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Hisense 海信科龙

HISENSE KELON ELECTRICAL HOLDINGS COMPANY LIMITED

海信科龍電器股份有限公司

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

(Stock Code: 00921)

2014 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Hisense Kelon Electrical Holdings Company Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014 (the “Reporting Period”) together with comparative figures for the corresponding period in 2013. This interim results announcement has been reviewed by the Company’s Audit Committee.

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

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

Consolidated Balance Sheet

Item	Note	30 June 2014	31 December 2013
Assets			
Current assets			
Cash at bank and on hand		739,977,525.12	473,787,177.54
Financial assets held for trading			67,115,019.35
Notes receivable		2,597,719,095.46	2,160,801,733.50
Trade receivables	5	3,774,457,354.64	1,644,771,822.27
Prepayments		409,266,917.56	352,903,571.02
Others receivables		646,660,175.11	546,337,496.66
Inventories		2,830,295,231.52	2,496,359,854.46
Other current assets		8,324,256.32	5,306,649.45

Total current assets		11,006,700,555.73	7,747,383,324.25
Non-current assets			
Long-term equity investments		1,050,257,544.54	997,500,673.77
Investment properties		32,696,161.08	33,946,307.75
Fixed assets		2,653,962,811.03	2,368,500,692.73
Construction in progress		254,100,756.79	253,977,558.18
Fixed assets pending for disposal			
Intangible assets		559,943,236.57	521,782,817.81
Long-term prepaid expenses		3,869,990.15	5,001,055.07
Deferred tax assets		32,484,246.68	36,616,861.02
Total non-current assets		4,587,314,746.84	4,217,325,966.33
Total assets		15,594,015,302.57	11,964,709,290.58
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings		501,736,882.06	191,681,513.02
Financial liabilities held for trading		23,364,872.22	4,645.00
Notes payable		1,567,771,712.01	1,391,098,638.68
Trade payables	6	5,502,769,681.97	3,480,510,368.16
Advances from customers		620,593,516.36	907,031,506.85
Employee remunerations payable		246,014,827.14	236,343,013.69
Taxes payable		-15,127,083.82	-156,766,531.00
Interests payable			
Dividends payable		2,067.02	9,002,067.02
Other payables		1,934,812,715.22	1,731,259,054.40
Other current liabilities		913,697,036.51	574,037,292.42
Total current liabilities		11,295,636,226.69	8,364,201,568.24
Non-current liabilities			
Provisions		377,199,975.24	361,158,229.87
Other non-current liabilities		53,524,706.47	56,011,769.90
Total non-current liabilities		430,724,681.71	417,169,999.77
Total liabilities		11,726,360,908.40	8,781,371,568.01
Shareholders' equity			

Share capital		1,358,495,560.00	1,354,054,750.00
Capital reserve		2,132,241,221.52	2,099,105,600.77
Surplus reserves		145,189,526.48	145,189,526.48
Undistributed profits		-250,617,265.10	-860,386,951.24
Difference on translation of foreign currency financial statements		10,513,116.80	10,768,154.82
Total equity attributable to shareholders of the Company		3,395,822,159.70	2,748,731,080.83
Minority interests		471,832,234.47	434,606,641.74
Total shareholders' equity		3,867,654,394.17	3,183,337,722.57
Total liabilities and shareholders' equity		15,594,015,302.57	11,964,709,290.58

Consolidated Income Statement

Item	Note	January to June 2014	January to June 2013
Revenue	7	15,397,537,762.48	12,992,870,024.48
Cost of sales	7	12,062,743,794.94	10,250,224,907.55
Business taxes and surcharges		47,442,408.04	49,585,982.21
Selling and distribution expenses		2,290,188,924.94	1,754,021,512.96
General and administrative expenses		403,931,289.17	354,200,313.53
Financial expenses	8	-14,986,556.54	12,612,656.22
Impairment losses on assets		7,056,482.02	6,688,362.49
Gain from changes in fair value		-90,475,246.57	35,908,729.66
Investment income	9	186,760,167.37	154,056,030.47
Including: Share of profit of associates and joint ventures		141,589,179.58	119,561,283.99
Operating profits		697,446,340.71	755,501,049.65
Non-operating income		47,756,186.98	13,979,505.92
Non-operating expenses		3,675,820.69	4,458,356.04
Including: Losses on disposal of non-current assets		2,496,560.42	1,436,232.09
Total profit		741,526,707.00	765,022,199.53
Less: Income tax expenses	10	103,110,741.21	19,895,297.20
Net profit		638,415,965.79	745,126,902.33
Profits realized by consolidated parties prior to consolidation			

Net profit attributable to shareholders of the Company		609,769,686.14	706,812,577.45
Minority interests		28,646,279.65	38,314,324.88
Earnings per share			
Basic earnings per share	13	0.45	0.52
Diluted earnings per share	13	0.45	0.52
Other comprehensive income		-259,491.65	-4,419,540.36
(1) Items to be reclassified into profit and loss in subsequent accounting periods upon satisfaction of required conditions		-259,491.65	-120,742.22
(2) Items not to be reclassified into profit and loss in subsequent accounting periods			-4,298,798.14
Total comprehensive income		638,156,474.14	740,707,361.97
Total comprehensive income attributable to the shareholders of the Company		609,510,194.49	702,393,037.09
Total comprehensive income attributable to minority interests		28,646,279.65	38,314,324.88

Note:

1. General information

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

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

On 31 August 2009, the Company constituted a major asset reorganization and entered into conditional sale and purchase agreement regarding the acquisition of the white goods assets and business (the “White Goods Business”) of Hisense Air-Conditioning(the “Acquisition”). The Acquisition was approved by the CSRC (PRC’s China Securities

Regulatory Commission) on 23 March 2010. On 10 June 2010, the Company allotted and issued 362,048,187 A shares to Hisense Air-Conditioning for the Acquisition.

On 23 May 2014, the conditions for exercising the options of the first exercise period of the first share option incentive scheme of the Company were satisfied. The Shenzhen branch of China Securities Depository and Clearing Corporation Limited has approved the registration and the listing of the 4,440,810 new shares. As at 30 June 2014, the total number of issued shares of the Company was 1,358,495,560.00 and the registered capital of the Company was RMB1,358,495,560.00, of which Hisense Air-Conditioning held 612,316,909 shares, representing 45.07% of the Company's total issued share capital and continued to be the immediate controlling shareholder.

In the opinion of the directors of the Company, as at 30 June 2014, Hisense Company Limited ("Hisense Group"), a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder.

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

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

2. Basis of preparation

These financial statements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the disclosure requirements under the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

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

3. Significant changes in accounting policies

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

4. Segment information

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

(1) Segment information for the period ended 30 June 2014 is as follows:

Amount for current period	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	6,287,790,801.14	7,214,897,296.28	529,721,371.69		14,032,409,469.11
2. Revenue from inter-segment			685,139,673.40	-685,139,673.40	
3. Share of profit of associates and joint ventures	-13,089,815.38	154,659,214.59	19,780.37		141,589,179.58
4. Depreciation and amortization	131,224,705.35	61,518,837.23	31,441,964.13		224,185,506.71
5. Gain from changes in fair value	-38,508,944.11	-40,225,630.56	-11,740,671.90		-90,475,246.57
6. Impairment losses on assets	2,007,220.40	2,523,503.54	2,525,758.08		7,056,482.02
7. Total profit (total loss)	200,120,273.80	479,284,433.71	92,501,371.81	-30,379,372.32	741,526,707.00
8. Income tax expenses	26,205,733.62	71,433,826.93	5,471,180.66		103,110,741.21
9. Net profit (net loss)	173,914,540.18	407,850,606.78	87,030,191.15	-30,379,372.32	638,415,965.79
10. Total assets	13,269,026,315.69	12,062,111,032.83	3,942,866,361.86	-13,679,988,407.81	15,594,015,302.57
11. Total liabilities	9,368,237,443.37	9,819,799,306.76	2,697,634,850.08	-10,159,310,691.81	11,726,360,908.40
12. Additions to other non-current assets other than long-term equity investments	149,221,863.60	75,641,716.07	92,368,330.07		317,231,909.74

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

Amount for last period	Refrigerators and Washing machines	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	6,253,116,338.53	5,056,633,164.27	480,266,067.18		11,790,015,569.98
2. Revenue from inter-segment			418,300,423.53	-418,300,423.53	
3. Share of profit of associates and joint	-2,470,987.60	121,979,146.56	53,125.03		119,561,283.99

ventures					
4. Depreciation and amortization	98,934,365.77	51,701,398.96	27,524,768.40		178,160,533.13
5. Gain from changes in fair value	18,451,911.09	17,229,470.87	227,347.70		35,908,729.66
6. Impairment losses on assets	12,186,845.98	-9,510,584.38	4,012,100.89		6,688,362.49
7. Total profit (total loss)	376,580,290.10	307,783,454.94	107,891,979.23	-27,233,524.73	765,022,199.54
8. Income tax expenses	14,350,935.70	2,892,139.46	2,652,222.04		19,895,297.20
9. Net profit (net loss)	362,229,354.40	304,891,315.48	105,239,757.19	-27,233,524.73	745,126,902.34
10. Total assets	10,505,823,975.90	7,865,318,736.17	3,457,583,436.30	-9,334,685,900.92	12,494,040,247.45
11. Total liabilities	7,140,418,703.35	6,271,972,667.65	2,548,483,271.58	-6,076,238,814.64	9,884,635,827.94
12. Additions to other non-current assets other than long-term equity investments	158,927,785.11	-9,421,775.75	-4,890,164.12		144,615,845.24

(2) Geographical Information

Item	January to June 2014	January to June 2013
Revenue from external customers - Mainland	10,114,000,100.38	8,226,727,331.31
Revenues from external customers - Overseas	3,918,409,368.73	3,563,288,238.67
Total	14,032,409,469.11	11,790,015,569.98
Item	30 June 2014	31 December 2013
Non-current assets - Mainland	4,189,514,314.75	3,812,999,561.22
Non-current assets - Overseas	397,800,432.09	404,326,405.11
Total	4,587,314,746.84	4,217,325,966.33

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

5. Trade receivables

(1) On 13 December 2006, the transaction in respect of transfer of shares of the Company between the preceding immediate controlling shareholder, Guangdong Greencool Enterprise Development Company Limited (“Greencool Enterprise”), which is owned by the Company’s former chairman, Mr. Gu Chu Jun (“Mr. Gu”), and Hisense Air-Conditioning was completed. Upon completion, Mr. Gu, Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu

were no longer connected with the Group. Accordingly, no related party disclosures were made in respect of Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu for the year. Details of trade receivables, including the balances with Greencool Enterprise and its affiliates and companies suspected to be connected with Mr. Gu (“Greencool Companies”), are disclosed as follows:

Company name	30 June 2014		31 December 2013	
	Ending Balance	Provision for bad debts	Ending Balance	Provision for bad debts
Hefei Weixi Electrical Appliance Co., Ltd.			18,229,589.24	7,805,094.62
Wuhan Changrong			20,460,394.04	14,921,847.02
Total			38,689,983.28	22,726,941.64

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

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

Item	30 June 2014	31 December 2013
Within three months	3,744,047,415.38	1,603,973,518.09
Over three months but within six months	31,368,925.32	25,252,208.41
Over six months but within one year	4,355,812.94	4,216,549.94
Over one year	149,372,385.43	150,626,963.20
Total	3,929,144,539.07	1,784,069,239.64
Less: provision for bad debts	154,687,184.43	155,260,459.01
	3,774,457,354.64	1,628,808,780.63

6. Trade payables

The aging of trade payables is analysed as follows:

Item	30 June 2014	31 December 2013
Within one year	5,362,934,062.70	3,291,382,468.75
Over one year	139,835,619.27	189,127,899.41
Total	5,502,769,681.97	3,480,510,368.16

7. Revenue and cost of sales

Item	January to June 2014	January to June 2013
Revenue from main operations	14,032,409,469.11	11,790,015,569.98
Revenue from other operations	1,365,128,293.37	1,202,854,454.50
Total	15,397,537,762.48	12,992,870,024.48
Item	January to June 2014	January to June 2013
Cost of main operations	10,797,489,654.95	9,138,714,099.92
Cost of other operations	1,265,254,139.99	1,111,510,807.63
Total	12,062,743,794.94	10,250,224,907.55

8. Financial expenses

Item	January to June 2014	January to June 2013
Interest expenses	11,098.16	326,455.49
less: interest income	1,995,289.97	1,437,999.50
Gain/(loss) on Foreign Exchange	-12,598,553.46	35,447,916.96
Others	-403,811.27	-21,723,716.73
Total	-14,986,556.54	12,612,656.22

9. Investment Income

(1) Summary of investment income

Item	January to June 2014	January to June 2013
Income from long-term equity investment - the cost method	9,500,000.00	4,750,000.00
Income from long-term equity investment - the equity method	141,589,179.58	119,561,283.99
Income from disposal of long-term equity investment	-	23,335,449.55
Income from disposal of financial assets held for trading	35,670,987.79	6,409,296.93
Total	186,760,167.37	154,056,030.47

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

Investee	January to June 2014	January to June 2013
Hisense International Co., Ltd.	9,500,000.00	4,750,000.00
Total	9,500,000.00	4,750,000.00

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

Investee	January to June 2014	January to June 2013
Huayi Compressor	5,259,786.88	3,776,668.68
Hisense-Whirlpool	-18,349,602.26	-6,247,656.28
Attend Logistics Co., Ltd.	19,780.37	53,125.03
Hisense Hitachi	154,659,214.59	121,979,146.56
Total	141,589,179.58	119,561,283.99

10. Income tax expenses

Item	January to June 2014	January to June 2013
Income tax expenses	98,978,126.87	18,746,060.17
Inc: Current income tax calculated according to tax law and related regulations in Mainland China	92,514,458.28	18,746,060.17
Current income tax calculated according to tax law and related regulations in Hong Kong	6,463,668.59	
Deferred tax expenses	4,132,614.34	1,149,237.03
Total	103,110,741.21	19,895,297.20

Certain subsidiaries have been recognised as “high technology” companies and are entitled to a preferential tax rate of 15% (2013: 15%). Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits.

Except as disclosed above, the Company and other group entities, which were established and operated in the PRC, are subject to EIT at a standard rate of 25% (2013: 25%).

11. Net Current Assets

Item	30 June 2014	31 December 2013
Current Assets (Consolidated)	11,006,700,555.73	7,747,383,324.25
Less : Current Liabilities (Consolidated)	11,295,636,226.69	8,364,201,568.24
Net Current Assets (Consolidated)	-288,935,670.96	-616,818,243.99
Current Assets (the Company)	5,051,312,441.04	6,511,109,633.34
Less : Current Liabilities (the Company)	5,156,006,314.35	7,247,032,125.40
Net Current Assets (the Company)	-104,693,873.31	-735,922,492.06

12. Total Assets Less Current Liabilities

Item	30 June 2014	31 December 2013
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Total Assets (Consolidated)	15,594,015,302.57	11,964,709,290.58
Less : Current Liabilities (Consolidated)	11,295,636,226.69	8,364,201,568.24
Total Assets less Current Liabilities (Consolidated)	4,298,379,075.88	3,600,507,722.34
Total Assets (the Company)	8,988,699,569.36	10,451,187,516.52
Less : Current Liabilities (the Company)	5,156,006,314.35	7,247,032,125.40
Total Assets Less Current Liabilities (the Company)	3,832,693,255.01	3,204,155,391.12

13. Earnings per share

(a) Basic earnings per share

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

Item	January to June 2014	January to June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	609,769,686.14	706,812,577.45
Weighted average number of ordinary shares in issue of the Company	1,354,794,885.00	1,354,054,750.00
Basic earnings per share	0.45	0.52

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated net profit attributable to ordinary shareholders of the Company adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares in issue of the Company. For the Reporting Period and the corresponding period ended 30 June 2013, there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014. 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 of the Company during the Reporting Period

During the Reporting Period, the domestic home appliance industry exhibited scarce domestic demand and weak growth due to the influence of factors such as the withdrawal of the state's policy for stimulation of consumption and the continued sluggish real estate market. According to the statistics of China Market Monitor Company Limited (CMM),

the retail volume of refrigerator industry started to record year-to-year decrease since February 2014, and the extent of such decrease has further aggravated since the second quarter of the year. As at June 2014, there has been a 8.93% year-to-year decrease in the accumulated retail volume of the refrigerator industry while the air-conditioner industry maintained a slow but stable growth and recorded a year-to-year increase of 5.11% in the accumulated retail volume as at June 2014. As to the export business, the demand of overseas market was generally weak. According to the statistics of the Customs Department, the export volume of the refrigerator and freezer industry marked a year-to-year growth of 9.4%, and that of the air-conditioner industry decreased by 10.2% year-to-year.

In the aforesaid operating environment, during the Reporting Period, the Company managed to achieve an overall stable operating scale through strict implementation of the operating strategies of “building product advantages, improving service quality, reforming marketing model, enhancing system efficiency and ensuring scale and efficiency” which were formulated at the beginning of the year. The Company generated an operating revenue of RMB15398 million, representing a year-to-year increase of 18.51%, net profits attributable to shareholders of the listed company of RMB610 million, representing a year-to-year decrease of 13.73% and earnings per share was RMB0.45. The main operating business of the Company maintained stable and steady growth, of which the revenue from the refrigerators and washing machines business accounted for 44.81% of the main operating revenue, representing a year-to-year growth of 0.55%; revenue from the air-conditioner business accounted for 51.42% of the main operating revenue, representing a year-to-year growth of 42.68%; the domestic sales business recorded a main operating revenue of RMB10114 million, representing a year-to-year growth of 22.94%, whereas the export sales business recorded a main operating revenue of RMB3918 million, representing a year-to-year growth of 9.97%.

2. Refrigerators and washing machines

During the Reporting Period, the domestic refrigerator industry was stagnant, and both the retail volume and retail amount recorded year-to-year decrease. Being committed to implement the strategies of product intelligentization and product differentiation, in pursuance of its core technologies of energy saving, health and intelligentization, the Company insisted on technology innovations and upgrade and user experience enhancement. The Company launched the world’s first Nano-fresh nano ion preservation technology by integrating the water ion preservation technology and the plasma anti-bacterial technology and thus achieving the integration of the two major functions of “moisturizing and disinfection” in refrigerator products. In addition, pursuant to the

domestic customers' consumer demand and usage habit of "large space and multi-drawers", the Company launched Ronshen cross frostless four-door refrigerator. At the 2014 Refrigerator Industry Summit, "Ronshen refrigerators" won the "Leading Brand in Moisturizing Technology in the Refrigerator Industry for the year 2013-2014" for their continual innovations in moisturizing, frostless and cooling technologies, whereas Ronshen cross frostless four-door refrigerator was awarded the "Star of Space Design Award", being the sole product in the refrigerator industry to receive such honour and it was also jointly recommended by the State Information Center and the website of China Household Electrical Appliances Association (www.cheaa.com) as "The Most Suitable Refrigerator for Chinese Households". The new generation of Hisense intelligent refrigerators was once again honored with the "China Household Electrical Appliance Product Prize" at the 2014 China Appliance World Expo.

At the same time, the Company was devoted to expand the scale of export to compensate the insufficiency of the scale of domestic business. According to the statistics of the Customs Department, the export volume of the refrigerators and washing machines products of the Company recorded a year-to-year growth of 23.2% during the first half of 2014, outperforming the 9.4% growth of the industry.

3. Air-conditioner business

During the Reporting Period, the domestic air-conditioner industry maintained a slow but stable growth. The Company was eager to continually capitalize the opportunity of industry upgrade and has strengthened its product competitiveness and improved its brand image through further technological innovations, functional upgrades and quality enhancements. Hisense intelligent air-conditioner was awarded the "Gold Kangaroo World Innovation Award", a one of its kind world-level eminent award, at the World Innovation Forum for its self-developed internet intelligent air-conditioner which is the first model around the globe. In line with its determination to enhance the product quality and sophistication, augment the promotion of mid- and high-end products and further enrich the portfolio of mid- and high-end products, the Company has launched Kelon QV Artistic cabinet air-conditioner series and ultra-thin wall-mounted air-conditioner series, and the price indices of "Kelon" brand air-conditioners increased steadily. As a result of the Company's continuation of its fundamental works such as stringent cost control and procedural enhancement, the Company's system efficiency was enhanced significantly, the product profitability was further enhanced and the gross profit margin recorded a 2.6 percentage points year-to-year increase. According to the statistics of CMM, the two air-conditioner brands "Hisense" and "Kelon" have achieved year-to-year growth in their retail volume by 28.76% and 8.69% respectively during the first half of 2014,

outperforming the overall growth of the air-conditioner industry. The market share of the accumulated retail volume of the Company's air-conditioners was 8.89%, representing an increase of 0.99 percentage points from the corresponding period last year.

4. Outlook

Looking ahead to the second half of the year, the demand in domestic home appliance market will remain weak and the industry players will continue to face a relatively tough operating environment. The Company will continue to uphold the operating strategies devised at the beginning of the year to achieve steady increase in its scale and market share, through the implementation of the following:

- (1) to expedite the research and development and promotion of new high-end products; to establish the advantages of technological products; to enhance product competitiveness; to improve the sale structure.
- (2) to define the product and channel positions; to enhance the channel capabilities; to grasp outlet exploration work; to steadily proceed with the channel building plan.
- (3) to continue its in-depth exploration on efficiency enhancement possibilities; to comprehensively implement efficiency enhancement initiatives on manufacturing, management, marketing and other segments.
- (4) to propel the management of NPS (net promoter score) ; to further improve product quality; to step up the level of sophistication; to enhance user experience and satisfaction; to refine the quality of service; to reinforce the service capability.
- (5) to implement strict capital and expenses management and to accelerate capital flow.

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)	15,397,537,762.48	12,992,870,024.48	18.51
Net profits attributable to shareholders of listed	609,769,686.14	706,812,577.45	-13.73

company (RMB)			
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	573,969,809.70	676,763,629.46	-15.19
Net cash flow from operating activities (RMB)	100,286,224.09	79,191,035.09	26.64
Basic earnings per share (RMB/share)	0.45	0.52	-13.46
Diluted earnings per share (RMB/share)	0.45	0.52	-13.46
Weighted average rate of return on net assets (%)	19.85	37.92	-18.07
Items	end of the Reporting Period	end of last year	Increase or decrease as compared to end of last year (%)
Total assets (RMB)	15,594,015,302.57	11,964,709,290.58	30.33
Net assets attributable to shareholders of listed company (RMB)	3,395,822,159.70	2,748,731,080.83	23.54

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

Unit: RMB

Item	Amount	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-856,818.94	
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)	29,489,120.05	
Reversal of provision for impairment loss of account receivables which is subject to separate impairment testing	578,014.68	
Other non-operating income and expenses other than the aforementioned items	15,448,065.18	
Less:Effect of income tax	7,662,455.83	
Effect of minority interests (after tax)	1,196,048.70	
Total	35,799,876.44	--

(III) ANALYSIS OF PRINCIPAL BUSINESS

Unit: RMB

	Closing balance	Opening balance	Percentage of change	Reasons for change
Cash at bank and on hand	739,977,525.12	473,787,177.54	56.18%	Mainly due to the end of the Reporting Period being the peak season for sales with increase in payment received which led to an increase in the closing balance of cash at bank and on hand as at the end of the Reporting Period and at the same time due to an increase in factoring accounts receivable during the period
Financial assets held-for-trading	-	67,115,019.35	-100.00%	Mainly due to the change in the exchange rate for undue forward contracts as at the end of the Reporting Period
Accounts receivable	3,774,457,354.64	1,644,771,822.27	129.48%	Mainly due to the end of the Reporting Period being the peak season for sales with increase in sales which led to an increase in accounts receivable as at the end of the period, but the extent of year-to-year increase is similar to the increase in the scale of sales
Short-term	501,736,882.06	191,681,513.02	161.76%	Mainly due to increase in factoring accounts

borrowings				receivable during the period
Financial liabilities held-for-trading	23,364,872.22	4,645.00	502911.24%	Mainly due to the change in the exchange rate for undue forward contracts as at the end of the Reporting Period
Accounts payable	5,502,769,681.97	3,480,510,368.16	58.10%	Mainly due to the end of the Reporting Report being the peak season for sales with accounts payable increased in line with the increase in sales. The year-on-year increase is similar to the increase in the scale of sales
Advances from customers	620,593,516.36	907,031,506.85	-31.58%	Mainly due to the end of the Reporting Period being the peak season for sales with decrease in advances from customers in line with the increase in sales
Taxes payable	-15,127,083.82	-156,766,531.00	N/A	Mainly due to increase in taxes payable in line with the increase in sales
Other current liabilities	913,697,036.51	574,037,292.42	59.17%	Mainly due to increase in the relevant expenses payable in line with the increase in sales
	Reporting Period	Corresponding period last year	Year-to-year increase or decrease	Reasons for change
Operating revenue	15,397,537,762.48	12,992,870,024.48	18.51%	No significant change
Operating costs	12,062,743,794.94	10,250,224,907.55	17.68%	No significant change
Selling and distribution expenses	2,290,188,924.94	1,754,021,512.96	30.57%	Mainly due to the increase in relevant expenses in line with the increase in sales, and at the same time due to intensification of market participation
General and administrative expenses	403,931,289.17	354,200,313.53	14.04%	No significant change
Financial expenses	-14,986,556.54	12,612,656.22	N/A	Mainly due to increase in exchange gains
Gain from changes in fair value	-90,475,246.57	35,908,729.66	N/A	Mainly due to changes in undue forward transactions for the period and changes in settlement of due transactions
Non-operating income	47,756,186.98	13,979,505.92	241.62%	Mainly due to year-to-year increase in government subsidies received for the period
Income tax expenses	103,110,741.21	19,895,297.20	418.27%	Mainly due to increase in taxable income for all companies and decrease in uncovered loss available for the year
Other cash received concerning operating activities	311,684,318.20	508,225,547.38	-38.67%	Mainly due to receipt of energy-saving subsidies and payment from Intermediate People's Court of Yangzhou City for execution of cases involving the Greencool Companies during the corresponding period last year and no such corresponding sum received for the period
Net cash flows from operating activities	100,286,224.09	79,191,035.09	26.64%	No significant change
Net cash flows from investing activities	-182,603,279.14	-159,207,987.91	14.69%	No significant change
Cash received from borrowings	806,571,237.55	145,508,582.23	454.31%	Mainly due to increase in sum of factoring financing for accounts receivable during the period
Cash paid for repayment of debts	494,790,463.77	92,496,008.42	434.93%	Mainly due to increase in repayment of factoring financing for accounts receivable during the period
Cash paid for distribution of dividends, profit	11,954,926.30	7,023,141.13	70.22%	Mainly due to increase in dividend distribution by certain subsidiaries

or interest expenses				
Net cash flows from financing activities	349,192,218.98	45,989,426.02	659.29%	Mainly due to increase in sum of factoring financing for accounts receivable during the period
Net increase in cash and cash equivalents	266,990,347.58	-34,027,526.80	N/A	Mainly due to change in cash flows from financing activities

(IV) DESCRIPTION OF PRINCIPAL BUSINESS SEGMENTS

Unit: RMB

Item	Revenue from operating businesses	Costs of operating businesses	Gross profit margin (%)	Increase or decrease in revenue from operating businesses as compared to corresponding period last year (%)	Increase or decrease in costs of operating businesses as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (%)
By industry						
Home appliances manufacturing industry	14,032,409,469.11	10,797,489,654.95	23.05	19.02	18.15	0.57
By product						
Refrigerators and washing machines	6,287,790,801.14	4,938,155,758.02	21.46	0.55	2.87	-1.77
Air-conditioners	7,214,897,296.28	5,485,955,258.68	23.96	42.68	37.96	2.60
Others	529,721,371.69	373,378,638.25	29.51	10.30	3.22	4.83
By region						
Mainland	10,114,000,100.38	7,276,607,756.09	28.05	22.94	22.56	0.23
Overseas	3,918,409,368.73	3,520,881,898.86	10.15	9.97	9.98	-0.01

III. CORE COMPETITIVENESS ANALYSIS

1. Technological advantages

The Company adheres to its operating philosophy of “technology orientation” and focuses on “energy-saving by inverter technology” and “green and environmental friendliness” to build its core competitiveness through continual 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, and an industry-leading research and development team with thousands of technical personnel. During the Reporting Period, the Company applied for a total of 193 patents including 58 invention patents. The Company was granted a total of 207 patents including 1 foreign invention patent and 9 invention patents. The Company is always committed to enhance its self-driven innovation capacity, strives to enhance the performance and level of intelligentization of its products, in order to improve 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 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	261,914.53	150,777.34	187,206.94	37,663.38	32,038.90

LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB 100 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB 79 million).

As at 30 June 2014, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 740 million (as at 30 June 2013: RMB 482 million) and bank loans amounting to approximately RMB 502 million (as at 30 June 2013: RMB 83 million).

Total capital expenditures of the Group for the six months ended 30 June 2014 amounted to approximately RMB 283 million (for the six months ended 30 June 2013: RMB 243 million).

GEARING RATIO

As at 30 June 2014, the Group’s gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 75% (as at 30 June 2013: 79%).

TRUST DEPOSITS

As at 30 June 2014, 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 2014, the Group had approximately 34,223 employees, mainly comprising 5,047 technical staff, 15,331 sales representatives, 486 financial staff, 828 administrative staff and 12,531 production staff. The Group had 6 employees with a doctorate degree, 268 with a master's degree and 3,402 with a bachelor's degree. There were 436 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2014, the Group's staff payroll amounted to RMB1267 million (corresponding period in 2013 amounted to RMB1011 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 2014, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and trade receivables of approximately RMB 557 million (31 December 2013: RMB 192 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 2014, 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	33.83%
A shares	898,905,752	66.17%
Total	1,358,495,560	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2014, there were 29,644 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	45.07%	68.12%	0
HKSCC Nominees Limited ^{Note 1}	Foreign legal person	459,131,768	33.80%	99.90%	0
China Huarong Asset Management Co., Ltd.	State-owned legal person	30,000,000	2.21%	3.34%	0
China Construction Bank – Yinhua Prosperity Theme Equity Fund	Other	17,970,085	1.32%	2.00%	0
Zhang Shaowu	Domestic natural person	6,497,200	0.48%	0.72%	0
National Social Security Fund 411	Other	4,664,954	0.34%	0.52%	0
Dacheng Value-added Security Investment Fund ^{Note 2}	Other	4,144,439	0.31%	0.46%	0
National Social Security Fund 114	Other	3,708,689	0.27%	0.41%	0
ICBC – Guangfa Strategic Quality Package Mixed Security Investment Fund	Other	3,229,790	0.24%	0.36%	0
Bank of China – Dacheng Quality Shares Package Security Investment Fund (LOF) ^{Note 2}	Other	3,059,824	0.23%	0.34%	0

Notes:

1. The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company, is the holder of 54 million H shares in total at the end of the Reporting Period, representing 3.97% of the total number of shares of the Company.

2. Da Cheng Fund Management Co., Ltd is the fund managers of both Dacheng Value-added Security Investment Fund and Bank of China – Dacheng Quality Shares Package Security Investment Fund (LOF).

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	459,131,768	Overseas listed foreign shares
China Huarong Asset Management Co., Ltd.	30,000,000	RMB ordinary shares
China Construction Bank – Yinhua Prosperity Theme Equity Fund	17,970,085	RMB ordinary shares
Zhang Shaowu	6,497,200	RMB ordinary shares
National Social Security Fund 411	4,664,954	RMB ordinary shares
Dacheng Value-added Security Investment Fund	4,144,439	RMB ordinary shares
National Social Security Fund 114	3,708,689	RMB ordinary shares
ICBC – Guangfa Strategic Quality Package Mixed Security Investment Fund	3,229,790	RMB ordinary shares
Bank of China – Dacheng Quality Shares Package Security Investment Fund (LOF)	3,059,824	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 2014, the following persons (other than the Directors, supervisors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”), or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited:

Long position or short position in the shares of the Company

Name of shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited ^{Note 1}	Beneficial owner	A shares	612,316,909(L)	68.12%	45.07%
Qingdao Hisense Electronics Industry Holding Co., Ltd. ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.12%	45.07%
Hisense Group ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.12%	45.07%
Hisense (Hong Kong) Company Limited ^{Note 1}	Beneficial owner	H shares	54,000,000(L)	11.75%	3.97%
Qingdao Hisense	Interest of	H shares	54,000,000(L)	11.75%	3.97%

Electronics Industry Holding Co., Ltd. ^{Note 1}	controlled corporation				
Hisense Group ^{Note 1}	Interest of controlled corporation	H shares	54,000,000(L)	11.75%	3.97%
Prime Capital Management Company Limited ^{Note 2}	Investment manager	H shares	55,205,691(L)	12.01%	4.06%

The letter "L" denotes a long position in the shares.

Notes:

1. *Qingdao Hisense Air-conditioning Company Limited is a company directly owned as to 93.33% and indirectly owned as to 6.67% by Qingdao Hisense Electronics Industry Holding Co., Ltd., whereas Hisense (Hong Kong) Company Limited is a company directly owned as to 100% by Qingdao Hisense Electronics Industry Holding Co., Ltd.. Qingdao Hisense Electronics Industry Holding Co., Ltd. is in turn owned as to 32.36% by Hisense Group. By virtue of the SFO, Qingdao Hisense Electronics Industry Holding Co., Ltd. and Hisense Group were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested;*
2. *Prime Capital Management Company Limited was interested in a total of 55,205,691 H shares in the capacity of an investment manager by virtue of the SFO.*

Save as disclosed above, as at 30 June 2014, 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 2014, save as disclosed below and 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.

Long position in the shares of the Company

Name of Director	Nature of interest	Number of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company
Tang Ye Guo	Beneficial owner	415,800 A shares	0.03%	0.046%
Xiao Jian Lin	Beneficial owner	273,240 A shares	0.02%	0.030%

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results announcement for the period ended 30 June 2014.

THE FIRST SHARE OPTION INCENTIVE SCHEME

(1) Movements of the share options during the Reporting Period

N o.	Name	Position	Outstandin g share options as at 1 January 2014 ('0000 shares)	Number of share options exercised during the Reporting Period ('0000 shares)	Number of share options lapsed during the Reporting Period ('0000 shares)	Number of share options cancelled during the Reporting Period ('0000 shares)	Outstanding share options as at 30 June 2014('0000 shares)
1	Tang Ye Guo	Chairman	126	41.58	-		84.42
2	Xiao Jian Lin	Director, President	82.8	27.324	-		55.476
3	Jia Shao Qian	Vice-Presid ent	82.8	25.806	-	-	56.994
4	Ren Li Ren	Former Director, former President	72 ^(Note 2)	N/A	-	-	N/A
5	Zhang Yu Qing	Former Vice-Presid ent	82.8 ^(Note 2)	N/A	-	-	N/A
6	Wang Yun Li	Former Vice-Presid ent	82.8 ^(Note 2)	N/A	-	-	N/A
7	Gan Yong He	Former Director, former Vice-Presid ent	18.1 ^(Note 2)	N/A	-	-	N/A
8	Mid level manageme nt staff and key personnel		936.9	349.371	41.61	508.41 ^(Note 3)	801.619
	Total		1484.2	444.081	41.61	508.41 ^(Note 3)	998.509

Notes:

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

2、Mr. Ren Li Ren, Mr. Zhang Yu Qing, Mr. Wang Yun Li and Mr. Gan Yong He have respectively resigned from their positions as director, president and vice-president on 27 March 2014.

3、The share options for subscribing 5,084,100 A Shares which were cancelled includes the share options for subscribing 4,668,000 A Shares which had lapsed on 18 October 2013.

(2) The grant date and the exercise price of the share options

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

(3) Validity period of the share options

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

(4) Exercise Arrangement

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

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

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

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

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

According to the calculation by the Black-Scholes option pricing model, the Company recognized an expense of RMB 0.5376 million in total in relation to First Share Option Incentive Scheme during the Reporting Period.

CORPORATE GOVERNANCE CODE

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

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

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

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

Foshan City, Guangdong, the PRC, 27 August 2014

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

Supplementary information as required by The Stock Exchange of Hong Kong Limited in relation to the Company's A shares interim results announcement

I .MATERIAL LITIGATIONS AND ARBITRATIONS OF THE COMPANY

Applicable Not applicable

General status of the litigation (arbitration)	Amount involved (RMB ten thousand)	Whether a liability is expected to be incurred	Progress of the litigation (arbitration)	Results and effects of the litigation (arbitration)	Execution of the judgment of the litigation (arbitration)
A series of related party transactions and unusual cash flows occurred between the Greencool Companies and the Company during the period from October 2001 to July 2005. In addition, during the period, the Greencool Companies, through certain specific third party companies such as	72,541.44	No	On 24 June 2014, the Company received the execution judgment of (2009) Fo Zhong Fa Zhi Zi No. 235 from the Foshan Intermediate Court,	The effect of the cases involving Greencool Companies on the net profits attributable to shareholders of	As at the date hereof, the Company has not yet received execution judgment for 3 cases involving

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.			which provides the execution procedure of the above mentioned case has been concluded in accordance with the law.	the Company was approximately RMB570,000.	Greencool Companies.
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II .SHAREHOLDINGS IN OTHER LISTED COMPANIES HELD BY THE COMPANY

Stock code	Stock abbreviation	Initial investment cost (RMB ten thousand)	Shareholding percentage in the company (%)	Carrying amount at the end of the period (RMB ten thousand)	Profit and loss for the Reporting Period (RMB ten thousand)	Changes in ownership interests for the Reporting Period (RMB ten thousand)
000404	Huayi Compressor	2,417.14	3.74	8,029.12	525.98	462.74

III.PARTICULARS OF CONNECTED TRANSACTIONS OCCURRED DURING THE REPORTING PERIOD

Connected parties	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB ten thousand)	Percentage of total amount of similar transactions (%)
Hisense Electric	Purchase	Finished goods	Agreed price	6.03	0.00
Hisense -Whirlpool	Purchase	Finished goods	Agreed price	19,490.78	1.62
Hisense Hitachi	Purchase	Finished goods	Agreed price	62.20	0.01
Hisense Electric	Purchase	Materials	Agreed price	1,814.94	0.15
Hisense Group	Purchase	Materials	Agreed price	1,207.51	0.10
Hisense -Whirlpool	Purchase	Materials	Agreed price	369.00	0.03
Hisense Hitachi	Purchase	Materials	Agreed price	298.67	0.02
Hisense Electric	Receipt of services	Receipt of services	Agreed price	378.00	0.03
Hisense Group	Receipt of services	Receipt of services	Agreed price	21,636.40	1.79
Hisense Hong Kong	Purchase	Purchase financing agency	Agreed price	15,924.41	1.32
Hisense Electric	Sale	Finished goods	Agreed price	14.61	0.00
Hisense Group	Sale	Finished goods	Agreed price	90,273.74	5.86
Hisense Hitachi	Sale	Finished goods	Agreed price	1,528.03	0.10
Hisense Electric	Sale	materials	Agreed price	268.27	0.02
Hisense Group	Sale	materials	Agreed price	460.44	0.03
Hisense -Whirlpool	Sale	materials	Agreed price	516.98	0.03
Hisense Hitachi	Sale	Materials	Agreed price	58.91	0.00
Hisense Electric	Sale	Moulds	Market price	4,006.84	0.26
Hisense Group	Sale	Moulds and equipments	Market price	9,082.74	0.59

Hisense -Whirlpool	Sale	Moulds and equipments	Market price	376.28	0.02
Hisense Hitachi	Sale	Moulds	Market price	123.25	0.01
Hisense Group	Provision of services	Provision of services	Agreed price	274.51	0.02
Hisense -Whirlpool	Provision of services	Provision of services	Agreed price	90.45	0.01

As at the end of the Reporting Period, the Company and its subsidiaries had the balance of deposit of RMB521,764,600 and interest income received of RMB1,193,100, the actual balance of loan of RMB 0, balance of electronic bank acceptance bill of RMB912,597,900, interest payment for discounted notes of RMB 0 and the handling fee for opening accounts for electronic bank acceptance bill of RMB577,000 with Hisense Finance. The actual amount of discounted interest for the provision of draft discount services was RMB 0, the actual amount involved for the provision of settlement and sale of foreign exchange services was RMB208,382,200 and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB130,900.

IV.PARTICULARS OF GUARANTEES

Unit: RMB 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)				0	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)				0	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	22 November 2013	60,000	2013-03-13	19.89	Joint liability guarantee;	2013.03.13-2014.01.31	Yes	No
Guangdong Refrigerator	22 November 2013	60,000	2014-03-05	9.44	Joint liability guarantee	2014.03.05-2015.01.31	No	No
Guangdong Refrigerator	22 November 2013	60,000	2014-01-24	726.83	Joint liability guarantee	2014.01.24-2014.06.27	Yes	No
Guangdong Refrigerator	22 November	60,000	2014-05-22	235.21	Joint liability	2014.05.22-2014.08.06	No	No

	2013				guarantee			
Guangdong Air-conditioner	22 November 2013	30,000	2013-11-26	160.00	Joint liability guarantee	2013.11.26-2014.04.08	Yes	No
Guangdong Air-conditioner	22 November 2013	30,000	2013-11-29	39.08	Joint liability guarantee	2013.11.29-2014.08.30	No	No
Guangdong Air-conditioner	22 November 2013	30,000	2014-05-05	160.00	Joint liability guarantee	2014.05.05-2015.12.31	No	No
Guangdong Air-conditioner	22 November 2013	30,000	2012-11-27	2,927.67	Joint liability guarantee	2012.11.27-2014.05.19	Yes	No
Guangdong Air-conditioner	22 November 2013	30,000	2014-03-21	1,666.96	Joint liability guarantee	2014.03.21-2014.08.26	No	No
Home Appliances Co	22 November 2013	5,000	2013-12-20	130.41	Joint liability guarantee	2013.12.20-2014.06.23	Yes	No
Home Appliances Co	22 November 2013	5,000	2014-06-23	125.30	Joint liability guarantee	2014.06.23-2015.05.30	No	No
Home Appliances Co	22 November 2013	5,000	2014-06-20	60.00	Joint liability guarantee	2014.06.20-2016.06.11	No	No
Home Appliances Co	22 November 2013	5,000	2014-01-29	649.77	Joint liability guarantee	2014.01.29-2014.06.30	Yes	No
Home Appliances Co	22 November 2013	5,000	2014-06-09	170.82	Joint liability guarantee	2014.06.09-2014.07.30	No	No
Guangdong Freezer	22 November 2013	5,000	2014-02-26	95.55	Joint liability guarantee;	2014.02.26-2014.04.15	Yes	No
Yangzhou Refrigerator	22 November 2013	10,000	2013-05-14	156.22	Joint liability guarantee	2013.05.14-2014.06.27	Yes	No
Yangzhou Refrigerator	22 November 2013	10,000	2013-05-14	112.98	Joint liability guarantee	2013.05.14-2014.08.14	No	No
Ronsheng Plastic	22 November 2013	6,000	2014-04-03	291.62	Joint liability guarantee	2014.04.03-2014.06.30	Yes	No
Ronsheng Plastic	22 November 2013	6,000	2014-04-25	671.80	Joint liability guarantee	2014.04.25-2014.08.26	No	No
Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1)		183,000		Actual amount of guarantees for subsidiaries during the Reporting Period (B2)		8,409.55		
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (B3)		183,000		Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (B4)		3,251.58		
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)		183,000		Actual amount of guarantees during the Reporting Period (A2+B2)		8,409.55		
Total limit on the amount of guarantees which has been approved at the end of the Reporting Period (A3+B3)		183,000		Total balance of actual amount of guarantees at the end of the Reporting Period (A4+B4)		3,251.58		
Proportion of actual amount of guarantees (being A4+B4) to the net assets of the Company				0.96%				
Including:								
Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (C)								

Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (D)	1,866.04
Total guaranteed amount over 50% of the net asset (E)	
Sum of the above three guarantees (C+D+E)	1,866.04
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

V.DERIVATIVES INVESTMENT

Unit: RMB (in ten thousand)

Name of operators of derivatives investment	Connection	Whether or not a connected transaction	Type of derivatives investment	Initial investment of derivatives investment	Effective Date	Expiry Date	Investment at the beginning of the Period	Amount of provision for impairment (if any)	Investment at the end of the Period	Proportion of investment to the net asset of the Company at the end of the Reporting Period (%)	Actual amount of profit and loss during the Reporting Period
Bank	No	No	Forward foreign exchange contracts	278,543.31	1 January 2014	30 June 2014	278,543.31		233,999.52	68.91	-5,480.43
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)			28 March 2014								
Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any)			27 June 2014								
Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.)			<p>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.</p> <p>The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and "the Internal Control System for Forward Foreign Exchange Capital Transactions". The measures specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business.</p>								
Changes in market price or product fair			The assessment of the fair value of the derivatives carried out by the Company								

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	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 RMB-90,475,200. Investment gain amounted to RMB35,670,900, resulting in a total profits or losses of RMB-54,804,300.
Explanations of any significant changes in the Company's accounting policies and specific accounting and auditing principles on derivatives between the Reporting Period and the last reporting period	During the Reporting Period, there were no material changes in the accounting policy and specific accounting and auditing principles for the Company's derivatives business as compared to last reporting period.
Specific opinions of independent Directors on the derivatives investment and risk control of the Company	Opinion of independent directors: Commencement of foreign exchange derivatives business by the Company was beneficial to the Company in the prevention of exchange rate fluctuation risks. The Company has devised the Internal Control System for Forward Foreign Exchange Capital Transactions to strengthen internal control and enhance the management of foreign exchange risks by the Company, and the targeted risk control measures adopted were practicable.

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

DEFINITIONS

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

“Company”, “the Company”	Hisense Kelon Electrical Holdings Company Limited
“Hisense Air-Conditioning”	Qingdao Hisense Air-Conditioning Company Limited
“Hisense Electric”	Hisense Electric Co., Ltd.
“Hisense Group”	Hisense Company Limited
“Hisense Hitachi”	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.
“Hisense-Whirlpool”	Hisense-Whirlpool (Zhejiang) Electric Appliances Co., Ltd.
“Hisense Finance”	Hisense Finance Company Limited
“Hisense International”	Hisense International Co., Ltd.
“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.
“Home Appliances Co”	GuangDong Hisense Home Appliances Co.,Ltd.. Its former name is Guangdong Kelon Fittings Co., Ltd., which has been changed since 10 April 2014

“Guangdong Freezer”	Hisense Ronshen (Guangdong) Freezer Co., Ltd.
“Yangzhou Refrigerator”	Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.
“Ronsheng Plastic”	Foshan Shunde Rongsheng Plastic 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