657.14</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

13. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY — Continued

6. Supplementary information on cash flow statement

Supplementary information	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	205,789,134.54	406,522,260.26
Add: Provision for assets impairment	1,037,167.57	13,691,807.04
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	19,073,334.63	4,239,851.66
Amortization of intangible assets	4,811,537.00	3,156,280.00
Amortization of long-term prepaid expenses	—	—
Loss on disposals of fixed assets, intangible and other long-term assets (Gain denoted in “—”)	39,971.06	857.64
Loss on retirement of fixed assets (Gain denoted in “—”)	—	—
Loss from scrapping in fair value (Gain denoted in “—”)	—	—
Financial expenses (Gain denoted in “—”)	5,443,287.63	8,450,845.39
Investment loss (Gain denoted in “—”)	(86,441,222.95)	(95,419,511.90)
Decrease in deferred tax assets (Increase denoted in “—”)	—	—
Increase in deferred tax liabilities (Decrease denoted in “—”)	—	—
Decrease in inventory (Increase denoted in “—”)	(310,829,791.16)	(417,368,670.24)
Decrease in operating receivable (Gain denoted in “—”)	(1,685,182,695.30)	(645,123,526.09)
Increase in operating payable (Decrease denoted in “—”)	2,026,149,271.87	443,514,962.76
Others	—	—
Net cash flows from operating activities	179,889,994.89	(278,334,843.48)
2. Significant investing and financing activities not involving cash receipts and payment:	—	—
Liabilities converted into assets equity	—	—
Convertible company debentures due within one year	—	—
Fixed assets under finance leases	—	—
3. Net movement in cash and cash equivalents:	—	—
Cash at the end of the period	149,171,914.44	67,856,576.14
Less: Cash at the beginning of the period	98,869,779.84	163,407,687.61
Add: Cash equivalents at the end of the period	—	—
Less: Cash equivalents at the beginning of the period	—	—
Net increase/(decrease) in cash and cash equivalents	50,302,134.60	(95,551,111.47)

7. Reverse acquisitions of assets and liabilities accounted for at valuation

Nil

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

14. SUPPLEMENTARY INFORMATION

1. Return on net asset and earnings per share:

Unit: RMB

Profit for the Reporting Period	Weighted average of return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	38.13	0.2805	0.2805
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring gain or loss	37.61	0.2767	0.2767

2. Particulars of exceptional items of the major accounting statements of the Company and their reasons

Unit: RMB

Item of statement	Closing balance or amount for current period	Opening balance or amount for previous period	% change	Reason for change
Held-for-trading financial assets	13,058,618.94	33,787,696.24	(61.35%)	Mainly attributable to draw down upon maturity of forward contracts
Notes receivable	1,594,426,485.68	502,919,307.39	217.03%	Mainly attributable to increase in notes received by the Company for the sales peak season at the end of the Reporting Period, and increase in notes receivable arising from imbalance between the terms of notes receivable and notes payable of the Company
Accounts receivable	2,068,355,256.32	1,193,767,494.97	73.26%	Mainly attributable to increase in accounts receivable for the sales peak season at the end of the Reporting Period. The amount was basically similar with the corresponding period
Prepayments	216,787,617.79	315,474,246.14	(31.28%)	Mainly attributable to decrease in prepayments for materials
Accounts payable	3,419,481,207.97	2,054,610,132.81	66.43%	Mainly attributable to increase in accounts payable for the sales peak season at the end of the Reporting Period. The amount was basically similar with the corresponding period
Advances from customers	466,318,733.78	758,206,285.15	(38.50%)	Mainly attributable to increases in delivery of goods to distributors and decrease in advanced goods payment from distributor. The amount was basically similar with the corresponding period

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2012

14. SUPPLEMENTARY INFORMATION — Continued**2. Particulars of exceptional items of the major accounting statements of the Company and their reasons — Continued**

<u>Item of statement</u>	<u>Closing balance or amount for current period</u>	<u>Opening balance or amount for previous period</u>	<u>% change</u>	<u>Reason for change</u>
Other payable	1,511,151,037.06	1,156,195,947.88	30.70%	Mainly attributable to increase in accounts receivable for the sales peak season at the end of the Reporting Period
Asset impairment losses	3,344,640.11	12,285,157.57	(72.77%)	Mainly attributable to decrease in loss from depreciation of inventories
Gain arising from changes in fair value	(14,092,955.53)	(6,703,478.40)	110.23%	Mainly attributable to transfer of gain arising from changes in fair value upon maturity of forward contracts to investment income
Non-operating revenue	11,588,454.87	126,379,617.61	(90.83%)	Mainly attributable to decrease in benefiting people subsidies received
Profit and loss of minority interests	21,971,348.87	(1,159,978.82)	(1,994.12%)	Mainly attributable to changes in the net profits of subsidiaries
Other cash received concerning operating activities	114,798,118.12	200,707,785.42	(42.80%)	Mainly attributable to decrease in benefiting people subsidies received
Cash received from returns on investments	49,000,000.00	84,404,301.37	(41.95%)	Mainly attributable to no shares of Huayi Compressor being disposed during the Reporting Period, whereas shares of Huayi Compressor were disposed in the corresponding period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	88,888,161.76	145,554,269.74	(38.93%)	Mainly attributable to decrease in acquisition of assets

15. APPROVAL OF FINANCIAL REPORT

This financial report was approved for publication by the Board of the Company on 23 August 2012.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012. No interim dividend was paid for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERALL OPERATION

During the Reporting Period, the domestic refrigerator and air-conditioner markets showed downward trends, while the export market was sluggish on the whole. On the one hand, with the progressive withdrawal of the "Home Appliances Subsidy Policy for Rural Areas and Villages (家電下鄉)" and "Trade-in (以舊換新)" policies, the stimulation brought by such policies on the market showed a diminishing marginal effect. Coupled with the lethargic macro-economy and continued implementation of stringent real estate control measures in the PRC, the demand for home appliances in the domestic market was sluggish and demand has remained low. On the other hand, the environment for export was also difficult under the continued aggravation of the European debt crisis and weak global economy which led to shrinking demand in the international market. During the Reporting Period, the Company strictly adhered to the operating strategies of "building product advantages, reforming marketing models, enhancing per capita efficiency, accelerating the progress of internationalization and realizing sound and rapid growth" laid down in the beginning of the year, and amidst unfavorable domestic and overseas macro-economic environments, the operating results were further enhanced through improving the product sales structure, increasing the gross profit margin of the products and increasing the scale of export. During the Reporting Period, the Company recorded a total revenue of RMB9,968,000,000, representing a year-to-year decrease of 7.15%, among which the revenue from its principal businesses amounted to RMB9,047,000,000, representing a year-to-year decrease of 6.55%. The net profit attributable to equity holders of the listed company was RMB380,000,000, representing a year-to-year increase of 32.90%, whereas the net profit attributable to equity holders of the listed company after deducting exceptional items amounted to RMB375,000,000, representing a year-to-year increase of 62.62%.

During the Reporting Period, the Company's revenue from the refrigerator business amounted to RMB4,266,000,000 and accounted for 47.16% of the revenue from principal businesses. Revenue from the air-conditioner business amounted to RMB3,757,000,000 and accounted for 41.53% of the revenue from principal businesses. The operating revenue from the domestic sales business was RMB5,893,000,000, representing a year-to-year decrease of 13.81%. The operating revenue from the overseas sales business was RMB3,154,000,000, representing a year-to-year increase of 10.90%.

REFRIGERATOR BUSINESS

During the Reporting Period, the refrigerator industry in general recorded negative growth. According to the statistics of China Market Monitor Co., Ltd. in June 2012, accumulated retail sales volume of the refrigerator industry for the first half of 2012 showed a year-to-year decrease of 17.17%. However, the replacement of double-door refrigerators by three-door refrigerators and the replacement of low-end refrigerators by high-end refrigerators have become the key development trend of the refrigerator industry, bringing along the opportunities of products upgrade. During the Reporting Period, the Company proactively adjusted its product structure, upheld technological innovations and functional upgrades for its products, promoted the strategy of intelligentization, launched new high-end refrigerator products such as the second generation of "I Feel" and the Bauna series of Hisense refrigerators. The proportion of the sales revenue from the Company's high-end refrigerator products has gradually increased and that has also driven the continuous increase of the overall market share of the Company's refrigerators. According to the statistics of China Market Monitor Co., Ltd. in June 2012, refrigerator products of the Company acclaimed a market share of 16.51% in terms of sales volume in June 2012, securing the second position in the industry and representing an increase of 1.7 percentage points. At the same time, the Company fully implemented the operating strategy of "accelerating the progress of internationalization" against the background of a continuously sluggish overseas market to boost the export of self-owned brands and improve the export sale structure. During the Reporting Period, sales revenue from the export of refrigerator and freezer products recorded a year-to-year increase of 12.57%.

1. OVERALL OPERATION — Continued**AIR-CONDITIONER BUSINESS**

During the Reporting Period, the overall air-conditioner industry experienced negative growth. According to the statistics of China Market Monitor Co., Ltd. in June 2012, accumulated retail sales volume of the air-conditioner industry for the first half of 2012 showed a year-to-year decrease of 27.14%. However, high-efficiency products and inverter products benefited from favorable policies and were further promoted, with significant increase in the market share of inverter products. During the Reporting Period, leveraging on the advantages in the core technologies for inverter air-conditioners built over the years, small scale VRF series of multi-split inverter was successfully developed, filling the gap in the commercial multi-split air-conditioner products, which further enriched the product categories. The Company proactively adjusted its product structure and focused on the promotion of inverter air-conditioners with level 2 energy-efficiency or above which are characterized by the concepts of “energy-saving, comfort and healthiness”. At the same time, the Company continued to implement enhancement of efficiency and cost reduction. The gross profit margin of air-conditioner product has significantly increased by 5.14 percentage points and the air-conditioner business realized a profit. In addition, with the Company vigorously developing the export business to the market in the United States, the scale of overseas sales for air-conditioner products achieved a year-to-year growth of 12.44%.

OUTLOOK

Projecting into the second half of 2012, the external operating environment for the Company is somber as the demand in domestic home appliance market is insufficient and the international market remains sluggish. Yet at the same time, the new energy-saving subsidy policies promulgated by the State in June 2012 will foster the promotion and use of high-efficiency home appliances, incite the demand for product upgrade and replacement, encourage technological innovation of enterprises and enhance product sales structures.

In the second half of 2012, the Company will continue to uphold the operating strategies devised at the beginning of the year and strive for the steady enhancement of the scale, results and market share of the Company through the following efforts: to focus on product differentiation and improvement of user experience; to reinforce technological innovations and boost product competitiveness; to enhance the product sale structure; to reform the marketing model, speed up establishment of retail channels targeted at the third and fourth grade markets, further utilize the e-business platform and the emerging channels for internet sales; to increase the weight of self-owned brand export and reinforce the effort of development for key export markets; to step up cost control, intensify the implementation of cost-cutting, and streamline workflow to increase efficiency; and to strengthen capital management and expedite cash flow.

II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(i) Analysis of the operation and results of major subsidiaries and companies in which the Company has equity interest

Name of company	Shareholding ratio of the Company	Business nature	Principal products or services	Registered capital	Total operating revenue (RMB'0000)	Net profit (RMB'0000)
Hisense Hitachi	49%	Manufacturing	Production and sale of commercial air-conditioners	US\$46 million	116,257.82	15,040.64

(ii) Risk factors that may have an adverse effect on the future development strategies and operating objectives of the Company

- (1) The diminishing of the effect of China's domestic demand stimulus policies gradually, sluggish market demand in home appliances market in China;
- (2) Continuous increase in labour;
- (3) Intensification of the European and American debt crisis, and the international market remains sluggish.

(iii) Table showing the principal businesses classified by product

Unit: RMB

Products	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease in operating revenue as compared to corresponding period last year (%)	Increase or decrease in operating cost as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (%)
Refrigerators	4,266,279,741.67	3,302,001,862.92	22.60	(2.93)	(3.53)	0.48
Air-conditioners	3,756,832,970.87	3,040,154,370.30	19.08	(12.01)	(17.27)	5.14
Others ^{Note}	1,023,584,317.40	806,687,503.79	21.19	0.73	(1.36)	1.67
Total	9,046,697,029.94	7,148,843,737.01	20.98	(6.55)	(9.68)	2.74

Note: Other products include freezers, washing machines, small household appliances and fittings, etc.

(iv) Table showing the principal businesses classified by region

Unit: RMB

Region	Operating revenue	Increase or decrease in operating revenue as compared to corresponding period last year (%)
Mainland market	5,893,113,321.84	(13.81)
Overseas market	3,153,583,708.10	10.90
Total	9,046,697,029.94	(6.55)

MANAGEMENT DISCUSSION AND ANALYSIS — Continued
II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — Continued
(v) Analysis of changes in major items of the financial statement
Unit: RMB

Item	Balance at the end of the period (or amount for the period)	Balance at the beginning of the period (or amount for last period)	Percentage change	Reason for changes
Financial assets held for trading	13,058,618.94	33,787,696.24	(61.35%)	Mainly due to transfer of forward contracts upon maturity
Notes receivable	1,594,426,485.68	502,919,307.39	217.03%	Mainly due to increase in the notes received by the Company during the peak season for sales at the end of the Reporting Period, and difference in the payment periods for the Company's notes receivables and notes payable resulting in the increase in notes receivable
Accounts receivable	2,068,355,256.32	1,193,767,494.97	73.26%	Mainly due to increase in receivables during the peak season for sales at the end of the Reporting Period but is basically at the same level as that for the corresponding period last year
Prepayments	216,787,617.79	315,474,246.14	(31.28%)	Mainly due to decrease in prepayments for materials
Accounts payable	3,419,481,207.97	2,054,610,132.81	66.43%	Mainly due to increase in payables during the peak season for sales at the end of the Reporting Period but is basically at the same level as that for the corresponding period last year
Advances from customers	466,318,733.78	758,206,285.15	(38.50%)	Mainly due to decrease in advances from distributors with increase in delivery of goods to distributors but is basically at the same level as that for the corresponding period last year
Other payables	1,511,151,037.06	1,156,195,947.88	30.70%	Mainly due to increase in payables during the peak season for sales at the end of the Reporting Period
Impairment losses on assets	3,344,640.11	12,285,157.57	(72.77%)	Mainly due to decrease in losses resulting from decrease in value of inventories
Gain from changes in fair value	(14,092,955.53)	(6,703,478.40)	110.23%	Mainly due to transfer of fair value gains to investment income upon maturity of the forward contracts
Non-operating income	11,588,454.87	126,379,617.61	(90.83%)	Mainly due to decrease in subsidies benefiting people received
Minority interests	21,971,348.87	(1,159,978.82)	(1,994.12%)	Mainly due to changes in net profit of subsidiaries
Other cash received relating to operating activities	114,798,118.12	200,707,785.42	(42.80%)	Mainly due to decrease in subsidies benefiting people received
Cash received from realisation of investment	49,000,000.00	84,404,301.37	(41.95%)	Mainly due to the fact that there is no disposal of equity interest in Huayi Compressor during the Reporting Period but there was disposal of equity interest in Huayi Compressor in the corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	88,888,161.76	145,554,269.74	(38.93%)	Mainly due to decrease in acquisition of assets

MANAGEMENT DISCUSSION AND ANALYSIS — Continued
II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — Continued
(vi) Items accounted by fair values
Unit: RMB

<u>Items</u>	<u>At the beginning of the period</u>	<u>Gain or loss in fair value during the period</u>	<u>Accumulated changes in fair value accounted in equity</u>	<u>Impairment provided during the period</u>	<u>At the end of the period</u>
Financial assets					
Of which: 1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	33,787,696.24	(20,729,077.30)			13,058,618.94
Of which: Derivative financial assets	33,787,696.24	(20,729,077.30)			13,058,618.94
2. Financial assets available for sale					
Subtotal of financial assets	33,787,696.24	(20,729,077.30)			13,058,618.94
Financial liabilities	(6,636,121.77)	6,636,121.77			—
Real estate for investment					
Productive biological assets					
Other					
Total	27,151,574.47	(14,092,955.53)			13,058,618.94

(vii) Financial assets and financial liabilities denominated in foreign currency
Unit: RMB

<u>Items</u>	<u>At the beginning of the period</u>	<u>Gain or loss in fair value during the period</u>	<u>Accumulated changes in fair value accounted in equity</u>	<u>Impairment provided during the period</u>	<u>At the end of the period</u>
Financial assets					
Of which: 1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	33,787,696.24	(20,729,077.30)			13,058,618.94
Of which: Derivative financial assets	33,787,696.24	(20,729,077.30)			13,058,618.94
2. Loans and receivables					
3. Financial assets available for sale					
4. Held to maturity investments					
Subtotal of financial assets	33,787,696.24	(20,729,077.30)			13,058,618.94
Financial liabilities	(6,636,121.77)	6,636,121.77			—

LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB31.55 million for the six months ended 30 June 2012 (for the six months ended 30 June 2011: RMB135.43 million).

As at 30 June 2012, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB461.59 million (as at 30 June 2011: RMB321.73 million) and bank loans amounting to approximately RMB1,102.47 million (as at 30 June 2011: RMB1,231.03 million).

Total capital expenditures of the Group for the six months ended 30 June 2012 amounted to approximately RMB88.89 million (for the six months ended 30 June 2011: RMB145.55 million).

GEARING RATIO

As at 30 June 2012, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 84.03%.

TRUST DEPOSITS

As at 30 June 2012, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institution in the PRC and Hong Kong.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2012, the Group had approximately 32,823 employees, mainly comprising 4,086 technical staff, 12,677 sales representatives, 615 financial staff, 1,144 administrative staff and 14,301 production staff. The Group had 5 employees with a doctorate degree, 152 with a master's degree and 2,735 with a bachelor's degree. There were 523 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2012, the Group's staff payroll amounted to RMB747.01 million (corresponding period in 2011 amounting to RMB679.38 million).

The Company adopts a position-based remuneration policy for its staff. Staff remuneration is determined by reference to the relative importance of and responsibility assumed by the position and other performance factors.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2012, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and accounts receivable of approximately RMB 729.80 million (31 December 2011: RMB568.59 million) were pledged as security for the Group's borrowings.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the Group's purchase and overseas sales during the Reporting Period were denominated in foreign currency, the Group is exposed to the 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code for securities transaction by Directors. After having made specific enquiries to the Directors, all Directors of the Board confirmed that they had acted in full compliance with the Model Code during their term of office in the Reporting Period.

SHARE CAPITAL STRUCTURE

As at 30 June 2012, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total issued share capital
H shares	459,589,808	33.94%
A shares	894,464,942	66.06%
Total	<u>1,354,054,750</u>	<u>100.00%</u>

TOP TEN SHAREHOLDERS

As at 30 June 2012, there were 37,880 shareholders of the Company (the "Shareholders") in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	No. of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	No. of shares held subject to trading moratorium	No. of pledged or frozen shares
Qingdao Hisense Air-conditioning Company Limited	State-owned Legal Person	612,316,909	45.22%	68.46%	612,316,909	0
HKSCC Nominees Limited ^{Note}	Foreign Shareholder	457,566,208	33.79%	99.56%	0	Unknown
China Huarong Asset Management Corporation	State-owned Legal Person	30,000,000	2.22%	3.35%	0	0
Zhang Shao Wu	Domestic natural person	6,182,000	0.46%	0.69%	0	0
Zhong Juan Wei	Domestic natural person	3,385,289	0.25%	0.38%	0	0

TOP TEN SHAREHOLDERS — *Continued*

Name of Shareholder	Nature of Shareholder	No. of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	No. of shares held subject to trading moratorium	No. of pledged or frozen shares
Zhu Hong Jun	Domestic natural person	2,186,165	0.16%	0.24%	0	0
Chen Wei Yu	Domestic natural person	1,999,710	0.15%	0.22%	0	0
Yan Xinyao	Domestic natural person	1,885,739	0.14%	0.21%	0	0
Zhu Li Si	Domestic natural person	1,474,800	0.11%	0.16%	0	0
Wang Qi Yu	Domestic natural person	1,305,000	0.10%	0.15%	0	0

Note: The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, 27 million H shares (representing 1.99% of the total number of shares of the Company) are beneficially owned by Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company.

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
HKSCC Nominees Limited	457,566,208	H shares
China Huarong Asset Management Corporation	30,000,000	A shares
Zhang Shao Wu	6,182,000	A shares
Zhong Juan Wei	3,385,289	A shares
Zhu Hong Jun	2,186,165	A shares
Chen Wei Yu	1,999,710	A shares
Yan Xinyao	1,885,739	A shares
Zhu Li Si	1,474,800	A shares
Wang Qi Yu	1,305,000	A shares
Song Chenghai	1,155,003	A shares

Note: The Company is not aware whether any of the top ten holders of tradable shares is connected with each other or any of them is a party acting in concert with any of the other nine shareholders within the meaning of 《上市公司收購管理辦法》 (Administrative Measures for the Takeover of Listed Companies).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to any Directors, supervisors and the chief executive of the Company, as at 30 June 2012, the following persons (other than the Directors, supervisors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:

LONG POSITION OR SHORT POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited ^{Note 1}	Beneficial owner	A shares	612,316,909(L)	68.46%	45.22%
Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense (Hong Kong) Company Limited ^{Note 1}	Beneficial owner	H shares	27,000,000(L)	5.87%	1.99%
Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	H shares	27,000,000(L)	5.87%	1.99%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	H shares	27,000,000(L)	5.87%	1.99%
Hillhouse Capital Management, Ltd. ^{Note 3}	Investment manager	H shares	50,284,000(L)	10.94%	3.71%
Gaoling Fund, L.P. ^{Note 3}	Beneficial owner	H shares	48,766,000(L)	10.61%	3.60%
Citigroup Inc. ^{Note 4}	Person having security interests in shares and custodian corporation/ approved lending agent	H shares	27,387,130(L) 0(S) 2,313,630(P)	5.95% 0.00% 0.50%	2.02% 0.00% 0.17%
Daiwa Securities Group Inc. ^{Note 5}	Interest of controlled corporation	H shares	25,296,000(L) 50,592,000(S)	5.50% 11.00%	1.87% 3.74%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES — *Continued*

LONG POSITION IN THE UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity	Type of shares	Number of underlying shares	Percentage of the respective type of issued shares	Percentage of the total number of shares in issue
Hisense Company Limited ^{Note 2}	Interest of controlled corporation	H shares	27,000,000(L) ^{Note 2}	5.87%	1.99%

The letter "L" denotes a long position, the letter "S" denotes a short position and the letter "P" denotes lending pool.

Notes:

1. Qingdao Hisense Air-conditioning Company Limited is a company directly owned as to 93.33% and indirectly owned as to 6.67% by Qingdao Hisense Electric Holdings Company Limited, whereas Hisense (Hong Kong) Company Limited is a company directly owned as to 100% by Qingdao Hisense Electric Holdings Company Limited. Qingdao Hisense Electric Holdings Company Limited is in turn owned as to 51.01% by Hisense Company Limited. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Company Limited were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested.
2. Hisense Company Limited was deemed to be interested in an option which might be acquired by Hisense (Hong Kong) Company Limited for the purchase of up to 27,000,000 H shares. By virtue of the SFO, Hisense (Hong Kong) Company Limited and Qingdao Hisense Electric Holdings Company Limited were deemed to be interested in the same parcel of underlying H shares.
3. Hillhouse Capital Management, Ltd. was interested in a total of 50,284,000 H shares by virtue of the SFO. Of these shares, Gaoling Fund, L.P. and YHG Investment, L.P. were interested in 48,766,000 H shares and 1,518,000 H shares respectively.
4. Citigroup Inc. was interested in these H shares by virtue of the SFO, in which it was interested as to 25,073,500 H shares as person having security interests and as to 2,313,630 H shares as custodian corporation or approved lending agent.
5. Daiwa Securities Group Inc. had interest and short position in these H shares by virtue of the SFO, in which Daiwa Capital Markets Investments Hong Kong Limited was directly interested in 25,296,000 H shares and Daiwa Capital Markets Investments Asia Limited had short position in 50,592,000 H shares directly.

Save as disclosed above, as at 30 June 2012, in so far as the Directors, supervisors and chief executive of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, save as disclosed in the section "The First Share Option Incentive Scheme", none of the members of the Board, supervisors and the chief executive of the Company and their respective associates held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results announcement and interim report for the period ended 30 June 2012.

THE FIRST SHARE OPTION INCENTIVE SCHEME

(1) MOVEMENTS OF THE SHARE OPTIONS DURING THE REPORTING PERIOD

No.	Name	Position	Outstanding share options as at 1 January 2012 ('0000 shares)	Number of share options exercised or cancelled during the Reporting Period ('0000 shares)	Number of share options lapsed during the Reporting Period ('0000 shares)	Outstanding share options as at 30 June 2012 ('0000 shares)
1	Tang Ye Guo	Chairman	126	—	—	126
2	Xiao Jian Lin	Director	82.8	—	—	82.8
3	Jia Shao Qian	Vice-President	82.8	—	—	82.8
4	Ren Li Ren	Director, President	72	—	—	72
5	Zhang Yu Qing	Vice-President	82.8	—	—	82.8
6	Wang Yun Li	Vice-President	82.8	—	—	82.8
7	Gan Yong He	Director, Vice- President	18.1	—	—	18.1
8	Zhang Jian Jun	Supervisor	5.6	—	—	5.6
9	Mid level management staff and key personnel		1,398.1	—	—	1,398.1
	Total		1,951	—	—	1,951

Note: All share options available for issue under the First Share Option Incentive Scheme have been granted.

(2) THE GRANT DATE AND THE EXERCISE PRICE OF THE SHARE OPTIONS

The grant date of the share options is 31 August 2011 and the exercise price is RMB7.65 per share.

(3) VALIDITY PERIOD OF THE SHARE OPTIONS

The validity period of the share options under the grant shall be a term of 5 years commencing from the grant date.

(4) EXERCISE ARRANGEMENT

The exercise of the share options under the grant is subject to a restriction period of 2 years, during which period the rights are not exercisable.

Subject to the fulfillment of the exercise conditions, the share options under the grant can be exercised in batches after the expiry of the 2-year period from the grant date according to the following exercise arrangement:

- i. 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the second anniversary of the grant date (2 September 2013) until the trading day falling on the fifth anniversary of the grant date (31 August 2016);
- ii. another 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the third anniversary of the grant date (1 September 2014) until the trading day falling on the fifth anniversary of the grant date (31 August 2016); and
- iii. the remaining 34% of the share options granted to each participant shall become exercisable on the trading day immediately after the fourth anniversary of the grant date (1 September 2015) until the trading day falling on the fifth anniversary of the grant date (31 August 2016).

Where the participant is a director or member of the senior management, share options of not less than 20% of the total share options granted to such participant can only be exercised after the participant has reached a pass grade or above in the performance appraisal for his/her employment (or office).

In addition, during the validity period of the share options, the maximum gain which the participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives) when the share options were granted. In the event that the gain from the share option incentive exceeds the above proportion, share options which have not been exercised will not be exercised.

According to the calculation by the Black-Scholes option pricing model, the Company recognized an expense of RMB2.3242 million in total in relation to First Share Option Incentive Scheme during the Reporting Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The articles of association of the Company provide that the Company can purchase liability insurance for the Directors with the approval of the shareholders' general meeting. Following the consideration and approval by the shareholders at the annual general meeting of the Company held on 26 June 2012, the Company has already purchased liability insurance for the Directors and senior management of the Company to meet the requirement in Code Provision A.1.8 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code"). Other than the above, to the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions of the CG Code.

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT

I. EXPLANATION GIVEN BY THE BOARD OF THE COMPANY OF THE CHANGES AND TREATMENT OF THE MATTERS RELATING TO THE QUALIFIED OPINIONS IN THE AUDITOR'S REPORT FOR THE 2011 ANNUAL REPORT

Crowe Horwath China Certified Public Accountants (LLP) issued an auditor's report with qualified opinion for the 2011 financial report of the Company. The Board of the Company has given detailed explanation on the matters relating to the auditor's opinion in the 2011 annual report, details of which can be found in the Company's 2011 annual report and the 2011 annual results announcement published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 29 March 2012. As at the date of this announcement, there was no real progress in relation to such matters.

II. INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not raise any capital and no proceeds obtained prior to the Reporting Period were used during the Reporting Period and there was no material investment which did not involve raising of capital.

III. MATERIAL LITIGATIONS AND ARBITRATIONS OF THE COMPANY

Name of case	Amount in dispute (RMB ten thousand)	Particulars of the case	Status
Ronshen Refrigerator against Xi'an Kelon in relation to a sale and purchase contract	9998.41	Since February 2004, Ronshen Refrigerator has repeatedly provided Xi'an Kelon fundings and prepayments in an aggregate amount of RMB89,184,085.06 to support the latter's production. The two parties later entered into a repayment agreement, but Xi'an Kelon has failed to perform such agreement. Therefore, Ronshen Refrigerator initiated the proceedings in the Foshan Intermediate Court, demanding Xi'an Kelon to refund the payment for goods and the related expenses.	In December 2008, the Foshan Intermediate Court dismissed the claim due to insufficiency of factual and legal evidence. Ronshen Refrigerator made an appeal to the Higher People's Court of the Guangdong Province (the "Guangdong Higher Court"). The Guangdong Higher Court has revoked the judgment of the Foshan Intermediate Court (Fo Zhong Fa Min Er Chu Zi No. 88 (2007)) and the case was to be re-tried by the Foshan Intermediate Court. On 23 December 2011, the Company received the civil judgment (Fo Zhong Fa Min Er Chong Zi No. 2 (2010)) from the Foshan Intermediate Court. The Foshan Intermediate Court made the first instance judgment for the retrial, according to which Xi'an Kelon shall pay to Ronshen Refrigerator for the debt in the amount of RMB87,314,200 together with relevant interests. During the Reporting Period, 西安航空動力控制有限公司 (Xi'an Aero-Engine Controls Company Ltd.) appealed to the Guangdong Higher Court, but did not pay an appeal fee. Guangdong Higher Court ruled that 西安航空動力控制有限公司 (Xi'an Aero-Engine Controls Company Ltd.) was considered to have withdrawn the appeal. The first instance judgment made by the Foshan Intermediate Court entered into force.

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — Continued

IV. DISPOSALS OF ASSETS BY THE COMPANY

On 12 January 2012, the seventh session of the Board convened the first extraordinary meeting in 2012, at which the Resolution in relation to the Transfer of 60% of the Equity Interests in Xi'an Kelon Refrigeration Co., Ltd. and Relevant Debt was considered and passed. On the same day, the Company and Shanxi Qidi Science and Technology Park Development Co., Ltd. entered into the equity transfer contract in relation to the transfer of the 60% equity interests in Xi'an Kelon held by the Company and the relevant debt (being the debt owed by Xi'an Kelon to the Company in the sum of RMB10,580,000 and the debt owed by Xi'an Kelon to Ronshen Refrigerator in the sum of RMB87,314,216.54, together with interests, as well as the case acceptance fee, property preservation fee and assessment costs in the sum of RMB872,733) by the Group to Shanxi Qidi Science and Technology Park Development Co., Ltd. for a total consideration of RMB110,580,000. For details, please see announcement published by the Company on 12 January 2012 on the webpage of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>). Subsequent to this transfer of equity interests, the Company will no longer hold any equity interests in Xi'an Kelon. The procedures for the transfer of equity interests are in the process.

V. SECURITIES INVESTMENTS DURING THE REPORTING PERIOD

(I) The Company has not made any securities investments during the Reporting Period

(II) Shareholdings in other listed companies held by the Company

Stock code	Stock abbreviation	Initial investment cost (RMB)	Shareholding percentage in the company (%)	Carrying amount at the end of the period (RMB)	Profit and loss for the Reporting Period (RMB)	Changes in ownership interests for the Reporting Period (RMB)
000404	Huayi Compressor	41,686,088.96	6.45	46,573,601.59	2,935,819.51	2,935,819.51

VI. FUNDS EMBEZZLED FOR NON-OPERATING PURPOSES AND THE SETTLEMENT PROGRESS

1. Amount of funds embezzled for non-operating purposes in the beginning of and at the end of the Reporting Period

Unit: RMB (in ten thousand)

Outstanding amount of funds of the Company embezzled by a former substantial shareholder, its subsidiaries, the specific third parties and other related parties for non-operating purpose		Total amount recovered during the Reporting Period	Settlement Method	Amount recovered	Time of Settlement (Month)
1 January 2012	30 June 2012				
65,514.95	65,514.95	—	—	—	—

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — Continued

VI. FUNDS EMBEZZLED FOR NON-OPERATING PURPOSES AND THE SETTLEMENT PROGRESS — Continued

2. Explanation of the Board on the progress of the Company's claims for all embezzled amounts during the Reporting Period

The Company has initiated a total of 19 cases of legal proceedings against the Greencool Companies and specified third parties, with a target claim amount of RMB791 million. As at the date of this announcement, 17 judgments were in force and entered the execution process, and the amount applied for enforcement was RMB725 million. One case was withdrawn, involving an amount of RMB29.8437 million; one case was rejected due to lack of evidence, involving an amount of RMB12.2894 million. To expedite the enforcement of the cases, the Company has reported to the relevant authorities such as Supreme People's Court and General Office of the State Council for several times so that the amount involved in these cases can be recovered as soon as possible. The Company will also pay attention to the progress of the cases and use its best efforts to protect its rights as a creditor.

VII. PARTICULARS OF MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

<u>Connected parties</u>	<u>Type of connected transaction</u>	<u>Particulars of connected transaction</u>	<u>Pricing principle of connected transaction</u>	<u>Connected transaction amount (RMB)</u>	<u>Percentage of total amount of similar transactions (%)</u>
Hisense Electric	Purchase	Finished goods	Agreed price	70,450.42	0.00
Hisense — Whirlpool	Purchase	Finished goods	Agreed price	209,985,170.21	2.63
Hisense Electric	Purchase	Materials	Agreed price	8,828,237.97	0.11
Hisense Group	Purchase	Materials	Agreed price	2,016,523.86	0.03
Hisense — Whirlpool	Purchase	Materials	Agreed price	2,872,802.47	0.04
Hisense Hitachi	Purchase	Materials	Agreed price	2,916,803.97	0.04
Huayi Compressor	Purchase	Materials	Agreed price	396,280,145.09	4.96
Embraco	Purchase	Materials	Agreed price	13,529,918.80	0.17
Hisense Electric	Purchase	Mould and equipment	Agreed price	2,683.76	0.00
Hisense Group	Purchase	Mould and equipment	Agreed price	143,005.00	0.00
Hisense Electric	Receipt of services	—	Agreed price	3,109,919.40	0.04
Hisense Group	Receipt of services	—	Agreed price	101,295,054.95	1.27
Snowflake	Receipt of services	—	Agreed price	11,852,038.13	0.15
Hisense Hong Kong	Purchase financing agency	—	Agreed price	48,924,559.05	0.61

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — *Continued*

VII. PARTICULARS OF MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD — *Continued*

<u>Connected parties</u>	<u>Type of connected transaction</u>	<u>Particulars of connected transaction</u>	<u>Pricing principle of connected transaction</u>	<u>Connected transaction amount (RMB)</u>	<u>Percentage of total amount of similar transactions (%)</u>
Hisense Group	Sale	Finished goods	Agreed price	1,244,720,449.41	12.49
Hisense Hitachi	Sale	Finished goods	Agreed price	26,796,830.82	0.27
Hisense Electric	Sale	Materials	Agreed price	6,920.76	0.00
Hisense Group	Sale	Materials	Agreed price	26,483,602.86	0.27
Hisense — Whirlpool	Sale	Materials	Agreed price	15,666,123.08	0.16
Hisense Hitachi	Sale	Materials	Agreed price	25,771.24	0.00
Hisense Electric	Sale	Mould and equipment	Agreed price	27,826,536.17	0.28
Hisense Group	Sale	Mould and equipment	Agreed price	74,117,573.22	0.74
Hisense Electric	Provision of services	—	Agreed price	231,000.00	0.00
Hisense Group	Provision of services	—	Agreed price	1,165,859.39	0.01

Of which: During the Reporting Period, connected transactions in relation of sale of products or provision of services by the Company to the controlling shareholder and its subsidiaries amounted to RMB1,374,551,941.81.

As at 30 June 2012, the Company and its subsidiaries had a balance of loan in the amount of RMB411,044,900 with Hisense Finance, and the draft discount by the Company from Hisense Finance was in the amount of RMB137,500,000, whereas the balance of electronic bank acceptance notes was in the amount of RMB258,486,200, and the balance of deposit was in the amount of RMB163,063,800. Loan interests paid to Hisense Finance amounted to RMB17,072,400, handling fees paid in relation to electronic bank acceptance notes amounted to RMB150,300, interests paid in relation to discounted notes amounted to RMB4,822,500, and the interest income received from Hisense Finance for the deposit amounted to RMB548,300.

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — Continued

VIII. PARTICULARS OF GUARANTEES DURING THE REPORTING PERIOD ARE AS FOLLOWS:

Unit: RMB (in ten thousand)

External guarantee given by the Company (excluding guarantees for its subsidiaries)								
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party
Fujian Kelon	30 November 2011	3,000	2012.04.26	1,000	Unsecured guarantee	2012.04.26-2013.12.31	No	No
Total limit on the amount of external guarantees approved during the Reporting Period (A1)			12,000	Actual amount of external guarantees during the Reporting Period (A2)				1,000
Total limit on the amount of external guarantees which has been approved at the end of the Reporting Period (A3)			12,000	Total balance of actual amount of external guarantees at the end of the Reporting Period (A4)				1,000

Guarantees given by the Company for its subsidiaries								
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party
Ronshen Refrigerator		90,000	2011.09.30	861.92	Unsecured guarantee/ secured guarantee	2011.09.30-2012.08.30	No	No
Kelon Air-conditioner		30,000	2011.09.30	13,098.92	Unsecured guarantee	2011.09.30-2012.09.28	No	No
Kelon Fittings		5,000	2011.09.30	98.55	Unsecured guarantee/ secured guarantee	2011.09.30-2012.08.30	No	No
Ronshen Freezer	30 November 2011	5,000	2012.5.16	294.51	Unsecured guarantee/ secured guarantee	2012.5.16-2012.08.14	No	No
Yangzhou Refrigerator		10,000	2010.07.23	873.17	Unsecured guarantee	2010.07.23-2012.08.25	No	No
Ronshen Plastic		6,000	2012.04.16	220.09	Unsecured guarantee	2012.04.16-2012.07.25	No	No
Kelon International Incorporation		50,000	2011.07.29	15,352.19	Unsecured guarantee	2011.07.29-2013.01.22	No	No

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — *Continued*

VIII. PARTICULARS OF GUARANTEES DURING THE REPORTING PERIOD ARE AS FOLLOWS: — *Continued*

Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1)	198,000	Actual amount of guarantees for subsidiaries during the Reporting Period (B2)	69,075.84
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (B3)	198,000	Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (B4)	30,799.35
Total guaranteed amount of the Company (being the sum of the previous two major items)			
Total limit on the amount of guarantees approved during the Reporting Period (A1+B1)	210,000	Actual amount of guarantees during the Reporting Period (A2+B2)	70,075.84
Total limit on the amount of guarantees which has been approved at the end of the Reporting Period (A3+B3)	210,000	Total balance of actual amount of guarantees at the end of the Reporting Period (A4+B4)	31,799.35
Percentage of actual amount of guarantees (being A4+B4) to the net assets of the Company			26.78%
Including:			
Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (C)			0
Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (D)			30,422.83
Total guaranteed amount over 50% of the net asset (E)			0
Sum of the above three guarantees (C+D+E)			30,422.83
Statement on possibility to assume joint liabilities for guarantees which have not expired			Nil
Description of provision of external guarantee in violation of prescribed procedures			Nil

IX. DERIVATIVES INVESTMENT

(i) Situations of derivatives investment

<p>Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.)</p>	<p>The derivatives business of the Company mainly represents the foreign exchange derivatives business used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose.</p> <p>The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and "the Internal Control System for Forward Foreign Exchange Capital Transactions". The measures specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business.</p>
<p>Changes in market price or product fair value of invested derivatives during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value</p>	<p>The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognized a gain of fair value changes of the derivatives of RMB-14.0930 million.</p>
<p>Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the Reporting Period and the last reporting period</p>	<p>During the Reporting Period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to last reporting period.</p>
<p>Specific opinions of independent Directors, sponsor or financial advisor on the derivatives investment and risk control of the Company</p>	<p>Opinion of independent directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the Internal Control System for Forward Foreign Exchange Capital Transactions to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.</p>

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — *Continued*

IX. DERIVATIVES INVESTMENT — *Continued*

(ii) Positions in derivatives investment at the end of the Reporting Period

Unit: RMB ten thousand

<u>Type of contract</u>	<u>Contract amount at the beginning of the period</u>	<u>Contract amount at the end of the period</u>	<u>Gain or loss during the Reporting Period</u>	<u>Percentage of contract amount at the end of the period to net assets of the Company at the end of the Reporting Period (%)</u>
Foreign exchange derivatives contracts	159,732.21	224,793.36	(1,409.30)	189.35
Commodity derivatives contracts	—	—	—	—
Total	<u>159,732.21</u>	<u>224,793.36</u>	<u>(1,409.30)</u>	<u>189.35</u>

This interim report is published in both English and Chinese. If there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.

SUPPLEMENTARY INFORMATION AS REQUIRED BY THE STOCK EXCHANGE OF HONG KONG LIMITED IN RELATION TO THE COMPANY'S A SHARES INTERIM RESULTS ANNOUNCEMENT — *Continued*

DEFINITIONS

In the report, unless the context requires otherwise, the following terms or expressions shall have the following meanings:

"Company", "the Company"	Hisense Kelon Electrical Holdings Company Limited
"Hisense Air-Conditioning"	Qingdao Hisense Air-Conditioning Company Limited
"Hisense Electric"	Hisense Electric Co., Ltd.
"Hisense Group"	Hisense Company Limited
"Hisense Hitachi"	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.
"Hisense-Whirlpool"	Hisense-Whirlpool (Zhejiang) Electric Appliances Co., Ltd.
"Hisense Finance"	Hisense Finance Company Limited
"Embraco"	Beijing Embraco Snowflake Compressor Co., Ltd.
"Snowflake" or "Xuehua Group"	Beijing Snowflake Electrical Appliance Group Corporation
"Hisense Hong Kong"	Hisense (Hong Kong) Company Limited
"Guangdong Greencool"	Guangdong Greencool Enterprise Development Company Limited
"Greencool Companies"	Guangdong Greencool and other related parties
"Xi'an Kelon"	Xi'an Kelon Refrigeration Co., Ltd.
"Ronshen Refrigerator"	Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.
"Kelon Air-Conditioner"	Guangdong Kelon Air-Conditioner Co., Ltd.
"Kelon Fittings"	Guangdong Kelon Fittings Co., Ltd.
"Ronshen Freezer"	Hisense Ronshen (Guangdong) Freezer Co., Ltd.
"Yangzhou Refrigerator"	Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.
"Kelon Mould"	Guangdong Kelon Mould Company Limited
"Ronshen Plastic"	Foshan Shunde District Ronshen Plastic Co., Ltd.
"Fujian Kelon"	Fujian Kelon Air-Conditioner Sales Co., Ltd.
"Huayi Compressor"	Huayi Compressor Company Limited
"Foshan Intermediate Court"	Intermediate People's Court of Foshan City
"RMB"	Renminbi
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited