Hisense 海信科龙

HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED

海信科龍電器股份有限公司

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

(Stock Code: 00921)

2013 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Hisense Kelon Electrical Holdings Company Limited (the "Company") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 (the "Reporting Period") together with comparative figures for the corresponding period in 2012. This interim results announcement has been reviewed by the Company's Audit Committee.

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

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

Consolidated Balance Sheet

Item	Note	**30 June2013**	31 December 2012
Assets			
Current assets			
Cash at bank and on hand		482,037,947.82	516,065,467.96
Financial assets held for trading		46,422,791.91	10,678,293.47
Notes receivable		2,882,578,671.26	1,558,766,192.61
Trade receivables	5	2,765,496,446.96	1,455,882,205.49
Prepayments		354,779,533.88	304,301,601.58
Others receivables		346,165,320.56	342,722,165.14
Inventories		2,130,804,519.72	1,738,441,110.15

Other current assets		5,949,628.02	3,309,064.74
Total current assets		9,014,234,860.13	5,930,166,101.14
Non-current assets			
Long-term equity investments		816,946,731.38	751,925,728.90
Investment properties		35,196,454.42	36,446,602.09
Fixed assets		1,916,802,239.52	1,909,832,448.93
Construction in progress		217,503,429.93	68,344,253.58
Fixed assets pending for disposal		878,923.59	
Intangible assets		485,654,752.37	495,496,878.49
Long-term prepaid expenses		677,405.11	827,939.58
Deferred tax assets		6,145,450.99	7,294,688.02
Total non-current assets		3,479,805,387.31	3,270,168,539.59
Total assets		12,494,040,247.44	9,200,334,640.73
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings		82,800,589.12	30,309,453.94
Financial liabilities held for trading			164,231.22
Notes payable		1,823,641,678.89	1,432,852,210.08
Trade payables	6	4,352,333,112.10	2,335,425,936.47
Advances from customers		505,065,375.74	837,065,771.59
Employee remunerations payable		221,804,411.01	223,662,684.56
Taxes payable		-31,531,487.94	-48,994,818.36
Interests payable			202,930.49
Dividends payable		2,067.02	2,067.02
Other payables		1,782,395,594.78	1,581,294,492.81
Other current liabilities			
Total current liabilities		779,886,418.44	566,406,795.92
Non-current liabilities		9,516,397,759.16	6,958,391,755.74
Provisions		313,452,854.53	311,862,482.54
Other non-current liabilities		54,785,214.26	56,872,390.49
Total non-current liabilities		368,238,068.79	368,734,873.03
Total liabilities		9,884,635,827.95	7,327,126,628.77
Shareholders' equity			
Share capital		1,354,054,750.00	1,354,054,750.00

Capital reserve		2,099,239,900.16	2,101,650,386.96
Surplus reserves		145,189,526.48	145,189,526.48
Undistributed profits		-1,392,579,425.40	-2,099,392,002.85
Difference on translation of foreign currency financial statements		10,495,696.60	10,539,505.90
Total equity attributable to shareholders of the Company		2,216,400,447.84	1,512,042,166.49
Minority interests		393,003,971.65	361,165,845.47
Total shareholders' equity		2,609,404,419.49	1,873,208,011.96
Total liabilities and shareholders' equity		12,494,040,247.44	9,200,334,640.73

Consolidated Income Statement

Item	Note	**January to June 2013**	January to June 2012
Revenue	7	12,992,870,024.48	9,967,726,766.93
Cost of sales	7	10,250,224,907.55	7,982,126,495.52
Business taxes and surcharges		49,585,982.21	32,387,549.72
Selling and distribution expenses		1,754,021,512.96	1,310,271,064.86
General and administrative expenses		354,200,313.53	299,727,610.10
Financial expenses	8	12,612,656.22	25,298,032.29
Impairment losses on assets		6,688,362.49	3,344,640.11
Gain from changes in fair value		35,908,729.66	-14,092,955.53
Investment income	9	154,056,030.47	100,107,033.46
Including: Share of profit of associates and joint ventures		119,561,283.99	76,114,854.35
Operating profits		755,501,049.65	400,585,452.26
Non-operating income		13,979,505.92	11,588,454.87
Non-operating expenses		4,458,356.04	4,710,751.58
Including: Losses on disposal of non-current assets		1,436,232.09	1,985,884.72
Total profit		765,022,199.53	407,463,155.55
Less: Income tax expenses	10	19,895,297.20	5,621,187.99
Net profit		745,126,902.33	401,841,967.56
Profits realized by consolidated parties prior to consolidation			
Net profit attributable to shareholders of the Company		706,812,577.45	379,870,618.69
Minority interests		38,314,324.88	21,971,348.87

Earnings per share			
Basic earnings per share	13	0.522	0.2805
Diluted earnings per share	13	0.522	0.2805
Other comprehensive income		-4,419,540.36	-104,803.89
Total comprehensive income		740,707,361.97	401,737,163.67
Total comprehensive income attributable to the shareholders of the Company		702,393,037.09	379,765,814.80
Total comprehensive income attributable to minority interests		38,314,324.88	21,971,348.87

Note:

1. General information

Hisense Kelon Electrical Holdings Company Limited (the "Company") is a joint stock limited company incorporated in the People's Republic of China (the "PRC") on 16 December 1992. The Company's overseas listed public shares (the "H Shares") were listed on The Stock Exchange of Hong Kong Limited on 23 July 1996, whereas the Company's domestic shares (the "A Shares") were listed on the Shenzhen Stock Exchange on 13 July 1999.

On 29 January 2007, a share reform scheme (the "Reform of Non-tradable Shares Scheme") was formulated and the scheme was approved in the A shares general meeting, and further approved by Ministry of Commerce PRC on 22 March 2007. After completion of the Reform of Non-tradable Shares Scheme, the Company's non-freely transferable domestic legal person shares were converted into freely transferable A shares ("Transferable Shares").

On 31 August 2009, the Company constituted a major asset reorganization and entered into conditional sale and purchase agreement regarding the acquisition of the white goods assets and business (the "White Goods Business") of Hisense Air-Conditioning(the "Acquisition"). The Acquisition was approved by the CSRC (PRC's China Securities Regulatory Commission) on 23 March 2010. On 10 June 2010, the Company allotted and issued 362,048,187 A shares to Hisense Air-Conditioning for the Acquisition.

As at 30 June 2013, Hisense Air-Conditioning held 612,316,909 shares, representing 45.22% of the Company's total issued share capital and continued to be the immediate controlling shareholder.

In the opinion of the directors of the Company, as at 30 June 2013, Hisense Company Limited ("Hisense Group"), a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder.

The English names by which some of the companies are referred to in these financial statements represent management's best efforts in translating their Chinese names as no English names have been registered for these companies. The Group, comprising the Company and its subsidiaries, is principally engaged in the manufacture and sale of refrigerators and air-conditioners.

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

2. Basis of preparation

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).

The Company is listed in 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.

3. Significant changes in accounting policies

There are no significant changes in the accounting policies, accounting estimate applied in preparing of these financial statements.

4. Segment information

The Group manages its business by divisions which are organized by a mixture of both business lines and geography. The information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following three reportable segments: refrigerators, air-conditioners, and others (including freezers, product components and other electrical household appliances).

(1) Segment information as at and for the year ended 30 June 2013 is as follows:

Amount for current period	Refrigerators	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	5,310,974,333.09	5,056,633,164.27	1,422,408,072.62		11,790,015,569.98
2. Revenue from			418,300,423.53	-418,300,423.53	-

inter-segment					
3. Share of profit of associates and joint ventures	-2,470,987.60	121,979,146.56	53,125.03		119,561,283.99
4. Depreciation and amortization	85,068,748.69	51,701,398.96	41,390,385.48		178,160,533.13
5. Gain from changes in fair value	16,554,916.79	17,229,470.87	2,124,342.00		35,908,729.66
6.Impairment losses on assets	11,956,511.90	-9,510,584.38	4,242,434.97		6,688,362.49
7. Total profit (total loss)	314,169,421.61	307,783,454.94	170,302,847.72	-27,233,524.73	765,022,199.54
8. Income tax expenses	14,175,902.03	2,892,139.46	2,827,255.71	0.00	19,895,297.20
9. Net profit (net loss)	299,993,519.58	304,891,315.48	167,475,592.01	-27,233,524.73	745,126,902.34
10. Total assets	9,807,702,069.13	7,865,318,736.17	4,155,705,343.07	-9,334,685,900.92	12,494,040,247.45
11.Total liabilities	6,645,377,520.93	6,271,972,667.65	3,043,524,454.00	-6,076,238,814.64	9,884,635,827.94
12.Additions to other non-current assets other than long-term equity investments	154,190,832.73	-9,421,775.75	-153,211.74	-	144,615,845.24

Segment information as at and for the corresponding period ended 30 June 2012 is as follows:

Amount for last period	Refrigerators	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	4,266,279,741.67	3,756,832,970.87	1,023,584,317.40	-	9,046,697,029.94
2. Revenue from inter-segment			297,586,244.28	-297,586,244.28	-
3. Share of profit oft in associates and joint ventures	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	35,999,483.10		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	4,560,736.13		3,344,640.10
7. Total profit (total loss)	212,840,495.81	139,639,464.49	79,199,810.15	-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)	212,840,495.81	139,639,464.49	73,578,622.16	-24,216,614.90	401,841,967.56
10. Total assets	9,806,768,033.17	6,280,156,296.35	4,185,809,253.34	-10,483,875,978.47	9,788,857,604.39

11. Total liabilities	7,136,336,152.06	5,201,670,930.50	3,254,649,945.87	-7,366,909,363.55	8,225,747,664.88
12.Additons to other non-current assets other than long-term equity investments	29,748,556.73	-29,324,433.16	-40,285,239.62	-	-39,861,116.05

(2) Geographical Information

Item	**January to June 2013**	January to June 2012
Revenue from external customers - Mainland	8,226,727,331.31	5,893,113,321.84
Revenues from external customers - Overseas	3,563,288,238.67	3,153,583,708.10
Total	**11,790,015,569.98**	**9,046,697,029.94**
Non-current assets - Mainland	3,070,002,608.89	2,853,489,324.27
Non-current assets - Overseas	409,802,778.42	416,679,215.32
Total	**3,479,805,387.31**	**3,270,168,539.59**

*The Company is mainly operated in Mainland China, where the majority of non-current assets are located as well，therefore no further detailed geographical information is required to be reported.

5. Trade receivables

(1) On 13 December 2006, the transaction in respect of transfer of shares of the Company between the preceding immediate controlling shareholder, Guangdong Greencool Enterprise Development Company Limited ("Greencool Enterprise"), which is owned by the Company's former chairman, Mr. Gu Chu Jun ("Mr. Gu"), and Hisense Air-Conditioning was completed. Upon completion, Mr. Gu, Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu were no longer connected with the Group. Accordingly, no related party disclosures were made in respect of Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu for the year. Details of trade receivables, including the balances with Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu ("Greencool Companies"), are disclosed as follows:

Company name	**30 June 2013**		31 December 2012	
	Ending Balance	Provision for bad debts	Ending Balance	Provision for bad debts
Hefei Weixi Electrical Appliance Co., Ltd.	18,229,589.24	7,805,094.62	18,229,589.24	7,805,094.62
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**

(2) Normal credit term of 60 days is granted to customers. The Group allows a credit term of not exceeding one year for large and well-established customers. Sales are usually settled by cash on delivery for small and new customers. Trade receivables are non-interest bearing.

The aging of trade receivables is analyzed as follows (excluding the above Greencool Companies):

Item	**30 June 2013**	31 December 2012
Within three months	2,747,802,363.96	1,432,725,055.88
Over three months but within six months	1,280,483.71	1,612,142.13
Over six months but within one year	1,157,212.04	11,486,360.10
Over one year	161,490,927.72	161,579,416.05
Total	**2,911,730,987.43**	**1,607,402,974.16**
Less: provision for bad debts	**162,197,582.11**	**167,483,810.31**
	2,749,533,405.32	**1,439,919,163.85**

6. Trade payables

The aging of trade payables is analysed as follows:

Item	**30 June 2013**	31 December 2012
Within one year	4,205,189,334.19	2,197,488,131.14
Over one year	147,143,777.91	137,937,805.33
Total	**4,352,333,112.10**	**2,335,425,936.47**

7. Revenue and cost of sales

Item	**January to June 2013**	January to June 2012
Revenue from main operations	11,790,015,569.98	9,046,697,029.94
Revenue from other operations	1,202,854,454.50	921,029,736.99
Total	**12,992,870,024.48**	**9,967,726,766.93**
Item	**January to June 2013**	January to June 2012
Cost of main operations	9,138,714,099.92	7,148,843,737.01
Cost of other operations	1,111,510,807.63	833,282,758.51
Total	**10,250,224,907.55**	**7,982,126,495.52**

8. Financial expenses

Item	**January to June 2013**	January to June 2012
Interest expenses	326,455.49	19,474,229.65
less: interest income	1,437,999.50	1,420,787.63
Gain/(loss) on Foreign Exchange	35,447,916.96	805,245.62
Others	-21,723,716.73	6,439,344.65
Total	**12,612,656.22**	**25,298,032.29**

9. Investment Income

(1) Summary of investment income

Item	**January to June 2013**	January to June 2012
Income from long-term equity investment - the cost method	4,750,000.00	3,800,000.00
Income from long-term equity investment - the equity method	119,561,283.99	76,114,854.35
Income from disposal of long-term equity investment	23,335,449.55	-
Income from disposal of financial assets held for trading	6,409,296.93	20,192,179.11
Total	**154,056,030.47**	**100,107,033.46**

(2) Income from long-term equity investment - the cost method

Investee	**January to June 2013**	January to June 2012
Qingdao Hisense International Marketing Co,.Ltd.	4,750,000.00	3,800,000.00
Total	**4,750,000.00**	**3,800,000.00**

(3) Income from long-term equity investment - the equity method:

Investee	**January to June 2013**	January to June 2012
Huayi Compressor	3,776,668.68	2,154,188.99
Hisense-Whirlpool	-6,247,656.28	2,935,819.51
Attend Logistics Co,. Ltd.	53,125.03	50,887.51
Hisense Hitachi	121,979,146.56	70,973,958.34
Total	**119,561,283.99**	**76,114,854.35**

10. Income tax expenses

Item	**January to June 2013**	January to June 2012
Income tax expenses	18,746,060.17	6,650,269.20
Inc: Current income tax calculated according to tax law and related regulations in Mainland China	18,746,060.17	6,650,269.20
Current income tax calculated according to tax law and		

related regulations in Hong Kong		
Deferred tax expenses	1,149,237.03	-1,029,081.21
Total	**19,895,297.20**	**5,621,187.99**

Certain subsidiaries have been recognised as “high technology” companies and are entitled to a preferential tax rate of 15% (2012: 15%). Other certain subsidiaries of the Company are foreign invested enterprises, which are entitled to a preferential tax rate under the transitional preferential policy pursuant to the Enterprise Income Tax Law. The preferential policy has expired and the tax rate for this term is 25% (2012: 12.5%).

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits.

Except as disclosed above, the Company and other group entities, which were established and operated in the PRC, are subject to EIT at a standard rate of 25% (2012: 25%).

11. Net Current Assets

Item	**30 June 2013**	31 December 2012
Current Assets（Consolidated）	9,014,234,860.13	5,930,166,101.14
Less ： Current Liabilities（Consolidated）	9,516,397,759.16	6,958,391,755.74
Net Current Assets（Consolidated）	-502,162,899.03	-1,028,225,654.60
Current Assets（the Company）	6,785,532,249.21	4,730,456,072.49
Less ： Current Liabilities （ the Company）	7,597,492,051.01	5,672,829,625.08
Net Current Assets（the Company）	-811,959,801.80	-942,373,552.59

12.Total Assets Less Current Liabilities

Item	**30 June 2013**	31 December 2012
Total Assets（Consolidated）	12,494,040,247.44	9,200,334,640.73
Less ： Current Liabilities（Consolidated）	9,516,397,759.16	6,958,391,755.74
Total Assets less Current Liabilities（Consolidated）	2,977,642,488.28	2,241,942,884.99
Total Assets（the Company）	10,559,291,042.42	8,278,917,143.79
Less ： Current Liabilities （ the Company）	7,597,492,051.01	5,672,829,625.08
Total Assets Less Current Liabilities（the Company）	2,961,798,991.41	2,606,087,518.71

13. Earnings per share

(a) Basic earnings per share

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

Item	**January to June 2013**	January to June 2012
Consolidated net profit attributable to ordinary shareholders of the Company	706,812,577.45	379,870,618.69
Weighted average number of ordinary shares in issue of the Company	1,354,054,750.00	1,354,054,750.00
Basic earnings per share	0.5220	0.2805

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the Company adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares in issue of the Company. For the Reporting Period and the corresponding period ended 30 June 2012, there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013. No interim dividend was paid for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Ⅰ.ANALYSIS OF THE COMPANY'S OPERATION

(I) OVERALL OPERATION

Subsequent to a decrease in both sales volume and value of the white goods industry in 2012, the domestic white goods market was driven by the Energy-saving Product Subsidies Policy and showed upward momentum during the Reporting Period. According to the statistics of China Market Monitor Company Limited (CMM), the retail volume of refrigerator industry increased by 14.19% on a year-to-year basis and the retail volume of air-conditioner industry increased by 16.91% on a year-to-year basis. In respect of exports, due to factors such as Europe's economy remaining inactive and slowdown of economic growth of the emerging markets, the demand from overseas markets remained relatively sluggish. Amidst the abovementioned operating environment, the Company strictly adhered to the operating strategies of "building product advantages, reforming marketing model, enhancing system efficiency, exploring the international markets and securing scale and efficiency" during the Reporting Period, in order to achieve further increases in the scale and operating efficiency through boosting product competitiveness, enhancing product structures, improving the gross profit margins of products and expediting channel development. During the Reporting Period, the Company recorded operating revenue of RMB 12,993 million, representing a year-to-year increase of 30.35%, of which the revenue from its principal operating businesses amounted to RMB 11,790 million, representing a year-to-year increase of 30.23%. The overall gross profit margin increased by 1.51 percentage points. The net profit attributable to equity holders of the listed company was RMB 707 million, representing a year-to-year increase of 86.07%.

During the Reporting Period, the Company's revenue from the refrigerator business amounted to RMB 5,311 million, accounting for 45.05% of the revenue from principal operating businesses and representing a year-to-year increase of 24.49%. Revenue from the air-conditioner business amounted to RMB 5,057 million, accounting for 42.89% of the revenue from principal operating businesses and representing a year-to-year increase of 34.60%. The operating revenue from the domestic sales business was RMB 8,227 million, representing a year-to-year increase of 39.60%. The operating revenue from the export sales business was RMB 3,563 million, representing a year-to-year increase of 12.99%.

During the Reporting Period, the Company strengthened the coordination of production, sale and inventory, suppressed the utilization of capital in different segments and enhanced capital utilization efficiency. During the Reporting Period, finance costs significantly decreased by 50% and inventory flow further accelerated.

(II) REFRIGERATOR BUSINESS

During the Reporting Period, the domestic refrigerator market showed growing momentum. However, the pace of growth slowed down upon the withdrawal of the Energy-saving Product Subsidies Policy and there was a slow growth for the export markets.

During the Reporting Period, the Company upheld “technologies, products and quality” as its core competitive strengths in the effort to enhancing the competitiveness of its refrigerator products. Leveraging on its self-developed “360-degree vector inverter technology”, “preservation by active water system” as well as continued innovations and enhancements in its product structure, functions and design, the “Hisense Bauna series French-door refrigerators” were awarded the China Household Electrical Appliance Refrigerator Product Prize at the China Appliance World Expo, which is well-known as the “wind vane of household electrical appliances in China”. During the Reporting Period, the Company has consistently implemented the strategy of focusing on mid- to high-end products and proactively adjusted its product structure. The Company has organized “30th Anniversary Celebration cum 2013 Product Launch of Ronshen Refrigerators”, at which several new products of the i feel series were launched. Hisense Refrigerator also launched a number of Bauna intelligent refrigerator series new products during the Reporting Period, which significantly enriched the portfolio of the mid- to high-end products. Sales of refrigerators business recorded swift growth in its scale and steady increments in the gross profit margin and market share as supported by the improvement of product competitiveness and enhancement in product sales structure. During the Reporting Period, the gross profit margin of refrigerator products increased by 1.05 percentage points when compared to the corresponding period last year. According to the statistics of China Market Monitor Company Limited (CMM), the retail sales volume of the refrigerator products of the two brands “Ronshen” and “Hisense” achieved a growth of 34.28% and 25.59% respectively in the first half of 2013, outrunning the overall growth of the refrigerator industry. Retail market share of the Company’s refrigerators was 17.90%, representing an increase of 1.56 percentage points as compared to 2012 and securing the second position in the industry.

In respect of production capacity layout, the Company has newly invested in the construction of a base for mid- to high-end refrigerators, namely the Shandong refrigerator, during the Reporting Period, infrastructure construction completed as scheduled, while fixed asset procurement, personnel recruitment and other works have commenced as planned. It is anticipated that mass production will commence in the fourth quarter.

(III)AIR-CONDITIONER BUSINESS

During the Reporting Period, the domestic air-conditioner market gathered a momentum of growth under the influence of a number of factors including the recovery of the real estate market towards the end of 2012 and the Energy-saving Product Subsidies Policy. During the Reporting Period, the Company continued to capitalize on the market opportunities of “energy-efficiency enhancement” and “product upgrade”. The Company persisted in improving its product standards and proactively adjusted its product structure, with the launch of new mid- to high-end products as represented by the new flagship product of the Apple Pie A8 series, namely 89 artistic series of cabinet air-conditioners and wall-mounted air-conditioners, as an effort to constantly increase the competitiveness of the Company’s products and improve the brand image. At the China Appliance World Expo, the “Hisense Apple Pie A8 A9 Intelligent Supreme Series cabinet air-conditioners and wall-mounted air-conditioners” were awarded the China Household Electrical Appliance Air-conditioner Product Prize. The Company persisted in channel development through substantially expanding the channel for domestic sales, strengthening the management and control of the channels, and enhancing the quality of the network points. According to the statistics of CMM, the air-conditioner products under the two brands “Hisense” and “Kelon” recorded a growth of 75.04% and 42.34% in the retail sales volume, which was more than double of the overall growth of the air-conditioner industry. The retail market share of the Company’s air-conditioners increased by 1.17 percentage points as compared to 2012. The Company adhered to the strategy of “exploring the international markets” to expand its scale of export, increase the export of self-owned brand products and enhance the export structure. During the Reporting Period, the sales revenue from export of air-conditioner products increased by 21.21% on a year-to-year basis and in particular export of self-owned brands recorded a year-to-year increase of up to 55%.

The constant improvement in the product competitiveness and brand image and rapid growth in sales scale led to continual enhancements in the profitability of the air-conditioner business. During the Reporting Period, the gross profit margin of the Company’s air-conditioner increased by 2.29 percentage points when compared to the corresponding period last year.

(IV)OUTLOOK

Projecting into the second half of the year, the Company will continue to face a severe operating environment as due to China’s macroeconomy enters into the adjustment phase, the overdraft of consumer demand by the household appliance subsidy policy and the sluggish demand in the domestic household appliance market, and, on the other hand, there is slow recovery and feeble growth of the international market. However, in the long run, the rigid demand for the long-term development of the white goods market will be secured by the new urbanization policy, enhanced consumption and product upgrade. In the second half of 2013, the Company will continue to uphold the operating strategies devised at the beginning of the year to achieve steady increase in its scale, performance and market share, through implementation of the following:

(1) to continue enhancement of product structure; to stimulate increase in the sales scale; to promote sales team building and strengthen the sales and marketing efforts; to continue fostering the setting up of brand store, to enhance the quality of network points; to seize emerging channels and to increase the weight of eCommerce.

(2) to prepare for coordination of production and sale between low season and high season, to strictly control its inventory structure and to prevent risk of inventory overstock.

(3) to continue the improvement of product quality, to stringently implement quality control procedure and to nurture quality control personnel of high standards.

(4) to continue to strengthen its efforts in the commencement of automation, informatization and unitization to enhance system efficiency, as well as to achieve reasonable cost control through technology upgrade, enhanced appearance design, enhanced procurement capability and model adjustment at the same time.

(5) to strengthen its efforts in introduction of core personnel and personnel pooling, and to enhance personnel structure.

(6) to continue fortification of support for the export business and the export of self-owned brand products, to increase the scale of export, and to adjust the export product structure.

Ⅱ. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(Ⅰ) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years due to changes in accounting policies and correction of accounting errors?
□Yes √No

Items	Reporting Period	Corresponding period last year	Increase or decrease as compared to corresponding period last year (%)
Operating revenue (RMB)	12,992,870,024.48	9,967,726,766.93	30.35
Net profits attributable to shareholders of listed company (RMB)	706,812,577.45	379,870,618.69	86.07
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	676,763,629.46	374,629,933.96	80.65
Net cash flow from operating activities (RMB)	79,191,035.09	31,544,963.18	151.04
Basic earnings per share (RMB/share)	0.5220	0.2805	86.10
Diluted earnings per share (RMB/share)	0.5220	0.2805	86.10
Weighted average rate of return on net assets (%)	37.92	38.13	-0.21
Items	end of the Reporting Period	end of last year	Increase or decrease as compared to end of last year (%)
Total assets (RMB)	12,494,040,247.44	9,200,334,640.73	35.80
Net assets attributable to shareholders of listed company (RMB)	2,216,400,447.84	1,512,042,166.49	46.58

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

Unit: RMB

Items	Amount	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	22,831,712.38	
Government grants recognized in the profits or losses (excluding government grants closely related to the Company's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	9,955,361.60	
Other non-operating income and expenses other than the aforementioned items	69,525.44	
Less :Effect of income tax	959,571.68	
Effect of minority interests (after tax)	1,848,079.75	
Total	30,048,947.99	--

Unit: RMB

(Ⅲ)ANALYSIS OF PRINCIPAL BUSINESS

	Reporting Period	Corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reason of changes
Revenue from operating businesses	12,992,870,024.48	9,967,726,766.93	30.35	Mainly due to increase in sales during the reporting period
Costs of operating businesses	10,250,224,907.55	7,982,126,495.52	28.41	Mainly due to increase in costs in line with increase in sales
Sales expense	1,754,021,512.96	1,310,271,064.86	33.87	Mainly due to increase in expenses in line with increase in sales
Management expense	354,200,313.53	299,727,610.10	18.17	
Finance expense	12,612,656.22	25,298,032.29	-50.14	Mainly due to decrease in interest payment
Income tax expense	19,895,297.20	5,621,187.99	253.93	Mainly due to increase in the total amount of profit of the companies
Investment in research and development	289,051,709.12	235,376,565.43	22.80	
Net cash flows from operating activities	79,191,035.09	31,544,963.18	151.04	Mainly due to increase in operating net cash flows caused by increase in sales and operational quality and quantity enhancement
Net cash flows from investing activities	-159,207,987.91	7,387,565.12	-2,255.08	Mainly due to increase in investment in Shandong Refrigerator (a subsidiary)
Net cash flows from financing activities	45,989,426.02	24,278,558.38	89.42	Mainly due to decrease in interest payment
Net increase in cash and cash equivalents	-34,027,526.80	63,211,086.68	-153.83	Mainly due to comparatively large increase in investment

(Ⅳ) DESCRIPTION OF PRINCIPAL BUSINESS SEGMENTS

Unit: RMB

Item	Revenue from operating businesses	Costs of operating businesses	Gross profit margin (%)	Increase or decrease in revenue from operating businesses as compared to corresponding period last year (%)	Increase or decrease in costs of operating businesses as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (%)
By industry						
Home appliances manufacturing industry	11,790,015,569.98	9,138,714,099.92	22.49	30.32	27.83	1.51
By product						
Refrigerators	5,310,974,333.09	4,054,569,852.70	23.66	24.49	22.79	1.05
Air-conditioners	5,056,633,164.27	3,976,436,047.29	21.36	34.60	30.80	2.29
Others	1,422,408,072.62	1,107,708,199.93	22.12	38.96	37.32	0.93
By region						
Mainland	8,226,727,331.31	5,937,393,787.53	27.83	39.60	37.81	0.94
Overseas	3,563,288,238.67	3,201,320,312.39	10.16	12.99	12.71	0.23

Ⅲ.CORE COMPETITIVENESS ANALYSIS

1.Technological advantages

The Company adheres to its operating philosophy of “technology orientation” and centers on “energy-saving by inverter technology” and “green and environmental friendliness” to build its core competitiveness through innovations in technologies and products. The Company has top-notch research and development institutions including State-level enterprise technology center, enterprise post-doctoral scientific research station, State-recognized laboratory, and Guangdong Provincial Key Research and Development Center of Engineering Science, in addition to an industry-leading research and development team with thousands of technical personnels. During the Reporting Period, the Company has applied for 197 patents in total, including 37 invention patents. The Company has been granted 175 patents in total, including 14 invention patents. The Company is always committed to enhance its self-directed innovation capacity, strives to enhance the performance and level of intelligentization of its products, in order to increase its core competitiveness and its products’ market competitiveness and provide strong technical support for the Company’s industrial advancement.

2.Brand advantages

The three brand names used in the refrigerator and air-conditioner products of the Company, namely “Hisense”, “Ronshen” and “Kelon”, are Chinese Well-known Marks with good brand reputation and market base. Among these brands, the market share of “Hisense” invertor air-conditioners had ranked first in China for thirteen consecutive years, while the market share of “Ronshen” refrigerators had ranked first in China for eleven years. “High technology and high quality” reflects the Company’s core brand value. At the same time, the Company gradually accelerates the progress of internationalization, and continues to promote the internationalization of its own brands.

Ⅳ. Major subsidiaries and companies in which the Company has equity interest

Name of company	Company type	Industry	Major product or service	Registered capital	Total assets (RMB ten thousand)	Net assets (RMB ten thousand)	Operating revenue (RMB ten thousand)	Operating profit (RMB ten thousand)	Net profits (RMB ten thousand)
Hisense Hitachi	A company in which the Company has equity interest	Home appliances industry	Production and sale of commercial air-conditioners	US$46 million	186,553.91	101,366.73	148,503.10	29,672.78	25,449.88

LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB 79 million for the six months ended 30 June 2013（for the six months ended 30 June 2012: RMB 32 million).

As at 30 June 2013, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 482 million (as at 30 June 2012 : RMB 462 million) and bank loans amounting to approximately RMB 83 million (as at 30 June 2012 : RMB 1,102 million).

Total capital expenditures of the Group for the six months ended 30 June 2013 amounted to approximately RMB 243 million (for the six months ended 30 June 2012: RMB 89 million).

GEARING RATIO

As at 30 June 2013, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 79% (as at 30 June 2012: 84%).

TRUST DEPOSITS

As at 30 June 2013, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institutions in the PRC and Hong Kong.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2013, the Group had approximately 32,945 employees, mainly comprising 4,761 technical staff, 14,717 sales representatives, 581 financial staff, 894 administrative staff and 11,992 production staff. The Group had 4 employees with a doctorate degree, 202 with a master's degree and 3,060 with a bachelor's degree. There were 669 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2013, the Group's staff payroll amounted to RMB1,011 million (corresponding period in 2012 amounting to RMB747 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 2013, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and trade receivables of approximately RMB 526 million (31 December 2012: RMB 428 million) were pledged as security for the Group's borrowings.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the purchase and the majority of the overseas sales of the Group during the Reporting Period were denominated in foreign currency, the Group is exposed to certain risk of exchange rate fluctuation. The Group has used financial instruments such as import/export documentary bills and forward contracts for exchange rate hedging purpose.

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 2013, 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	1,354,054,750	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2013, there were 33,011 shareholders of the Company (the "Shareholders") in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	No. of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	No. of shares held subject to trading moratorium
Qingdao Hisense Air-conditioning Company Limited	State-owned legal person	612,316,909	45.22%	68.46%	0

HKSCC Nominees Limited [Note1]	Foreign legal person	458,695,058	33.88%	99.80%	0
China Huarong Asset Management Co., Ltd.	State-owned legal person	30,000,000	2.22%	3.35%	0
Industrial and Commercial Bank of China - CCB Principal Selected Growth Stock-Based Securities Investment Fund	Other	7,565,933	0.56%	0.85%	0
Zhang Shao Wu [Note2]	Domestic natural person	6,365,400	0.47%	0.71%	0
China Construction Bank - China International Growth Pioneer Stock Securities Investment Fund	Other	5,958,889	0.44%	0.67%	0
China Construction Bank - China AMC Dividend Mixed Open-End Securities Investment Fund	Other	5,396,877	0.40%	0.60%	0
Agricultural Bank of China – Fullgoal Tiancheng Dividend Flexible Allocation Mixed Securities Investment Fund	Other	4,700,700	0.35%	0.53%	0
Zhong Juan Wei	Domestic natural person	3,910,474	0.29%	0.44%	0
Agricultural Bank of China – Fullgoal Tianrui Strong Area Selected Mixed Open Securities Investment Fund	Other	3,840,979	0.28%	0.43%	0

Note:

1. *The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company, is the holder of 54 million H shares in total at the end of the Reporting Period, representing 3.99% of the*

total number of shares of the Company.

2. *The 6,365,400 A shares of the Company are held by Mr. Zhang Shao Wu through the client's collateral securities account for margin transactions of Everbright Securities Company Limited.*

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
Qingdao Hisense Air-conditioning Company Limited	612,316,909	RMB ordinary shares
HKSCC Nominees Limited	458,695,058	Overseas listed foreign shares
China Huarong Asset Management Co., Ltd.	30,000,000	RMB ordinary shares
Industrial and Commercial Bank of China - CCB Principal Selected Growth Stock-Based Securities Investment Fund	7,565,933	RMB ordinary shares
Zhang Shao Wu	6,365,400	RMB ordinary shares
China Construction Bank - China International Growth Pioneer Stock Securities Investment Fund	5,958,889	RMB ordinary shares
China Construction Bank - China AMC Dividend Mixed Open-End Securities Investment Fund	5,396,877	RMB ordinary shares
Agricultural Bank of China – Fullgoal Tiancheng Dividend Flexible Allocation Mixed Securities Investment Fund	4,700,700	RMB ordinary shares
Zhong Juan Wei	3,910,474	RMB ordinary shares
Agricultural Bank of China – Fullgoal Tianrui Strong Area Selected Mixed Open Securities Investment Fund	3,840,979	RMB ordinary shares

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 2013, 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 Stock Exchange of Hong Kong Limited:

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	Beneficial owner	A shares	612,316,909(L)	68.46%	45.22%
Qingdao Hisense Electric Holdings Company Limited Note	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense Company Limited Note	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense (Hong Kong) Company Limited Note	Beneficial owner	H shares	54,000,000(L)	11.75%	3.99%
Qingdao Hisense Electric Holdings Company Limited Note	Interest of controlled corporation	H shares	54,000,000(L)	11.75%	3.99%
Hisense Company Limited Note	Interest of controlled corporation	H shares	54,000,000(L)	11.75%	3.99%

The letter "L" denotes a long position.

Note: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 47.90% by Hisense Company Limited. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Company Limited were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested.

Save as disclosed above, as at 30 June 2013, 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 2013, 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 Stock Exchange of Hong Kong Limited 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 for the period ended 30 June 2013.

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 2013 ('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 2013 ('0000 shares)
1	Tang Ye Guo	Chairman	126	-	-	126
2	Xiao Jian Lin	Director	82.8	-	-	82.8
3	Jia Shao Qian	Vice-Preside nt	82.8	-	-	82.8
4	Ren Li Ren	Director, President	72	-	-	72
5	Zhang Yu Qing	Vice-Preside nt	82.8	-	-	82.8
6	Wang Yun Li	Vice-Preside nt	82.8	-	-	82.8
7	Gan Yong He	Director, Vice-Preside nt	18.1	-	-	18.1
8	Zhang Jian Jun	Supervisor	5.6	-	-	5.6
9	Mid level management staff and key personnel		1398.1	-	-	1398.1

	Total		1951	-	-	1951

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 RMB 1.9652 million in total in relation to First Share Option Incentive Scheme during the Reporting Period.

CORPORATE GOVERNANCE CODE

To the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

An interim report containing all information as required by Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company's website (http://www.kelon.com) in due course.

By order of the Board of
Hisense Kelon Electrical Holdings Company Limited
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 27 August 2013

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr. Ren Li Ren, Ms. Yu Shu Min, Mr. Lin Lan, Mr. Xiao Jian Lin and Mr. Gan Yong He; and the Company's independent non-executive directors are Mr. Xu Xiang Yi, Mr. Wang Xin Yu and Mr. Wang Ai Guo.

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 MATTERS RELATING TO THE QUALIFIED OPINIONS IN THE AUDITOR'S REPORT FOR THE 2012 ANNUAL REPORT

RUIHUA CERTIFIED PUBLIC ACCOUNTANTS (formerly known as Crowe Horwath China Certified Public Accountants (LLP)) issued an auditor's report with qualified opinion for the 2012 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 2012 annual report, details of which can be found in the Company's 2012 annual report and the 2012 annual results announcement published on the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 28 March 2013. On 28 March 2013, the Company received a notice of execution from the Intermediate People's Court of Foshan City, Guangdong Province in relation to the relevant matters concerning the resumption of execution of the cases involving the Greencool Companies. Pursuant to the "Notice issued by the Supreme People's Court on the resumption of execution procedures against the

Greencool Companies in accordance with the law", the Foshan Intermediate Court started the execution procedures of cases involving the Greencool Companies, details of which can be found in the announcement published on the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 1 April 2013. On 13 June 2013, Yangzhou Refrigerator, a wholly-owned subsidiary of the Company, received a total sum of RMB75.77 million from the Intermediate People's Court of Yangzhou City, Jiangsu Province, as a result of the execution of relevant cases concerning the litigation initiated by Yangzhou Refrigerator against Yangzhou Greencool Venture Capital Company Limited（揚州格林柯爾創業投資有限公司）, details of which can be found in the announcement published on the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 13 June 2013. The Company will also pay attention to the progress of the cases concerning the Greencool Companies and make its best efforts to protect its rights as a creditor.

Ⅱ.MATERIAL LITIGATIONS AND ARBITRATIONS OF THE COMPANY

v Applicable ☐ Not Applicable

General status of the litigation (arbitration)	Amount involved (RMB ten thousand)	Whether a liability is expected to be caused	Progress of the litigation (arbitration)	Results and effects of the litigation (arbitration)	Execution of the judgment of the litigation (arbitration)
A series of related party transactions and unusual cash flows occurred between the Greencool Companies and the Company during the period from October 2001 to July 2005. In addition, during the period, the Greencool Companies, through certain specific third party companies such as Tianjin Lixin Commercial Trading Development Company Limited, were involved in a series of unusual cash flow with the Company. The Company has instituted proceedings against the Greencool Companies for such transactions and unusual cash flows as well as the suspected fund embezzlements.	72541.44	No	On 28 March 2013, the Company received a notice of execution from the Intermediate People's Court of Foshan City, Guangdong Province in relation to the relevant matters concerning the resumption of execution of the cases involving the Greencool Companies. Pursuant to the "Notice issued by the Supreme People's Court on the resumption of execution procedures against the Greencool Companies in accordance with the law", the Foshan Intermediate Court started the execution procedures of cases involving the Greencool Companies, and the Foshan Intermediate Court will proportionally allocate the relevant assets. On 13 June 2013, Yangzhou Refrigerator received a total sum of RMB75.77 million from the Intermediate People's Court of Yangzhou City, Jiangsu Province, as a result of the execution of relevant cases concerning the litigation initiated by Yangzhou Refrigerator against Yangzhou Greencool Venture Capital Company Limited（揚州格林柯爾創業投資有限公司）.	—	In the process of execution

Ⅲ. PARTICULARS OF EXTERNAL INVESTMENTS

Particulars of external investments		
Amount of investment for the Reporting Period (RMB)	Amount of investment for corresponding period last year (RMB)	Change (%)
175,000,000.00	0	100%
Particulars of the investee		
Name of company	Principal business	Shareholding in the investee attributable to the listed company (%)
Shandong Refrigerator	Manufacture of energy saving and environmental friendly refrigerator and freezer products	100%

Ⅳ .SHAREHOLDINGS IN OTHER LISTED COMPANIES HELD BY THE COMPANY

Stock code	Stock abbreviation	Initial investment cost (RMB ten thousand)	Shareholding percentage in the company(％)	Carrying amount at the end of the period (RMB ten thousand)	Profit and loss for the Reporting Period (RMB ten thousand)	Changes in ownership interests for the Reporting Period (RMB ten thousand)
000404	Huayi Compressor	2,417.14	3.74	7,308.13	377.67	369.97

During the Reporting Period, the placement of shares of Huayi Compressor diluted the Company's shareholding percentage and recognized revenue in the sum of RMB23,335,400 from disposal of equity investment.

Ⅴ .PARTICULARS OF CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

Connected parties	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Group	Sale	Sale of finished goods	Agreed price	172,838.28	13.30
Hisense -Whirlpool	Sale	Sale of finished goods	Agreed price	11.90	0.00
Hisense Hitachi	Sale	Sale of finished goods	Agreed price	2,537.71	0.20
Hisense Electric	Sale	Sale of materials	Agreed price	281.99	0.02
Hisense Group	Sale	Sale of materials	Agreed price	516.59	0.04
Hisense -Whirlpool	Sale	Sale of materials	Agreed price	585.45	0.05

Hisense Hitachi	Sale	Sale of materials	Agreed price	33.14	0.00
Hisense Electric	Sale	Sale of moulds	Agreed price	4,010.68	0.31
Hisense Group	Sale	Sale of moulds	Agreed price	8,600.27	0.66
Hisense -Whirlpool	Sale	Sale of moulds	Agreed price	503.77	0.04
Hisense Group	Provision of services	Provision of services	Agreed price	119.39	0.01
Hisense -Whirlpool	Provision of services	Provision of services	Agreed price	115.51	0.01
Hisense -Whirlpool	Purchase	Purchase of finished goods	Agreed price	16,934.41	1.65
Hisense Electric	Purchase	Purchase of materials	Agreed price	858.16	0.08
Hisense Group	Purchase	Purchase of materials	Agreed price	470.78	0.05
Hisense -Whirlpool	Purchase	Purchase of materials	Agreed price	229.21	0.02
Hisense Hitachi	Purchase	Purchase of materials	Agreed price	758.01	0.07
Huayi Compressor	Purchase	Purchase of materials	Agreed price	45,315.70	4.42
Embraco	Purchase	Purchase of materials	Agreed price	2,654.50	0.26
Hisense Electric	Receipt of services	Receipt of services	Agreed price	276.28	0.03
Hisense Group	Receipt of services	Receipt of services	Agreed price	12,351.75	1.21
Snowflake	Receipt of services	Receipt of services	Agreed price	1,244.80	0.12
Hisense Hong Kong	Purchase	Purchase financing agency	Agreed price	8,413.89	0.82

As at the end of the Reporting Period, the balance of loan of the Company from Hisense Finance was RMB0, balance of deposit was RMB83,720,000 and interest income received was RMB1,361,600, balance of electronic bank acceptance bill was RMB1,358,960,000, interest payment for discounted notes was RMB225,500 and the handling fee for opening accounts for electronic bank acceptance bill was RMB729,400.

Ⅵ.PARTICULARS OF GUARANTEES DURING THE REPORTING PERIOD

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**
Nil	—	—	—	—	—	—	—	—
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)		0		
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)		0		
Guarantees given by the Company for its subsidiaries								
The guaranteed	**Date of**	**Guarante**	**Actual effective**	**Actual**	**Type of guarantee**	**Period of**	**Comple**	**Whether**

party	disclosure of relevant announcement in relation to the limit on the guaranteed amount	ed amount	date (date of agreement)	guaranteed amount		guarantee	ted or not	the guarantee is given for any connected party
Guangdong Refrigerator	30 November 2011	90,000	2012.11.15	47.41	Joint liability guarantee; mortgage	2012.11.15-2013.5.21	Yes	No
Guangdong Refrigerator	30 November 2011	90,000	2012.10.10	44.00	Joint liability guarantee; mortgage	2012.10.10-2014.1.31	No	No
Guangdong Air-conditioner	30 November 2011	30,000	2012.8.21	8154.39	Joint liability guarantee	2012.8.21-2013.6.25	Yes	No
Guangdong Air-conditioner	30 November 2011	30,000	2012.10.12	3769.81	Joint liability guarantee	2012.10.12-2013.8.30	No	No
Kelon Fittings	30 November 2011	5,000	2012.10.15	98.55	Joint liability guarantee; mortgage	2012.10.15-2013.8.30	No	No
Guangdong Freezer	30 November 2011	5,000	2013.4.2	116.67	Joint liability guarantee; mortgage	2013.4.2-2013.6.21	Yes	No
Yangzhou Refrigerator	30 November 2011	10,000	2010.7.23	499.40	Joint liability guarantee	2010.7.23-2013.6.2	Yes	No
Yangzhou Refrigerator	30 November 2011	10,000	2012.1.19	706.95	Joint liability guarantee	2012.1.19-2013.8.14	No	No
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)				13,437.18
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)				4,619.31
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)	13,437.18
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)	4,619.31
Proportion of actual amount of guarantees (being A4+B4) to the net assets of the Company		2.08%	
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)		3,868.36	
Total guaranteed amount over 50% of the net asset (E)		0	
Sum of the above three guarantees (C+D+E)		3,868.36	
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	

Ⅶ.DERIVATIVES INVESTMENT

Unit: RMB (in ten thousand)

Name of operators of derivatives investment	Connection	Whether or not a connected transaction	Type of derivatives investment	Initial investment of derivatives investment	Effective Date	Expiry Date	Investment at the beginning of the Period	Amount of provision for impairment (if any)	Investment at the end of the Period	Proportion of investment to the net asset of the Company at the end of the Reporting Period (%)	Actual amount of profit and loss during the Reporting Period
Bank	No	No	Forward foreign exchange contracts	199,816.46	1 January 2013	30 June 2013	199,816.46	0	238,077.12	107.42	4,231.80

Source of derivatives investment funding	Export trade payment
Litigation involved (if applicable)	Not applicable
Date of the announcement disclosing the approval of derivatives investment by the Board (if any)	29 March 2013
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)	27 June 2013
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.)	The derivatives business of the Company mainly represents the forward foreign exchange contracts used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose. 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.
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	The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the Reporting Period, the Company recognized a gain on change in fair value of the derivatives of RMB35,908,700. Investment gain amounted to RMB 6,409,300, resulting in a total profits or losses of RMB42,318,000.
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	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.
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	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.

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

DEFINITIONS

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

"Company", "the Company"	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"	Beijing Snowflake Electrical Appliance Group Corporation
"Hisense Marketing"	Qingdao Hisense International Marketing Holdings Co., Ltd.
"Shandong Refrigerator"	Hisense (Shandong) Refrigerator Company Limited

“Hisense Hong Kong”	Hisense (Hong Kong) Company Limited
“Guangdong Greencool”	Guangdong Greencool Enterprise Development Company Limited
“Greencool Companies”	Guangdong Greencool and other related parties
“Guangdong Refrigerator ”	Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.
“Guangdong Air-Conditioner”	Guangdong Kelon Air-Conditioner Co., Ltd.
“Kelon Fittings”	Guangdong Kelon Fittings Co., Ltd.
“Guangdong Freezer”	Hisense Ronshen (Guangdong) Freezer Co., Ltd.
“Yangzhou Refrigerator”	Hisense Ronshen (Yangzhou) Refrigerator 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