

2013

INTERIM REPORT



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

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 2013 (the "Reporting Period") together with comparative figures for the corresponding period in 2012. 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)

1. CONSOLIDATED BALANCE SHEETS

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Closing balance	Opening Balance
Current assets:		
Cash at bank and on hand	482,037,947.82	516,065,467.96
Balances with clearing companies		
Lending capital		
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
Accounts receivable	2,765,496,446.96	1,455,882,205.49
Prepayments	354,779,533.88	304,301,601.58
Insurance premium receivable		
Receivables from reinsurers		
Reserves for reinsurance contract receivable		
Interests receivable		
Dividends receivable		
Others receivables	346,165,320.56	342,722,165.14
Financial assets purchased under agreements to resell		
Inventories	2,130,804,519.72	1,738,441,110.15
Non-current assets due within one year		
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:		
Disbursement of entrusted loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
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
Construction materials		
Disposal of fixed assets	878,923.59	
Productive biological assets		
Oil and gas assets		
Intangible assets	485,654,752.37	495,496,878.49
Development costs		
Goodwill		
Long-term prepaid expenses	677,405.11	827,939.58
Deferred tax assets	6,145,450.99	7,294,688.02
Other non-current assets		
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

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Closing balance	Opening Balance
Current liabilities:		
Short-term borrowings	82,800,589.12	30,309,453.94
Borrowings from central bank		
Receipt of deposits and deposits from other banks		
Loans from other banks		
Financial liabilities held-for-trading		164,231.22
Notes payable	1,823,641,678.89	1,432,852,210.08
Accounts payable	4,352,333,112.10	2,335,425,936.47
Advances from customers	505,065,375.74	837,065,771.59
Proceeds from disposal of financial assets under agreements to repurchase		
Handling fees and commission payable		
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
Reinsured accounts payable		
Reserves for reinsurance contract		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Non-current liabilities due within one year		
Other current liabilities	779,886,418.44	566,406,795.92
Total current liabilities	9,516,397,759.16	6,958,391,755.74
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Specific payables		
Provisions	313,452,854.53	311,862,482.54
Deferred tax liabilities		
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

1. CONSOLIDATED BALANCE SHEETS — *Continued*

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

<u>Item</u>	<u>Closing balance</u>	<u>Opening Balance</u>
Owners' equity (or shareholders' equity):		
Paid in capital (or share capital)	1,354,054,750.00	1,354,054,750.00
Capital reserve	2,099,239,900.16	2,101,650,386.96
Less: Treasury shares		
Special reserves		
Surplus reserves	145,189,526.48	145,189,526.48
General risk provisions		
Retained 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 owners of the Company	2,216,400,447.84	1,512,042,166.49
Minority interests	393,003,971.65	361,165,845.47
Total owners' equity (or shareholders' equity)	2,609,404,419.49	1,873,208,011.96
Total liabilities and owners' equity (or shareholders' equity)	12,494,040,247.44	9,200,334,640.73

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

2. COMPANY BALANCE SHEET

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Closing balance	Opening Balance
Current assets:		
Cash at bank and on hand	200,280,089.47	342,912,430.57
Financial assets held-for-trading		
Notes receivable	2,755,636,041.31	1,488,240,456.12
Accounts receivable	1,362,643,030.67	654,198,358.60
Prepayments	137,450,316.25	119,788,776.75
Interests receivable		
Dividends receivable		
Other receivables	898,910,877.59	1,020,581,138.05
Inventories	1,426,584,709.41	1,101,946,998.54
Non-current assets due within one year		
Other current assets	4,027,184.51	2,787,913.86
Total current assets	6,785,532,249.21	4,730,456,072.49
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	3,354,965,545.95	3,114,944,543.47
Investment properties	14,526,206.00	15,218,337.00
Fixed assets	180,388,950.65	184,855,845.67
Construction in progress	702,478.61	6,298,205.16
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	223,175,612.00	227,144,140.00
Development expenses		
Goodwill		
Long-term prepaid expenses		
Deferred tax assets		
Other non-current assets		
Total non-current assets	3,773,758,793.21	3,548,461,071.30
Total assets	10,559,291,042.42	8,278,917,143.79

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

2. COMPANY BALANCE SHEET — *Continued*

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Closing balance	Opening Balance
Current liabilities:		
Short-term borrowings		
Financial liabilities held-for-trading		
Notes payable	1,823,641,678.89	1,393,993,081.39
Accounts payable	3,031,092,580.46	1,454,062,384.08
Advance receipts	400,799,551.42	757,121,873.57
Staff remuneration payables	105,887,698.54	110,455,624.85
Taxes payable	(17,887,862.59)	6,815,013.66
Interests payable		
Dividends payable		
Other payables	1,652,765,089.01	1,488,361,520.58
Non-current liabilities due within one year		
Other current liabilities	601,193,315.28	462,020,126.95
Total current liabilities	7,597,492,051.01	5,672,829,625.08
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Special payables		
Provisions	309,413,732.49	307,754,994.01
Deferred tax liabilities		
Other non-current liabilities	36,751,089.68	38,150,435.08
Total non-current liabilities	346,164,822.17	345,905,429.09
Total liabilities	7,943,656,873.18	6,018,735,054.17
Owners' equity (or shareholders' equity):		
Paid in capital (or share capital)	1,354,054,750.00	1,354,054,750.00
Capital reserve	2,223,735,632.55	2,226,146,119.35
Less: Treasury shares		
Special reserves		
Surplus reserves	114,580,901.49	114,580,901.49
General risk provisions		
Retained profits	(1,076,737,114.80)	(1,434,599,681.22)
Differences on translation of foreign currency financial statements		
Total owners' equity (or shareholders' equity)	2,615,634,169.24	2,260,182,089.62
Total liabilities and owners' equity (or shareholders' equity)	10,559,291,042.42	8,278,917,143.79

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

3. CONSOLIDATED INCOME STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
I. Total operating revenue	12,992,870,024.48	9,967,726,766.93
Including: Operating revenue	12,992,870,024.48	9,967,726,766.93
Interest incomes		
Insurance premium earned		
Income from handling fees and commission		
II. Total operating costs	12,427,333,734.96	9,653,155,392.60
Including: Operating costs	10,250,224,907.55	7,982,126,495.52
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	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	12,612,656.22	25,298,032.29
Impairment losses on assets	6,688,362.49	3,344,640.11
Add: Gain from changes in fair value (Loss denoted by "-")	35,908,729.66	(14,092,955.53)
Investment income (Loss denoted by "-")	154,056,030.47	100,107,033.46
Including: Share of profit of associates and jointly controlled entities	119,561,283.99	76,114,854.35
Foreign exchange gains (Loss denoted by "-")		
III. Operating profits (Loss denoted by "-")	755,501,049.65	400,585,452.26
Add: Non-operating income	13,979,505.92	11,588,454.87
Less: Non-operating expenses	4,458,356.04	4,710,751.58
Including: Loss on disposal of non-current assets	1,436,232.09	1,985,884.72
IV. Total profit (Total loss denoted by "-")	765,022,199.53	407,463,155.55
Less: Income tax expenses	19,895,297.20	5,621,187.99
V. Net profits (Net loss denoted by "-")	745,126,902.33	401,841,967.56
Including: Net profits of consolidated parties prior to consolidation		
Net profits attributable to shareholders of the parent	706,812,577.45	379,870,618.69
Profit and loss of minority interests	38,314,324.88	21,971,348.87
VI. Earnings per share:	—	—
(1) Basic earnings per share	0.522	0.2805
(2) Diluted earnings per share	0.522	0.2805
VII. Other comprehensive income	(4,419,540.36)	(104,803.89)
VIII. Total comprehensive income	740,707,361.97	401,737,163.67
Total comprehensive income attributable to shareholders of the parent	702,393,037.09	379,765,814.80
Total comprehensive income attributable to minority interests	38,314,324.88	21,971,348.87

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

4. COMPANY INCOME STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
I. Total operating revenue	8,103,594,930.28	6,951,817,491.24
Less: Operating costs	6,337,457,451.87	5,680,520,878.87
Business taxes and surcharges	31,458,860.87	20,081,103.39
Selling and distribution expenses	1,495,161,736.13	1,103,959,516.55
General and administrative expenses	24,024,777.25	24,374,899.45
Financial expenses	8,595,430.67	2,388,342.10
Impairment losses on assets	11,093,900.92	1,037,167.57
Add: Gain from changes in fair value (Loss denoted by "-")		
Investment income (Loss denoted by "-")	171,576,751.74	86,441,222.95
Including: Share of profit of associates and jointly controlled entities	119,561,283.99	76,114,854.35
II. Operating profits (Loss denoted by "-")	367,379,524.31	205,896,806.26
Add: Non-operating income	515,601.45	2,295,107.21
Less: Non-operating expenses	2,882,883.14	2,402,778.93
Including: Loss on disposal of non-current assets	53,488.96	56,052.71
III. Total profit (Total loss denoted by "-")	365,012,242.62	205,789,134.54
Less: Income tax expenses	7,149,676.20	
IV. Net profits (Net loss denoted by "-")	357,862,566.42	205,789,134.54
V. Earnings per share:	—	—
(1) Basic earnings per share	0.2643	0.152
(2) Diluted earnings per share	0.2643	0.152
VI. Other comprehensive income	(4,375,731.06)	
VII. Total comprehensive income	353,486,835.36	205,789,134.54

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

5. CONSOLIDATED CASH FLOW STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	5,644,887,416.81	3,752,286,603.70
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 financial assets held-for-trading		
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	352,460,980.65	342,767,072.30
Other cash received concerning operating activities	508,225,547.38	114,798,118.12
Subtotal of cash inflows from operating activities	6,505,573,944.84	4,209,851,794.12
Cash paid for purchases of commodities and receipt of services	3,871,204,118.31	2,246,530,087.14
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	1,010,902,554.71	747,008,600.90
Cash paid for taxes and surcharges	418,797,596.46	304,625,376.25
Cash paid for other operating activities	1,125,478,640.27	880,142,766.65
Subtotal of cash outflows from operating activities	6,426,382,909.75	4,178,306,830.94
Net cash flows from operating activities	79,191,035.09	31,544,963.18
II. Cash flows from investing activities:		
Cash received from returns on investments	73,500,000.00	49,000,000.00
Cash received from investment income	4,750,325.50	3,800,000.00
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	5,302,888.84	941,548.18
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	83,553,214.34	96,275,726.88
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	242,761,202.25	88,888,161.76
Cash paid for investments		
Net increase in pledge loans		
Cash paid for acquiring subsidiaries and other operation units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	242,761,202.25	88,888,161.76
Net cash flows from investing activities	(159,207,987.91)	7,387,565.12

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

5. CONSOLIDATED CASH FLOW STATEMENT — *Continued*

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
III. Cash flows from financing activities:		
Cash received from disposal of investments		
Including: Cash contribution from minority shareholders' investment by subsidiaries		
Cash received from borrowings	145,508,582.23	1,307,500,749.18
Cash received from issue of bonds		
Cash received relating to other financing activities	(6.66)	150,596.82
Subtotal of cash inflows from financing activities	145,508,575.57	1,307,651,346.00
Cash paid for repayment of borrowings	92,496,008.42	1,262,800,257.67
Cash paid for distribution of dividends, profit or interest expenses	7,023,141.13	20,572,529.95
Including: Dividend and profit paid to minority shareholders by subsidiaries		
Cash paid relating to other financing activities		
Subtotal of cash outflows from financing activities	99,519,149.55	1,283,372,787.62
Net cash flows from financing activities	45,989,426.02	24,278,558.38
IV. Effects of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	(34,027,526.80)	63,211,086.68
Add: Balance of cash and cash equivalents at the beginning of the period	513,661,376.53	396,814,919.98
VI. Balance of cash and cash equivalents at the end of the period	479,633,849.73	460,026,006.66

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

6. COMPANY CASH FLOW STATEMENT

Prepared by: Hisense Kelon Electrical Holdings Company Limited

Unit: RMB

Item	Amount for current period	Amount for previous period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	2,287,669,841.20	842,389,012.74
Tax rebates received		
Other cash received concerning operating activities	2,926,722,438.47	2,825,574,423.90
Subtotal of cash inflows from operation activities	5,214,392,279.67	3,667,963,436.64
Cash paid for purchases of commodities and receipt of labor services	2,986,046,079.09	744,020,772.18
Cash paid to and for employees	431,463,687.73	277,936,710.67
Cash paid for taxes and surcharges	291,967,001.87	184,677,423.86
Cash paid for other operating activities	1,572,396,007.01	2,281,438,535.04
Subtotal of cash outflow from operation activities	5,281,872,775.70	3,488,073,441.75
Net cash flows from operating activities	(67,480,496.03)	179,889,994.89
II. Cash flow from investing activities:		
Cash received from returns on investments	73,500,000.00	49,000,000.00
Cash received from investment revenues	28,680,018.20	10,326,368.60
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	87,788.86	92,050.78
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	102,267,807.06	86,202,598.08
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	2,419,652.13	4,694,718.37
Cash paid for investments	175,000,000.00	
Cash paid for obtaining subsidiaries and other operation units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	177,419,652.13	4,694,718.37
Net cash flows from investing activities	(75,151,845.07)	81,507,879.71
III. Cash flows from financing activities:		
Cash received from disposal of investments		
Cash received from borrowings		70,000,000.00
Cash received from issue of bonds		
Cash received relating to other financing activities		
Subtotal of cash inflows from financing activities		70,000,000.00
Cash paid for repayment of borrowings		275,000,000.00
Cash paid for distribution of dividends, profit or interest expenses		6,095,740.00
Cash paid relating to other financing activities		
Subtotal of cash outflows from financing activities		281,095,740.00
Net cash flows from financing activities		(211,095,740.00)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	(142,632,341.10)	50,302,134.60
Add: Balance of cash and cash equivalents at the beginning of the period	342,912,430.57	98,869,779.84
VI. Balance of cash and cash equivalents at the end of the period	200,280,089.47	149,171,914.44

7. 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	
	Paid in capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	Other		Minority interests
I. Closing balance of previous year	1,354,054,750.00	2,101,650,386.96			145,189,526.48		(2,099,392,002.85)	10,539,505.90	361,165,845.47	1,873,208,011.96
Add: Changes in accounting policies										
Correction for error in previous period										
Other										
II. Opening balance of the year										
III. Movements in the current period										
(Decreases denoted in "-")	1,354,054,750.00	2,101,650,386.96			145,189,526.48		(2,099,392,002.85)	10,539,505.90	361,165,845.47	1,873,208,011.96
(1) Net Profit		(2,410,486.80)					706,812,577.45	(43,809.30)	31,838,126.18	736,196,407.53
(2) Other comprehensive income							706,812,577.45		38,314,324.88	745,126,902.33
Subtotal of (1) and (2) above		(4,375,731.06)						(43,809.30)		(4,419,540.36)
(3) Owner contributions and capital reductions		(4,375,731.06)					706,812,577.45	(43,809.30)	38,314,324.88	740,707,361.97
1. Owner contributions		1,965,244.26								1,965,244.26
2. Amount of share-based payment included in owners' equity										
3. Other		1,965,244.26								1,965,244.26
(4) Profit Distribution										
1. Appropriations to surplus reserve									(6,476,198.70)	(6,476,198.70)
2. Appropriations to general risk provisions										
3. Distribution to owners (or shareholders)										
4. Other									(6,476,198.70)	(6,476,198.70)
(5) Transfer of owners' equity										
1. Transfer to capital (or share capital) from capital reserve										
2. Transfer to capital (or share 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										
IV. Closing balance for the period	1,354,054,750.00	2,099,239,900.16			145,189,526.48		(1,392,579,425.40)	10,495,696.60	393,003,971.65	2,609,404,419.49

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

7. 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									
	Paid in capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	Other	Minority interests	Total owners' equity
I. 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: Retrospective adjustments arising from business combination under common control and other matters										
Add: Changes in accounting policies Correction for error in previous period Other										
II. 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
III. Movements in the current period (Decreases denoted in "-")		4,721,328.70					717,764,680.40	(15,567,439.94)	5,474,568.37	712,393,137.53
(1) Net Profit							717,764,680.40		14,540,892.95	732,305,573.35
(2) Other comprehensive income		72,876.70						(15,567,439.94)		(15,494,563.24)
Subtotal of (1) and (2) above		72,876.70					717,764,680.40	(15,567,439.94)	14,540,892.95	716,811,010.11
(3) Owner contributions and capital reductions		4,648,452.00								4,648,452.00
1. Owner contributions										
2. Amount of share-based payment included in owners' equity		4,648,452.00								4,648,452.00
3. Other										
(4) Profit Distribution									(9,066,324.58)	(9,066,324.58)
1. Appropriations to surplus reserve										
2. Appropriations to general risk provisions										
3. Distribution to owners (or shareholders)									(9,066,324.58)	(9,066,324.58)
4. Other										
(5) Transfer of owners' equity										
1. Transfer to capital (or share capital) from capital reserve										
2. Transfer to capital (or share 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										
IV. Closing balance for the period	1,354,054,750.00	2,101,650,386.96			145,189,526.48		(2,099,392,002.85)	10,539,505.90	361,165,845.47	1,873,208,011.96

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

8. 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
	Paid in capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	
I. Closing balance of previous year	1,354,054,750.00	2,226,146,119.35			114,580,901.49		(1,434,599,681.22)	2,260,182,089.62
Add: Changes in accounting policies								
Correction for error in previous period								
Other								
II. Opening balance of the year	1,354,054,750.00	2,226,146,119.35			114,580,901.49		(1,434,599,681.22)	2,260,182,089.62
III. Movements in the current period								
(Decreases denoted in "-")		(2,410,486.80)					357,862,566.42	355,452,079.62
(1) Net Profit							357,862,566.42	357,862,566.42
(2) Other comprehensive income		(4,375,731.06)						(4,375,731.06)
Subtotal of (1) and (2) above		(4,375,731.06)					357,862,566.42	353,486,835.36
(3) Owner contributions and capital reductions		1,965,244.26						1,965,244.26
1. Owner contributions								
2. Amount of share-based payment included in owners' equity		1,965,244.26						1,965,244.26
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 share capital) from capital reserve								
2. Transfer to capital (or share 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								
IV. Closing balance for the period	1,354,054,750.00	2,223,735,632.55			114,580,901.49		(1,076,737,114.80)	2,615,634,169.24

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

8. 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
	Paid in capital (or share capital)	Capital reserve	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Retained profits	
I. 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								
II. Opening balance of the 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
III. Movements in the current period								
(Decreases denoted in "-")		(24,958,291.75)					336,604,324.71	311,646,032.96
(1) Net Profit							336,604,324.71	336,604,324.71
(2) Other comprehensive income		72,876.70						72,876.70
Subtotal of (1) and (2) above		72,876.70					336,604,324.71	336,677,201.41
(3) Owner contributions and capital reductions		4,648,452.00						4,648,452.00
1. Owner contributions								
2. Amount of share-based payment included in owners' equity		4,648,452.00						4,648,452.00
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 share capital) from capital reserve								
2. Transfer to capital (or share 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		(29,679,620.45)						(29,679,620.45)
M. Closing balance for the period	1,354,054,750.00	2,226,146,119.35			114,580,901.49		(1,434,599,681.22)	2,260,182,089.62

Legal representative: Tang Ye Guo

Person in charge of accounting matters: Li Jun

Person in charge of accounting department: Yan Zhi Yong

NOTES TO THE FINANCIAL STATEMENTS

Half year of 2013

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

1. COMPANY PROFILE

Hisense Kelon Electrical Holdings Company Limited (hereinafter referred to as the "Company") was formerly known as 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 renamed as 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 above-mentioned share transfers, Rongsheng Group, the former single largest shareholder of the Company, no longer held shares of the Company.

On 14 October 2004, 5.79% of the total share capital of the Company held by Shunde Xin Hong Enterprise Company was transferred to Guangdong Greencool. 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 were transferred to Qingdao Hisense Air-Conditioning Company Limited ("Qingdao Hisense Air-Conditioning"). Upon completion of the share transfer, Guangdong Greencool, the former single largest shareholder of the Company, no longer 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 Qingdao Hisense Air-Conditioning, the largest shareholder of the Company, was 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 airconditioners of Qingdao Hisense Marketing Co., Ltd. ("Hisense Marketing");

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

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 to a specific party 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 2013, the total number of shares of the Company was 1,354,054,750.00 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS

1. 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.

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 flows 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 the capital reserve is not sufficient to absorb the difference, the excess 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 from equity securities and whereas such amount cannot be offset by premium, the excess balance shall be adjusted against 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 and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. 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 year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**6. Preparation of consolidated financial statements****(1) Criteria for the recognition of scope of consolidation**

Based on the concept of control, the consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

For a subsidiary acquired through business combination under common control during the reporting period, the Company consolidates the subsidiary from the beginning of the year of consolidation to the end of this reporting year; for a subsidiary acquired through business combination not under common control, the Company consolidates the subsidiary from the date of acquisition to the end of this reporting year. For a subsidiary disposed during the reporting period, the Company ceases to consolidate the subsidiary from the date of disposal.

(2) 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 based on the Company's own accounting policies, and transactions or matters between companies within the scope of consolidation and internal liabilities are offset in the preparation of the consolidated financial statements; The portion of a subsidiary's equity not attributable to the Company are recognised as minority interests and presented separately under the shareholders' equity of the consolidated financial statements; in case the loss for the current period attributable to minority shareholders of a subsidiary exceeds the minority interest portion's of owners' equity in the subsidiary at the beginning of the period, the difference shall be offset against the minority interests.

7. Criteria for the recognition of cash equivalents

For the purpose of the cash flows 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) and highly liquid investments that are readily convertible to known amounts of cash and 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 functional 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 functional 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 fair value are translated using the spot exchange rate at the date of fair value determined, and the resulting difference is charged to the profit or loss for the period as changes in fair value, except that the relevant translation difference arising from foreign currency available for sale financial assets which is charged to the capital reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 flows 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 "Effect of foreign exchanges rate changes on cash and cash equivalents" in the cash flows statement.

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 on pro-rata basis and recognized in the profit or loss for the current period.

9. Financial instruments

Financial instrument represents contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments consist of financial assets, financial liabilities and equity 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 contractual rights to receive cash flows from the financial asset have expired;
- ② The financial asset has been transferred and the following conditions for the derecognition of financial assets are met.

A financial liability or part of it is derecognized when the existing obligations of the financial liability are fully or partially discharged.

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

Based on its own business characteristics and requirements of risk management, the management of the Company classifies the financial assets or financial liabilities borne 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 and financial liabilities and those designated upon initial recognition as financial assets and financial liabilities at fair value through profit or loss); held-to-maturity investments, loans and receivables, 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 financial assets held-for-trading and those designated upon initial recognition as financial assets at fair value through profit or loss. Financial assets held-for-trading mainly refer to shares, bonds, funds and non-hedging derivatives held for disposal in the short-term or financial liabilities assumed for re-purchase 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 and financial liabilities 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 using the effective interest rate method on the basis of amortized cost. Gains or losses arising from amortization, impairment or derecognition are recognized in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

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

9. Financial instruments — *Continued*

(2) *Classification and measurement of financial assets and financial liabilities* — *Continued*

③ Loans and Receivables

Receivables refer to the right to receive cash or another financial assets caused by the sale of goods and the provision of labor services to external customers by the Company, and receivables in other companies except debt instruments quoted in active markets, including accounts receivables, other receivables and long-term receivables. Receivables are initially recognized at the contract price charged to the buyers or the agreed consideration. During the holding period, receivables 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 profit or loss 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 other three categories of financial assets as described above.

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 or bond interests which were due but not received 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 cumulative 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 profit or loss 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 profit or loss of the current period.

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

9. Financial instruments — Continued

(3) Transfer of financial assets

Financial assets are derecognized when the Group has transferred substantially all the risks and rewards of their ownership to the transferee or when the substantial risks and rewards of their ownership are neither transferred nor retained but the Group ceases the control over the financial assets.

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 derecognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

- A. The carrying amount of the transferred financial asset;
- B. The aggregate consideration received from the transfer, and the cumulative amount of the changes of the fair value originally recorded in the shareholders' equity (in the event that the financial asset involved in the transfer is an available-for-sale financial asset).

If the transfer of partial financial asset satisfies the conditions for derecognition, the carrying amount of the entire transferred financial asset shall be allocated between the portion that has been derecognized and the portion that has not been derecognized, according to their respective relative fair values, 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 carrying amount of the portion that has been derecognized;
- B. The aggregate consideration of the portion that has been derecognized, and the portion of the cumulative amount of the changes in the fair value originally recorded in the shareholders' equity which is corresponding to the portion that has been derecognized (in the event that the financial asset involved in the transfer is an available-for-sale financial asset).

Financial assets continue to be recognized when their transfer does not fulfill the derecognition conditions, and considerations received are recognized as financial liabilities.

For a financial asset being transferred with continued involvement, the Company continues to recognize the financial asset being transferred to the extent of its continued involvement, and recognizes a financial liability at the same time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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 discharged or partially discharged, 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 raise new financial liabilities to replace the existing financial liabilities, and the terms of the new financial liabilities are substantially different from the terms of the existing financial liabilities, the Company shall derecognize the existing financial liabilities, and begin to recognize the new financial liabilities at the same time.

If the terms of the existing financial liabilities have been substantially modified in whole or in part, the Company shall derecognize the existing financial liabilities in whole or in part, and at the same time, recognize the modified financial liabilities as a new one.

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

If the Company repurchases part of the financial liabilities, the Company shall allocate the entire financial liabilities between the part to be continuously recognized and the part to be derecognized in accordance with their fair values on the date of repurchasing. The difference between the derecognized book value and the payment (including the transfer-out of non-cash assets or new financial liabilities to be recognized) shall be included into profit and loss for 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 receivable)

The Group assesses 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 that the value of the financial assets recovered and the recovery can be related to an event occurring after the impairment was recognized (such as an increase in the credit rating 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 exceeds what the amortized cost would have been had the impairment loss not been recognized at the date of reversal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**9. Financial instruments — Continued****(6) Impairment of financial assets (excluding receivables) — Continued****② Impairment provision of available-for-sale financial assets:**

If there is objective evidence of a significant prolonged decrease in the fair value of an available-for-sale financial asset, 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 cumulative loss from the decline in fair value originally recognized directly in shareholder's equity is removed. The cumulative loss removed equals the difference of the initial acquisition cost of the available-for-sale financial asset (net of principal payment and amortization) and current fair value less impairment losses previously 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 equity instrument classified as available-for-sale, any increase in fair value that occurs after the impairment is reversed in shareholder's equity, not in profit or loss.

10. Accounts receivables**(1) Accounts receivables that are individually significant and subject to separate provision:****① The criteria and amount for individually significant receivables.**

Accounts for 10% or above (10% inclusive) of the total accounts receivables, except the Greencool receivables.

② Method of provision for bad debt in individually significant receivables:

Individually significant receivables are subject to separate impairment assessment, where there is objective 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 in according to the separate impairment assessment, accounts receivables shall be combined into certain groups with similar credit risk characteristics and subject to impairment assessment by groups.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

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

10. Accounts receivables — *Continued*

(2) *Receivables that are combined into certain groups and subject to provision by groups:*

Basis for determination of groups is as follows

Group 1 Groups of accounts receivables based on ageing characteristics

Group 2 Greencool receivables.

Method for provision for bad debts by groups

Group 1 Based on ageing analysis method.

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.

For Group 1, receivables which are provided for bad debts using age analysis:

Ageing	Ratio for provision for bad debts (%)
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

(3) *Receivables which are individually insignificant but subject to separate provision:*

Reason for individual provision: Receivables which are individually insignificant in one year or above.

Method for provision for bad debts Receivables which shall be separated from groups for individual assessment, where there is objective 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.

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, work in progress, goods in transit, finished goods and etc.

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

11. Inventory— Continued

(2) Cost of inventories

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.

Work in progress and finished goods are measured 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 order specified in the contract, the excess amount is determined based on the market price.

The Company takes 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. 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 causing the write-down of the inventories' value disappear, the write-down amount shall be reversed and the provision of impairment shall be charged to the profit or loss for the current period.

(4) Inventories system

The group adopts the perpetual inventories system.

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

Low-value consumables are expensed upon issuance.

Packaging materials are expensed upon issuance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**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 long-term equity investments acquired from business combination not involving entities under common control and achieved in stages, the initial cost comprises the carrying amount of previously held equity instrument in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

- 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 measured in a reliable way, the book value of assets received is determined on basis of the fair value of assets surrendered, except there are objective evidences for the higher reliability of the fair value of assets received. For the exchange of non-monetary assets not meeting the above criteria, the book value of assets surrendered and related taxes shall be accounted as cost of assets received.

The initial investment cost of long-term equity investment obtained by debt restructuring shall be measured at fair value.

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

The cost method is used when the Company does not jointly control or has significant influence over the investee, and the long-term equity investments are not quoted in active markets, and no reliably measurable fair value. The cost method is also used for long-term equity investments over the subsidiaries. Long-term equity investments under common control or significant influence shall be accounted by equity method.

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

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

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

- ① If the initial cost of a long-term equity investment exceeds the investor's share of the fair value of the investee's identifiable net assets at the date of acquisition, 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 investor's share of the fair value of the investee's identifiable net assets at the date of acquisition, 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 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, and the Group's accounting policies and periods, and eliminating the portion of the profit or loss arising from inter-group transactions with joint ventures and associates according to its share ratio (but impairment losses for assets arising from inter-group 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 recognized as share of profits after setting off its share of un-recognized losses.
- ④ Entitlements to profits or cash dividends declared by the investee reduce the carrying value of the long-term investments.
- ⑤ For the changes in the shareholders' equity other than those arising from its profit and loss of the investee, the Company records directly in capital reserve, provided that the Group's proportion of shareholding in investee remains unchanged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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

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 require the unanimous consent of the parties sharing control. Common control is evidenced by the following three bases:

- A. None of the parties shall control 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 already unanimously agreed by the joint venture parties.

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

Please see note 2.25 for the test for impairment and recognition of provision for impairment for long-term equity investments in subsidiaries, joint ventures and associates.

For a long-term investment which investee is not under common control or significant influence, no quoted price in an active market and no reliable fair value measurement, please see note 2.9(6) for the test for impairment and recognition of provision for impairment.

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

13. Investment properties

Investment properties are the properties held to earn rental or capital appreciation or both, and represents buildings which have been leased out by the Company.

Investment properties are initially recognized at the cost, and are depreciated or amortized on a basis consistent with the depreciation and amortization policies which the Group adopts for fixed assets and intangible assets.

Please see note 2.25 for recognition of impairment for investment properties using cost model for subsequent measurement.

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 accounting 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 will flow into the Company, and
- ② The cost of the fixed asset can be reliably measured.

(2) Depreciation of fixed assets

Fixed assets are depreciated by categories using the straight-line method over their useful life. Depreciations are started when the fixed assets are available for intended use, and are terminated when the fixed assets are derecognized or classified as non-current assets held-for-sale (except fixed assets that are fully depreciated and are still in use, and lands that are accounted separately). When no impairment provision is made, the annual depreciation rates for different fixed assets which are determined by residual value, asset category, and estimated useful life are as follows:

Category	Useful life (year)	Rate of residual value (%)	Annual depreciation rates (%)
Buildings	20-50	0-10	1.8-5
Machinery and equipment	5-20	5-10	4.5-19
Electronic equipment, appliances and furniture	5-10	5-10	9-19
Motor vehicles	5-10	5-10	9-19
Moulds	3	0	33.33

(3) Test of impairment and provision for impairment loss of fixed assets

Please see note 2.25 for recognition of impairment of fixed assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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) Impairment loss of construction in progress

Please see note 2.25 for recognition of impairment of construction in progress.

16. Borrowing costs**(1) Principles of recognition for capitalization of the borrowing costs**

Assets eligible for capitalization refer to the fixed assets, investment properties, inventories and other assets that require a substantially long period of time of acquisition and construction or producing activity for its intended use 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 by the Company can be directly attributable to the acquisition and construction or producing activities of assets eligible for capitalization, it shall be capitalized and recorded as part of 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 expenditures for asset are already incurred, which shall include expenditures in form of cash, transfer of non-cash assets or interest bearing debts paid for the acquisition and construction or producing activities of assets eligible for capitalization;
- ② The borrowing costs have been incurred;
- ③ The acquisition and construction or producing activities necessary to prepare the asset for its intended use or sale have already commenced.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**16. Borrowing costs — Continued****(2) Period of capitalization of the borrowing costs**

Borrowing costs are capitalized as a cost of the qualifying assets being acquired, constructed or produced until 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.

Where the acquisition and construction or producing activities 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. Should the interruption be a necessary step for the asset qualified for capitalization under construction or production to become ready for its intended use or sale, the borrowing cost shall continue to be capitalised. Borrowing costs arising during the interruption period shall be recognised in the profit or loss for the period until the construction or production of the asset is resumed, and by then capitalisation of the borrowing costs shall also be resumed. Where part of the acquisition and construction or producing activities of asset qualified for capitalization is completed and available for separate use, the capitalization of borrowing cost for that part of asset shall be ceased.

(3) 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 income 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 in relation to the specific borrowings shall be capitalized until the qualified asset is ready for the intended use or sale.

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 shall be amortized in each accounting period by real interest rate method, and an adjustment shall be made to the amount of interests in each period.

During the capitalization period, exchange differences related to principal and interest on a specific purpose borrowings denominated in foreign currencies are capitalized as part of the cost of the qualifying assets.

17. Intangible asset**(1) Initial recognition 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 terms, which is of financing nature, the cost of intangible assets shall be determined based on the current value of the purchase price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**17. Intangible asset — Continued****(1) Initial recognition of intangible assets — Continued**

The intangible assets acquired through the debt restructuring shall be accounted at 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 measured in a reliable way, the book value of assets received is recognized on basis of the fair value of assets surrendered, except there are objective evidences for the higher reliability of the fair value of assets received. For the exchange of those non-monetary assets not meeting the above criteria, the book value of assets surrendered and related taxes shall be accounted as cost of assets received and not recognized in the profit and loss.

(2) Subsequent measurement of intangible assets**① Useful life of intangible assets**

The useful life of the acquired intangible assets is determined upon acquisition. For intangible asset with a finite useful life, the useful life or similar measurement unit for usage is estimated. Intangible assets with unforeseeable economic benefits to the Company are deemed to be intangible assets with indefinite useful life.

② Amortization of intangible assets

Intangible asset with a finite useful life are amortized over the estimated useful life from the month of acquisition using the straight-line method. Intangible assets with indefinite useful life are not amortized but a test for impairment is carried out at the end of the year.

③ The useful life and method of amortization for intangible assets are reviewed and adjusted at least annually at the end of each year.

When an intangible 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.

④ Impairment of intangible assets

Please see note 2.25 for the recognition of impairment of intangible assets.

18. Development costs

- (1) The Group classifies the costs of an internal research and development project into expenditure on the research phase and expenditure on the development phase.
- (2) Specific criteria for the classification of research phase and development phase for internal research and development projects:

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

Development phase: before commercial production and utilization, the phase 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**18. Development costs — Continued**

- (3) Expenditure on the research phase of internal research and development projects are recognized in profit or loss for the current period.
- (4) Expenditure on the development phase of internal research and development 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 or sale;
 - ② Management intends to complete the intangible asset, and to use or sell;
 - ③ It can be demonstrated how the intangible assets will generate economic benefits or the intangible assets has its own market, or that they can be used in case of internal utilization;
 - ④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
 - ⑤ The expenditure attributable to intangible assets during its development phase can be reliably measured.

19. Long-term prepaid expenses

- (1) Long-term prepayments include expenditures incurred but should be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepayments are amortized on a straight-line basis over the expected beneficial period.
- (2) Pre-operating expenses should be recognized in profit or loss in the month as incurred.

20. Provisions

- (1) Provision for pending litigation, product warranties, onerous contracts etc, are recognized when the Company has a present obligation, 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) A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

21. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**21. Share-based payments and equity instruments — Continued****(2) Accounting treatment of share-based payments**

Equity-settled share payments to employees are charged to costs and capital reserve (other capital reserve) at fair value, and subsequent changes in fair value are not accounted. Cash-settled share payments to employees are re-valuated at the fair value of the equity instruments as at each balance sheet date and are recognized as costs and staff remuneration payables.

(3) 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.

(4) 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.

(5) Accounting treatment for 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.

22. Revenue**(1) 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) Rendering of services

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. The Company determines the total revenue from rendering of services in accordance with the received or receivable purchase price fixed by contract or agreement, except when the price is unfair.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**22. Revenue — Continued****(2) Rendering of services — Continued**

On the balance sheet date, where the outcome of rendering of services cannot be reliably estimated, accounting treatment is carried out as follows:

- ① If the cost incurred is expected to be recoverable, the revenue shall be recognized to the extent that the cost incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost.
- ② If the cost incurred is not expected to be recoverable, the cost incurred shall be recognized in the profit or loss for the current period, and no revenue from such services is recognized.

(3) Transfer of asset use rights

When it is probable that the economic benefits related to the transaction will flow to the Company and the relevant income can be reliably measured, the treatment will be carried out as follows:

- ① The interest income is determined on basis of the length of time and effective interest rate of the Company's cash funds which is used by the others.
- ② The royalties income is determined on basis of the agreed chargeable time and method under relevant agreement or contract.

23. Government grants

Government grants are divided into asset-related government grants and income related government grants.

(1) Recognition and measurement of government grants

Government grants are recognized when all attaching conditions can be complied with and the grants can be received.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grants is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

(2) Accounting treatment of government grants

A government grant related to an asset shall be recognized as deferred income, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**24. Deferred tax assets/deferred tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the temporary difference between the carrying value and the tax base of the assets and liabilities as at the balance sheet date. Deferred tax are recognized in current period's profit or loss as income tax expense or income tax credits, except for the adjustment made for goodwill in a business combination and deferred tax from transactions or items that are directly related to equity.

(1) A deferred tax liability is recognized for all taxable temporary differences, except where the taxable temporary differences arise from the following transactions:

- ① The initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- ② Recognition of assets or liabilities arising from transactions with the following characteristics: a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- ③ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

(2) Deferred tax assets are only recognized for deductible temporary differences, tax 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, tax losses and tax credits can be utilized, except where the deferred tax asset arises from the following transactions:

- ① A transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss; or
- ② In respect of the deductible temporary differences associated with investments in subsidiaries, jointly controlled entities and associates, a deferred tax asset is only recognized to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, meanwhile reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover the assets or settle the liabilities.

(3) The carrying amount of deferred tax assets shall be reviewed at the balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred tax assets, the carrying amount of the deferred tax assets shall be written down, the amount of writing down shall be accounted for income tax expense in the current period, and the amount of writing down shall be accounted in shareholder's equity if the deferred tax is originally recognized in shareholder's equity. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTIONS OF PRIOR PERIOD ERRORS — Continued**25. Impairment of assets**

Impairment of long-term equity investments in subsidiaries, associates and jointly controlled entities, investment properties subsequently measured by the cost method, fixed assets, construction in progress, intangible assets, goodwill (except inventories, investment properties measured by the fair value method, deferred tax assets, financial assets) are determined as follows:

- (1) Fixed assets are tested for impairment if there is any indication that an asset may be impaired at the balance date. If any indication exists that an asset may be impaired, the recoverable amount of this asset is estimated. Goodwill arising from a business combination, an intangible asset with an indefinite useful life and intangible assets that have not been ready for intended use are tested for impairment at least once a year, irrespective of whether or not there is any indication that those assets may be impaired.
- (2) The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of the expected future cash flows estimated to be derived from the asset. Provision for asset impairment is determined and recognized on individual asset basis. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of a group of assets to which the asset belongs is determined.
- (3) Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognized in profit or loss for the current period.
- (4) Once the impairment loss of the above assets is recognized, it cannot be reversed in subsequent periods.

26. Employee benefits

Employee benefits include wages or salaries, bonuses, allowances, subsidies, welfare fund, social security contributions, housing funds and other expenditures incurred in exchange for service rendered by employees and are recognized for the period during which they are rendered.

27. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments on the basis of operating segments.

An operating segment is a component of the Group that satisfies all the following conditions:

- (1) The component is able to earn revenues and incur expenses from its ordinary activities;
- (2) Whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; and
- (3) Information on financial position, operating results and cash flows statement is available to the Group. The accounting policies of operating segments are the same with the significant accounting policies of the Company.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

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

27. Segment information — *Continued*

An operating segment's revenue, expenses, operating results, assets and liabilities include those directly attributable to a segment and those allocated to the segment on a reasonable basis. Revenue, expenses, assets and liabilities of operating segment are determined at the amounts before the elimination of inter-group transactions and inter-group current account balances. Transfer price between operating segments is calculated on terms similar to those of arm's length transactions.

28. Operating leases

The Company recognises the rentals of operating leases in profit or loss over the leasing period on a straight line basis. Initial direct costs incurred are accounted for in the profit or loss for the period.

29. Changes in significant accounting policies and accounting estimates

There are no changes in significant accounting policies and accounting estimates of the Company in the current year.

30. Correction of prior period's accounting errors

There is no prior period's accounting errors in the current year.

3. TAXATION

1. The types and rates of taxes applicable to the Group

Type of taxes	Tax basis	Tax rate
Value-added tax	Taxable value added amount	17%
Business tax	Taxable business turnover	5%
City maintenance and construction tax	Amounts of value-added tax and business tax	1%-7%
Education surcharges	Amounts of value-added tax and business tax	3%
Corporate income tax	Taxable income	25%

2. Tax preferences and approvals

Hisense Ronshen (Guangdong) Refrigerator Co., Ltd., a subsidiary of the Company, received Certificate of High/New Technology Enterprise (Number: GF201144000198) dated 23 August 2011 which was 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 (2011, 2012 and 2013). Pursuant to the tax preference regulation on High/New Technology Enterprises, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2011, 2012 and 2013.

Guangdong Kelon Mould Co., Ltd., a subsidiary of the Company, received Certificate of High/New Technology Enterprise (Number: GF201144000843) dated 13 October 2011 which was 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 (2011, 2012 and 2013). Pursuant to the tax preference regulation on High/New Technology Enterprises, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2011, 2012 and 2013.

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

Hisense Ronshen (Guangdong) Freezer Co., Ltd. a subsidiary of the Company, received Certificate of High/New Technology Enterprise (Number: GF201244000446) dated 26 November 2012 which was 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 (2012, 2013 and 2014). Pursuant to the tax preference regulation on High/New Technology Enterprises, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2012, 2013 and 2014.

Guangdong Kelon Fittings Co., Ltd., a subsidiary of the Company, received the Certificate of High/New Technology Enterprise (Number: GR201044000174) dated 26 September 2010 which was 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 this subsidiary in 2010, 2011 and 2012 is 15%. The re-assessment of High/New Technology Enterprise status for Kelon Fittings in 2013 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.

Hisense (Chengdu) Refrigerator Co., Ltd., a subsidiary of the Company, received Certificate of High/New Technology Enterprise (Number: GF201251000207) dated 28 November 2012 which was 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 (2012, 2013 and 2014). Pursuant to the tax preference regulation on High/New Technology Enterprises, this subsidiary is entitled to the preferential enterprise income tax rate of 15% in 2012, 2013 and 2014.

Hisense (Beijing) Electric Co., Ltd. a subsidiary of the Company, received Certificate of High/New Technology Enterprise (Number: GF201111002104) dated 28 October 2011 which was 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 this 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 which was 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 this subsidiary in 2010, 2011 and 2012 is 15%. The re-assessment of High/New Technology Enterprise status for Hisense Nanjing in 2013 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.

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 which was 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 this subsidiary in 2011, 2012 and 2013 is 15%.

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

3. TAXATION — *Continued*

2. Tax preferences and approvals — *Continued*

Qingdao Hisense Mould Co., Ltd., a subsidiary of the Company, received the Certificate of High/New Technology Enterprise (Number: GF201137100073) dated 6 September 2011 which was 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 this subsidiary in 2011, 2012 and 2013 is 15%.

The subsidiaries of the Company which were incorporated in Hong Kong are taxed on the assessable profits arising in Hong Kong at a rate of 16.5% (2012: 16.5%).

3. Other illustrations

- (1) Other taxes, including real estate tax, land use tax, local education surcharges, vehicle and vessel tax, stamp duty, withholding individual income tax etc., are calculated and payable in accordance with the relevant regulations of the State tax laws.
- (2) Kelon (Japan) Ltd, a subsidiary of the Company, is a legal representative in Japan and is involved in all major categories of taxations (including corporate tax, corporate inhabitant tax and corporate business tax), consumption tax and fixed asset tax. The bases and rate of each type of taxes are as follows:

<u>Type of taxes</u>	<u>Tax Basis</u>	<u>Tax rate</u>
Corporation tax	Based on the audited profits for the period	In accordance with the applicable local tax rate
Corporate inhabitant tax (local tax)	A fixed tax rate on the legal representative itself and proportional tax rate on it's earned income	In accordance with the applicable local tax rate
Corporate business tax (local tax)	The total amount of income, value surcharge and capital for the period	In accordance with the applicable local tax rate
Consumption tax	The difference between the total sales amount and the total purchase amount of the tax payer	In accordance with the applicable local tax rate
Fixed asset tax	Value of lands, buildings and depreciable assets	In accordance with the applicable local tax rate

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise expressly stated, all amounts in the following table are denominated in RMB'0000.

(1) Major subsidiaries

1. Subsidiaries acquired from establishment or investment

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	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	Amount of minority interest used to set off loss attributable to minority interest	Excess of loss of the period attributable to minority share of the subsidiary offset by ownership of the parent company over share of ownership by minority interest in the subsidiary as at the beginning of the year
								Direct	Indirectly					
Hiense Ronshen (Guangdong) Refrigerator Co., Ltd. ("Guangdong Refrigerator")	Wholly-owned subsidiary	Foshan	Industrial	US\$26,800,000	Limited liability company	Manufacture and sale of refrigerators	20,513.45	70%	30%	100%	Yes			
Guangdong Kelon Air-conditioner Co., Ltd. ("Guangdong Air-conditioner") ¹	Subsidiary	Foshan	Industrial	US\$36,150,000	Limited liability company	Manufacture and sale of air-conditioners	28,100.00	60%		100%	Yes			
Hiense Ronshen ("Guangdong") Freezer Co., Ltd. ("Guangdong Freezer")	Wholly-owned subsidiary	Foshan	Industrial	23,700.00	Limited liability company	Manufacture and sale of freezers	3,550.16	44%	56%	100%	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%	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	4,302.97	70%	30%	100%	Yes			
Foshan Shunde Rongsheng Plastic Co., Ltd. ("Rongsheng Plastic")	Subsidiary	Foshan	Industrial	US\$15,827,400	Limited liability company	Manufacture of plastic parts	8,213.05	44.92%	25.13%	70.05%	Yes	8,116.40		
Guangdong Kelon Mould Co., Ltd. ("Kelon Mould")	Subsidiary	Foshan	Industrial	US\$15,056,100	Limited liability company	Manufacture of mould	7,807.46	40.22%	29.89%	70.11%	Yes	4,754.19		
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%	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%	100%	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			

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued

Unless otherwise expressly stated, all amounts in the following table are denominated in RMB'0000. — Continued

(1) Major subsidiaries — Continued

1. Subsidiaries acquired from establishment or investment — Continued

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	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	Amount of minority interest used to set off loss attributable to minority interest	Excess of loss of the period attributable to minority share of the subsidiary offset by ownership of the parent company over share of ownership by minority interest in the subsidiary as of the beginning of the year
								Direct	Indirectly					
Foshan Shunde Kelon Jiake Electronics Co., Ltd. ("Kelon Jiake")	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 Weili Electrical Appliances Co., Ltd. ("Kelon Weili")	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		55%	25%	80%	Yes	(436.50)		
Hisense Ronshen ("Yingkou") Refrigerator Co., Ltd. ("Yingkou Refrigerator")	Subsidiary	Yingkou	Industrial	20,000.00	Limited liability company	Manufacture and sale of refrigerators	14,251.06	42%	36.79%	78.79%	Yes	1,331.14		
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	24,033.16	60%	40%	100%	Yes			
Jiangxi Kelon Combine Electrical Appliances Co., Ltd. ("Jiangxi Combine") ²	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 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued

Unless otherwise expressly stated, all amounts in the following table are denominated in RMB'0000. — Continued

(1) Major subsidiaries — Continued

1. Subsidiaries acquired from establishment or investment — Continued

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	Registered capital	Entity type	Scope of business	Actual investment of the end of the Period	Shareholding (%)		% of voting rights held	Consolidated or not	Minority interest	Amount of minority interest used to set off loss attributable to minority interest	Excess of loss of the period attributable to minority share of the subsidiary offset by ownership of the parent company over share of ownership by minority interest in the subsidiary as at the beginning of the year
								Direct	Indirectly					
Hisense Ronshen ("Yangzhou") Refrigerator Co., Ltd. ("Yangzhou Refrigerator")	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	32,324.31	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	23,628.17	75%	25%	100%	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 Refrigerator")	Wholly-owned subsidiary	Hong Kong	Commercial	HK\$400,000	Limited liability company	Sale of raw materials and accessories	31.87		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	JPY 1,100,000,000	Limited liability company	Technical research and trading in electrical household appliances	2,429.16		100%	100%	Yes			

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS — Continued

Unless otherwise expressly stated, all amounts in the following table are denominated in RMB'0000. — Continued

(1) Major subsidiaries — Continued

1. Subsidiaries acquired from establishment or investment — Continued

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	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	Amount of minority interest used to set off loss attributable to minority interest	Excess of loss of the period attributable to minority share of the subsidiary offset by ownership of the parent company over share of ownership by minority interest in the subsidiary as at the beginning of the year
								Direct	Indirectly					
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. ("Chengdu Refrigerator")	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			
Hisense (Shandong) Refrigerator Co., Ltd. ("Shandong Refrigerator")	Wholly-owned subsidiary	Qingdao	Industrial	10,000.00	Limited liability company	Manufacture of energy saving and environmental friendly refrigerators, freezers and other household energy saving cooling appliances; sale of self-manufactured products of the Company; design and development of new products in the area of energy saving and environmental friendly refrigerators, freezers and energy saving cooling appliances	27,500.00	100%		100%	Yes			

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Major subsidiaries. — Continued

2. Subsidiaries acquired from business combination involving entities under common control.

Name of subsidiary	Type of subsidiary	Registered place	Nature of Business	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	Amount of minority interest used to set off loss attributable to minority interest	Excess of loss of the period attributable to minority share of the subsidiary offset by ownership of the parent company over share of ownership by minority interest in the subsidiary as at the beginning of the year
								Direct	Indirectly					
Hiense (Beijing) Electric Co., Ltd. ("Beijing Refrigerator")	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	8,790.72		
Hiense (Shandong) Air-conditioning Co., Ltd. ("Shandong Air-conditioning")	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			
Hiense (Zhejiang) Air-conditioning Co., Ltd. ("Zhejiang Air-conditioning")	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	4,906.13		
Qingdao Hiense Mould Co., Ltd. ("Hiense 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	4,863.01		
Hiense (Nanjing) Electric Co., Ltd. ("Nanjing Refrigerator")	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	6,975.30		

*1 The Company holds 60% equity interests in Guangdong Air-conditioner and 70% equity interests in Huao Electronics, however as the Company has committed to provide financial support to these companies and bear 100% of their losses, therefore the long-term equity investment was accounted for 100% shareholding.

*2 The Company holds 55% equity interests in Jiangxi Combine. As Jiangxi Combine has declared in liquidation and reorganization, therefore it has not been consolidated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

4. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS. — Continued**(1) Major subsidiaries. — Continued****3. Changes in scope of business combination**

During the Reporting Period, there was no change in the scope of consolidated financial statements.

4. Exchange rate for major items in the financial statements of overseas operating entities

<u>Major items in the financial statements</u>	<u>Currency</u>	<u>Balances in foreign exchange</u>	<u>Exchange rate</u>	<u>Balances in RMB</u>
Cash at bank and on hand	HKD	29,374,356.44	0.7965	23,396,674.90
Net accounts receivable	HKD	637,336,807.74	0.7965	507,638,767.36
Accounts payables	HKD	749,055,974.51	0.7965	596,623,083.70
Other payables	HKD	730,233,430.22	0.7965	581,630,927.17
Revenue from principal operations	HKD	1,568,513,052.07	0.8038	1,260,770,791.25
General and administrative expenses	HKD	1,284,462.22	0.8038	1,032,450.73

Note to the exchange rate:

Within the scope of consolidation, overseas operating entities that are accounted in foreign currency include Pearl River Refrigerator, Kelon Development, KII and Japan Kelon. 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 shareholder's equity in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Opening balances refer to balances as at 1 January 2013, whereas closing balances refer to balances as at 30 June 2013, and the current period refers to January to June 2013, whereas the previous period refers to January to June 2012)

1. Cash at bank and on hand

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash:						
RMB	5,161.83	1	5,161.83	6,818.62	1	6,818.62
USD				0.75	6.2855	4.72
JPY				1200	0.073	87.66
Others						0.06
Subtotal of cash:			5,161.83			6,911.06
Bank deposits:						
RMB	323,527,290.74	1	323,527,290.74	415,593,988.42	1	415,593,988.42
HKD	7,244,547.34	0.7965	5,770,281.96	699,256.80	0.8108	566,957.73
USD	22,324,434.23	6.1787	137,935,981.75	14,650,362.17	6.2855	92,084,851.41
JPY	95,762.62	0.0626	5,994.74	145,261.00	0.073	10,611.17
EUR	1,536,680.85	8.0536	12,375,812.91	526,331.88	8.3176	4,377,817.96
Others			13,325.80	156,024.90		1,020,238.78
Subtotal of bank deposits:			479,628,687.90			513,654,465.47
Other cash at bank and on hand:						
RMB	2,404,098.09	1	2,404,098.09	2,404,091.43	1	2,404,091.43
Subtotal of other cash at bank and on hand:			2,404,098.09			2,404,091.43
Total			482,037,947.82			516,065,467.96

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 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**1. Cash at bank and on hand — Continued**

Details of restricted cash are listed as follows:

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Guarantee deposits for letter of credit	2,404,098.09	2,404,091.43
Total	2,404,098.09	2,404,091.43

2. Financial assets held-for-trading**(1) Financial assets held-for-trading**

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Derivative financial assets	46,422,791.91	10,678,293.47
Total	46,422,791.91	10,678,293.47

(2) Particulars of financial assets held-for-trading

- ① There was no material restriction for realizing the financial assets held-for-trading as at the end of the period.
- ② Derivative financial assets mainly represented the undue foreign exchange forward contracts entered into by the Company and banks, which was recognized as the 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 30 June 2013.

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

<u>Category</u>	<u>Closing balance</u>	<u>Opening balance</u>
Bank acceptance notes	2,827,262,237.76	1,529,113,685.60
Trade acceptance notes	55,316,433.50	29,652,507.01
Total	2,882,578,671.26	1,558,766,192.61

- (2) As at the end of the period, notes receivable pledged to Hisense Finance amounted to RMB 1,265,336,620.53.**

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

3. Notes receivable — Continued

(3) As at the end of the period, there was no discounted notes receivable.

(4) As at the end of the period, there were no notes receivable that are reclassified to trade receivable due to inability of the issuers.

As at the end of the period, notes endorsed to other parties but not matured amounted to RMB4,066,834,323.00 (31 December 2012: RMB3,809,337,554.60), with the particulars of the top five amounts as follows:

Issuer	Date of issuance	Due date	Amount
Suning procurement center of Suning Yun Commercial Group Co., Ltd.	28 May 2013	28 November 2013	13,115,198.65
Sichuan Suning Appliance Co., Ltd.	24 January 2013	24 July 2013	10,291,800.00
Shanghai Suning Yun Commercial Trading Co., Ltd.	6 June 2013	6 December 2013	10,000,000.00
Shanghai Suning Yun Commercial Trading Co., Ltd.	6 June 2013	6 December 2013	10,000,000.00
Shanghai Suning Yun Commercial Trading Co., Ltd.	6 June 2013	6 December 2013	10,000,000.00

(6) Please see note 6 for details of notes receivables from related parties as at the end of the period.

4. Accounts receivable

(1) Accounts receivable by category:

Category	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)
Individually significant and subject to separate provision				
Ageing analysis	2,911,730,987.43	98.69	162,197,582.11	5.57
Greencool Companies	38,689,983.28	1.31	22,726,941.64	58.74
Subtotal of the category	2,950,420,970.71	100.00	184,924,523.75	6.27
Individually insignificant but subject to separate provision				
Total	2,950,420,970.71	100.00	184,924,523.75	6.27

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

(4) Accounts receivable — Continued

(1) Accounts receivable by category: — Continued

Continued from above table

Category	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)
Individually significant and subject to separate provision				
Aging analysis	1,607,402,974.16	97.65	167,483,810.31	10.43
Greencool Companies	38,689,983.28	2.35	22,726,941.64	58.74
Subtotal of the category	1,646,092,957.44	100.00	190,210,751.95	11.56
Individually insignificant but subject to separate provision				
Total	1,646,092,957.44	100.00	190,210,751.95	11.56

Accounts receivable in the category provided bad debts by using ageing method:

Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	Percentage(%)		Amount	Percentage(%)	
Within three months	2,747,802,363.96	93.14	—	1,432,725,055.88	87.04	
Over three months but within six months	1,280,483.71	0.04	128,048.37	1,612,142.13	0.10	161,214.21
Over six months but within one year	1,157,212.04	0.04	578,606.02	11,486,360.10	0.70	5,743,180.05
Over one year	161,490,927.72	5.47	161,490,927.72	161,579,416.05	9.81	161,579,416.05
Total	2,911,730,987.43	98.69	162,197,582.11	1,607,402,974.16	97.65	167,483,810.31

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

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

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**4. Accounts receivable — Continued****(2) Movements in provision for accounts receivable**

Year	Opening balance	Provision for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
January to June 2013	190,210,751.95	1,361,414.88	6,566,734.45	80,908.63	184,924,523.75

(3) Accounts receivable written off

Company	Nature of accounts receivable	Amount written off	Reason for write off	Arising from related party transactions or not
Unrelated parties	Loans	80,908.63	Not recoverable due to long outstanding	No
Total			—	—

(4) As at 30 June 2013, there was no accounts receivable from shareholder who holds 5% or more (including 5%) shares of the voting rights of the Company. As at 31 December 2012, there was no accounts receivable from shareholder who holds 5% or more (including 5%) shares of the voting rights of the Company.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**4. Accounts receivable — Continued****(5) Top five accounts receivable***End of the period*

No.	Relationship with the Company	Amount	Ageing	Percentage of the total accounts receivable amount (%)
Top 1	Unrelated party	590,416,276.98	Within three months	20.01
Top 2	Unrelated party	510,078,902.29	Within three months	17.29
Top 3	Related party	262,576,758.33	Within three months	8.9
Top 4	Related party	218,329,724.32	Within three months	7.4
Top 5	Unrelated party	99,842,871.84	Within three months	3.38
Total	—	1,681,244,533.76	—	56.98

Beginning of the period

No.	Relationship with the Company	Amount	Ageing	Percentage of the total accounts receivable amount (%)
Top 1	Unrelated party	238,358,502.63	Within three months	14.48
Top 2	Unrelated party	201,274,092.16	Within three months	12.23
Top 3	Related party	151,758,526.68	Within three months	9.22
Top 4	Related party	103,756,948.62	Within three months	6.30
Top 5	Related party	86,931,073.83	Within three months	5.28
Total	—	782,079,143.92	—	47.51

(6) Please see note 6 for details of accounts receivable from related parties at the end of the period.**(7) As at the end of the period, accounts receivable amounted to RMB103,579,600 were used for factoring and securing borrowings amounted to RMB82,800,600.**

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

5. Prepayments

(1) Prepayments by ageing

Age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	354,135,620.88	99.82	303,832,959.24	99.85
One to two years	178,700.00	0.05		0
Two to three years		0	3,429.34	0
Over three years	465,213.00	0.13	465,213.00	0.15
Total	354,779,533.88	100.00	304,301,601.58	100.00

(2) Top five prepayments

End of the period

No.	Relationship with the Company	Amount	Ageing	Reason of unsettlement
Top 1	Unrelated party	56,093,996.19	Within one year	Normal settlement
Top 2	Unrelated party	37,739,607.30	Within one year	Normal settlement
Top 3	Unrelated party	33,931,053.02	Within one year	Normal settlement
Top 4	Unrelated party	14,654,417.02	Within one year	Normal settlement
Top 5	Unrelated party	12,714,700.00	Within one year	Normal settlement
Total		155,133,773.53	—	

Beginning of the period

No.	Relationship with the Company	Amount	Ageing	Reason of unsettlement
Top 1	Unrelated party	110,605,760.12	Within one year	Normal settlement
Top 2	Unrelated party	50,595,506.27	Within one year	Normal settlement
Top 3	Unrelated party	36,624,182.25	Within one year	Normal settlement
Top 4	Unrelated party	21,092,306.73	Within one year	Normal settlement
Top 5	Unrelated party	10,558,637.05	Within one year	Normal settlement
Total		229,476,392.42	—	

(3) As at 30 June 2013, there was no prepayments due from shareholder who holds 5% or more (including 5%) shares of the voting rights of the Company. As at 31 December 2012, there was no prepayments due from shareholder who holds 5% or more (including 5%) shares of the voting rights of the Company.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**6. Other receivables****(1) Other receivables by category:**

Category	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)
Individually significant and subject to separate provision				
Ageing analysis	117,432,286.52	16.11	40,289,294.15	34.31
Greencool Companies	611,538,997.88	83.89	342,516,669.69	56.01
Subtotal of the category	728,971,284.40	100.00	382,805,963.84	52.51
Individually insignificant but subject to separate provision				
Total	728,971,284.40	100.00	382,805,963.84	52.51

Continued from above table

Category	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage(%)	Amount	Percentage(%)
Individually significant and subject to separate provision				
Ageing analysis	114,494,489.83	15.77	40,794,652.88	35.63
Greencool Companies	611,538,997.88	84.23	342,516,669.69	56.01
Subtotal of the category	726,033,487.71	100.00	383,311,322.57	52.80
Individually insignificant but subject to separate provision				
Total	726,033,487.71	100.00	383,311,322.57	52.80

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

6. Other receivables — Continued

(1) Other receivables by category: — Continued

Other receivables in the category provided bad debts by using ageing analysis:

Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	Percentage (%)		Amount	Percentage (%)	
Within three months	75,311,441.08	10.33	—	72,331,742.43	9.96	
Over three months but within six months	1,506,549.66	0.21	150,654.97	621,139.95	0.09	62,114.00
Over six months but within one year	951,313.20	0.13	475,656.60	1,618,137.15	0.22	809,068.58
Over one year	39,662,982.58	5.44	39,662,982.58	39,923,470.30	5.50	39,923,470.30
Total	117,432,286.52	16.11	40,289,294.15	114,494,489.83	15.77	40,794,652.88

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

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

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

6. Other receivables — Continued

(2) Movements in provision for other receivables

Year	Opening balance	Provision for the year	Decrease for the year		Ending balance
			Reversal	Write-off	
January to June 2013	383,311,322.57	0.00	285,949.03	219,409.70	382,805,963.84

(3) Other receivables that are written off

Company	Nature of receivable	Amount written off	Reason for write off	Arising from related transactions or not
Unrelated party	Debt	219,409.70	Not recoverable due to long outstanding	No
Total			—	—

(4) As at 30 June 2013, there was no other receivables from shareholder that holds 5% or more (including 5%) shares of the voting rights of the Company. As at 31 December 2012, there was no other receivable from shareholder that holds 5% or more (including 5%) shares of the voting rights of the Company.

(5) Top five other receivables (no changes from the end of 2012)

No.	Relationship with the Company	Amount	Ageing	Percentage of the total other receivables amount (%)
Top 1	"Specific third party"	121,496,535.45	Over three years	16.67
Top 2	"Specific third party"	96,905,328.00	Over three years	13.29
Top 3	"Specific third party"	89,600,300.00	Over three years	12.29
Top 4	"Specific third party"	58,030,000.00	Over three years	7.96
Top 5	"Specific third party"	40,000,000.00	Over three years	5.49
Total		406,032,163.45	—	55.70

The term "specific third party" is the abbreviation of the Greencool Companies controlled by the former beneficiary controller through the above companies, with whom the Company had a series of unusual cash flows.

(6) Please see note 6 for details of other receivables from related parties as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

7. Inventories

(1) Classification of inventories

Item	Closing balance			Opening balance		
	Carrying amount	Provision for declines in value of inventories	Carrying value	Carrying amount	Provision for declines in value of inventories	Carrying amount
Raw materials	352,857,470.52	29,293,076.19	323,564,394.33	311,880,441.53	30,368,703.52	281,511,738.01
Work in progress	167,088,420.27	8,643,831.77	158,444,588.50	133,492,738.57	8,643,831.77	124,848,906.80
Finished goods	1,705,057,789.70	56,262,252.81	1,648,795,536.89	1,379,352,498.90	47,272,033.56	1,332,080,465.34
Total	2,225,003,680.49	94,199,160.77	2,130,804,519.72	1,824,725,679.00	86,284,568.85	1,738,441,110.15

(2) Provision for declines in value of inventories

Inventory Category	Opening balance	Current period addition	Decrease for the period		Ending balance
			Reversal	Write-off	
Raw materials	30,368,703.52			1,075,627.33	29,293,076.19
Work in progress	8,643,831.77				8,643,831.77
Finished goods	47,272,033.56	9,084,685.95		94,466.70	56,262,252.81
Total	86,284,568.85	9,084,685.95	0.00	1,170,094.03	94,199,160.77

8. Other current assets

Item	Closing balance	Opening balance
Others	5,949,628.02	3,309,064.74
Total	5,949,628.02	3,309,064.74

Particulars of other current assets: other current assets mainly represented prepaid rent and others.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

9. Investments in jointly controlled entities and associates

(1) Investments in jointly controlled entities

Unit: RMB'0000

Name of investee	Entity type	Registered place	Legal representative	Business nature	Registered capital	% of shareholding	% of voting rights	Total assets at end of the period	Total liabilities at end of the period	Total net assets at end of the period	Total operating revenue for the current period	Net profit or the current period
Hisense Whirlpool (Zhejiang) Electric Appliances Co., Ltd. ("Hisense Whirlpool")	Limited company	Zhejiang	BORRA BARBARA	Industrial	45,000.00	50.00	50.00	80,187.26	39,304.89	40,882.36	56,627.96	(1,331.87)
Hisense Hitachi	Limited company	Shandong	Qing Shan Gong	Industrial	US\$46 million	49.00	49.00	186,553.91	85,187.18	101,366.73	148,503.10	25,449.88

(2) Investments in associates

Unit: RMB'0000

Name of investee	Entity type	Registered place	Legal representative	Business nature	Registered capital	% of shareholding	% of voting rights	Total assets at end of the period	Total liabilities at end of the period	Total net assets at end of the period	Total operating revenue for the current period	Net profit for the current period
Huayi Compressor Holdings Co., Ltd. ("Huayi Compressor")	Joint stock company	Jiangxi	Liu Ti Bin	Industrial	55,982.40	3.74	3.74	648,908.43	405,482.82	243,425.61	415,550.39	15,676.38
Attend Logistics Co., Ltd. ("Attend")	Limited company	Guangzhou	Ye Wei Long	Logistics	1,000.00	20.00	20.00	2,184.45	514.96	1,669.49	460.12	26.56

Particulars of investments in jointly controlled entities and associates:

- There was no significant difference between the significant accounting policies and accounting estimates of the jointly controlled entities and associates and the significant accounting policies and accounting estimations of the Company.
- Evidence for joint control in jointly controlled entities: as required in the articles of associations of the joint venture, the production and operation of the enterprise shall be under joint management by the parties.
- The Company has assigned representatives in the board of directors of Huayi Compressor to participate in its decision making processes and has major transactions with Huayi Compressor. Accordingly, the Board of the Company is of the opinion that the Company has significant influence over Huayi Compressor and continued to recognize Huayi Compressor as an associate.

10. Long-term equity investment

Investee	Accounting treatment	Investment cost	Opening balance	Increase for the period	Decrease for the period	Closing balance	% Equity interest held	% Voting rights held	Provision for impairment	Impairment provided in the current period	Cash dividend
1. Investment in jointly controlled entities											
Hisense Whirlpool	Equity method	225,000,000.00	209,818,988.58	(6,247,656.28)		203,571,332.30	50.00	50.00			
Hisense Hitachi	Equity method	332,821,597.45	484,476,011.09	121,979,146.56	73,500,000.00	532,956,157.65	49.00	49.00			73,500,000.00
2. Investment in associates											
Huayi Compressor	Equity method	24,171,468.64	50,344,878.42	43,893,175.61	21,156,788.44	73,081,265.59	3.74	3.74			
Attend	Equity method	2,000,000.00	3,285,850.81	53,125.03		3,338,975.84	20.00	20.00			
3. Other long-term equity investment											
Combine ^{*1}	Cost method	11,000,000.00	11,000,000.00			11,000,000.00	55.00	55.00	11,000,000.00		
Xinjiang Hisense Kelon Electrical Sales Co., Ltd. ("Xinjiang Kelon")	Cost method	100,000.00	100,000.00			100,000.00	2.00	2.00			
Fujian Kelon Air-condition Sales Co., Ltd. ("Fujian Kelon")	Cost method	100,000.00	100,000.00			100,000.00	2.00	2.00			
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			4,750,000.00
Total		598,993,066.09	762,925,728.90	159,677,790.92	94,656,788.44	827,946,731.38			11,000,000.00		78,250,000.00

*1 As Jiangxi Combine, a subsidiary of the Company, has declared in liquidation and reorganization, it has not been consolidated in the financial statements and the investment cost in it has been fully impaired.

* Apart from Huayi Compressor, associates and joint ventures of the Company are unlisted companies.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**11. Investment properties****(1) Investment properties by cost-method**

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
1. Total cost	68,676,129.02			68,676,129.02
1.Buildings	68,676,129.02			68,676,129.02
2. Total accumulated depreciation and amortization	32,229,526.93	1,250,147.67		33,479,674.60
1.Buildings	32,229,526.93	1,250,147.67		33,479,674.60
3. Total net book value	36,446,602.09			35,196,454.42
1.Buildings	36,446,602.09			35,196,454.42
4. Total accumulated provision for impairment				
1.Buildings				
5. Total carrying amount	36,446,602.09			35,196,454.42
1.Buildings	36,446,602.09			35,196,454.42

(2) Particulars of investment properties

- ① The depreciation expense charged for the Reporting Period was RMB1,250,147.67, and the depreciation expense charged for last year was RMB1,225,379.67.
- ② As at 30 June 2013, the investment properties with cost of RMB33,102,500.00 and carrying amount of RMB14,528,800.00 were pledged. Please see note 9 for details.
- ③ As at 30 June 2013, investment properties with cost of RMB13,794,500.00, accumulated depreciation of RMB6,623,700.00 and net carrying amount of RMB7,170,800.00 have not obtained ownership certificate.
- ④ As at 30 June 2013, the Company has not identified any investment properties with the recoverable amount lower than its carrying amount and therefore has not made any provision for impairment.
- ⑤ Amongst the investment properties, all buildings were located in the Mainland China with useful lives between 20 to 50 years.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

12. Fixed assets

(1) Particulars of fixed assets

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
1. Total cost:	4,892,280,149.31	186,215,140.59	87,130,594.57	4,991,364,695.33
Including: Buildings	1,559,206,748.82	21,937,341.32	—	1,581,144,090.14
Machinery and equipment	2,322,199,486.68	66,188,936.36	68,814,826.85	2,319,573,596.19
Furniture, fixtures and office equipment	319,081,072.38	13,470,024.79	6,028,648.31	326,522,448.86
Motor vehicles	22,553,670.03	2,447,864.03	505,911.86	24,495,622.20
Moulds	669,239,171.40	82,170,974.09	11,781,207.55	739,628,937.94
2. Total accumulated depreciation:	2,855,049,979.14	165,996,348.69	73,780,296.78	2,947,266,031.05
Including: Buildings	727,391,533.79	32,643,481.36	—	760,035,015.15
Machinery and equipment	1,409,531,544.34	62,426,407.01	60,830,956.20	1,411,126,995.15
Furniture, fixtures and office equipment	224,449,707.82	11,233,067.46	4,866,085.20	230,816,690.08
Motor vehicles	12,522,598.04	1,270,225.68	446,449.42	13,346,374.30
Moulds	481,154,595.15	58,423,167.19	7,636,805.96	531,940,956.38
3. Total net amount of fixed assets	2,037,230,170.17			2,044,098,664.28
Including: Buildings	831,815,215.03			821,109,075.00
Machinery and equipment	912,667,942.34			908,446,601.04
Furniture, fixtures and office equipment	94,631,364.56			95,705,758.78
Motor vehicles	10,031,071.99			11,149,247.90
Moulds	188,084,576.25			207,687,981.56
4. Total provision for impairment	127,397,721.24			127,296,424.76
Including: Buildings	34,216,249.60			34,216,249.60
Machinery and equipment	87,410,935.04			86,709,619.35
Furniture, fixtures and office equipment	1,459,778.55			1,412,343.19
Motor vehicles	1,052,691.63			1,052,691.63
Moulds	3,258,066.42			3,905,520.99
5. Total carrying amount of fixed assets	1,909,832,448.93			1,916,802,239.52
Including: Buildings	797,598,965.43			786,892,825.40
Machinery and equipment	825,257,007.30			821,736,981.69
Furniture, fixtures and office equipment	93,171,586.01			94,293,415.59
Motor vehicles	8,978,380.36			10,096,556.27
Moulds	184,826,509.83			203,782,460.57

For the Reporting Period, the fixed asset transferred from construction in progress amounted to RMB110,007,717.51 (Corresponding period last year: RMB87,307,166.17).

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**12. Fixed assets — Continued**

- (2) Depreciation expenses for the Reporting period amounted to RMB165,996,348.69, and RMB170,418,619.15 for the corresponding period last year.
- (3) As at the end of the period, no fixed asset was idle transitorily.
- (4) As at the end of the period, no fixed asset was held under finance lease.
- (5) As at the end of the period, no fixed asset was rented out under operating lease.
- (6) As at the end of the period, no fixed asset was held for sale.
- (7) As at the end of the period, no fixed asset has not obtained the ownership certificate.
- (8) As at the end of the period, the buildings with cost of RMB662,830,800.00 and net carrying amount of RMB265,628,700.00 were pledged (please see note 9 for details).

13. Constructions in progress**(1) Summary of constructions in progress**

Item	Closing balance			Opening balance		
	Carrying amount	Provision for Impairment	Net carrying amount	Carrying amount	Provision for Impairment	Net carrying amount
Yangzhou Refrigerator	23,353,698.98		23,353,698.98	20,227,599.56		20,227,599.56
Chengdu Refrigerator	1,978,823.06		1,978,823.06	4,079,463.99		4,079,463.99
Shangdong Refrigerator	133,525,798.83		133,525,798.83			
Others	69,970,944.73	11,325,835.67	58,645,109.06	55,363,025.70	11,325,835.67	44,037,190.03
Total	228,829,265.60	11,325,835.67	217,503,429.93	79,670,089.25	11,325,835.67	68,344,253.58

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

13. Constructions in progress — Continued

(2) Movements in significant construction in progress

Name of project	Budget	Opening balance	Additions in the current period	Transferred to fixed assets	Other reductions	% contribution in budget	Progress	Source of fund	Closing balance
New south entrance and dormitory reconstruction of Yangzhou Refrigerator		1,600,000.00	2,442,843.00	4,042,843.00		100.00	Completed	Self-funding	—
Spray painting line and natural gas pipeline works of Rongsheng Plastic		3,647,228.00					To be completed	Self-funding	3,647,228.00
Production line of Shangqiu Kelon		7,770,917.67					To be completed	Self-funding	7,770,917.67
Factory of Shandong Refrigerator	103,693,577.80		95,030,978.81			91.65	To be completed	Self-funding	95,030,978.81
Equipment of Shandong Refrigerator	62,353,766.00		38,494,820.04			61.74	To be completed	Self-funding	38,494,820.04
Others		66,651,943.58	123,198,252.01	105,964,874.51			To be completed	Self-funding	83,885,321.08
Total	166,047,343.80	79,670,089.25	259,166,893.86	110,007,717.51	—		—	—	228,829,265.60

Particulars of movements in constructions in progress:

- ① During the period, movements in constructions in progress mainly represented increase and decrease in the production lines of the Company's subsidiaries.
- ② During the period, there was no capitalization of interests for constructions in progress.

(3) Provision for impairment of constructions in progress

Item	Opening balance	Additions in the current period	Reductions in the current period	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	
Total	11,325,835.67			11,325,835.67	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Intangible assets

(1) Particulars of intangible assets

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
1. Total cost	1,238,313,124.90	1,071,910.65	970,563.21	1,238,414,472.34
(1) Land use rights	607,159,874.40			607,159,874.40
(2) Trademarks	524,409,198.95			524,409,198.95
(3) Know-how	69,633,122.63			69,633,122.63
(4) Others	37,110,928.92	1,071,910.65	970,563.21	37,212,276.36
2. Total accumulated amortization	406,222,839.61	10,914,036.77	970,563.21	416,166,313.17
(1) Land use rights	195,428,416.88	6,113,093.15		201,541,510.03
(2) Trademarks	134,130,255.55			134,130,255.55
(3) Know-how	44,504,152.41	2,917,362.98		47,421,515.39
(4) Others	32,160,014.77	1,883,580.64	970,563.21	33,073,032.20
3. Total net amount of intangible assets	832,090,285.29			822,248,159.17
(1) Land use rights	411,731,457.52			405,618,364.37
(2) Trademarks	390,278,943.40			390,278,943.40
(3) Know-how	25,128,970.22			22,211,607.24
(4) Others	4,950,914.15			4,139,244.16
4. Total provision for impairment	336,593,406.80			336,593,406.80
(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	—			—
(4) Others	519,447.21			519,447.21
5. Total carrying amount of intangible assets	495,496,878.49			485,654,752.37
(1) Land use rights	361,718,614.33			355,605,521.18
(2) Trademarks	104,217,827.00			104,217,827.00
(3) Know-how	25,128,970.22			22,211,607.24
(4) Others	4,431,466.94			3,619,796.95

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

14. Intangible assets — Continued

(2) Particulars of intangible assets:

- ① For the Reporting Period, amortization of intangible assets amounted to RMB10,914,036.77. For the corresponding period last year, amortization of intangible assets amounted to RMB11,182,131.24.
- ② As at the end of the period, the land use rights with cost of RMB256,558,000.00 and net carrying amount of RMB142,085,400.00 were pledged (please see note 9 for details).
- ③ Owing to uncertainty of the useful lives of the trademarks, they were not amortized and no provision for impairment was provided for trademarks after an impairment test.

15. Long-term prepaid expenses

Item	Opening balance	Additions in the current period	Amortization in the current period	Other reductions	Closing balance	Reasons of other reductions
Other	827,939.58		150,534.47		677,405.11	
Total	827,939.58		150,534.47		677,405.11	

16. Deferred tax assets and deferred tax liabilities

Net amount of deferred tax assets and deferred tax liabilities after offsetting:

(1) Deferred tax assets or tax liabilities after offsetting and corresponding deductible or taxable temporary differences after offsetting

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	5,229,086.15	33,170,037.26	5,009,313.49	31,958,489.21
Financial assets held-for-trading	(1,740,480.00)	(11,603,200.00)	20,853.33	139,022.22
Other	2,656,844.84	17,712,298.94	2,264,521.20	15,096,808.06
Subtotal	6,145,450.99	39,279,136.20	7,294,688.02	47,194,319.49

(2) Summary for offsetting of deferred tax assets and deferred tax liabilities

Item	Amount set off for current period	Amount set off for previous period
Financial assets held-for-trading	(1,740,480.00)	20,853.33

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

16. Deferred tax assets and deferred tax liabilities — Continued

(3) Summary of taxable temporary differences and deductible temporary differences

Item	Amount
Financial assets held-for-trading	(11,603,200.00)
Provision for bad debts on accounts receivable	1,773,016.76
Provision for bad debts on other receivables	0.00
Provision for declines in values of inventories	307,770.65
Impairment provision for fixed assets	31,089,249.85
Other	17,712,298.94
Total	39,279,136.20

17. Provision for asset impairment

Item	Opening balance	Addition in the current period	Current period reduction		Closing balance
			Reversal	Write-off	
1. Provision for bad debts	573,522,074.52	1,361,414.88	6,852,683.48	300,318.33	567,730,487.59
2. Provision for decline in value of inventory	86,284,568.85	9,084,685.95	0.00	1,170,094.03	94,199,160.77
3. Provision for impairment of long- term equity investments	11,000,000.00				11,000,000.00
4. Provision for impairment of fixed assets	127,397,721.24	3,094,945.14		3,196,241.62	127,296,424.76
5. Provision for impairment of construction in progress	11,325,835.67				11,325,835.67
6. Provision for impairment of intangible assets	336,593,406.80				336,593,406.80
Total	1,146,123,607.08	13,541,045.97	6,852,683.48	4,666,653.98	1,148,145,315.59

18. Short-term borrowings

(1) Classification of short-term borrowings:

Item	Closing balance	Opening balance
Secured borrowings ¹	82,800,589.12	30,309,453.94
Total	82,800,589.12	30,309,453.94

Particulars of classification of short-term borrowings

¹ The secured borrowings represented secured borrowings from the factoring accounts receivable of the Company's subsidiaries.

(2) As at the end of the period, the Company had no short-term borrowings that are due but have not been repaid.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**19. Held-for-trading financial liabilities**

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Derivative financial liabilities		164,231.22
Total	0.00	164,231.22

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 financial assets or liabilities held-for-trading based on the difference between the quotation of the undue foreign exchange contracts and the future foreign exchange rate as at 30 June 2013.

20. Notes payable

<u>Category</u>	<u>Closing balance</u>	<u>Opening balance</u>
Bank acceptance notes	1,628,277,168.94	1,270,078,312.63
Trade acceptance notes	195,364,509.95	162,773,897.45
Total	1,823,641,678.89	1,432,852,210.08

Particulars of notes payable:

- ① As at 30 June 2013, there was no amount due to shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of notes payable. As at 31 December 2012, there was no amount due to shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of notes payable.
- ② Please see note 6 for details of amount due to related parties in the balance of notes payable as at the end of the period.

21. Accounts payable**(1) Ageing analysis of accounts payable**

<u>Ageing</u>	<u>Closing balance</u>	<u>Opening balance</u>
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

- (2) As at 30 June 2013, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of accounts payable. As at 31 December 2012, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of accounts payable.

- (3) Please see note 6 for details of amount due to related parties in the balance of accounts payable as at the end of the period.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**22. Advances from customers****(1) Age analysis of advances from customers**

Ageing	Closing balance	Opening balance
Within one year	447,121,570.66	780,456,731.80
Over one year	57,943,805.08	56,609,039.79
Total	505,065,375.74	837,065,771.59

(2) As at 30 June 2013, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of advance from customers. As at 31 December 2012, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of advances from customers.

(3) Please see note 6 for details of amount due to related parties in the balance of advances from customers as at the end of the period.

23. Employee benefits payables

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
1. Wages and salaries, bonuses, allowances and subsidies	214,850,180.36	857,178,835.29	860,323,073.22	211,705,942.43
2. Staff welfare	4,885,988.44	41,985,109.01	40,523,765.52	6,347,331.93
3. Social insurance	1,956,760.93	83,696,541.60	84,884,582.00	768,720.53
4. Housing provident funds	137,904.85	17,908,135.84	17,810,220.58	235,820.11
5. Labor union funds and employee education funds	1,778,148.96	7,201,916.02	6,341,495.38	2,638,569.60
6. Other	53,701.02	1,073,743.40	1,019,418.01	108,026.41
Total	223,662,684.56	1,009,044,281.16	1,010,902,554.71	221,804,411.01

Particulars of employee benefits payables:

- (1) There were no defaulted payables included in employee benefits payables.
- (2) 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 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**24. Taxes payable**

Tax item	Closing balance	Opening balance
Value-added tax	(102,945,203.44)	(87,895,577.02)
Business tax	95,147.87	401,621.41
Enterprise income tax	2,176,617.97	2,021,491.04
Individual income tax	4,503,384.70	2,237,608.84
City maintenance and construction tax	5,612,930.01	4,218,708.41
Real estate tax	4,853,960.87	8,637,222.75
Land use tax	2,752,026.68	4,443,808.55
Education surcharges	3,484,304.44	2,844,675.81
Urban area embankment maintenance fee	2,575,980.94	2,194,774.55
Other	45,359,362.02	11,900,847.30
Total	(31,531,487.94)	(48,994,818.36)

25. Interests payable

Item	Closing balance	Opening balance
Interests payable for short-term borrowings		202,930.49
Total	0.00	202,930.49

26. Dividends payable

Name	Closing balance	Opening balance
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 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

27. Other payables

(1) Ageing analysis of other payables

Ageing	Closing balance	Opening balance
Within one year	1,530,511,451.55	1,336,620,886.45
Over one year	251,884,143.23	244,673,606.36
Total	1,782,395,594.78	1,581,294,492.81

(2) As at 30 June 2013, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of other payables. As at 31 December 2012, there was no amount due to shareholders holding 5% (including 5%) or more of the voting shares of the Company in the balance of other payables.

(3) Please see note 6 for details of amount due to related parties in the balance of other payables as at the end of the period.

(4) Particulars of significant other payables with age 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 Company amount
Zhuhai Longjia	28,316,425.03	Current account	Specific third party Company amount
Zhuhai Defa	21,400,000.00	Current account	Specific third party Company amount
Jiangxi Greencool	13,000,000.00	Current account	Greencool Companies

28. Other current liabilities

Item	Closing balance	Opening balance	Reasons for the balance
Installation fees	270,404,157.18	161,354,404.01	Installation fee provided for but not yet paid in relation to goods sold
Sales discounts	317,997,498.22	255,481,161.65	Incurred but not yet settled
Transportation fees	22,941,447.27	2,907,099.51	Incurred but not yet settled
Audit fees	3,615,986.18	3,392,034.86	Annual audit fee
Marketing fees	56,734,533.89	47,851,709.13	Incurred but not yet settled
Amounts payable	40,930,430.61	23,177,516.32	Incurred but not yet settled
Other	67,262,365.09	72,242,870.44	Incurred but not yet settled
Total	779,886,418.44	566,406,795.92	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**29. Provisions**

Item	Opening balance	Additions in the current year	Reductions in the current year	Closing balance
Pending litigation	4,664,309.56	789,552.07		5,453,861.63
Provision for warranties*	307,198,172.98	800,819.92		307,998,992.90
Total	311,862,482.54	1,590,371.99	0.00	313,452,854.53

* Provision for warranties represented the estimated product quality guarantee fund. During the warranty period, the Company will offer a free warranty service to the customers concerned. According to the industry's experience and past data, the warranty costs were calculated and provided based on the remaining years of offered warranty and the average repair fee per unit.

30. Other non-current liabilities

Item	Closing balance	Opening balance
Deferred income	54,785,214.26	56,872,390.49
Total	54,785,214.26	56,872,390.49

Particulars of deferred income are as follows:

Item	Closing balance	Opening balance
State debenture projects 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	2,150,000.00	2,375,000.00
Acceptance of equipment donation from the United Nations in December 2006	1,769,286.44	2,022,041.66
Other	29,415,927.82	31,025,348.83
Total	54,785,214.26	56,872,390.49

For particulars of other non-current liabilities, please see note 5.41 for details.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

31. Share capital

Current Reporting period

<u>Categories of shares</u>	<u>Opening balance</u>	<u>Additions in the current period</u>	<u>Reductions in the current period</u>	<u>Closing balance</u>
Shares with restriction of trading	612,316,909.00		612,316,909.00	0.00
Including: State-owned legal person shares	612,316,909.00		612,316,909.00	0.00
Shares without restriction of trading	741,737,841.00	612,316,909.00		1,354,054,750.00
Including: RMB Ordinary shares	282,148,033.00	612,316,909.00		894,464,942.00
Foreign shares listed out of PRC	459,589,808.00			459,589,808.00
Total number of shares	<u>1,354,054,750.00</u>	<u>612,316,909.00</u>	<u>612,316,909.00</u>	<u>1,354,054,750.00</u>

2012

<u>Categories of shares</u>	<u>Opening balance</u>	<u>Additions in the current period</u>	<u>Reductions in the current period</u>	<u>Closing balance</u>
Shares with restriction of trading	612,316,909.00			612,316,909.00
Including: State-owned legal person shares	612,316,909.00			612,316,909.00
Shares without restriction of trading	741,737,841.00			741,737,841.00
Including: RMB Ordinary shares	282,148,033.00			282,148,033.00
Foreign shares listed out of PRC	459,589,808.00			459,589,808.00
Total number of shares	<u>1,354,054,750.00</u>			<u>1,354,054,750.00</u>

32. Capital reserve

(1) Changes in capital reserve

Current Reporting period

<u>Item</u>	<u>Opening balance</u>	<u>Additions in the current period</u>	<u>Reductions in the current period</u>	<u>Closing balance</u>
Share premium	1,968,114,175.93			1,968,114,175.93
Other capital reserve	133,536,211.03	1,965,244.26	4,375,731.06	131,125,724.23
Total	<u>2,101,650,386.96</u>	<u>1,965,244.26</u>	<u>4,375,731.06</u>	<u>2,099,239,900.16</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**32. Capital reserve — Continued****(1) Changes in capital reserve — Continued**

2012

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
Share premium	1,968,114,175.93			1,968,114,175.93
Other capital reserve	128,814,882.33	4,721,328.70		133,536,211.03
Total	2,096,929,058.26	4,721,328.70		2,101,650,386.96

(2) Particulars of capital reserve:

Additions in the current period represented the transfer of equity incentive of RMB1,965,244.26 into the capital reserve; and the reductions in the current period represented change in other equity of Huayi Compressor.

33. Surplus reserve**Current Reporting Period**

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
Statutory surplus reserve	145,189,526.48			145,189,526.48
Total	145,189,526.48			145,189,526.48

2012

Item	Opening balance	Additions in the current period	Reductions in the current period	Closing balance
Statutory surplus reserve	145,189,526.48			145,189,526.48
Total	145,189,526.48			145,189,526.48

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

34. Undistributed profits

Current Reporting Period

Item	Ratio for appropriation or distribution	Amount for current period	Amount for previous period
Undistributed profits at the end of previous period		(2,099,392,002.85)	(2,817,156,683.25)
Add: Adjustment of undistributed profits at the beginning of the year			
Undistributed profits at the beginning of the period		(2,099,392,002.85)	(2,817,156,683.25)
Add: Net profits for the period attributable to the shareholders of Company		706,812,577.45	379,870,618.69
Less: Appropriation of statutory surplus reserve Ordinary shares dividends payable			
Undistributed profits at the end of the period		(1,392,579,425.40)	(2,437,286,064.56)

2012

Item	Ratio for appropriation or distribution	Amount for current period	Amount for previous period
Undistributed profits at the end of previous period		(2,817,156,683.25)	(3,044,171,810.12)
Add: Adjustment of undistributed profits at the beginning of the year			
Undistributed profits at the beginning of the period		(2,817,156,683.25)	(3,044,171,810.12)
Add: Net profits for the period attributable to the shareholders of Company		717,764,680.40	227,015,126.87
Less: Appropriation of statutory surplus reserve Ordinary shares dividends payable			
Undistributed profits at the end of the period		(2,099,392,002.85)	(2,817,156,683.25)

35. Operating revenue and operating costs

(1) *Operating revenue and operating costs*

Item	Amount for current period	Amount for previous period
Revenue from principal 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 operating revenue	12,992,870,024.48	9,967,726,766.93
Costs of principal operations	9,138,714,099.92	7,148,843,737.01
Costs of other operations	1,111,510,807.63	833,282,758.51
Total operating costs	10,250,224,907.55	7,982,126,495.52

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued
35. Operating revenue and operating costs — Continued
(2) Principal operations (by products)

Products	Amount for current period		Amount for previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
1. Refrigerators	5,310,974,333.09	4,054,569,852.70	4,266,279,741.67	3,302,001,862.92
2. Air-conditioners	5,056,633,164.27	3,976,436,047.29	3,756,832,970.87	3,040,154,370.30
3. Other	1,422,408,072.62	1,107,708,199.93	1,023,584,317.40	806,687,503.79
Total	11,790,015,569.98	9,138,714,099.92	9,046,697,029.94	7,148,843,737.01

(3) Principal operations (by regions)

Region	Amount for current period		Amount for previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Domestic	8,226,727,331.31	5,937,393,787.53	5,893,113,321.84	4,308,427,288.57
Overseas	3,563,288,238.67	3,201,320,312.39	3,153,583,708.10	2,840,416,448.44
Total	11,790,015,569.98	9,138,714,099.92	9,046,697,029.94	7,148,843,737.01

(4) Operating revenue from the top five customers

No.	Amount for current period	Percentage of the total revenue from principal operations of the Company (%)
Top 1	1,288,897,651.89	9.92
Top 2	980,982,691.60	7.55
Top 3	744,963,867.04	5.73
Top 4	639,518,665.79	4.92
Top 5	347,526,943.77	2.67
Total	4,001,889,820.09	30.79

No.	Amount for current period	Percentage of the total revenue from principal 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	2,457,223,410.61	24.65

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

36. Business tax and surcharges

Item	Basis of calculation	Amount for current period	Amount for previous period
Business tax	5%	498,946.07	1,023,224.62
City maintenance and construction tax	1%-7%	30,241,525.26	17,533,937.50
Education surcharges	3%	18,845,510.88	13,830,387.60
Total		49,585,982.21	32,387,549.72

37. Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses*	326,455.49	19,474,229.65
Less: Interest incomes	1,437,999.50	1,420,787.63
Loss on foreign exchange	35,447,916.96	805,245.62
Other	(21,723,716.73)	6,439,344.65
Total	12,612,656.22	25,298,032.29

* Interest expenses for 2012 and 2011 were interests on bank borrowings wholly repayable within five years.

38. Asset impairment losses

Item	Amount for current period	Amount for previous period
1. Bad debt loss	(5,491,268.60)	8,424,102.39
2. Decline in value of inventories	9,084,685.95	(5,079,462.28)
3. Impairment loss on fixed assets	3,094,945.14	0.00
Total	6,688,362.49	3,344,640.11

39. Gain arising from changes in fair value

Sources of gain	Amount for current period	Amount for previous period
Financial assets held-for-trading	35,744,498.44	(20,729,077.30)
Including: Gain from changes in fair value of derivative financial instruments	35,744,498.44	(20,729,077.30)
Held-for-trading financial liabilities	164,231.22	6,636,121.77
Total	35,908,729.66	(14,092,955.53)

Particulars of gain arising from changes in fair value:

This mainly represented undue foreign exchange forward contracts entered into by the Company with banks for the Reporting period. 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 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**40. Investment income****(1) Summary of investment income**

<u>Item</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>
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	<u>154,056,030.47</u>	<u>100,107,033.46</u>

* Investment income from disposal of long-term equity investment for the period represented dilution of the Company's shareholding caused by the seasoned offering of Huayi Compressor, a subsidiary.

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

<u>Investee</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>
Hisense International Marketing	4,750,000.00	3,800,000.00
Total	<u>4,750,000.00</u>	<u>3,800,000.00</u>

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

<u>Investee</u>	<u>Amount for current period</u>	<u>Amount for previous period</u>
Huayi Compressor	3,776,668.68	2,154,188.99
Hisense Whirlpool	(6,247,656.28)	2,935,819.51
Attend	53,125.03	50,887.51
Hisense Hitachi	121,979,146.56	70,973,958.34
Total	<u>119,561,283.99</u>	<u>76,114,854.35</u>

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

41. Non-operating income and non-operating expenses

Non-operating income

Item	Amount for current period	Amount for previous period
Total gain from disposal of non-current assets	932,494.93	1,866,042.65
Including: Gain from disposal of fixed assets	932,494.93	1,866,042.65
Government grants	9,955,361.60	6,924,917.27
Other	3,091,649.39	2,797,494.95
Total	13,979,505.92	11,588,454.87

Details of government grants during the year are as follows:

Item	Amount for current period	Amount for previous period
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)
Acceptance of equipment donation from the United Nations in December 2006* ²	(252,755.22)	(252,755.22)
Government grants related to other assets	(1,609,421.01)	1,213,920.00
Subtotal	(2,087,176.23)	736,164.78
2. Government grants related to income		
Production technology reform project for energy-saving household SBS large-size refrigerator	225,000.00	252,755.22
Acceptance of equipment donation from the United Nations in December 2006	252,755.22	252,755.22
Other government grants	9,477,606.38	6,419,406.83
Subtotal	9,955,361.60	6,924,917.27
Total	7,868,185.37	7,661,082.05

*¹ The government grants represented the project award of RMB3,000,000.00 granted to the subsidiary of the Company Guangdong 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 Guangdong 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 was commenced from October 2007 and ended in October 2009. In April and May 2008, Guangdong Refrigerator has recognized deferred income after receiving the project government grants of RMB3,000,000.00 and RMB1,500,000.00 respectively from the Company, and the amounts received were accounted for in the books of Guangdong Refrigerator as non-operating income over a period of 10 years. In 2008, Guangdong 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 2012, income in the amount of RMB450,000.00 was recognized. In January to June 2013, income in the amount of RMB225,000.00 was recognized, and the remaining amount of RMB2,150,000.00 was recognized as deferred income.

*² The amount represented equipment donated made by United Nations Industrial Development Organization on 11 May 2005 to Beijing Refrigerator 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 2013, the balance of RMB1,769,286.44 was pending to be recognized as deferred income.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

41. Non-operating income and non-operating expenses — Continued

Non-operating expenses

Item	Amount for current period	Amount for previous period
Total loss on disposal of non-current assets	1,436,232.09	1,985,884.72
Including: Loss on disposal of fixed assets	1,436,232.09	1,985,884.72
Other	3,022,123.95	2,724,866.86
Total	4,458,356.04	4,710,751.58

42. Income tax expenses

Item	Amount for current period	Amount for previous period
Current income tax	18,746,060.17	6,650,269.20
Including: PRC enterprise income tax	18,746,060.17	6,650,269.20
Hong Kong profit tax		
Deferred tax expenses	1,149,237.03	(1,029,081.21)
Total	19,895,297.20	5,621,187.99

43. 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	706,812,577.45	379,870,618.69
Non-recurring item attributable to ordinary shareholders of the Company of the reporting period	F	30,048,947.99	5,240,684.73
Net profits after non-recurring item attributable to ordinary shareholders of the Company of the reporting period	P2=P1-F	676,763,629.46	374,629,933.96
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	0.5220	0.2805
Basic earnings per share attributable to ordinary shareholders of the Company after non-recurring items	Y2=P2/S	0.4998	0.2767
Diluted earnings per share attributable to ordinary shareholders of the Company	Y3=(P1+P3)/X2	0.5220	0.2805
Diluted earnings per share attributable to ordinary shareholders of the Company after non-recurring items	Y4=(P2+P4)/X2	0.4998	0.2767

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

44. Other comprehensive incomes

Item	Amount for current period	Amount for previous period
1. Recognition of share of other comprehensive incomes of the investee based on equity method	(76,932.92)	0.00
Less: Income tax effect arising from recognition of share of other comprehensive incomes of the investee based on equity method	4,298,798.14	—
Add: Net amount accounted for as other comprehensive incomes in the previous period and transferred to profit and loss in the current period		
Subtotal	(4,375,731.06)	0.00
2. Difference on translation of foreign currency financial statements	(43,809.30)	(104,803.89)
Less: Net amount transferred to gain/(loss) upon disposal of foreign operations in the current period		
Subtotal	(43,809.30)	(104,803.89)
3. Other		
Less: Income tax effect arising from other items under other comprehensive income		
Net amount of other items under other comprehensive income of previous period transferred in the current period		
Subtotal		
Total	(4,419,540.36)	(104,803.89)

45. Notes to cash flows statement

(1) Cash received relating to other operating activities

Item	Amount for current period	Amount for previous period
Interest incomes	1,437,999.50	1,420,787.63
Government grants	7,868,185.37	7,661,082.05
Other	498,919,362.51	105,716,248.44
Total	508,225,547.38	114,798,118.12

(2) Cash paid relating to other operating activities

Item	Amount for current period	Amount for previous period
Cash payments for general and administrative expenses	186,051,564.93	143,446,171.48
Cash payments for selling and distribution expenses	639,068,655.13	586,127,194.29
Bank charges	3,221,788.47	5,715,263.01
Other	297,136,631.74	144,854,137.87
Total	1,125,478,640.27	880,142,766.65

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

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

46. Supplementary information on cash flows statement

(1) *Supplementary information on cash flows statement*

Supplementary information	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	745,126,902.33	401,841,967.56
Add: Provision for assets impairment	6,688,362.49	3,344,640.11
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	167,246,496.36	171,643,998.82
Amortization of intangible assets	10,914,036.77	11,182,131.24
Amortization of long-term prepaid expenses	150,534.47	0.00
Loss on disposals of fixed assets, intangible and other long- term assets (Gain denoted in "bracket")	503,737.16	119,842.07
Loss on scrapping of fixed assets (Gain denoted in "bracket")		0.00
Loss on change in fair value (Gain denoted in "bracket")	(35,908,729.66)	14,092,955.53
Financial expenses (Gain denoted in "bracket")	10,828,867.25	19,474,229.65
Investment loss (Gain denoted in "bracket")	(154,056,030.47)	(100,107,033.46)
Decrease in deferred tax assets (Increase denoted in "bracket")	1,149,237.03	(1,029,081.21)
Increase in deferred tax liabilities (Decrease denoted in "bracket")		0.00
Decrease in inventory (Increase denoted in "bracket")	(400,278,001.48)	(249,300,967.32)
Decrease in operating receivables (Gain denoted in "bracket")	(2,681,556,220.91)	(1,823,477,446.70)
Increase in operating payables (Decrease denoted in "bracket")	2,408,381,843.75	1,583,759,726.89
Others		
Net cash flows from operating activities	79,191,035.09	31,544,963.18
2. Significant investing and financing activities not involving cash receipts and payment:		
Liabilities converted into 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	479,633,849.73	460,026,006.66
Less: Cash at the beginning of the period	513,661,376.53	396,814,919.98
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	(34,027,526.80)	63,211,086.68

(2) *Information on disposal of subsidiaries and other operating units during the reporting period*

Nil.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**46. Supplementary information on cash flows statement — Continued****(3) Details of cash and cash equivalents**

Item	Closing balance	Opening balance
1. Cash		
Including: Cash on hand	5,161.83	6,911.06
Bank deposit that are readily available for payment	479,628,687.90	513,654,465.47
Other cash that are readily available for payment		
2. Cash equivalents		
Including: Bond investments due within three months		
3. Cash and cash equivalents as at the end of the period	479,633,849.73	513,661,376.53

47. Net current assets

Item	Closing balance	Opening balance
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)

48. Total assets less current liabilities

Item	Closing balance	Opening balance
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

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

49. 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.

(1) Segment profit or loss and assets and liabilities

Amount for current period	Refrigerators	Air-conditioners	Others	Inter-segment 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 Inter-segment			418,300,423.53	(418,300,423.53)	—
3. Gain from investment in associates and jointly controlled entities	(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) (including minority interests)	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

Continued from above table

Amount for last period	Refrigerators	Air-conditioners	Others	Inter-segment 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	0	0	297,586,244.28	(297,586,244.28)	—
3. Gain from investment in associates and jointly controlled entities	5,090,008.50	70,973,958.34	50,887.51	0	76,114,854.35
4. Depreciation and amortization	86,810,799.69	60,015,847.27	35,999,483.10	0	182,826,130.06
5. Gain from changes in fair value	0.00	0.00	(14,092,955.53)	0	(14,092,955.53)
6. Impairment losses on assets	1,278,358.84	(2,494,454.87)	4,560,736.13	0	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	0.00	0.00	5,621,187.99	0.00	5,621,187.99
9. Net profit (net loss) (including minority interests)	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. Additions 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)

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued**49. Segment information — Continued****(2) Geographic Information**

Item	Amount for current period	Amount for last period
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, Therefore the further detailed regional information is unnecessarily to be reported.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Particulars of the parent company (Unit: RMB'0000)

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, moulds and provision of 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. For information on the subsidiaries, associates and joint ventures of the Company, please see note 4, note 5(9) and note 5(10).

3. 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 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued**4. 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 Co., Ltd. (“Hisense Finance”)	Subsidiary of ultimate holding company	71788291x
Qingdao Hisense Electric Co., Ltd. (“Hisense Electrical Appliances”)	Subsidiary of ultimate holding company	26462882-x
Shunde Yunlong Consultancy Service Limited (“Shunde Yunlong Consultancy”)	Minority shareholder of Huaao Electronics	
Beijing Xuehua Group Company Limited (“Xuehua Group”)	Minority shareholder of Beijing Refrigerator	
Beijing Embraco Snowflake compressor Co., Ltd. (“Embraco”)	Subsidiary of Xuehua Group	
Hisense International (HK) Co., Ltd. (“Hisense Hong Kong”)	Subsidiary of ultimate holding company	

5. The Greencool Companies had a series of transactions or unusual cash flows through the following “Specific Third Party Companies”

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

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued
(6) Related party transactions
(1) Purchase of goods/receipt of services

Related party	Particulars of related parties transactions	Pricing and decision-making procedures of related parties transactions	Amount for current period		Amount for previous period	
			Amount	Percentage to similar transaction (%)	Amount	Percentage to similar transaction (%)
Hisense Electrical Appliances and its subsidiaries	Purchase of finished goods	Agreed price	4,273.50	0.00	70,450.42	
Hisense Whirlpool	Purchase of finished goods	Agreed price	169,344,107.94	1.65	209,985,170.21	2.63
Subtotal of purchase of finished goods			169,348,381.44	1.65	210,055,620.63	2.63
Hisense Electrical Appliances and its subsidiaries	Purchase of raw materials	Agreed price	8,581,592.25	0.08	8,828,237.97	0.11
Hisense Group and its subsidiaries	Purchase of raw materials	Agreed price	4,707,790.92	0.05	2,016,523.86	0.03
Hisense Whirlpool	Purchase of raw materials	Agreed price	2,292,058.17	0.02	2,872,802.47	0.04
Hisense Hitachi	Purchase of raw materials	Agreed price	7,580,088.26	0.07	2,916,803.97	0.04
Huayi Compressor and its subsidiaries	Purchase of raw materials	Agreed price	453,156,961.54	4.42	396,280,145.09	4.96
Embraco	Purchase of raw materials	Agreed price	26,545,013.68	0.26	13,529,918.80	0.17
Subtotal of purchase of raw materials			502,863,504.82	4.90	426,444,432.16	5.35
Hisense Electrical Appliances and its subsidiaries	Receipt of services	Agreed price	2,762,769.65	0.03	3,109,919.40	0.04
Hisense Group and its subsidiaries	Receipt of services	Agreed price	123,517,530.99	1.21	101,295,054.95	1.27
Xuehua Group	Receipt of services	Agreed price	12,448,010.95	0.12	11,852,038.13	0.15
Subtotal of receipt of services			138,728,311.59	1.36	116,257,012.48	1.46
Hisense Hong Kong	Purchase financing agency	Agreed price	84,138,891.32	0.82	48,924,559.05	0.61
Subtotal of financing purchase			84,138,891.32	0.82	48,924,559.05	0.61
Hisense Electrical Appliances and its subsidiaries	Purchase of fixed assets	Agreed price			2,683.76	—
Hisense Group and its subsidiaries	Purchase of fixed assets	Agreed price			143,005.00	—
Subtotal of purchase of fixed assets					145,688.76	—

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued**(6) Related party transactions — Continued****(1) Purchase of goods/receipt of services — Continued**

The Company and Hisense Group have entered into a business cooperation framework agreement on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and recipient of service and the related transactions was subject to a total cap (exclusive of tax) of RMB138,750,000.

The Company and Hisense Electrical Appliances have entered into a business cooperation framework agreement on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and recipient of service and the related transactions was subject to a total cap (exclusive of tax) of RMB50,570,000.

The Company and Hisense Whirlpool have entered into a business cooperation framework agreement 2 on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and recipient of service and the related transactions was subject to a total cap (exclusive of tax) of RMB868,560,000.

The Company and Huayi Compressor have entered into a Compressors Purchase Framework Agreement on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and the related transactions was subject to a total cap (exclusive of tax) of RMB1,180,000,000.

The Company and Hisense Hitachi have entered into a business cooperation framework agreement 1 on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and the related transactions was subject to a total cap (exclusive of tax) of RMB7,690,000.

The Company and Embraco have entered into Compressors Purchase Framework Agreement on 6 December 2012. During the effective term of the agreement, the transaction with the Company being the purchaser and the related transactions was subject to a total cap (exclusive of tax) of RMB106,840,000.

The Company and Xuehua Group have entered into a property services framework on 6 December 2012. During the effective term of the agreement, the transaction with the Company entrusting Xuehua Group to provide property service was subject to a total cap (exclusive of tax) of RMB32,000,000.

The Company and Hisense Hong Kong have entered into a purchase financing agency framework agreement on 6 December 2012. During the effective term of the agreement, the transaction in which the Company entrusts Hisense Hong Kong for purchase financing agency service was subject to a total cap (exclusive of tax) of US\$36,000,000.

The Company and Hisense International Marketing have entered into an export agency for white goods framework agreement on 6 December 2012. During the effective term of the agreement, the transaction in which the Company entrusts Hisense Marketing to provide agency services for export of white goods and related parts was subject to a total cap (exclusive of tax) of RMB280,000,000. The above agreements were considered and approved at the sixth interim meeting of the Company's eighth session of the board of directors in 2012 convened on 6 December 2012.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued

(6) Related party transactions — Continued

(2) Sale of goods/rendering of service

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 Group and its subsidiaries	Sale of finished goods	Agreed price	1,728,382,797.10	13.30	1,244,720,449.41	12.49
Hisense Whirlpool	Sale of finished goods	Agreed price	118,964.96	0.00	—	—
Hisense Hitachi	Sale of finished goods	Agreed price	25,377,120.10	0.20	26,796,830.82	0.27
Subtotal of sales amount of finished product			1,753,878,882.16	13.50	1,271,517,280.23	12.76
Hisense Electrical Appliances and its subsidiaries	Sale of raw materials	Agreed price	2,819,936.95	0.02	6,920.76	—
Hisense Group and its subsidiaries	Sale of raw materials	Agreed price	5,165,884.71	0.04	26,483,602.86	0.27
Hisense Whirlpool	Sale of raw materials	Agreed price	5,854,478.13	0.05	15,666,123.08	0.16
Hisense Hitachi	Sale of raw materials	Agreed price	331,418.30	0.00	25,771.24	—
Subtotal of sales amount of raw materials			14,171,718.09	0.11	42,182,417.94	0.42
Hisense Electrical Appliances and its subsidiaries	Sale of mould	Market price	40,106,837.61	0.31	27,826,536.17	0.28
Hisense Group and its subsidiaries	Sale of mould	Market price	86,002,677.14	0.66	74,117,573.22	0.74
Hisense Whirlpool	Sale of mould	Market price	5,037,705.98	0.04	—	—
Subtotal of sales amount of moulds			131,147,220.73	1.01	101,944,109.39	1.02
Hisense Electrical Appliances and its subsidiaries	Rendering of service	Agreed price	—	—	231,000.00	—
Hisense Group and its subsidiaries	Rendering of service	Agreed price	1,193,884.39	0.01	1,165,859.39	0.01
Hisense Whirlpool	Rendering of service	Agreed price	1,155,083.02	0.01	—	—
Attend	Rendering of service	Agreed price	2,905.80	0.00	2,905.80	—
Subtotal of rendering of service			2,351,873.21	0.02	1,399,765.19	0.01

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued

(6) Related party transactions — Continued

(2) Sale of goods/rendering of service — Continued

The Company and Hisense Group have entered into a business cooperation framework agreement on 6 December 2012. During the effective period of the agreement, the transaction with the Company being the supplier and service provider was subject to an upper limit (exclusive of tax) of RMB3,197,400,000.

The Company and Hisense Electrical Appliances have entered into a business cooperation framework agreement on 6 December 2012. During the effective period of the agreement, the transaction with the Company being the supplier and service provider was subject to an upper limit (exclusive of tax) of RMB91,920,000.

The Company and Hisense Whirlpool have entered into a business cooperation framework agreement 2 on 6 December 2012. During the effective period of the agreement, the transaction with the Company being the supplier and service provider was subject to an upper limit (exclusive of tax) of 39,390,000.

The Company and Hisense Hitachi have entered into a business cooperation framework agreement 1 on 6 December 2012. During the effective period of the agreement, the transaction with the Company being the supplier and service provider was subject to an upper limit (exclusive of tax) of 118,600,000.

The above agreements were considered and approved at the sixth interim meeting of the Company's eighth session of the board of directors in 2012 convened on 6 December 2012.

(3) Particulars of related party guarantees

Guarantor	Guaranteed party	Amount (RMB'0000)	Effective date of guarantee	Expiry date of guarantee	Nature of Guarantee	Guarantee Completed
Hisense Group	The Company	1,405.30	2012.12.31	2013.6.30	Bank acceptance notes	No
Hisense Group	The Company	2,355.89	2013.1.30	2013.7.26	Bank acceptance notes	No
Hisense Group	The Company	3,085.63	2013.3.21	2013.9.21	Bank acceptance notes	No
Hisense Group	The Company	56.48	2013.1.24	2013.7.24	Commercial acceptance	No
Hisense Group	The Company	924.51	2013.1.29	2013.7.29	Bank acceptance notes	No
Hisense Group	The Company	4,064.00	2013.4.25	2013.7.25	Bank acceptance notes	No
Hisense Group	The Company	3,094.40	2013.6.25	2013.9.25	Bank acceptance notes	No
Hisense Group	The Company	179.63	2013.6.25	2013.12.25	Bank acceptance notes	No
Subtotal of bank acceptance notes		15,165.84				
Hisense Group	Guangdong Refrigerator	96.44	2013.5.24	2013.8.22	Import letter of credit	No
Hisense Group	Rongsheng Plastic	433.82	2013.4.12	2013.9.9	Import letter of credit	No
Hisense Group	Shandong Refrigerator	1,613.51	2013.4.25	2014.3.31	Import letter of credit	No
Hisense Group	Shandong Refrigerator	991.81	2013.4.25	2013.11.30	Domestic letter of credit	No
Subtotal of commercial acceptance		3,135.58				
Hisense Group	Guangdong Refrigerator	192.83	2012.12.10	2013.12.12	Trade finance	No
Subtotal of trade finance		192.83				

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued**(6) Related party transactions — Continued****(3) Particulars of related party guarantees — Continued**

Particulars of related party guarantee:

In February 2012, the Company and Hisense Group Finance have entered into Hai Xin Shou Xin Zi No. 037 Consolidated Credit Contract, pursuant to which, the Company might apply to Hisense Group 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 Group Finance have entered into a Maximum Guarantee Contract Hai Xin Gao Bao Zi No. 019 to provide guarantee for the repayment of debts by the Company on 24 February 2012.

In October 2012, Ronshen Refrigerator and the Shunde Branch of HSBC have entered into a letter of credit, pursuant to which, Ronshen Refrigerator might apply to the Shunde Branch of HSBC for the utilization of a maximum credit limit of US\$20,000,000 from 19 October 2012 to 19 November 2013. To ensure the settlement of the liabilities under the letter of credit, Hisense Group has issued to a letter of guarantee to the Shunde Branch of HSBC to provide guarantee securities for the repayment of debts by Ronshen Refrigerator on 30 November 2012.

In January 2012, Hisense Group and the Foshan branch of Bank of Communications 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 would provide guarantee securities for a series of credits of the maximum credit limit of RMB165,000,000 to the Company and Ronshen Plastic during the period from 27 December 2011 to 27 December 2013.

In April 2013, Hisense Group and the Banking Department of Qingdao Shandong Road branch of Agricultural Bank have entered into a Maximum Guarantee Contract No. 84100520130002413, pursuant to which the Banking Department of Qingdao Shandong Road branch of Agricultural Bank would provide guarantee securities for a series of credits of the maximum credit limit of RMB100,000,000 to Shandong Refrigerator during the period from 25 April 2013 to 23 April 2014.

Pursuant to the financial services agreement entered into between the Company and Hisense Finance, the Company might proceed with financial businesses of deposit services, loan services and draft discount services with Hisense Finance during 2013 (please refer to the Financial Services Agreement entered into by the Company and Hisense Finance Co., Ltd. on 29 November 2011 for details). As at 30 June 2013, the Company has balance of loans of RMB0, balance of deposit of RMB83,722,300, interest expenses of RMB0, interest income of RMB1,361,600, balance of electronic bank acceptance bill of RMB1,358,690,200, interest expenses for draft discount of RMB225,500, and handling fees for electronic bank acceptance bill of RMB729,400.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued
(7) Receivables from and payables to related parties
(1) Receivables from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable	Hisense Electrical Appliances and its subsidiaries	26,282,296.72		4,111,613.09	
Accounts receivable	Hisense Group and its subsidiaries	628,711,295.54	863,752.76	341,067,486.70	863,752.76
Accounts receivable	Hisense Whirlpool	10,512,925.77		11,685,289.52	
Accounts receivable	Hisense Hitachi	2,220,602.09		100,000.00	
Subtotal		667,727,120.12	863,752.76	356,964,389.31	863,752.76
Notes receivable	Hisense Electrical Appliances and its subsidiaries	5,675,100.00			
	Hisense Electrical Appliances and its subsidiaries	47,481,333.50		28,452,507.01	
Subtotal		53,156,433.50	0.00	28,452,507.01	
Other receivables	Shunde Yunlong Consultancy	4,455,375.57	4,455,375.57	4,455,375.57	4,455,375.57
Other receivables	Hisense Electrical Appliances and its subsidiaries	200,000.00			
Other receivables	Hisense Group and its subsidiaries	183,864.33		22,760.00	
Other receivables	Hisense Whirlpool	2,225,871.18			
Subtotal		7,065,111.08	4,455,375.57	4,478,135.57	4,455,375.57
Prepayments	Hisense Group and its subsidiaries	485,526.78			
Prepayments	Huayi Compressor and its subsidiaries	17,308,950.15		5,852,060.18	
Subtotal		17,794,476.93	0.00	5,852,060.18	

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued**(7) Receivables from and payables to related parties — Continued****(2) Payables to related parties**

<u>Item</u>	<u>Related party</u>	<u>Closing balance</u>	<u>Opening balance</u>
Notes payable	Huayi Compressor and its subsidiaries		15,000,000.00
Subtotal		—	15,000,000.00
Accounts payable	Huayi Compressor and its subsidiaries	324,685,006.19	176,551,619.44
Accounts payable	Embraco	12,200,073.24	14,975,319.81
Accounts payable	Hisense Group and its subsidiaries	50,972,251.55	12,404,602.33
Accounts payable	Hisense Whirlpool	73,347,633.04	55,750,858.43
Accounts payable	Hisense Hitachi	1,350,628.68	292,761.19
Subtotal		462,555,592.70	259,975,161.20
Other payables	Hisense Group and its subsidiaries	710,800.84	368,738.49
Other payables	Huayi Compressor and its subsidiaries	500,000.00	300,000.00
Other payables	Embraco	100,000.00	100,000.00
Other payables	Combine	5,099,880.00	5,099,880.00
Other payables	Hisense Whirlpool		13,452.61
Subtotal		6,410,680.84	5,882,071.10
Advances from customers	Hisense Hitachi	1,739,453.00	1,551,940.98
Advances from customers	Hisense Group and its subsidiaries	880,880.31	6,006,903.93
Subtotal		2,620,333.31	7,558,844.91

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

6. RELATED PARTIES AND RELATED PARTY TRANSACTIONS — Continued
(8) Transactions with “specific third party companies”

Item	Related parties	Closing carrying balance	Opening carrying 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 of other payables		114,716,425.03	114,716,425.03

(9) Transactions with Greencool Companies

Item	Related parties	Closing carrying balance	Opening carrying balance
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
	Subtotal of other receivables		91,043,957.71
Other payables	Jiangxi Greencool	13,000,000.00	13,000,000.00
Subtotal of other payables		13,000,000.00	13,000,000.00

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

7. SHARE-BASED PAYMENT

1. General information about share-based payments

Item	Amount for current period
Total equity instruments granted during the period	1,965,244.26
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

Item	Amount for current period
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	8,173,696.26
Total expense recognized for equity settled share-based payments	8,173,696.26

3. Share-based services

Item	Accumulated amount
Total amount of employee services as a result of the share-based payments	8,173,696.26
Total amount of other services as a result of the share-based payments	

4. Shares granted

Category	Exercise price	Outstanding as at 1 January 2013	Transferred from other categories during the year	Granted during the year	Exercised during the year	Expired during the year	Outstanding as at 30 June 2013
Directors	RMB7.65	2,808,000					2,808,000
Senior management	RMB7.65	2,484,000					2,484,000
Other management	RMB7.65	14,218,000					14,218,000
Total		19,510,000					19,510,000

7. SHARE-BASED PAYMENT — Continued**4. Shares granted — Continued**

The Board has completed the registration for the grant of share options under the First Share Option Incentive Scheme of Hisense Kelon Electrical Holdings Company Limited under the authorization granted at the general meeting of the Company on 28 September 2011, the basic information as follows:

1. Date of grant: 31 August 2011
2. Exercise price: RMB7.65 per share.
3. Option abbreviation: Hisense JLC1
4. Option code: 037018
5. The share options valid for five years from the date of grant, subject to a restriction period of 2 years. The incentive participants may exercise their options in equal installments within 3 years from the third year of the date of grant, with 33%, 33% and 34% of the total options granted being exercisable each year.
6. The incentive participants may include: the directors of the Company excluding of the independent directors and external directors who are not officers of the Hisense Group and its subsidiaries (other than the Company and its subsidiaries), senior management (including president, vice president, financial controller, Board secretary, company secretary and other officers which are regarded as senior management under the Articles of Association) of the Company, mid-level management staff of the Company and its subsidiaries, and technical backbone determined by the Board.
7. The fund to be used for exercise of share options by the participants shall be raised by themselves and the Company does not provide borrowings or any other kind of financial assistance to the participants under the Scheme (including guarantee for their borrowings).
8. The share option scheme has been examined and approved by the SASAC of Qingdao, filed with the SASAC of the State Council and filed with the CSRC with no objections.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

8. CONTINGENCIES

1. Contingent liabilities arising from pending litigations and their financial impact

As at 30 June 2013, the pending litigations involving the Company are summarized as follows:

(1) Cases with the Company as the plaintiff

Plaintiff	Defendant	Causes	Total amount involved
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	Others		6,210,000.00
Total			19,952,975.57

(2) Cases with the Company as the defendant

Plaintiff	Defendant	Cause	Total amount involved
Supplier of raw materials	The Company	Dispute over sale and purchase contract and processing contract	9,075,695.60
Other	The Company	Labor dispute and others	8,783,521.35
Total			17,859,216.95

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

Greencool case

Plaintiff	Defendant	Cause	Total amount involved
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.

8. CONTINGENCIES — Continued

1. Contingent liabilities arising from pending litigations and their financial impact — Continued

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

Greencool case — Continued

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 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.

On 21 December 2012, the Company received the notices of resumption of execution of (2008) Fo Zhong Fa Zhi Zi No. 853, (2009) Fo Zhong Fa Zhi Zi No. 113, 114, 115, 116, 118, 157, 234, 235, 236, 237, 238, 259, 502, 852, 995, 996 and (2010) Fo Zhong Fa Zhi Zi No. 32 from the Intermediate People's Court of Foshan City, Guangdong Province (the "Foshan Intermediate Court"). Regarding the application by the Company and the relevant subsidiaries in which it holds a controlling equity interest for the execution of the cases regarding the damage to their corporate interests by Guangdong Greencool Enterprises Development Company Limited and its associated companies (the "Greencool Companies") and Gu Chu Jun, the Foshan Intermediate Court has decided to resume the execution of the relevant cases based on the spirit in the notice issued by the Supreme People's Court on the resumption of execution procedures against the Greencool Companies in accordance with the law.

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 cases involving the Greencool Companies, pursuant to which, the Foshan Intermediate Court would start the execution procedures of such cases in accordance with the "Notice issued by the Supreme People's Court on the resumption of execution procedures against the Greencool Companies in accordance with the law" and distribute the assets on a pro rata basis. On 13 June 2013, Yangzhou Refrigerator received from the Yangzhou Intermediate Court the sum of RMB75,770,000 in total recovered from execution of the related cases of Yangzhou Refrigerator against Yangzhou Greencool Venture Capital Company Limited.

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 of goods, related interests and all the litigation fees. The civil judgment is now in effect.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

9. COMMITMENT

As at 30 June 2013, the assets of the Company and its subsidiaries used as securities for borrowings are as follows:

		<i>RMB'0000</i>				
Mortgagor	Mortgagee	Balance of finance	Name of securities	Pledge/security contracts	Valuation amount	Net carrying amount of security
Yangzhou Refrigerator			Buildings at Nos. 9 and 19 Hongyang Road	GDY476400120100007	17,702.02	12,945.44
Yangzhou Refrigerator			Land use right of the west side of Yangzijiang South Road Yangzhou, No. 9 Hungyang Road and Fuyang Road North	GDY476400120100008	26,685.03	4,032.77
The Company	Shunde, Foshan Branch of The Bank of China Limited	19,060.76	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	13,920.71
Kelon Fittings			Neighborhood Committee of Guangzhu Highway West (Rongqi Bridge West, side of Rongqi Bridge)	GDY476400120100006	5,566.00	3,197.97
Guangdong Air-Conditioner			No. 1 Rongqi Road, side of Rongqi Bridge	GDY476400120100009	<u>25,751.00</u>	<u>8,127.39</u>

10. EVENTS AFTER THE BALANCE SHEET DATE

Nil.

11. OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

Item	Opening balance	Amount of financial assets	Gain/(loss) from change in fair value	Impairment provision for the period	Closing balance
Financial assets					
Derivative financial assets	10,678,293.47	35,744,498.44	35,744,498.44		46,422,791.91
Subtotal of financial assets	<u>10,678,293.47</u>	<u>35,744,498.44</u>	<u>35,744,498.44</u>	<u>0.00</u>	<u>46,422,791.91</u>
Derivative financial liabilities	(164,231.22)	164,231.22	164,231.22		0.00
Subtotal of financial liabilities	<u>(164,231.22)</u>	<u>164,231.22</u>	<u>164,231.22</u>	<u>0.00</u>	<u>0.00</u>

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 receivables, 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.

11. OTHER SIGNIFICANT EVENTS — Continued**2. Financial risk management objectives and policies — Continued****(1) 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.

(2) Liquidity risk

In the management of liquidity risk, the Company monitors and maintains cash and cash equivalents at a level which is adequate, in the management's point of views, 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.

(3) 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 31 December 2012, 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 on the Company's performance.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

11. OTHER SIGNIFICANT EVENTS — Continued**2. Financial risk management objectives and policies — Continued****(4) 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 EUR. The exchange rates between RMB, HKD, USD, JPY and EUR are not pegged, and there is fluctuation of exchange rates between RMB, USD, JPY and EUR.

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:

Currency	Closing balance		Opening balance	
	Assets	Liabilities	Assets	Liabilities
USD	1,077,074,899.64	52,743,194.66	583,485,858.40	32,183,140.67
EUR	109,356,764.84	3,651,334.05	84,088,791.97	4,434,575.43

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	Amount for current period Increase/Decrease in profit after tax	Amount for previous period Increase/Decrease in profit after tax
USD to RMB		
Appreciates by 5%	38,412,438.94	18,307,879.23
Depreciates by 5%	(38,412,438.94)	(18,307,879.23)
EUR to RMB		
Appreciates by 5%	3,963,953.65	2,387,671.93
Depreciates by 5%	(3,963,953.65)	(2,387,671.93)

Sensitivity analysis of change in forward rate:

Item	Amount for current period Increase/Decrease in profit after tax	Amount for previous period Increase/Decrease in profit after tax
USD to RMB		
Appreciates by 5%	(12,258,750.00)	(12,056,250.00)
Depreciates by 5%	12,258,750.00	12,056,250.00
EUR to RMB		
Appreciates by 5%	(1,577,141.63)	(917,598.75)
Depreciates by 5%	1,577,141.63	917,598.75

11. OTHER 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 during the periods ended 30 June 2013 and 31 December 2012.

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	Amount for current period	Amount for previous period
Total debt	9,884,635,827.95	7,327,126,628.77
Including: Short-term borrowings	82,800,589.12	30,309,453.94
Accounts payable	4,352,333,112.10	2,335,425,936.47
Notes payable	1,823,641,678.89	1,432,852,210.08
Other payables	1,782,395,594.78	1,581,294,492.81
Less: Cash and cash equivalents	479,633,849.73	513,661,376.53
Net debt	9,405,001,978.22	6,813,465,252.24
Equity attributable to shareholders of the parent	2,216,400,447.84	1,512,042,166.49
Capital and net debt	11,621,402,426.06	8,325,507,418.73
Gearing ratio	80.93%	81.84%

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 RMB83,696,500 (Corresponding period last year: RMB73,343,800) represents contributions to the scheme by the Company and subsidiaries at rates specified in the scheme.

5. Leases

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

Categories of leased assets under operating leases	Closing carrying amount	Opening carrying amount
Buildings	3,519.65	3,644.66
Total	3,519.65	3,644.66

Unit: RMB'0000

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

11. OTHER SIGNIFICANT EVENTS — Continued

5. Leases — Continued

(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 period amounted to RMB5,118,300 (Corresponding period last year: RMB3,248,900).

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

Item	<i>Unit: RMB'0000</i>	
	Amount for current period	Amount for previous period
Within one year	302.54	260.12
Over one year but within five years, inclusive	260.93	231.89
Total	563.47	492.01

(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 2013 was as follows:

Operating lease payments	<i>Unit: RMB'0000</i>	
	Amount for current period	Amount for previous period
Leasehold land and buildings	1,098.58	538.66
Plant and machinery	374.02	376.09
Total	1,472.60	914.75

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

Item	<i>Unit: RMB'0000</i>	
	Amount for current period	Amount for previous period
Within one year	1,367.33	528.82
Over one year but within five years	1,897.33	440.80
Total	3,264.66	969.62

6. Capital commitment

Item	<i>Unit: RMB'0000</i>	
	Closing balance	Opening balance
Commitments for the investment in subsidiaries and jointly controlled entity:		
— Authorized but not yet contracted for		
— Contracted but not provided for	30,993.31	4,688.66
Commitments for the acquisition of property, plant and equipment of subsidiaries:		
— Contracted but not provided for		

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

11. OTHER SIGNIFICANT EVENTS — Continued

7. Dividends

No dividends was paid or proposed for the period (Corresponding period last year: Nil), or reserve funds converted into capital.

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Category	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and subject to separate provision				
Ageing analysis	1,505,247,000.93	97.49	158,567,011.90	10.53
Greencool Companies	38,689,983.28	2.51	22,726,941.64	58.74
Subtotal	1,543,936,984.21	100.00	181,293,953.54	11.74
Individually insignificant but subject to separate provision				
Total	1,543,936,984.21	100.00	181,293,953.54	11.74

Continued from above table

Category	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and subject to separate provision				
Aging analysis	803,290,236.75	95.40	165,054,919.79	20.55
Greencool Companies	38,689,983.28	4.60	22,726,941.64	58.74
Subtotal	841,980,220.03	100.00	187,781,861.43	22.30
Individually insignificant but subject to separate provision				
Total	841,980,220.03	100.00	187,781,861.43	22.30

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

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

1. Accounts receivable — Continued

(1) Disclosure of accounts receivable by categories: — Continued

Accounts receivable in the category provided bad debts by using ageing method:

Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	% of total balance		Amount	% of total balance	
Within three months	1,345,765,009.76	87.16	—	631,388,149.75	40.9	
Over three months but within six months	949,753.12	0.06	94,975.31	1,265,442.13	0.08	126,544.21
Over six months but within one year	120,402.93	0.01	60,201.47	11,416,538.58	0.74	5,708,269.29
Over one year	158,411,835.12	10.26	158,411,835.12	159,220,106.29	10.31	159,220,106.29
Total	1,505,247,000.93	97.49	158,567,011.90	803,290,236.75	52.03	165,054,919.79

(2) Movements in provision for accounts receivable

	Opening balance	Provision for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
Reporting Period	187,781,861.43		6,487,907.89		181,293,953.54

(3) Accounts receivable that were written off

Company name	Nature of accounts receivable	Amount written-off	Reason for write-off	Arising from related party transactions or not
Unrelated parties	Purchase amount	0		No
Total				

(4) As at 30 June 2013, there was no amount due from shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of accounts receivable. As at 31 December 2012, there was no amount due from shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY — Continued**1. Accounts receivable — Continued****(5) Top five accounts receivable***End of Reporting Period*

No.	Relationship with the Company	Amount	Ageing	Percentage of the total accounts receivable amount (%)
Top 1	Third party	585,064,362.51	Within three months	37.89
Top 2	Third party	510,078,902.29	Within three months	33.04
Top 3	Third party	99,842,871.84	Within three months	6.47
Top 4	Subsidiary	44,829,785.25	Within three months	2.9
Top 5	Subsidiary	28,014,926.96	Within three months	1.81
Total		1,267,830,848.85		82.11

Beginning of Reporting Period

No.	Relationship with the Company	Amount	Ageing	Percentage of the total accounts receivable amount (%)
Top 1	Subsidiary	238,358,502.63	Within three months	28.31
Top 2	Third party	195,596,319.17	Within three months	23.23
Top 3	Third party	40,762,559.25	Within three months	4.84
Top 4	Subsidiary	24,456,945.19	Within three months	2.90
Top 5	Subsidiary	19,748,315.16	Within three months	2.35
Total		518,922,641.40		61.63

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

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

2. Other receivables

(1) Disclosure of other receivables by category:

Category	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and subject to separate provision				
Aging analysis	916,576,709.21	98.31	23,457,470.15	2.56
Greencool Companies	15,754,600.00	1.69	9,962,961.47	63.24
Subtotal	932,331,309.21	100.00	33,420,431.62	3.58
Individually insignificant but subject to separate provision				
Total	932,331,309.21	100.00	33,420,431.62	3.58

Continued from above table

Category	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and subject to separate provision				
Ageing analysis	1,038,532,918.70	98.51	23,743,419.18	2.29
Greencool Companies	15,754,600.00	1.49	9,962,961.47	63.24
Subtotal	1,054,287,518.70	100.00	33,706,380.65	3.20
Individually insignificant but subject to separate provision				
Total	1,054,287,518.70	100.00	33,706,380.65	3.20

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

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

2. Other receivables — Continued

(1) Disclosure of other receivables by category: — Continued

Other receivables in the category provided bad debts by using ageing analysis:

Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	% of total balance		Amount	% of total balance	
Within three months	892,366,765.85	95.71	—	1,013,443,126.16	96.13	
Over three months but within six months	517,018.46	0.06	51,701.85	610,204.95	0.06	61,020.50
Over six months but within one year	574,313.20	0.06	287,156.60	1,594,377.82	0.15	797,188.91
Over one year	23,118,611.70	2.48	23,118,611.70	22,885,209.77	2.17	22,885,209.77
Total	916,576,709.21	98.31	23,457,470.15	1,038,532,918.70	98.51	23,743,419.18

(2) Movements in provision for other receivables

	Opening balance	Provision for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
2012	33,706,380.65		285,949.03		33,420,431.62

(3) Other receivable that were written-off

Company name	Nature of other receivables	Amount written-off	Reason for write-off	Arising from related party transactions or not
Unrelated party	Loans	0		No

Total

- (4) As at 30 June 2013, there was no amount due from shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of other receivables. As at 31 December 2012, there was no amount due from shareholders holding 5% or more (including 5%) of the voting shares of the Company in the balance of other receivables.

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY — Continued**2. Other receivables — Continued****(5) Top five other receivables***End of Reporting period*

No.	Relationship with the Company	Amount	Ageing	Percentage of the total other receivables amount (%)
Top 1	Subsidiary	207,485,592.35	Within three months	22.25
Top 2	Subsidiary	167,074,610.27	Within three months	17.92
Top 3	Subsidiary	117,511,986.92	Within three months	12.60
Top 4	Subsidiary	111,956,021.06	Within three months	12.01
Top 5	Subsidiary	63,588,915.14	Within three months	6.82
Total		667,617,125.74	—	71.60

Beginning of Reporting Period

No.	Relationship with the Company	Amount	Ageing	Percentage of the total other receivables amount (%)
Top 1	Subsidiary	211,154,792.61	Within three months	20.03
Top 2	Subsidiary	170,029,177.84	Within three months	16.13
Top 3	Subsidiary	137,171,745.54	Within three months	13.01
Top 4	Subsidiary	117,511,986.92	Within three months	11.15
Top 5	Subsidiary	63,588,915.14	Within three months	6.03
Total		699,456,618.05	—	66.35

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE 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 year	Cash dividend in current year
Huayi Compressor	Equity method	24,171,468.64	50,344,878.42	22,736,387.17	73,081,265.59	3.74	3.74			
Attend	Equity method	2,000,000.00	3,285,850.81	53,125.03	3,338,975.84	20	20			
Hisense Whirlpool	Equity method	225,000,000.00	209,818,988.58	(6,247,656.28)	203,571,332.30	50	50			
Hisense Hitachi	Equity method	332,821,597.45	484,476,011.09	48,479,146.56	532,955,157.65	49	49			73,500,000.00
Equity method										
Subtotal		583,993,066.09	747,925,728.90	65,021,002.48	812,946,731.38			0.00	0.00	73,500,000.00
Guangdong Refrigerator	Cost method	155,552,425.85	155,552,425.85		155,552,425.85	70	70			
Guangdong Air-Conditioner	Cost method	281,000,000.00	281,000,000.00		281,000,000.00	60	60	59,381,641.00		
Guangdong 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	55	55			
Yingkou Refrigerator	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 Refrigerator	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			
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			
Chengdu Refrigerator	Cost method	50,000,000.00	50,000,000.00		50,000,000.00	100	100			
Beijing Refrigerator	Cost method	92,101,178.17	92,101,178.17		92,101,178.17	55	55			
Shandong Air-Conditioner	Cost method	567,175,477.74	567,175,477.74		567,175,477.74	100	100			
Zhejiang Air-Conditioner	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			23,930,018.20
Shandong Refrigerator	Cost method	275,000,000.00	100,000,000.00	175,000,000.00	275,000,000.00	100	100			
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			4,750,000.00
Subtotal by cost method		2,601,400,455.58	2,426,400,455.58	175,000,000.00	2,601,400,455.58			59,381,641.00	0.00	28,680,018.20
Total		3,185,393,521.67	3,174,326,184.48	240,021,002.48	3,414,347,186.96			59,381,641.00	0.00	102,180,018.20

NOTES TO THE FINANCIAL STATEMENTS — *Continued*

Half year of 2013

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY — *Continued*

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Amount for current period	Amount for previous period
Revenue from principal operations	7,770,832,217.79	5,544,481,852.02
Revenue from other operations	332,762,712.49	1,407,335,639.22
Total operating revenue	8,103,594,930.28	6,951,817,491.24
Costs of principal operations	6,118,736,288.70	4,390,872,087.61
Costs of other operations	218,721,163.17	1,289,648,791.26
Total operating costs	6,337,457,451.87	5,680,520,878.87

(2) Principal operations (by products)

Products	Amount for current period		Amount for previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Refrigerators	4,099,149,918.43	3,221,213,664.46	3,089,140,050.92	2,391,778,512.12
Air-conditioners	3,143,405,359.29	2,484,912,455.70	2,175,641,494.06	1,781,386,905.39
Others	528,276,940.07	412,610,168.54	279,700,307.04	217,706,670.10
Total	7,770,832,217.79	6,118,736,288.70	5,544,481,852.02	4,390,872,087.61

(3) Principal operations (by regions)

Region	Amount for current period		Amount for previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Domestic	7,770,832,217.79	6,118,736,288.70	5,544,481,852.02	4,390,872,087.61
Overseas				
Total	7,770,832,217.79	6,118,736,288.70	5,544,481,852.02	4,390,872,087.61

NOTES TO THE FINANCIAL STATEMENTS — Continued*Half year of 2013***12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY — Continued****4. Operating revenue and operating costs — Continued****(4) Operating revenue from the top five customers of the Company***Current period*

No.	Amount for the current period	Percentage of the total revenue from principal operations of the Company (%)
Top 1	1,284,398,967.25	15.85
Top 2	770,619,658.65	9.51
Top 3	282,100,071.47	3.48
Top 4	101,319,626.17	1.25
Top 5	87,018,418.18	1.07
Total	2,525,456,741.72	31.16

Corresponding period last year

No.	Amount for the current period	Percentage of the total revenue from principal operations of the Company (%)
Top 1	674,383,895.13	9.7
Top 2	414,869,792.03	5.97
Top 3	86,508,351.54	1.24
Top 4	27,527,121.53	0.4
Top 5	21,380,446.04	0.31
Total	1,224,669,606.27	17.62

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

12. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY — Continued**5. Investment income****(1) Summary of investment income**

Item	Amount for current period	Amount for previous period
Income from long-term equity investment — the cost method	28,680,018.20	10,326,368.60
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	
Total	171,576,751.74	86,441,222.95

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

Investee	Amount for current period	Amount for previous period
Hisense Mould	23,930,018.20	6,526,368.60
Hisense International Marketing	4,750,000.00	3,800,000.00
Total	28,680,018.20	10,326,368.60

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

Investee	Amount for current period	Amount for previous period
Huayi Compressor	3,776,668.68	2,935,819.51
Hisense Whirlpool	(6,247,656.28)	2,154,188.99
Attend	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

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

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

6. Supplementary information on cash flows statement

Supplementary information	Amount for current period	Amount for previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	357,862,566.42	205,789,134.54
Add: Provision for assets impairment	11,093,900.92	1,037,167.57
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	13,332,154.82	19,073,334.63
Amortization of intangible assets	4,358,626.70	4,811,537.00
Amortization of long-term prepaid expenses		
Loss on disposals of fixed assets, intangible and other long-term assets (Gain denoted in "bracket")	(23,314,139.49)	39,971.06
Loss on retirement of fixed assets (Gain denoted in "bracket")		
Loss from scrapping in fair value (Gain denoted in "bracket")		
Financial expenses (Gain denoted in "bracket")	8,595,430.67	5,443,287.63
Investment loss (Gain denoted in "bracket")	(171,576,751.74)	(86,441,222.95)
Decrease in deferred tax assets (Increase denoted in "bracket")		
Increase in deferred tax liabilities (Decrease denoted in "bracket")		
Decrease in inventory (Increase denoted in "bracket")	(242,705,394.29)	(310,829,791.16)
Decrease in operating receivable (Increase denoted in "bracket")	(2,889,236,367.02)	(1,685,182,695.30)
Increase in operating payable (Decrease denoted in "bracket")	2,864,109,476.98	2,026,149,271.87
Others		
Net cash flows from operating activities	(67,480,496.03)	179,889,994.89
2. Significant investing and financing activities not involving cash receipts and payment:		
Liabilities converted into 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	200,280,089.47	149,171,914.44
Less: Cash at the beginning of the period	342,912,430.57	98,869,779.84
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	(142,632,341.10)	50,302,134.60

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

13. SUPPLEMENTARY INFORMATION**1. Summary of non-recurring profit or loss**

Item	Amount for current period	Amount for previous period
Losses and profits from disposal of non-current assets	22,831,712.38	(119,842.07)
Tax return or exemption without proper authorization		
Government grants recognized in the profits or losses (excluding those government grants that are 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	6,924,917.27
Interests received from entities other than financial institutions recognized in profits or losses		
Gain arising from the difference between investment cost on subsidiaries associates and jointly controlled entities and the fair value of the net assets attributable to the Company		
Gain or loss arising from non-monetary assets exchange		
Gain or loss arising from entrusted investment or entrusted asset management		
Asset impairment provided in current year due to forced majeure (e.g. natural disasters)		
Gain or loss arising from debt restructuring		
Corporate restructuring costs (e.g. staff replacement costs and costs during the course of integration)		
Gain or loss arising from the difference between the fair value and transaction price in obviously unfair transactions		
Net profit of subsidiaries acquired under common control from beginning of year to the merger date		
Gain or loss arising from contingencies irrelevant to the Company's normal business		
Gain or loss from changes in fair values of financial assets and liabilities held-for-trading except for hedging contracts and disposal of financial assets and liabilities held-for-trading and available-for-sale financial assets		
Reversal of provision for bad-debts of trade receivable subject to separate provision		
Gain or loss arising from entrusted loan granted to other entities		
Gain or loss arising from changes in fair value of investment properties under the fair value model		
One-off adjustments to profit or loss as required by taxation and accounting laws and regulations		
Consignment fee income arising from entrusted operations		
Other non-operating income and expense other than the aforementioned items	69,525.44	72,628.09
Other profit or loss items meeting the definition of non-recurring profit or loss		
Total non-recurring profit or loss	32,856,599.42	6,877,703.29
Less: Effect of non-recurring profit or loss after taxation	959,571.68	631,550.75
Net non-recurring profit or loss	31,897,027.74	6,246,152.54
Less: Net effect of non-recurring profit or loss attributable to minority interests (after tax)	1,848,079.75	1,005,467.81
Non-recurring profit or loss attributable to ordinary shareholders of the Company	30,048,947.99	5,240,684.73

NOTES TO THE FINANCIAL STATEMENTS — Continued
Half year of 2013
13. SUPPLEMENTARY INFORMATION — Continued
2. Return on net asset and earnings per share:
Current period

<u>Profit for the reporting period</u>	<u>Weighted average of return on net assets (%)</u>	<u>Earnings per share</u>	
		<u>Basic earnings per share</u>	<u>Diluted earnings per share</u>
Net profit attributable to ordinary shareholders of the Company	37.92	0.5220	0.5220
Net profit attributable to ordinary shareholders of the Company after deducting non- recurring gain or loss	36.31	0.4998	0.4998

Corresponding period last year

<u>Profit for the reporting period</u>	<u>Weighted average of return on net assets (%)</u>	<u>Earnings per share</u>	
		<u>Basic earnings per share</u>	<u>Diluted earnings per share</u>
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

3. Reasons for exceptional items in the financial statements of the Company

<u>Statement item</u>	<u>Closing balance or amount for current year</u>	<u>Opening balance or amount for last year</u>	<u>% Change</u>	<u>Reasons for change</u>
Financial assets held- for trading	46,422,791.91	10,678,293.47	334.74	Mainly due to increase in the exchange rate for undue forward contracts as at the end of Reporting Period
Notes receivable	2,882,578,671.26	1,558,766,192.61	84.93	Mainly due to increase in receivables as at the end of the period under increase in payment for the sales peak season at the end of the Reporting Period, and decrease in notes receivable endorsed under promotion of electronic bill payment by the Company

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

13. SUPPLEMENTARY INFORMATION — Continued**3. Reasons for exceptional items in the financial statements of the Company — Continued**

Statement item	Closing balance or amount for current year	Opening balance or amount for last year	% Change	Reasons for change
Accounts receivable	2,765,496,446.96	1,455,882,205.49	89.95	Mainly due to increase in accounts receivable for the sales peak season at the end of the Reporting Period, but the period-to-period increase and increase in amount were basically comparable
Construction in progress	217,503,429.93	68,344,253.58	218.25	Mainly due to increase in investment in a subsidiary, Shandong Refrigerator
Short-term borrowings	82,800,589.12	30,309,453.94	173.18	Mainly due to increase in factoring financing for accounts receivable at the end of the period
Accounts payable	4,352,333,112.10	2,335,425,936.47	86.36	Mainly due to increase in accounts payable under increased sales for the sales peak season at the end of the period but the period-to-period increase and increase in amount were basically comparable
Advances from customers	505,065,375.74	837,065,771.59	(39.66)	Mainly due to decrease in advances from customers under increased sales for the sales peak season at the end of the Reporting Period
Taxes payable	(31,531,487.94)	(48,994,818.36)	35.64	Mainly due to increase in tax payable under increased sales
Other current liabilities	779,886,418.44	566,406,795.92	37.69	Mainly due to corresponding increase in accounts payable under increased sales
Total operating revenue	12,992,870,024.48	9,967,726,766.93	30.35	Mainly due to increased sales for the Reporting Period
Business taxes and surcharges	49,585,982.21	32,387,549.72	53.10	Mainly due to increase in tax payable under increased sales
Selling and distribution expenses	1,754,021,512.96	1,310,271,064.86	33.87	Mainly due to increase in accounts payable corresponding to increased sales
Financial expenses	12,612,656.22	25,298,032.29	(50.14)	Mainly due to decrease in interest expenses
Gain from changes in fair value	35,908,729.66	(14,092,955.53)	(354.80)	Mainly due to changes in undue forward contracts and draw down upon maturity for the period
Investment income	154,056,030.47	100,107,033.46	53.89	Mainly due to increase in net profit of an associate, Hisense Hitachi
Income tax expenses	19,895,297.20	5,621,187.99	253.93	Mainly due to increase in the aggregate profit of all companies

NOTES TO THE FINANCIAL STATEMENTS — Continued

Half year of 2013

13. SUPPLEMENTARY INFORMATION — Continued**3. Reasons for exceptional items in the financial statements of the Company — Continued**

Statement item	Closing balance or amount for current year	Opening balance or amount for last year	% Change	Reasons for change
Cash received from sales of goods and rendering of services	5,644,887,416.81	3,752,286,603.70	50.44	Mainly due to increase in payment under increased sales
Other cash received concerning operating activities	508,225,547.38	114,798,118.12	342.71	Mainly due to increase in energy-saving subsidy received
Cash paid for purchases of commodities and receipt of services	3,871,204,118.31	2,246,530,087.14	72.32	Mainly due to increase in payments for goods for procurement under increased sales
Cash paid to and for employees	1,010,902,554.71	747,008,600.90	35.33	Mainly due to corresponding increase in staff salaries under increased sales
Cash paid for taxes and surcharges	418,797,596.46	304,625,376.25	37.48	Mainly due to increase in tax paid under increased sales
Cash received from returns on investment	73,500,000.00	49,000,000.00	50.00	Mainly due to increase in bonus to an associate, Hisense Hitachi
Net cash received from disposals of subsidiaries and other operation units	0.00	42,534,178.70	(100.00)	Mainly due to proceeds from disposal of subsidiary for the corresponding period, and nil for the period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	242,761,202.25	88,888,161.76	173.11	Mainly due to increase in investment in a subsidiary, Shandong Refrigerator
Cash received from borrowings	145,508,582.23	1,307,500,749.18	(88.87)	Mainly due to decrease in financing activities for the period
Cash paid for repayment of borrowings	92,496,008.42	1,262,800,257.67	(92.68)	Mainly due to decrease in financing activities for the period
Cash paid for distribution of dividends, profit or interest expenses	7,023,141.13	20,572,529.95	(65.86)	Mainly due to decrease in corresponding decrease in interest expenses under decreased financing activities for the period

14. APPROVAL OF FINANCIAL STATEMENTS

The 2013 interim financial statements and the notes to financial statements of the Company were approved for publication at the third meeting of the eighth session of the Board of the Company in 2013.

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

1. 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 RMB12,993 million, representing a year-to-year increase of 30.35%, of which the revenue from its principal operating businesses amounted to RMB11,790 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 RMB707 million, representing a year-to-year increase of 86.07%.

During the Reporting Period, the Company's revenue from the refrigerator business amounted to RMB5,311 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 RMB5,057 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 RMB8,227 million, representing a year-to-year increase of 39.60%. The operating revenue from the export sales business was RMB3,563 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.

I. ANALYSIS OF THE COMPANY'S OPERATION — Continued**2. 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.

I. ANALYSIS OF THE COMPANY'S OPERATION — Continued**3. 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 A8-89 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 in the first half of 2013, 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.

I. ANALYSIS OF THE COMPANY'S OPERATION — *Continued***4. 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.

MANAGEMENT DISCUSSION AND ANALYSIS — Continued

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

MANAGEMENT DISCUSSION AND ANALYSIS — *Continued*

II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — *Continued*

(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	—

(iii) ANALYSIS OF PRINCIPAL BUSINESS

Unit: RMB

	Reporting Period	Corresponding period last year	Increase or decrease as compared to corresponding period last year (%)	Reason of changes
Operating revenue	12,992,870,024.48	9,967,726,766.93	30.35	Mainly due to increase in sales during the reporting period
Operating costs	10,250,224,907.55	7,982,126,495.52	28.41	Mainly due to increase in costs in line with increase in sales
Selling and distribution 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
General and administrative expenses	354,200,313.53	299,727,610.10	18.17	
Finance expenses	12,612,656.22	25,298,032.29	(50.14)	Mainly due to decrease in interest payment
Income tax expenses	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

MANAGEMENT DISCUSSION AND ANALYSIS — *Continued*

II. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD — *Continued*

(iv) Description of principal business segments

Unit: RMB

Item	Operating revenue	Operating Cost	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” inverter air-conditioners had ranked first in China for thirteen consecutive years, while the market share of “Ronshen” refrigerators had ranked first in China for eleven years. “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 RMB79 million for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB32 million).

As at 30 June 2013, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB482 million (as at 30 June 2012: RMB462 million) and bank loans amounting to approximately RMB83 million (as at 30 June 2012: RMB1,102 million).

Total capital expenditures of the Group for the six months ended 30 June 2013 amounted to approximately RMB243 million (for the six months ended 30 June 2012: RMB89 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 RMB526 million (31 December 2012: RMB428 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	<u>1,354,054,750</u>	<u>100.00%</u>

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 ^{Note 1}	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 ^{Note 2}	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:

- 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.
- 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:

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

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 and interim report 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-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		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 RMB1.9652 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.

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

✓ Applicable □ Not Applicable

<u>General status of the litigation (arbitration)</u>	<u>Amount involved (RMB ten thousand)</u>	<u>Whether a liability is expected to be caused</u>	<u>Progress of the litigation (arbitration)</u>	<u>Results and effects of the litigation (arbitration)</u>	<u>Execution of the judgment of the litigation (arbitration)</u>
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.	72,541.44	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

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

III. PARTICULARS OF EXTERNAL INVESTMENTS

<u>Amount of investment for the Reporting Period (RMB)</u>	<u>Particulars of external investments Amount of investment for corresponding period last year (RMB)</u>	<u>Change (%)</u>
175,000,000.00	0	100%

<u>Name of company</u>	<u>Particulars of the investee Principal business</u>	<u>Shareholding in the investee attributable to the listed company (%)</u>
Shandong Refrigerator	Manufacture of energy saving and environmental friendly refrigerator and freezer products	100%

IV. SHAREHOLDINGS IN OTHER LISTED COMPANIES HELD BY THE COMPANY

<u>Stock code</u>	<u>Stock abbreviation</u>	<u>Initial investment cost (RMB ten thousand)</u>	<u>Shareholding percentage in the company (%)</u>	<u>Carrying amount at the end of the period (RMB ten thousand)</u>	<u>Profit and loss for the Reporting Period (RMB ten thousand)</u>	<u>Changes in ownership interests for the Reporting Period (RMB ten thousand)</u>
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.

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

V. PARTICULARS OF 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 ten thousand)</u>	<u>Percentage of total amount of similar transactions (%)</u>
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.

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. 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 party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	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
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

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. PARTICULARS OF GUARANTEES DURING THE REPORTING PERIOD — *Continued*

The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Guarantees given by the Company for its subsidiaries				Period of guarantee	Completed or not	Whether the guarantee is given for any connected party
		Guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee			
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 Including:							2.08%	
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	

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. DERIVATIVES INVESTMENT

Unit: RMB (in ten thousand)

Name of operators of derivatives investment	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.					

VII. DERIVATIVES INVESTMENT — *Continued*

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 RMB6,409,300, 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 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.

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"	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