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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

All members (the “Directors”) of the board of directors (the “Board”) of Hisense Kelon Electrical Holdings Company Limited (the “Company” or “Hisense Kelon”) announce the annual audited results of the Company and its subsidiaries (collectively the “Group” or “Kelon”) for the year ended 31 December 2014 (the “Reporting Period”) together with the 2013 comparative figures, prepared in accordance with China Accounting Standards for Business Enterprises (“China Accounting Standards”). The following financial information is prepared in accordance with China Accounting Standards:

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	31 December 2014	31 December 2013
Assets			
Current assets			
Cash at bank and on hand		870,663,755.12	473,787,177.54
Financial assets at fair value through profit or loss for the current period		162,460.00	67,115,019.35
Notes receivable		991,796,937.82	2,160,801,733.50
Accounts receivable	5	1,984,291,386.93	1,644,771,822.27
Prepayments		498,209,306.68	352,903,571.02
Others receivables		493,051,526.66	546,337,496.66
Inventories		2,915,921,775.81	2,496,359,854.46
Other current assets		287,019,824.65	248,628,217.20
Total current assets		8,041,116,973.67	7,990,704,892.00
Non-current assets			
Financial assets available-for-sale		4,000,000.00	4,000,000.00
Long-term equity investments		1,216,043,770.20	993,500,673.77

Investment properties		31,459,416.41	33,946,307.75
Fixed assets		2,932,039,091.41	2,368,500,692.73
Construction in progress		251,551,873.15	253,977,558.18
Disposal of fixed assets		134,612.95	
Intangible assets		670,944,657.29	521,782,817.81
Long-term prepaid expenses		12,690,220.43	5,001,055.07
Deferred tax assets		106,813,348.23	36,616,861.02
Total non-current assets		5,225,676,990.07	4,217,325,966.33
Total assets		13,266,793,963.74	12,208,030,858.33
Liabilities and shareholders' equity			
Current liabilities			
Short-term borrowings		253,985,142.45	191,681,513.02
Financial liabilities at fair value through pr ofit or loss for the current period		7,391,136.66	4,645.00
Notes payable		1,528,195,526.41	1,391,098,638.68
Accounts payable	6	3,465,854,583.60	3,480,510,368.16
Advances from customers		765,881,375.85	907,031,506.85
Employee remunerations payable		249,664,285.98	236,343,013.69
Taxes payable		174,792,592.21	86,555,036.75
Interests payable			
Dividends payable		2,067.02	9,002,067.02
Other payables		1,735,584,905.78	1,731,259,054.40
Other current liabilities		680,022,633.56	574,037,292.42
Total current liabilities		8,861,374,249.52	8,607,523,135.99
Non-current liabilities			
Provisions		404,411,887.77	361,158,229.87
Deferred income		60,261,598.06	56,011,769.90
Deferred tax liability		165,600.70	
Total non-current liabilities		464,839,086.53	417,169,999.77
Total liabilities		9,326,213,336.05	9,024,693,135.76
Shareholders' equity			
Share capital		1,358,495,560.00	1,354,054,750.00
Capital reserves		2,125,930,825.88	2,092,858,847.28
Other comprehensive incomes		39,990,884.45	40,350,357.85
Surplus reserves		145,189,526.48	145,189,526.48
Retained profits		-211,243,768.43	-883,722,400.78
Total equity attributable to shareholders		3,458,363,028.38	2,748,731,080.83

of the Company			
Minority interests		482,217,599.31	434,606,641.74
Total shareholders' equity		3,940,580,627.69	3,183,337,722.57
Total liabilities and shareholders' equity		13,266,793,963.74	12,208,030,858.33

Consolidated Income Statement

Item	Note	2014	2013
Operating revenue	7	26,534,420,935.55	24,360,021,308.47
Operating costs	7	20,784,712,962.70	19,039,837,900.27
Business taxes and surcharges		98,323,909.43	99,639,534.69
Selling and distribution expenses		4,388,690,223.86	3,678,122,171.15
General and administrative expenses		856,931,761.63	814,452,637.11
Financial expenses	8	-3,966,187.82	-27,474,387.27
Impairment losses on assets		58,625,706.01	-66,379,836.60
Gain from changes in fair value		-74,339,051.01	56,596,312.10
Investment gain	9	375,501,155.02	323,689,615.01
Including: Share of profit of associates and joint ventures		311,516,852.93	299,785,829.53
Operating profits		652,264,663.75	1,202,109,216.23
Non-operating income		124,362,153.94	114,840,364.46
Including: Gains on non-current assets		1,623,453.29	12,010,056.34
Non-operating expenses		5,391,172.93	17,536,717.20
Including: Losses on disposal of non-current assets		3,967,010.86	11,713,968.79
Total profits		771,235,644.76	1,299,412,863.49
Less: Income tax expenses	10	59,725,146.29	53,618,940.95
Net profits		711,510,498.47	1,245,793,922.54
Net profits of consolidated parties prior to consolidation			
Net profit attributable to shareholders of the parent		672,478,632.35	1,215,669,602.07
Profit and loss of minority interests		39,031,866.12	30,124,320.47
Earnings per share			
Basic earnings per share	13	0.50	0.90
Diluted earnings per share	13	0.50	0.90
Other comprehensive income		-359,473.40	19,517,764.27
(1) Items to be reclassified into profit and loss in subsequent accounting periods upon satisfaction of required conditions			-4,298,798.14
(2) items not to be reclassified into profit and loss in subsequent accounting periods		-359,473.40	23,816,562.41

Total comprehensive income		711,151,025.07	1,265,311,686.81
Total comprehensive income attributable to shareholders of the parent		672,119,158.95	1,235,187,366.34
Total comprehensive income attributable to minority interests		39,031,866.12	30,124,320.47

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 set up for converting the Company’s non-freely transferable domestic legal person shares into freely transferable A shares (“Transferable Shares”) and the scheme was approved and completed in the A shares general meeting , and further approved by Ministry of Commerce PRC on 22 March 2007.

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 (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 18 June 2013, 612,316,909 restricted A shares of the Company held by Hisense Air-Conditioning were no longer subject to selling moratorium and were listed for trading.

On May 23, 2014, the exercise conditions are satisfied for the company's first exercise period of the first phase of stock option incentive plan. China Securities Depository and Clearing Corporation Limited Shenzhen branch has approved the registration, and the exercise of 4,480,810 new stocks has been approved for listing.

As at 31 December 2014, 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 31 December 2014, Hisense Company Limited (“Hisense Group”), a state-owned enterprise incorporated in the PRC, is regarded as the ultimate controlling shareholder.

The English names to which some of the companies are referred as in these financial statements represent management’s best efforts in translation 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

The financial statements are prepared based on going-concern assumption and actual transactions and events according to the Accounting Standards for Business Enterprises - Basic Standard (the Ministry of Finance Order No. 33 Issue, the Ministry of Finance Order No. 76 Amendment) issued by the Ministry of Finance, and 41 specific accounting standards , application guidelines for Accounting Standards for Business Enterprises, explanation of Accounting Standards for Business Enterprises and other relevant regulations (hereinafter collectively referred to as “Accounting Standards For Business Enterprises”) issued and revised on February 15, 2006 or later, and the Information Disclosure Regulations for Companies Publicly Issuing Securities No. 15 - General Provisions for Financial Statements (Revised 2014) issued by China Securities Regulatory Commission.

According to the relevant provisions of Accounting Standards for Business Enterprises, the Company’s financial accounting is conducted on accrual basis. Except for certain financial instruments, the financial statements take the historical cost as the accounting basis. If an asset is impaired, the provision for impairment shall be accrued in accordance with the relevant provisions.

The Company is listed in both Mainland and Hong Kong stock exchange, besides the abovementioned relevant regulations, 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

Early in 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement, Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (Revised 2014), Accounting Standards for Business Enterprises No. 9 – Employee Benefits (Revised 2014), Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements (Revised 2014), Accounting Standards for Business Enterprises No. 40 – Joint Venture Arrangements, Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments (Revised 2014), and Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities by the release of documents Caikuai [2014] No.6, 7, 8, 10, 11, 14 and 16, respectively. These standards became effective on 1 July 2014 for entities adopting Accounting Standards for Business Enterprises. Entities listed overseas were encouraged to adopt the standards in advance of the scheduled effective date. Meanwhile, the Ministry of Finance issued Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (Revised 2014) (Caikuai [2014] No.23) (hereinafter referred to as “Standard of Presentation of Financial Instruments”), requiring entities to present financial instruments in their annual reports for 2014 and the subsequent accounting periods pursuant to provisions of the standard.

The Company had adopted five newly enacted or amended Accounting Standards for Business Enterprises except the Standards of “Long-term Equity Investments”, “Disclosure of Interests in Other Entities” and “Presentation of Financial Instruments” in its 2013 annual report, and these Standards have been adopted in preparing its 2014 annual report with adjustments made pursuant to the transition rules for each standard. Impacts on items and amounts in financial statements for the comparable period are listed as follows:

Standard	Changes in accounting policies and impacts on the Company	Affected amount of financial statement items as of 1 January 2014 and for the year ended 31 December 2013
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		Items	Affected amount Increase+/Decrease-
Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments (Revised 2014)	According to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments (Revised 2014), for long-term equity investments where the investing entity does not control or jointly control or has significant influences on the invested entity, has no offer in the active market and its fair value cannot be reliably measured, the Accounting Standards for Business Enterprises – Recognition and Measurement of Financial Instruments shall apply. The equity investment of RMB 4,000,000 of the Company, which was originally recognized as long-term equity investment, has been presented as financial asset available-for-sale.	Financial assets available-for-sale	+4,000,000.00
		Long-term equity investments	-4,000,000.00
		Other comprehensive incomes	+23,335,449.54
		Investment gains	-23,335,449.54
Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (Revised 2014)	According to Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (Revised 2014) application guidelines	Other comprehensive incomes	+17,014,908.31
		Capital reserves	-6,246,753.49
		Differences on translation of foreign currency financial statements	-10,768,154.82
		Deferred incomes	+56,011,769.90
		Other non-current liabilities	-56,011,769.90
		Other current assets	+243,321,567.75
		Taxes payable	+243,321,567.75

Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments:

Before the adoption of the Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments (Revised 2014) , the Company had recognized equity investments where the Company did not control or jointly control or had significant influences on the invested entities, had no offer

in the active market and its fair value cannot be reliably measured as long-term investments under cost method. After the adoption of the Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments (Revised 2014), the Company has recognized such equity investments where the Company did not control or jointly control or had significant influences on the invested entities, had no offer in the active market and its fair value cannot be reliably measured as financial assets available-for-sale, applying the retrospective method to adjust the changes to the accounting policies.

Before the adoption of the Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments (Revised 2014), due to the acceptance of unilateral capital increase in the jointly controlled entities and associated entities from other shareholders, the Company's shareholding was diluted while its portion of interest increased with the status of joint control or significant influence remained unchanged. Under equity method, such equity interests were recognized as being partially disposed, and the difference between the increased portion of net assets attributable to the Company recognized in proportion to its shareholding after dilution and the book value of the decreased portion of long-term equity investments which shall be carried forward was recorded into current profit or loss. After the adoption of the Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments (Revised 2014), under equity method, for such cases, the Company recognized the increased portion of interest in the invested entities attributable to the Company as capital reserve which, upon the Company's disposal of its equity investments in these associated or jointly controlled entities, can be proportionally or fully transferred into investment gains during the period of disposal. The company applied the retrospective method to adjust the changes to the accounting policies.

Accounting Standards for Business Enterprises No.41 – Disclosure of Interests in Other Entities:

Accounting Standards for Business Enterprises No.41 – Disclosure of Interests in Other Entities apply to the disclosure of interests by enterprises in their subsidiaries, joint venture arrangements, associated entities and structured entities that are not included in the consolidated financial statements. The adoption of the Accounting Standards for Business Enterprises No. 41 – Disclosure of Interests in Other Entities will result in a broader range of disclosure by the enterprises in the notes to financial statements. The financial statements have been disclosed in accordance with the standard, and the notes to the financial statements of the comparable periods have been modified accordingly.

Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments (Revised 2014):

Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments (Revised 2014) have increased provisions and requirements of disclosure of offset and financial asset transfer, and modified the requirements of the disclosure of the maturity analysis for financial assets and financial liabilities. The financial statements have been presented in accordance with the standard, and the notes to the financial statements of the comparable periods have been modified accordingly.

4.Segment information

The Group manages its business by divisions which are organized by a mixture of both business lines and geographical areas. 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, freezers and washing machines, air-conditioners, and others (including product components and other electrical household appliances).

(1) Segment information as at and for the year is as follows:

Amount for current period	Refrigerators and Freezers	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	11,864,028,175.03	11,342,514,901.50	1,164,444,974.64		24,370,988,051.17
2. Revenue from inter-segment sales			1,167,709,264.45	-1,167,709,264.45	
3. Gain from investment in associates and joint ventures	-32,615,369.55	344,451,398.11	-319,175.63		311,516,852.93
4. Depreciation and amortization	340,888,192.48	160,804,441.46	-1,268,122.29		500,424,511.65
5. Gain from changes in fair value	-31,515,479.90	-29,910,879.16	-12,912,691.95		-74,339,051.01
6. Impairment losses on assets	23,811,177.70	36,884,260.65	-2,069,732.34		58,625,706.01
7. Total profits (Total losses)	139,168,506.62	522,949,903.74	163,603,402.85	-54,486,168.45	771,235,644.76
8. Income tax expenses	37,156,783.38	3,668,910.35	18,899,452.56		59,725,146.29
9. Net profits (Net losses)	102,011,723.24	519,280,993.39	144,703,950.29	-54,486,168.45	711,510,498.47
10. Total assets	11,997,088,181.69	9,477,802,119.66	3,682,785,008.26	-11,890,881,345.87	13,266,793,963.74
11. Total liabilities	8,145,845,933.47	7,351,150,477.03	2,394,229,900.30	-8,565,012,974.75	9,326,213,336.05
12. Additions to other non-current assets other than long-term equity investments	285,719,193.14	421,677,482.96	78,411,251.21		785,807,927.31

Segment information as at and for last year is as follows:

Amount for last period	Refrigerators and Freezer	Air-conditioners	Others	Elimination	Total
1. Revenue from external sales	11,984,925,209.88	9,233,763,216.95	968,237,066.15		22,186,925,492.98
2. Revenue from inter-segment sales			986,201,863.65	-986,201,863.65	
3. Gain from investment in associates and joint ventures	7,327,202.43	292,575,261.82	-116,634.72		299,785,829.53
4. Depreciation and amortization	204,680,483.80	114,091,722.01	48,591,276.03		367,363,481.84
5. Gain from changes in fair value	27,143,109.62	24,405,843.08	5,047,359.40		56,596,312.10
6. Impairment losses on assets	-13,980,679.21	21,567,802.50	-73,966,959.89		-66,379,836.60
7. Total profit (Total loss)	662,326,146.86	411,949,532.53	272,173,317.76	-47,036,133.66	1,299,412,863.49
8. Income tax expenses	40,925,686.71	-5,394,304.31	18,087,558.55		53,618,940.95
9. Net profit (Net loss)	621,400,460.15	417,343,836.84	254,085,759.21	-47,036,133.66	1,245,793,922.54
10. Total assets	10,600,650,219.34	7,872,553,097.96	3,877,044,915.72	-10,142,217,374.69	12,208,030,858.33
11. Total liabilities	6,823,379,772.51	6,114,821,210.11	2,754,449,274.77	-6,667,957,121.63	9,024,693,135.76
12. Increased amounts of other non-current assets other than long-term equity investments	567,101,189.55	107,704,846.59	26,776,445.73		701,582,481.87

(2)Geographic information

Category	2014	2013
Revenues from domestic customers	17,178,988,978.86	15,623,701,445.80
Revenues from overseas customers	7,191,999,072.31	6,563,224,047.18
Total	24,370,988,051.17	22,186,925,492.98
Domestic non-current assets	5,212,995,836.79	4,202,897,397.03
Overseas non-current assets	12,681,153.28	14,428,569.30
Total	5,225,676,990.07	4,217,325,966.33

The business of the Company is mainly operated in Mainland China, where the majority of non-current assets of the Company are held, therefore further detailed regional information is not required to be presented.

5.Accounts receivable

- (1) On 13 December 2006, the share transfer transaction on 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 accounts receivable, 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	31 December 2014		31 December 2013	
	Ending Balance	Provision for bad debts	Ending Balance	Provision for bad debts
Hefei Weixi Electrical Appliance Co., Ltd. (“Hefei Weixi”)			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

During the reporting period, since the case involved in the abovementioned accounts receivables had been closed, the abovementioned accounts receivable balances and bad debt provisions were written off by the Company after verification.

- (2) Normal credit term of 60 days is granted to customers. The Group allows a credit term no more than one year for large and well-established customers. Sales are usually settled by cash on delivery for small and new customers. Accounts receivables are non-interest bearing.

The aging of accounts receivable is analyzed as follows (excluding the above Greencool Companies):

Item	31 December 2014	31 December 2013
Within three months	1,939,033,166.75	1,603,973,518.09
Over three months but within six months	41,524,824.98	25,252,208.41
Over six months but within one year	15,771,755.40	4,216,549.94
Over one year	134,718,629.69	150,626,963.20
Total	2,131,048,376.82	1,784,069,239.64
Less: provision for bad debts	146,756,989.89	155,260,459.01
	1,984,291,386.93	1,628,808,780.63

6.Accounts payable

The aging of accounts payable is analyzed as follows:

Item	31 December 2014	31 December 2013
Within one year	3,335,201,948.30	3,291,382,468.75
Over one year	130,652,635.30	189,127,899.41
Total	3,465,854,583.60	3,480,510,368.16

7.Operating revenues and costs

Item	2014	2013
Revenue from principal operations	24,370,988,051.17	22,186,925,492.98
Revenue from other operations	2,163,432,884.38	2,173,095,815.49
Total	26,534,420,935.55	24,360,021,308.47
Item	2014	2013
Cost of principal operations	18,762,900,237.84	17,092,033,966.98
Cost of other operations	2,021,812,724.86	1,947,803,933.29
Total	20,784,712,962.70	19,039,837,900.27

8.Financial expenses

Item	2014	2013
Interest expenses	15,003,224.16	572,549.35
Less: interest income	3,791,604.77	3,164,480.55
Discounted notes		1,552,073.11
Gain/(Loss) on Foreign Exchange	-11,103,123.31	28,783,994.95
Others	-4,074,683.90	-55,218,524.13
Total	-3,966,187.82	-27,474,387.27

9.Investment gain

(1) Particulars of investment gain

Item	2014	2013
Investment income arising from available-for-sale financial assets during holding period	9,500,000.00	4,750,000.00
Gain from long-term equity investment by the equity method	311,516,852.93	299,785,829.53
Gain from disposal of long-term equity investment		
Gain from disposal of financial assets held-for-trading	54,484,302.09	19,153,785.48
Total	375,501,155.02	323,689,615.01

(2) Investment income arising from available-for-sale financial assets during holding period

Investee	2014	2013
Qingdao Hisense International Marketing Co.,Ltd.	9,500,000.00	4,750,000.00
Total	9,500,000.00	4,750,000.00

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

Investee	2014	2013
Huayi Compressor	7,000,709.29	6,029,708.70
Hisense-Whirlpool	-39,616,078.84	1,297,493.73
Attend Logistics Co., Ltd.	-319,175.63	-116,634.72
Hisense Hitachi	344,451,398.11	292,575,261.82
Total	311,516,852.93	299,785,829.53

10. Income tax expenses

Item	2014	2013
Current income tax expenses	129,756,032.80	82,941,113.95
Including: PRC enterprise income taxes	125,223,500.64	74,776,381.83
Hong Kong profit taxes	4,532,532.16	8,164,732.12
Deferred tax expenses	-70,030,886.51	-29,322,173.00
Total	59,725,146.29	53,618,940.95

The reconciliation from income tax calculated based on the applicable tax rates and total profits to the income tax expenses is as follows:

Item	2014
Total profits	771,235,644.76
Income tax expenses calculated at statutory (or applicable) tax rates	192,808,911.22
Tax effects of different tax rates applicable to certain subsidiaries	15,132,519.01
Adjustments of income tax in previous period	-3,016,895.99
Effects of non-taxable incomes	-103,501,024.79
Effects of non-deductible costs, expenses and losses	
Effects of deductible losses not recognized as deferred tax assets in previous period	-14,291,022.69
Effects of deductible temporary differences or deductible losses not recognized as deferred tax assets in current period	-27,407,340.47
Others	
Income tax expenses	59,725,146.29

Certain subsidiaries have been recognized 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	31 December 2014	31 December 2013
Current assets (Consolidated)	8,041,116,973.67	7,990,704,892.00
Less : Current liabilities (Consolidated)	8,861,374,249.52	8,607,523,135.99
Net current assets (Consolidated)	-820,257,275.85	-616,818,243.99
Current assets (the Company)	3,050,739,339.88	6,608,276,873.50
Less : Current liabilities (the Company)	2,894,421,008.43	7,344,199,365.56
Net Current assets (the Company)	156,318,331.45	-735,922,492.06

12.Total assets less current liabilities

Item	31 December 2014	31 December 2013
Total assets (Consolidated)	13,266,793,963.74	12,208,030,858.33
Less : Current liabilities (Consolidated)	8,861,374,249.52	8,607,523,135.99
Total assets less current liabilities (Consolidated)	4,405,419,714.22	3,600,507,722.34
Total assets (the Company)	7,138,546,340.56	10,548,354,756.68
Less : Current liabilities (the Company)	2,894,421,008.43	7,344,199,365.56
Total assets less current liabilities (the Company)	4,244,125,332.13	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	2014	2013
Consolidated net profit attributable to ordinary shareholders of the parent	672,478,632.35	1,215,669,602.07
Weighted average number of issued ordinary shares of the Company outstanding	1,356,645,223	1,354,054,750
Basic earnings per share	0.50	0.90

(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 parent adjusted for dilutive potential ordinary shares divided by the adjusted weighted average number of ordinary shares of the Company outstanding. For the years ended 31 December 2014 and 2013, there were no dilutive potential ordinary shares, and therefore the diluted earnings per share were same as the basic earnings per share.

(c)Dividends

No dividend was paid or proposed for 2014, and no reserve fund was transferred into capital (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

During the Reporting Period, the growth of the PRC economy gradually shifted from a high speed trend to a moderate to high momentum and there was greater downward pressure on the economic development. At the same time, due to factors such as continued sluggish property market and overdraft demand by the household appliances stimulation policies during the previous periods, demand in the PRC market diminished and its growth was weak. According to the statistics of China Market Monitor Company Limited (CMM), the retail volume of the domestic refrigerator industry recorded year-to-year decrease for every month since February, whereas the retail volume of the refrigerator industry recorded a year-to-year decrease of 9.33% in 2014. On the other hand, the air-conditioner market started promisingly but declined afterwards with significant slowdown in the growth during the second half of the year and recorded a negative growth since August. There

was a 1.35% year-to-year decrease in the retail volume of the air-conditioner market in 2014 and the high growth era of the household appliances industry came to an end. As to the export market, due to factors such as global economic downturn and slowing down of demand, demand remained slack in the overseas market. According to the statistics of the Customs Department, the export volume of the refrigerator and freezer products marked a year-to-year growth of 8.9%, and that of the air-conditioner products decreased by 2.7% year-to-year. Riding on the swift development of mobile internet technologies and the popularization of household intelligence, the household appliances industry is further heading towards intelligentization, artization and high-end development.

II. ANALYSIS OF THE COMPANY'S OPERATION

Overall situation

During the Reporting Period, the Company strictly adhered to the operating strategies of “building product advantages, improving service quality, reforming marketing model, enhancing system efficiency and ensuring scale and efficiency” and maintained stable growth in the principal businesses. The Company recorded operating revenue of RMB 26534 million, representing a year-to-year increase of 8.93%, and principal operating revenue of RMB 24371 million, representing a year-to-year increase of 9.84%, of which the revenue from the refrigerator and washing machine business accounted for 48.68% of the principal operating revenue, representing a year-to-year decrease of 1.01%; revenue from the air-conditioner business accounted for 46.54% of the principal operating revenue, representing a year-to-year growth of 22.84%; the domestic sales business recorded a principal operating revenue of RMB17179 million, representing a year-to-year growth of 9.95%, whereas the export sales business recorded a principal operating revenue of RMB7192 million, representing a year-to-year growth of 9.58%. However, as a result of the profit-eroding factors such as decrease in the gross profit margin of the refrigerator business, increase in sales expenses, losses from changes in fair values due to fluctuation in the exchange rates, and coupled with year-to-year decrease in non-operating revenue, the Company recorded reduced profitability. During the Reporting Period, the Company recorded net profits attributable to equity holders of the listed company of RMB672 million and earnings per share of RMB0.50, representing a year-to-year decrease of 44.44%.

During the Reporting Period, the debt-to-asset ratio of the Company decreased by 3.63 percentage points. The Company's financial position further improved.

Technology orientation

During the Reporting Period, the refrigerator business of the Company continued to uphold the research and development approach of further enhancing the level of intelligentization of its products and user experience, focused on upgrading the technologies in areas such as energy-saving, food preservation, moisturizing, healthy and remote control, and persisted in technology innovations and function upgrades. At the China Household Appliances Expo held in March 2014, the Company launched the Nano-fresh nano negative-ion freshness preservation technology that combines the two major functions for refrigerator products, namely moisturizing and disinfection and swiftly promoted the integration of the technology in actual products by launching the Ronshen Cross French-door refrigerators. At the 2014 China Refrigerator Industry Summit, Ronshen refrigerators won the “2013-14 Leading Brand for Moisturizing Technology of the Refrigerator Industry” award for their continual innovations in the moisturizing, frostless and cooling technologies; Hisense refrigerators won the “2013-14 Leading Brand for Healthy Refrigerators of the Refrigerator Industry” award for their innovations in healthy refrigerators. At the International Funkausstellung (IFA) held in Berlin, Germany, Hisense Beiduofen (倍多分) Cross French-door refrigerators successfully won the “2014 Technology Innovation” Award for their differentiation technologies and innovations to meet user needs.

During the Reporting Period, the air-conditioner business of the Company continued to consolidate the strategies of product intelligentization and differentiation, through measures such as technical innovations, function upgrades and innovative outlook designs, product advantages was established and product competitiveness was enhanced. At the World Innovation Forum held in February 2014, Hisense intelligent air-conditioners, for their self-developed internet intelligent air-conditioners which were the first model around the globe, won the “Golden Kangaroo World Innovation” Award, which is a unique and major global honor. At the 2014 China Air-conditioner Industry Summit, Hisense air-conditioners won major awards including “Leading Brand for Intelligent Technology”, “Star of Intelligent Technology”, “Pioneering Inverter Product” of the air-conditioner industry in 2014 for their outstanding technologies and products and positive market responses; Kelon air-conditioners were awarded the “Leading Brand for Energy-saving Technology” of the air-conditioner industry in 2014. In August 2014, Hisense air-conditioners launched the industry-leading intelligent air-conditioning solution, “Breathing Home” that realizes coordination between air-conditioners, air purifiers and other household appliances through cloud platform and physical networking technologies which provides a comprehensive household air solution for the users. Hisense air-conditioners at the same time completed the development of the first 360-degree “Flip Turn” artistic cabinet air-conditioner, enriching the portfolio of high-end air-conditioner products. At the 2014 (Seventh) Annual Conference of the Chinese Air-conditioner Industry held in October 2014, Hisense air-conditioners won the two major intelligence awards of “Intelligent Innovations” and “Product with the Best Intelligent Experience” for their advance technologies and innovative user experience in the intelligent products.

Refrigerator and washing machine business

During the Reporting Period, the Company’s refrigerator and washing machine business were committed to implementing the strategy of high-end products and the product structure were enhanced. Hisense Beiduofen (倍多分) Cross French-door refrigerators, Ronshen Shishangpai (食尚派) Cross French-door refrigerators and other new high-end products were launched, which further enhanced the portfolio of the high-end products. According to the statistics of CMM, the retail market share of the French-style refrigerators in 2014 was 2.75 percentage points higher than that in 2013. However, affected by an overall trend of negative growth in the PRC refrigerator retail market in 2014, the scale of the Company’s refrigerator and washing machine business declined and the gross profit margin narrowed by 1.25 percentage points on a year-to-year basis. At the same time, the Company increased its spending in product promotion in response to the market competition, leading to a further increase in the cost of sales rate and drop in profitability of the refrigerator and washing machine business. As to exports, the Company has proactively explored the overseas markets and promoted sales to the overseas markets on full throttle to compensate the shortfall in the scale of the domestic business. According to the statistics of the Customs Department, the export volume of the refrigerator and washing machine products of the Company marked a year-to-year growth of 16.6% in 2014, outperforming the average growth of 8.9% of the industry.

Air-conditioner business

During the Reporting Period, the Company’s air-conditioner business persisted in product development towards the direction of energy-saving, inverting technology, healthy, personalization and intelligentization with a focus on the strategy of sophistication. Kelon air-conditioners have launched the “Jiangnan Wind” series of artistic products with unique outlook and outstanding functions, whereas Hisense air-conditioners have launched the “Apple Pie A&L” series of intelligent air-conditioners, realizing an upgrade to the sophisticated outlook and craftsmanship of the “Apple Pie” series. Hisense air-conditioners have also upheld the operating strategy of “enhancing service quality” which led to a steady increase in the NPS (net promoter score) value of their services. High

quality after-sale services and improvements in product competitiveness helped to promote the scale of the Company's air-conditioner business in a steady pace. According to the statistics of CMM, air-conditioners under the two brands "Hisense" and "Kelon" recorded year-to-year growth of 11.8% and 0.78% respectively in retail volume in 2014, significantly outperforming the overall level of increase of the air-conditioner industry despite a year-to-year decrease of 1.35% in the retail volume of the air-conditioner market. The retail volume of air-conditioner products of the Company recorded a 0.66 percentage point increase in the share of the air-conditioner retail market. As to exports, the Company has actively explored the overseas markets to expand the scale of exports. According to the statistics of the Customs Department, the Company recorded a year-to-year growth of 2.8% in the export volume of air-conditioner products of the Company in 2014 despite a year-to-year decrease in the export volume of the air-conditioner industry by 2.7%. At the same time, the gross profit margin of air-conditioner products recorded an increase of 1.67 percentage points and the profitability of the air-conditioner segment continued to increase with the improvements in the air-conditioner product structure, as well as implementation of efficiency-enhancing and cost-reducing measures for the air-conditioner business.

III. ANALYSIS TO PRINCIPAL FINANCIALS DURING THE REPORTING PERIOD

(I) MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years due to changes in accounting policies and correction of accounting errors?

Yes No

Item	2014	2013		Increase or decrease as compared to last year (%) After adjustment	2012	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Operating revenue (RMB)	26,534,420,935.55	24,360,021,308.47	24,360,021,308.47	8.93	18,958,915,310.09	18,958,915,310.09
Net profits attributable to shareholders of listed company (RMB)	672,478,632.35	1,239,005,051.61	1,215,669,602.07	-44.68	717,764,680.40	717,764,680.40
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	582,931,287.47	1,077,904,382.91	1,077,904,382.91	-45.92	597,180,784.22	597,180,784.22
Net cash flow from operating activities (RMB)	965,990,457.87	218,798,349.53	218,798,349.53	341.50	1,098,192,778.13	1,098,192,778.13
Basic earnings per share (RMB/share)	0.50	0.92	0.90	-44.44	0.53	0.53
Diluted earnings per share (RMB/share)	0.50	0.92	0.90	-44.44	0.53	0.53
Weighted average rate of return on net assets (%)	21.65	58.16	56.78	-35.13	61.95	61.95

Items	31 December 2014	31 December 2013		Increase or decrease as compared to end of last year (%) After adjustment	31 December 2012	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total assets (RMB)	13,266,793,963.74	11,964,709,290.58	12,208,030,858.33	8.67	9,200,334,640.73	9,295,011,411.79
Net assets attributable to shareholders of listed company (RMB)	3,458,363,028.38	2,748,731,080.83	2,748,731,080.83	25.82	1,512,042,166.49	1,512,042,166.49

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

Unit: RMB

Item	Amount of 2014	Amount of 2013	Amount of 2012	Description
Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets)	-2,343,557.57	296,087.55	97,537,681.25	
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)	82,298,890.90	82,700,643.38	23,057,674.18	
Corporate restructuring costs (e.g. staff relocation costs and costs during the course of integration)	-36,817,863.11	-52,492,777.86		
Reversal of provision for impairment loss of account receivables subject to separate impairment testing	12,585,064.60	89,950,024.68		
Other non-operating income and expenses other than the aforementioned items	39,015,647.68	14,306,916.33	3,348,427.38	
Less: Effect of income tax	15,218,459.01	4,249,768.03	2,187,048.64	
Effect of minority interests (after tax)	-10,027,621.39	-7,254,093.11	1,172,837.99	
Total	89,547,344.88	137,765,219.16	120,583,896.18	

(III) ANALYSIS OF PRINCIPAL BUSINESS

1. Income

Is the Company's income from sales of goods larger than its income from provision of services?

Yes No

Industry Category	Item (ten thousand units / sets)	2014	2013	Increase or decrease as compared to corresponding period last year (%)
Home appliances manufacturing industry	Sales volume	1,699	1,566	8.49
	Production volume	1,731	1,605	7.85
	Inventory volume	184	152	21.05

2. Costs

Unit: RMB ten thousand

Industry Category	Item	2014		2013		Increase or decrease as compared to corresponding period last year (%)
		Amount	Weight to operating costs (%)	Amount	Weight to operating costs (%)	
Home appliances manufacturing industry	Raw materials	1,697,168.44	90.45	1,542,152.64	90.23	0.22
	Staff wages	53,990.60	2.88	51,646.53	3.02	-0.14
	Depreciation	36,722.00	1.96	28,402.07	1.66	0.3

3. Expenses

Unit: RMB ten thousand

Expense Item	2014	2013	Increase or decrease as compared to corresponding period last year (%)	Reason for the changes
Sales expense	438,869.02	367,812.22	19.32	Mainly due to increase in products promotion expenses and increase in the logistics and installation of air-conditioner costs during the Reporting Period.
Management expense	85,693.18	81,445.26	5.22	No significant change
Finance expense	-396.62	-2,747.44	N/A	Mainly due to a decrease in the proceeds from the use of capital during the Reporting Period
Income tax expense	5,972.51	5,361.89	11.39	No significant change

4. Cash Flow

Unit: RMB ten thousand

Item	2014	2013	Increase or decrease as compared to corresponding period last year (%)
Sub-total of cash inflows from operating activities	1,537,699.84	1,456,341.79	5.59
Sub-total of cash outflows from operating activities	1,441,100.80	1,434,461.96	0.46
Net cash flows from operating activities	96,599.05	21,879.83	341.50
Sub-total of cash inflows from investing activities	10,764.75	9,315.94	15.55
Sub-total of cash outflows from investing activities	76,618.68	56,571.70	35.44
Net cash flows from investing activities	-65,853.93	-47,255.76	N/A
Sub-total of cash inflows from financing activities	138,115.72	47,399.58	191.39
Sub-total of cash outflows from financing activities	129,146.68	26,043.63	395.89
Net cash flows from financing activities	8,969.04	21,355.95	-58.00
Net increase in cash and cash equivalents	39,705.16	-4,067.42	N/A

Reasons for over 30% year-to-year changes in the relevant data

Applicable Not applicable

- (1) Year-to-year increase in the net cash flows from operating activities was mainly due to increase in amounts received from due notes receivable of the Company during the Reporting Period.
- (2) Year-to-year decrease in the net cash flows from investing activities was mainly due to increase in investments in fixed assets during the Reporting Period.
- (3) Year-to-year decrease in the net cash flows from financing activities was mainly due to decrease in net factoring accounts receivable during the Reporting Period.

5. Research and development expenses

During the Reporting Period, the Company continued to focus on further enhancing products' features such as energy-saving, freshness preservation, moisturizing, intelligence as its core development direction, and persisted in stepping up investments in research, development and innovations of its products. Through refrigerator development projects such as "Multi-function Ion Freshness Preservation Technology" and "R&D for Low-carbon, Energy-saving Foaming Technology", as well as air-conditioner development projects such as "R&D for Breathing Home Intelligent Products", "Development of New APF Outdoor Platform based on CAE and CFD Analyses and Synergized Efficiency Enhancement and Consumption Reduction" and "R&D and Application of High Efficiency Air Passage based on Controllable Vortex Technology", the Company strived to enhance the features and levels of intelligence of its products, enhancing the market competitiveness of the products and the core competitiveness of the Company, which provided solid technological support for the Company's industrial upgrade.

(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	24,370,988,051.17	18,762,900,237.84	23.01	9.84	9.78	0.05
By product						
Refrigerators	9,777,648,421.45	7,555,205,500.69	22.73	-3.25	-2.13	-0.89
Air-conditioners	11,342,514,901.50	8,620,900,642.94	23.99	22.84	20.20	1.67
Others	3,250,824,728.22	2,586,794,094.21	20.43	14.18	17.55	-2.28
By region						
Domestic	17,178,988,978.86	12,359,306,312.99	28.06	9.95	9.92	0.03
Overseas	7,191,999,072.31	6,403,593,924.85	10.96	9.58	9.51	0.06

Due to adjustments to the statistical criteria for the Company's principal operating business during the Reporting Period, the data on the Company's principal operating business in the recent year after making adjustments to the statistical criteria at the end of the Reporting Period

v Applicable Not Applicable

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 (%)
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By industry						
Home appliances manufacturing industry	24,370,988,051.17	18,762,900,237.84	23.01	9.84	9.78	0.05
By product						
Refrigerators and washing machines	11,864,028,175.03	9,268,105,140.56	21.88	-1.01	0.60	-1.25
Air-conditioners	11,342,514,901.50	8,620,900,642.94	23.99	22.84	20.20	1.67
Others	1,164,444,974.64	873,894,454.34	24.95	20.26	23.57	-2.01
By region						
Domestic	17,178,988,978.86	12,359,306,312.99	28.06	9.95	9.92	0.03
Overseas	7,191,999,072.31	6,403,593,924.85	10.96	9.58	9.51	0.06

Note: For the data by product categories in year 2014, data of freezers and washing machines have been reclassified from “other products” to “refrigerators and washing machines” for statistical purposes.

(V) ANALYSIS OF ASSETS AND LIABILITIES POSITION

1. Significant changes in asset items

Unit: RMB

Item	31 December 2014		31 December 2013		Increase or decrease in weight (%)	Explanation of significant changes
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)		
Cash at bank and on hand	870,663,755.12	6.56	473,787,177.54	3.88	2.68	Mainly due to increase in entrusted collection for notes receivable and increase in factoring accounts receivable during the Reporting Period.
Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	162,460.00	0	67,115,019.35	0.55	-0.55	Mainly due to changes in exchange rates for undue forward exchange business as at the end of the Reporting Period
Notes receivable	991,796,937.82	7.48	2,160,801,733.50	17.70	-10.22	Mainly due to increase in amounts due from notes receivable during the Reporting Period.
Accounts receivable	1,984,291,386.93	14.96	1,644,771,822.27	13.47	1.49	No significant change
Prepayments	498,209,306.68	3.76	352,903,571.02	2.89	0.87	Mainly due to increase in construction prepayments of subsidiaries during the Reporting Period.
Inventories	2,915,921,775.81	21.98	2,496,359,854.46	20.45	1.53	No significant change
Investment properties	31,459,416.41	0.24	33,946,307.75	0.28	-0.04	No significant change
Long-term equity investments	1,216,043,770.20	9.17	993,500,673.77	8.14	1.03	No significant change
Fixed assets	2,932,039,091.41	22.1	2,368,500,692.73	19.40	2.7	No significant change
Deferred tax assets	106,813,348.23	0.81	36,616,861.02	0.30	0.51	Mainly due to increase in the subsidiaries which satisfy deferred profit tax assets provision and subsidiaries continued to make profits as at the end of the Reporting Period.

2. Significant changes in liability items

Unit: RMB

Item	2014		2013		Increase or	Explanation of significant changes
	Amount	Percentage	Amount	Percentage		

		ge to total assets (%)		age to total assets (%)	decrease in weight (%)	
Short-term borrowings	253,985,142.45	1.91	191,681,513.02	1.57	0.34	Mainly due to increase in factoring accounts receivable as at the end of the Reporting Period.
Financial liabilities measured at fair value where changes in fair value are accounted for as gain or loss of the period	7,391,136.66	0.06	4,645.00	0.00	0.06	Mainly due to changes in exchange rates for undue forward exchange business as at the end of the Reporting Period.
Taxes payable	174,792,592.21	1.32	86,555,036.75	0.71	0.61	Mainly due to increase in income tax payable during the Reporting Period.

(VI) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Unit: RMB

Items	Amount at the beginning of the period	Gain or loss from change in fair value during the period	Accumulated changes in fair value accounted in equity	Impairment provided during the period	Amount purchased during the period	Amount sold during the period	Amount at the end of the period
Financial assets							
1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period (excluding derivative financial assets)	67,115,019.35	-66,952,559.35	-66,952,559.35				162,460.00
2. Derivative financial assets							
3. Financial assets available for sale							
Subtotal of financial assets							
Investment Properties							
Productive biological assets							
Others							
Total	67,115,019.35	-66,952,559.35	-66,952,559.35				162,460.00
Financial liabilities	-4,645.00	-7,386,491.66	-7,386,491.66				-7,391,136.66

(VII) 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. 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 refrigerator and air-conditioner products of the Company, namely “Hisense”, “Ronshen” and “Kelon”, have 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. From a global market perspective, Hisense’s own brand air-conditioner products ranked fifth in the global market share and its own brand refrigerator and freezer products ranked seventh in the global market share.

(VIII) 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	300,376.06	189,825.49	412,998.67	84,088.28	71.087.05

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Name of company	Purpose of acquisition and disposal of subsidiaries during the Reporting Period	Means of acquisition and disposal of subsidiaries during the Reporting Period	Effect on the overall production and results
Hisense (Guangdong) Air-Conditioner Company	Establishment of new air-conditioner	Newly established	For facilitating the increase of the Company’s production

Limited	production base		capabilities for air-conditioner products and production efficiency.
Hisense (Guangdong) Mould Plastic Company Limited(海信(廣東)模塑有限公司)	Establishment of new subsidiary for the business of auxiliary products such as mould and plastic	Newly established	For facilitating the enhancement of the Company's production capabilities for auxiliary products

IV.OUTLOOK

Looking ahead into 2015, the persistent downward pressure on the PRC economy, weak economic growth momentum and continual downturn of the property market will lead to insufficient demand in the domestic market. Further, since the commencement of year 2015, the overall inventory of the air-conditioner industry remains at high levels. Price war is on the verge and the air-conditioner industry will face a rather tough situation for business operation. At the same time, the global economy is still in the phase of in-depth adjustment after the international financial crisis, with an expected weak recovery momentum and the aggravating fluctuations in the international exchange rates, especially the recent sharp depreciation of the euro exchange rate. The risk for export increases significantly. It is anticipated that the Company will face stronger pressure in its operation. However, at the same time we observe that with the development objectives of quality and efficiency enhancement in the domestic economy, the further promotion of the new urbanization policies, the improvements in the regional economic development policies and reserve fund systems, and, in the international market, the continued recovery of the economy in the United States and other developed countries, in 2015, the same year which the implementation of the Twelfth Five-year Plan will come to completion, both the domestic and export demand of household appliances will be stimulated to bring along favorable influences on the development of the Company.

In 2015, the Company will rigidly uphold the operating strategies of “building product advantages, enhancing marketing capabilities, improving service quality, enhancing system efficiency and ensuring scale and efficiency” to tackle any challenges ahead, actively integrate resources and ride on the opportunities of sector upgrades and technology and product innovations in order to strive for steady increase in its scale, performance and market share through implementation of the following:

1. to thoroughly actualize the philosophy of customer-orientation and provision of satisfactory products to the customers in order to improve product competitiveness and establish product advantages continually. Specifically enrich product portfolio, supplement and enhance the sales channel to corresponding products, establish all-round competitive advantages; innovate key technologies, maintain the leading position of the products' core competitiveness through continual technological innovations; continue to enhance product sophistication, strengthen improvements in product quality; to adhere to the strategies of high-end product development, product differentiation and sophistication, increase the input of research and development for high-end products, enrich the portfolio of high-end products, with the aim of realizing the Company's transition towards product intelligentization, artization and development of high-end products; at the same time, to thoroughly explore rooms to reduce production cost, to enhance products' gross profit margin and to ensure product cost advantage through measures such as technological innovation, collaborating with suppliers to innovate and strengthening purchase management.
2. to increase the sales capability. To improve the product planning and promotion capabilities through responding to changes in sales models brought by the mobile internet; to capitalize the

opportunities brought by the swift growth of the emerging channel such as ecommerce for enhancing the online popularity and reputation of the brands in order to fortify the operating capability; to continue driving for the construction of channels for the third and fourth grade markets, enhance network quality and increase the single-shop productivity to strive for synchronized growth in the quantity and quality of the channels; to increase sales expense and strengthen the output budget analysis and management to reduce spending which is ineffective or which has low efficiency and to lower the rate of sale expenses; to reinforce promotion of mid- to high-end products and enlarge the market share of key products in order to drive for the enhancement of the overall market share. In the perspective of the international market, to accelerate the development of the brand business, through breakthrough in major markets to enhance the business scale of the overseas market and market share of the brand.

3. to take “customer satisfaction” as the ultimate goal, reinforce NPS management and improve the service quality. To enhance the consonance between the service provider and the sales network to enhance the scale of the service provider; to enhance the service network and improve the standard of services; to build the core image of the service provider and promote the market reputation of the brand; to improve the timeliness of on-site visit through whole-process supervision .
4. to continue development of efficiency enhancement measures. To speed up the manufacture efficiency through workflow enhancement, enhancing the level of automation and techniques and accelerating production speed; to implement integration of functions through enhancing the workflow and organizational structure, to increase working efficiency, continually enhance the talent structure, enhance the staff capabilities through informatization measures, in order to step up the marketing efficiency; to set up organization for improving sales, through measures such as reforming the sales model to enhance the sales capabilities and scale, in order to enhance sales efficiency.
5. to reinforce capital management and implement strict risk control. Reinforce receivables management, reduce inventory occupancy, have strict control over capital, strengthen expenses management and accelerate capital flow; step up exchange rate management; avert exchange rate risks.

FINAL DIVIDEND

The Group recorded net profit attributable to shareholders of the listed company of RMB 672 million for the year ended 31 December 2014. The Board resolved not to pay any dividend for the year ended 31 December 2014 and not to capitalize any reserve funds (no dividend was paid by the Group for the year ended 31 December 2013).

LIQUIDITY AND SOURCES OF FUNDS

For the year ended 31 December 2014, net cash generated from operating activities of the Group amounted to approximately RMB 966 million (2013: net cash generated from operating activities amounted to approximately RMB 219 million).

As at 31 December 2014, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 871 million (2013: RMB 474 million), and bank loans amounting to approximately RMB254 million (2013: RMB192 million).

Total capital expenditures of the Group for the year ended 31 December 2014 amounted to approximately RMB 766 million (2013: RMB 566 million).

HUMAN RESOURCES AND EMPLOYEES' REMUNERATION

As at 31 December 2014, the Group had approximately 34,560 employees, mainly comprising 5,112 technical staff, 15,674 sales representatives, 545 financial staff, 831 administrative staff and 12,398 production staff. The Group had 6 employees with a doctorate degree, 311 with a master's degree and 3,799 with a bachelor's degree. For the year ended 31 December 2014, the Group's staff payroll amounted to RMB2,483 million (corresponding period in 2013 amounting to RMB2,137 million).

EMPLOYEES' TRAINING AND REMUNERATION POLICY

Employees and people are the basis for corporate development. Leveraging on the platform provided by Hisense College, the Company has established a three-level training system, a well-rounded curriculum system and a training regulation system and actively promoted the building up of teacher resources internally and externally, so as to effectively support the development of the Company's management and technical personnel and achieve value-added human resources. Every year, the Company will formulate education and training programs for the employees based on the annual operational strategy and human resources development needs.

The Company has provided 4105 courses in total during the Reporting Period, and the number of participants reached 124804. The courses are mainly of enterprise management type, craftsmanship and quality type, corporate culture type, manufacturing type, or technology research and development type, etc., covering employees at different levels, ranging from ground level staff responsible for work such as front-line production and marketing to senior management.

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 31 December 2014, the Group's property, plant and equipment (including leasehold land held for own use), investment properties and trade receivables of approximately RMB 254 million (31 December 2013: RMB192 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.

PUBLIC FLOAT

The Directors confirm that as at 26 March 2015, based on publicly available information and to the best of their knowledge, 25% or above of the total issued share capital of the Company are held by the public. Therefore, the public float of the Company satisfies the requirement stipulated under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

AUDIT COMMITTEE

The eighth session of the audit committee of the Company has reviewed the final results of the Group for the year ended 31 December 2014.

CAPITAL EXPENDITURE

The Group expects that the capital expenditure for 2015 will be approximately RMB 443 million. The Group has sufficient funds to meet the funding requirement for capital expenditure plans and daily operations.

TRUST DEPOSITS

As at 31 December 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the Group did not have any long-term bank borrowings and its cash and cash equivalents amounted to RMB 871 million (2013: RMB 474 million), of which more than RMB 822 million are denominated in Renminbi.

As at 31 December 2014, the Group's current liabilities amounted to RMB8,861 million, non-current liabilities amounted to RMB465 million, and shareholders' equity attributable to the shareholders of the Company amounted to RMB3,458 million. Details of the Group's capital structure are set out in the financial statements which will be contained in the annual report of the Company.

GEARING RATIO

As at 31 December 2014, the Group's gearing ratio (calculated according to the formula: total liabilities /total assets) was 70.30% (2013: 73.92%).

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The eighth session of the Board has received a written confirmation from each of the independent non-executive Directors in respect of their independence in accordance with the requirements provided under Rule 3.13 of the Hong Kong Listing Rules. The Company considers that all the independent non-executive Directors of the eighth session of the Board meet the relevant requirements under Rule 3.13 of the Hong Kong Listing Rules and considers them to be independent.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors and the supervisors of the Company have a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

The Directors of the eighth session of the Board and the supervisors of the Company do not and did not directly or indirectly hold any material interests in any contract of significance of the Company or its subsidiaries subsisting during or at the end of the year 2014.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the eighth session of the Board have reviewed the continuing connected transactions of the Group for the year 2014, and confirmed that these transactions were conducted in the ordinary course of business of the Group in accordance with the relevant agreements governing them and on normal commercial terms which were fair and

reasonable and in the interest of the shareholders of the Company as a whole.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY AUDITORS

After auditing the continuing connected transactions of the Group, the auditors of the Company confirmed that the relevant continuing connected transactions of the Group have been approved by the Board, were carried out in accordance with the Company's pricing policies pursuant to the terms of the agreements of the relevant transactions, and have not exceeded the caps disclosed in the previous announcements.

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 the Hong Kong 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.

SHARE CAPITAL STRUCTURE

As at 31 December 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 31 December 2014, there were 35,045 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	459,128,768	33.80%	99.90%	0
China Huarong Asset Management Co., Ltd.	State-owned legal person	30,000,000	2.21%	3.34%	0
Zhang Shaowu	Domestic	6,500,000	0.48%	0.72%	0

	natural person				
Zhang Yi ^{Note 4}	Domestic natural person	3,044,453	0.22%	0.34%	0
Zhang Jing Bing ^{Note 4}	Domestic natural person	2,744,721	0.20%	0.31%	0
New China Life Insurance Company Ltd – Traditional – General Insurance Product – 018L–CT001 Shen	Other	2,499,903	0.18%	0.28%	0
Ping An Life Insurance Company of China, Ltd - bonus - bank insurance bonus ^{Note 3}	Other	2,308,114	0.17%	0.26%	0
Ping An Life Insurance Company of China, Ltd – Universal – Personal Universal Insurance ^{Note 3}	Other	1,775,948	0.13%	0.20%	0
Ping An Life Insurance Company of China, Ltd – Traditional – High Interest Rate Insurance Product ^{Note 3}	Other	1,655,600	0.12%	0.18%	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, increased its holding of H shares of the Company by 10,869,000 H shares during the Reporting Period, representing 0.80% of the total number of shares of the Company. Hisense (Hong Kong) Company Limited is the holder of 64,869,000 H shares in total at the end of the Reporting Period, representing 4.78% of the total number of shares of the Company.

2. At the end of the day falling 5 trading days prior to the date of disclosure of the annual report for A shares on 27 March 2015, there were 34,604 shareholders of the Company in total.

3. Ping An Life Insurance Company of China, Ltd is the manager of Ping An Life Insurance Company of China, Ltd - bonus - bank insurance bonus, Ping An Life Insurance Company of China, Ltd – Universal – Personal Universal Insurance and Ping An Life Insurance Company of China, Ltd – Traditional – High Interest Rate Insurance Product.

4. The 3,044,453 shares of the Company held by Mr. Zhang Yi, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of China Securities Company Limited. The 2,676,321 shares of the Company held by Mr. Zhang Jing Bing, a shareholder of the Company, were held through a guaranteed security account for customer credit trading of GF 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	459,128,768	Overseas listed foreign shares

China Huarong Asset Management Co., Ltd.	30,000,000	RMB ordinary shares
Zhang Shaowu	6,500,000	RMB ordinary shares
Zhang Yi	3,044,453	RMB ordinary shares
Zhang Jing Bing	2,744,721	RMB ordinary shares
New China Life Insurance Company Ltd – Traditional – General Insurance Product – 018L–CT001 Shen	2,499,903	RMB ordinary shares
Ping An Life Insurance Company of China, Ltd - bonus - bank insurance bonus	2,308,114	RMB ordinary shares
Ping An Life Insurance Company of China, Ltd – Universal – Personal Universal Insurance	1,775,948	RMB ordinary shares
Ping An Life Insurance Company of China, Ltd – Traditional – High Interest Rate Insurance Product	1,655,600	RMB ordinary shares

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Directors, supervisors and the chief executive of the Company, as at 31 December 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 (the “Hong Kong Stock Exchange”):

Long position or short position in the shares of the Company

Name of shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited <i>Note 1</i>	Beneficial owner	A shares	612,316,909(L)	68.12%	45.07%
Qingdao Hisense Electric Holdings Company Limited <i>Note 1</i>	Interest of controlled corporation	A shares	612,316,909(L)	68.12%	45.07%
Hisense Company Limited <i>Note 1</i>	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	64,869,000 (L)	14.11%	4.78%
Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	H shares	64,869,000 (L)	14.11%	4.78%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	H shares	64,869,000 (L)	14.11%	4.78%
Prime Capital Management Company Limited ^{Note 2}	Investment manager	H shares	60,520,691 (L)	13.16%	4.45%
Citigroup Inc. ^{Note 3}	Person having security interests in shares and custodian corporation/ approved lending agent	H shares	30,181,081(L) 172,000(S) 7,150,918(P)	6.56% 0.03% 1.55%	2.22% 0.01% 0.53%

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

Notes:

- 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 32.36% 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;*
- Prime Capital Management Company Limited was interested in a total of 60,520,691 H shares in the capacity of an investment manager by virtue of the SFO.*
- By virtue of the SFO, Citigroup Inc. was interested in these H shares, in which Citigroup Global Markets Limited was interested in the long position of 22,858,163 H shares; Citigroup Global Markets Hong Kong Limited was interested in the long position of 172,000 H shares and the short position of 172,000 H shares and Citibank N.A. was interested in the long position of 7,150,918 H shares. Among such interests in the H shares, Citigroup Inc. was interested in the long position of 22,857,165 H shares as person having security interests, the long position of 7,150,918 H shares as custodian corporation or approved lending agent and the long position of 172,998 H shares and the short position of 172,000 H shares as interest of controlled corporation.*

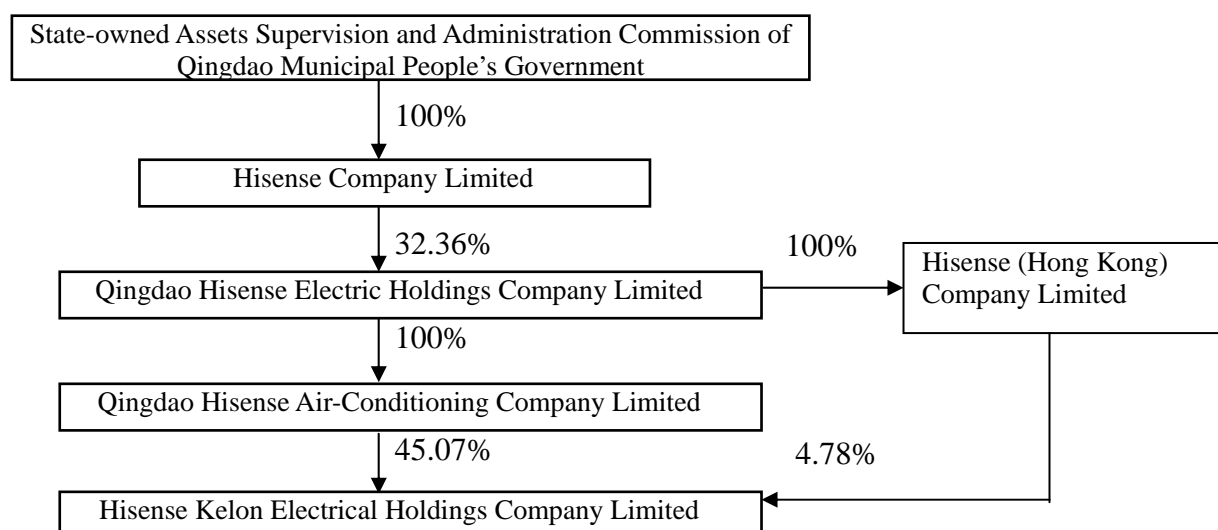
Save as disclosed above, as at 31 December 2014, in so far as the Directors, supervisors and chief executive of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PARTICULARS OF THE CONTROLLING SHAREHOLDERS OF THE COMPANY

- (a) Qingdao Hisense Air-Conditioning Company Limited, the controlling shareholder of the

Company, was incorporated on 17 November 1995. Its registered address is Changsha Road, Hi-tech Industrial Zone, Qingdao, the PRC and the legal representative is Mr. Tang Ye Guo and its registered capital is RMB674.79 million. Its business scope is the development and manufacture of air-conditioning products and injection moulds and the provision of after-sale repairing services for its products (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).

- (b) The beneficial controller of the Company is Hisense Company Limited, which was incorporated in August 1979 with its registered address at No. 17 Donghai West Road, Shinan, Qingdao. Mr. Zhou Houjian is the legal representative of Hisense Company Limited and its registered capital is RMB806.17 million. The scope of business includes: the entrusted operation of state-owned assets; the manufacture and sales of TV sets, refrigerators, freezers, washing machines, small household appliances, disc players, audio sets, broadcasting appliances, air-conditioners, electronic computers, telephones, communication products, internet products and electronic products and the provision of related services; the development of software and the provision of internet services; the technological development and the provision of consultation services; the self-operated import and export business (with its operation subject to the list of projects as approved by the MOFTEC); the foreign economic and technical cooperation (with its operation subject to the list of projects as approved by the MOFTEC); operation of property rights transaction and provision of brokerage and information services; provision of industrial travel agency services; provision of relevant business trainings, property management, leasing of tangible property and leasing of immovable property (Permit/licence shall be obtained for the operation of the businesses above if they fall into the requirements of licensure).
- (c) The ultimate beneficial controller of the Company is the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People’s Government.
- (d) Relationship between the Company and its beneficial controllers:



- (e) During the Reporting Period, there was no change in the controlling shareholders of the Company.

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

As at 31 December 2014, save as disclosed below and in the sub-section “Movements of the share

options during the Reporting Period” under the section headed “Summary on adoption of first share option incentive scheme and the grant thereunder”, none of the members of the Board, supervisors and the chief executive of the Company held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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%

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the aggregate amount of the Group’s purchases from the top five suppliers was RMB2,866 million, representing 15.28% of the total purchase amount of the Group for the year and the aggregate sales amount to the top five customers was RMB5,766 million, representing 23.66% of the total sales amount of the Group for the year. As at 31 December 2014, none of the Directors, their close associates or Shareholders who, to the knowledge of the Directors, held more than 5% of the shares in the Company, had any interest in the above suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDITOR

On 26 June 2014, as considered and approved at the shareholders’ general meeting, the Company agreed to re-appoint Ruihua Certified Public Accountants as the auditor of the Company for the financial year of 2014, and the Board was authorized to fix their remuneration.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company or the relevant PRC laws.

TAXATION

Pursuant to the relevant tax regulations, the Company is required to withhold and pay corporate income tax at the rate of 10% when distributing dividends to non-resident enterprise shareholders whose names appear on the H- share register of members.

SUMMARY ON ADOPTION OF FIRST SHARE OPTION INCENTIVE SCHEME AND THE GRANT THEREUNDER

(1) Purpose of the Scheme

The first share option incentive scheme (the “Scheme”) was adopted by the Company on 1 August

2011. The Scheme is formulated to further refine the management structure of the Company, provide long-term rewards and retention incentives for the senior and mid-level management, key technical, sales and management personnel of the Company, fully motivate their pro-activeness and creativity, closely correlate their interests with the long term development of the Company, and allow sustainable development of the Company.

The participants include the directors of the Company (exclusive of the independent directors and external directors who are not officers of Hisense Group and its subsidiaries (other than the Company and its subsidiaries), senior management (including president, vice president, financial controller, secretary to the Board, 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 such key technical personnel of the Company and its subsidiaries as determined by the Board.

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

No.	Name	Position	Outstanding 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 31 December 2014 ('0000 shares)	As a percentage of the total share capital	As a percentage of share capital of the same class (A shares)
1	Tang Ye Guo	Chairman	126	41.58	-	-	84.42	0.06%	0.09%
2	Xiao Jian Lin	Former Director, Former President	82.8 ^(Note 2)	27.324	-	-	55.476	0.04%	0.06%
3	Jia Shao Qian	Vice-President	82.8	25.806	-	-	56.994	0.04%	0.06%
4	Ren Li Ren	Former Director, former President	72 ^(Note 3)	N/A	-	-	N/A	N/A	N/A
5	Zhang Yu Qing	Former Vice-President	82.8 ^(Note 3)	N/A	-	-	N/A	N/A	N/A
6	Wang Yun Li	Former Vice-President	82.8 ^(Note 3)	N/A	-	-	N/A	N/A	N/A
7	Gan Yong He	Former Director, former Vice-President	18.1 ^(Note 3)	N/A	-	-	N/A	N/A	N/A
8	Mid level management staff and key personnel		936.9	349.371	41.61	508.41 ^(Note 4)	801.619	0.59%	0.89%
	Total		1484.2	444.081	41.61	508.41 ^(Note 4)	998.509	0.74%	1.11%

Notes:

1. All share options available for issue under the Scheme have been granted.
2. Mr. Xiao Jian Lin resigned from his positions as director and president respectively on 17 March 2015.
3. Mr. Ren Li Ren, Mr. Zhang Yu Qing, Mr. Wang Yun Li and Mr. Gan Yong He respectively resigned from their positions as director, president and vice-president on 27 March 2014.
4. 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.

(3) 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.

(4) 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.

(5) 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.

Unless approved in the general meeting, the aggregate number of underlying shares which may be acquired by any participant through the Scheme or other effective share option incentive schemes of the Company (if any) at any time shall not exceed 1% of the Company's total share capital of the same class, and the maximum entitlement which may be granted to a participant (including exercised, cancelled and outstanding share options) within any 12-month period shall not exceed 1% of the Company's total share capital of the same class.

(6) Determination method of exercise price

The exercise price of the grant is the higher of the following two prices: (i) the closing price of the A shares on the last trading day immediately preceding the date of the announcement of the summary of the Scheme (that is, 29 November 2010), which was RMB7.65 per share; and (ii) the average closing price of the A shares during the last 30 trading days immediately preceding the date of announcement of the summary of the Scheme, which was RMB7.37 per share. Therefore, the exercise price is RMB7.65 per share.

(7) Effect of the Company's share option incentive scheme on the financial position for the Reporting Period

In accordance with the requirements of the First Share Option Incentive Scheme of Hisense Kelon Electrical Holdings Company Limited (Revised Draft), the Company has elected to use the Black-Scholes option pricing model to calculate the fair value of the share options granted under the Scheme. According to the calculation by such pricing model, the Company recognized an expense of RMB 1 million in total in relation to this share option incentive scheme.

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

(I) 21 November 2013, the Company entered into the Business Co-operation Framework Agreement, Financial Services Agreement, Business Framework Agreement 1, Business Framework Agreement 2 and the Purchase Financing Agency Framework Agreement with Hisense Group, Hisense Electric, Hisense Finance, Hisense Hitachi, Hisense-Whirlpool and Hisense Hong Kong respectively.

Hisense Air-conditioning is a connected person of the Company by virtue of being a substantial shareholder of the Company, holding approximately 45.07% (then owned approximately 45.22% of the issued shares of the Company as at the date of the agreement) of the issued shares of the Company and Hisense Hong Kong holds approximately 4.78% (then owned approximately 3.99% of the issued shares of the Company as at the date of the agreement) of the issued shares of the Company. As Hisense Group indirectly owns 47.90% of Hisense Air-conditioning and Hisense Hong Kong and Hisense Electric is owned as to 40.37% (then owned as to 40.43% as at the date of the agreement) by Hisense Group, Hisense Group, Hisense Electric and their respective subsidiaries (including without limitation Hisense Marketing and its subsidiaries) are connected persons of the Company according to the Hong Kong Listing Rules. Hisense Finance is a subsidiary of Hisense Group, Hisense Finance therefore is a connected person of the Company according to the Hong Kong Listing Rules. As certain directors of the Company are also senior management of Hisense Hitachi and Hisense-Whirlpool, Hisense Hitachi and Hisense-Whirlpool are connected persons of the Company according to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange.

Details of the Business Co-operation Framework Agreement with Hisense Group and Hisense Electric, the Financial Services Agreement with Hisense Finance, Business Framework Agreement 1 with Hisense Hitachi and Business Framework Agreement 2 with Hisense-Whirlpool can be found in the announcement and the circular published on the website of the Hong Kong Stock

Exchange (<http://www.hkex.com.hk>) on 21 November 2013 and 18 December 2013 respectively.

As Hisense Group is the beneficial controller of both Hisense Hong Kong and the Company, Hisense Hong Kong is a connected person of the Company under the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange. Hisense Hong Kong is also a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Since the financial assistance arrangement under the Purchase Financing Agency Framework Agreement would be for the benefit of the Company on normal commercial terms where no security over the assets of the Company was to be granted in respect of the financial assistance, such arrangement was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to the Hong Kong Listing Rules. Details of the Purchase Financing Agency Framework Agreement can be found in the announcement published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 21 November 2013.

The above transactions (other than the Business Framework Agreement 1 with Hisense Hitachi and the Business Framework Agreement 2 with Hisense-Whirlpool) constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The Company confirmed that it had complied with the disclosure requirements in accordance with Chapter 14A of the Hong Kong Listing Rules for the relevant connected transactions (other than the Purchase Financing Agency Framework Agreement which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to the Hong Kong Listing Rules). Specific information of the Business Co-operation Framework Agreement and the Financial Services Agreement is set out as follows:

1. The Business Co-operation Framework Agreement with Hisense Group and Hisense Electric

On the one hand, the supply of home electrical appliances, raw materials and parts and components, equipment and moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries can help to lower the production costs of the Group as a result of the increase in production level, which in turn enhance the market competitiveness of the Group's products. At the same time, the Group can continue to develop overseas market and enhance brand competitiveness and awareness. The Group can also increase market share by selling products through the online platform of Hisense Group and Hisense Electric which reduces the product circulation links. Provision of services to Hisense Group and/or its subsidiaries will increase the income of the Group. On the other hand, taking into account the product quality, prices and services provided by Hisense Group, Hisense Electric and/or their respective subsidiaries, purchases of home electrical appliances, equipment, raw materials and parts and components from Hisense Group, Hisense Electric and/or their respective subsidiaries and engagement of their services can meet the manufacture needs of the Company and the development of related business, and can also help reduce costs. Hisense Marketing, a subsidiary of Hisense Group, has over 10 years' experience in overseas operations, professional expertise and mature market network and channels in overseas market. By engaging the export agency services of Hisense Group and/or its subsidiaries which will provide professional management services to the Group for its development of the international market, the Group can largely reduce costs which would have to be committed for running the operation by itself, and use the available resources on the research and development and the quality warranties for the products to be exported, which will be beneficial to the Group in enhancing the stable development of its export business at the same time. As such, the Company entered into the Business Co-operation Framework Agreement with Hisense Group and Hisense Electric, the principal terms of which are as follows:

- (1) The Business Co-operation Framework Agreement shall commence from the date of approval of the Business Co-operation Framework Agreement by the independent shareholders (that is,

10 January 2014) until 31 December 2014, which can be terminated before its expiration by mutual agreement of the parties.

- (2) Pricing for the purchase of home electrical appliances between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness mainly with reference to the market price of similar home electrical appliances from time to time. Pricing for the purchase of raw materials, equipments, parts and components between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiation between the parties according to the principles of fairness and reasonableness. Pricing for the supply of moulds by the Group to Hisense Group, Hisense Electric and/or their respective subsidiaries is the market price determined by the open bidding process. Pricing for the provision of services between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand is determined by commercial negotiations according to the principles of fairness and reasonableness between the parties with reference to the market price for the provision of similar services in the industry. The fees payable by the Group for the provision of the agency services for export for the white goods of the Group is calculated by multiplying the Group's revenue from export of the relevant type of products (which shall be the final amount of revenue for sales by the Group to third party customers in RMB) with an export agency fee percentage. Taking into consideration the audited rate of the charges actually incurred by Hisense Marketing and/or its subsidiaries for providing agency services for export to the Group for the period from March 2011 to June 2012, the rate of the charges actually incurred during the first half of 2012 (being 7.24%) shall be used as the base percentage and the corresponding profit margin for export agency services payable by the Group to Hisense Group and/or its subsidiaries shall be determined according to the growth rate of the revenue from export subject to the export agency services in 2014, pursuant to which the export agency fee percentage during the term of the Business Co-operation Framework Agreement shall also be determined as provided in the table below

Growth rate of the revenue from export subject to the export agency services	Corresponding profit margin for export agency services	Corresponding export agency fee percentage
Below 0%	0%	7.24%
0-5% (inclusive of 5%)	0.5%	7.74%
5-10% (inclusive of 10%)	0.8%	8.04%
10-15% (inclusive of 15%)	1%	8.24%
Above 15%	1.1%	8.34%

Note: Growth rate of the revenue from export subject to the export agency services = (the Group's audited revenue from export subject to the export agency services in 2014 - the Group's audited revenue from export subject to the export agency services in 2012) / the Group's audited revenue from export subject to the export agency services in 2012.

- (3) Payment term(s) for the transactions between the Group on the one hand and Hisense Group, Hisense Electric and/or their respective subsidiaries on the other hand shall be in accordance with the payment term(s) as stipulated in the definitive contract(s) to be signed by the relevant parties thereto. The fees for the provision of the agency services for export of the white goods products of the Group will be calculated on a monthly basis and the relevant members of the Group should pay the monthly fee for the preceding month by way of telegraphic transfer or bills.

(4) The annual caps under the Business Co-operation Framework Agreement are shown in the table below:

Unit: RMB (ten thousand) (exclusive value-added tax)

Types of connected transactions	Division by products or services	Connected person	Annual cap
Sale of products and materials	Sale of home electrical appliances products by the Group	Hisense Group	303,895
		Hisense Electric	85
	Sale of equipment by the Group	Hisense Group	856
	Sale of moulds by the Group	Hisense Group	25,566
		Hisense Electric	9,402
	Sale of raw materials, parts and components by the Group	Hisense Group	1,625
Hisense Electric		1,280	
Provision of services	Provision of loading and unloading, design, equipment rental and property services by the Group	Hisense Group	687
Purchase of products and materials	Purchase of home electrical appliances products by the Group	Hisense Group	60
		Hisense Electric	51
	Purchase of raw materials, parts and components by the Group	Hisense Group	1,801
		Hisense Electric	4,997
Purchase of equipment by the Group	Hisense Group	400	
Receipt of services	Receipt of material processing, installation and maintenance, property, medical, leasing, design, inspection, agency services for import and export, property construction, management consultancy, technical support and information system maintenance by the Group	Hisense Group	11,859
	Receipt of property and design services by the Group	Hisense Electric	1,153
	Receipt of agency services for export of the white goods by the Group	Hisense Group	36,683

2. The Financial Services Agreement with Hisense Finance

The Group is expected to benefit from the rates on loans and deposits offered by Hisense Finance to the Group, which will be equal to or more favourable than those offered by the PRC commercial

banks, and at the same time, Hisense Finance's better understanding of the operations of the Group which should allow the provision of more expedient and efficient services than those offered by PRC commercial banks. On the other hand, Hisense Finance is regulated by 中國銀行業監管管理委員會 (China Banking Regulatory Commission) and engages into the provision of financial services in compliance with the regulations and operation requirements issued by the relevant regulatory authorities. The primary customers of Hisense Finance are the companies within the Hisense Group. In general, as the risks exposed to Hisense Finance are less than those exposed to the financial institutions with a broad and unrestricted customer base, Hisense Finance is able to safeguard the customers' funds more effectively. As such, the Company entered into the Financial Services Agreement with Hisense Finance, the principal terms of which are as follows:

- (1) The term of the Financial Services Agreement shall commence from the date of approval of the Financial Services Agreement by the independent shareholders (that is, 10 January 2014) until 31 December 2015, which can be terminated by either party if the other party is in default and such default is not remedied within a reasonable period.
- (2) The services to be provided by Hisense Finance to the Group include deposit services, loan and electronic bank acceptance bill (電子銀行承兌匯票) services, draft discount services (票據貼現服務) and settlement and sale of foreign exchange services (結售匯服務) and agency services such as settlement services for receipt and payment of funds (資金收支結算等代理類服務).
- (3) The interest rate payable for the Group's deposits with Hisense Finance shall not be lower than the rate payable by normal commercial banks in the PRC for comparable deposits. The interest rate charged for the loans provided to the Group by Hisense Finance shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans. The service fees charged for the provision of electronic bank acceptance bill services by Hisense Finance for the Group shall not be higher than the standard service fees charged by normal commercial banks in the PRC for comparable services. Hisense Finance may require the Group to provide guarantee or security or pledge over assets in respect of the loan services and the electronic bank acceptance bill services rendered, depending on the then circumstances and business needs. The discount rate for the provision of draft discount services by Hisense Finance to the Group shall be determined on the basis of the rediscount rate (再貼現利率) quoted by The People's Bank of China and with reference to market level and shall not be higher than the discount rate charged by normal commercial banks in the PRC providing such services to the Group. The level of services (including the level of exchange rates) for the settlement and sale of foreign exchange at Hisense Finance shall not be worse than the level of services (including the level of exchange rates) of normal commercial banks in the PRC providing such services to the Group. The charging standard for service fees chargeable for the provision of agency services such as settlements services for receipt and payment of funds by Hisense Finance for the Group shall not be higher than the charging standard for service fees for such services of normal commercial banks or similar agencies in the PRC during the corresponding period.
- (4) The maximum daily balance of the deposits placed by the Group with Hisense Finance at any time during the term of the Financial Services Agreement shall not exceed the cap of RMB800,000,000 (inclusive of interest) on any given day. The maximum balance of loan and electronic bank acceptance bills provided by Hisense Finance for the Group during the term of the Financial Services Agreement shall not exceed the cap of RMB2.2 billion (inclusive of interest and service fees). The annual discount interest payable by the Group to Hisense Finance for the provision of draft discount services during the term of the Financial Services Agreement shall not exceed the cap of RMB50,000,000. The annual amount settled or sold by Hisense Finance for the Group shall not exceed the cap of US\$500,000,000. The annual amount of the service fees payable by the Group to Hisense Finance for the provision of agency services such

as settlement services for receipt and payment of funds (資金收支結算等代理類服務) shall not exceed the cap of RMB5,000,000.

(II) During the Reporting Period, certain connected transactions in relation to ordinary operation have been entered into, details of which are as follows:

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 -Whirlpool	Purchase	Finished goods	Agreed price	43,013.37	2.07
Hisense Electric	Purchase	Finished goods	Agreed price	7.05	
Hisense Group	Purchase	Finished goods	Agreed price	228.47	0.01
Hisense -Whirlpool	Purchase	Materials	Agreed price	859.32	0.04
Hisense Hitachi	Purchase	Materials	Agreed price	623.02	0.03
Hisense Group	Purchase	Materials	Agreed price	1,667.28	0.08
Hisense Electric	Purchase	Materials	Agreed price	2,221.47	0.11
Hisense Group	Receipt of services	Receipt of services	Agreed price	39,545.39	1.90
Hisense Electric	Receipt of services	Receipt of services	Agreed price	999.70	0.05
Hisense Hong Kong	Receipt of services	Receipt of purchase financing agency services	Agreed price	21,324.41	1.03
Hisense Electric	Sale	Finished goods	Agreed price	0.47	
Hisense Hitachi	Sale	Finished goods	Agreed price	4,195.00	0.16
Hisense Group	Sale	Finished goods	Market price	178,298.76	6.72
Hisense -Whirlpool	Sale	Materials	Agreed price	1,230.04	0.05
Hisense Group	Sale	Materials	Agreed price	1,231.78	0.05
Hisense Hitachi	Sale	Materials	Agreed price	117.84	
Hisense Electric	Sale	Materials	Agreed price	59.25	
Hisense -Whirlpool	Sale	Materials	Agreed price	208.52	0.01
Hisense Group	Sale	Moulds and equipment	Agreed price	20,831.35	0.79
Hisense Hitachi	Sale	Moulds	Market price	752.31	0.03
Hisense -Whirlpool	Sale	Moulds	Market price	419.65	0.02
Hisense Electric	Sale	Moulds	Market price	7,104.20	0.27
Hisense -Whirlpool	Provision of services	Provision of services	Agreed price	297.09	0.01
Hisense Group	Provision of services	Provision of services	Agreed price	512.90	0.02

As at the end of the Reporting Period, the Company and its subsidiaries had the balance of deposit of RMB698,828,900 and interest income received of RMB3,200,300, the actual balance of loan of RMB0, balance of electronic bank acceptance bill of RMB621,484,700, interest payment for discounted notes of RMB0 and the handling fee for opening accounts for electronic bank acceptance bill of RMB995,600 with Hisense Finance. The actual amount of discounted interest for the provision of draft discount services was RMB0, the actual amount involved for the provision of settlement and sale of foreign exchange services was US\$36,377,800 and the actual service fee paid for the provision of agency services such as settlement services for receipt and payment of funds was RMB308,700.

(III) During the Reporting Period, the Company and its connected persons (within the meaning under Chapter 14A of the Hong Kong Listing Rules) have entered into the following agreements, involving transactions between the Group and the relevant connected persons after the Reporting Period:

No.	Agreement	Counterparty to the agreement	Particulars of connected transactions	Annual cap
1	Business Co-operation Framework Agreement dated 2 December 2014	Hisense Group and Hisense Electric	Purchase of home electrical appliances by the Group	RMB800,000
			Purchase of raw materials, parts and components by the Group	RMB35,650,000
			Receipt of services by the Group	RMB177,120,000
			Receipt of agency services for export of white goods products by the Group	RMB439,330,000
			Supply of home electrical appliances by the Group	RMB2,985,280,000
			Supply of equipment by the Group	RMB8,000,000
			Supply of moulds by the Group	RMB350,000,000
			Supply of raw materials, parts and components by the Group	RMB67,050,000
			Provision of services by the Group	RMB7,190,000
3	Purchase Financing Agency Framework Agreement dated 2 December 2014	Hisense Hong Kong	Receipt of financing agency services by the Group to purchase imported raw materials, components and equipment	US\$100,000,000

The term of the Business Co-operation Framework Agreement and the Purchase Financing Agency Framework Agreement commences from the date of approval of such agreements by the independent shareholders (that is, 21 January 2015) until 31 December 2015. The relationship between the Group on one hand and Hisense Group, Hisense Electric and Hisense Hong Kong on the other hand has been disclosed above.

Details of the agreements can be found in the announcements and the circular published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 2 December 2014 and 19 December 2014 respectively.

CORPORATE GOVERNANCE CODE

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

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

All information about the annual report as required by Appendix 16 to the Hong Kong Listing Rules will be published on the Hong Kong Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.kelon.com>) in due course.

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

Foshan City, Guangdong, the PRC, 26 March 2015

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Ms. Yu Shu Min, Mr. Lin Lan, 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.

NOTE: SUPPLEMENTARY INFORMATION AS REQUIRED BY THE HONG KONG STOCK EXCHANGE IN RELATION TO THE COMPANY'S A SHARE ANNUAL RESULTS ANNOUNCEMENT

I .PARTICULARS OF THE REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Gender	Age	Term of Office	Total remuneration received from the Company (RMB ten thousand)	Total remuneration received from shareholders' entities (RMB ten thousand)	Actual remuneration received at the end of the Reporting Period (RMB ten thousand)
Tang Ye Guo	Chairman	Male	52	2012.06.26-2015.06.25	99.97	0	99.97
Yu Shu Min	Director	Female	63	2012.06.26-2015.06.25	0	-	-
Lin Lan	Director	Male	57	2012.06.26-2015.06.25	0	-	-
Tian Ye	Director	Male	40	2014.06.26-2015.06.25	137.45	0	137.45
	President			2015.03.17 -2015.06.25			
	Former Vice President			2013.05.17-2015.03.16			
Huang Xiao Jian	Director	Male	56	2014.06.26-2015.06.25	100.34	0	100.34
	Vice President			2014.03.27-2015.06.25			
Xiao Jian Lin	Former Director	Male	47	2012.06.26-2015.03.16	88.59	0	88.59
	Former President			2014.03.27-2015.03.16			
Ren Li Ren	Former Director	Male	50	2012.06.26-2014.03.26	54.35	0	54.35
	Former President			2012.06.26-2014.03.26			
Gan Yong He	Former Director	Male	47	2012.06.26-2014.03.26	25.61	0	25.61
	Former Vice President			2012.06.26-2014.03.26			
Xu Xiang Yi	Independent non-executive Director	Male	59	2012.06.26-2015.06.25	9	0	9
Wang Ai Guo	Independent non-executive Director	Male	50	2012.06.26-2015.06.25	9	0	9
Wang Xin Yu	Independent non-executive Director	Male	44	2012.06.26-2015.06.25	24	0	24
Liu Zhen Shun	Chairman of Supervisory Committee	Male	45	2014.01.10-2015.06.25	-	-	-
Gao Yu Ling	Supervisor	Female	34	2014.01.10-2015.06.25	-	-	-
Shu Peng	Employee Representative	Male	39	2015.01.15-2015.06.25	26.72	0	26.72

	Supervisor						
Guo Qing Cun	Former Chairman of Supervisory Committee	Male	61	2012.06.26-2014.01.09	-	-	-
Liu Jiang Yan	Former Supervisor	Female	39	2012.08.15-2014.01.09	-	-	-
Zhang Jian Jun	Former Employee Representative Supervisor	Male	41	2012.06.26-2015.01.14	30.22	0	30.22
Jia Shao Qian	Vice President	Male	42	2012.06.26-2015.06.25	72.08	0	72.08
Li Hua	Person in charge of finance	Male	41	2015.03.17-2015.06.25	0	0	0
Xia Feng	Secretary to the Board	Male	38	2012.06.26-2015.06.25	36.13	0	36.13
Wong Tak Fong	Company Secretary	Female	47	2012.06.26-2015.06.25	15.84	0	15.84
Zhang Yu Qing	Former Vice President	Male	51	2012.06.26-2014.03.26	79.91	0	79.91
Wang Yun Li	Former Vice President	Male	41	2012.06.26-2014.03.26	94.27	0	94.27
Li Jun	Former Person in charge of finance	Female	40	2012.08.15-2015.03.16	82.63	0	82.63

II. The decision-making procedures and basis of determination of the remuneration of the Directors, supervisors and senior management are as follows:

- the remuneration of the Directors of the Company is determined based on suggestions made to the Board by the remuneration and appraisal committee of the Board on the basis of the duties of the Directors and the remuneration level of other listed companies in the same industry, and is subject to consideration and approval by the Board and the shareholders at general meetings;
- the remuneration of the supervisors is determined based on suggestions made by the supervisory committee on the basis of the duties of the supervisors and the remuneration level of other listed companies in the same industry and is subject to consideration and approval by the Board and the shareholders at general meetings;
- the remuneration and appraisal committee of the Board makes remuneration suggestion to the Board based on the senior management's experience, responsibilities undertaken for operation under his/ her management, risk, pressure and his/ her contribution to the Company, which is determined and approved by the Board. The final remuneration received by the senior management is also linked with his/her annual performance review.

The Company determines and pays the remuneration of the Directors, supervisors and senior management in accordance with the above requirements and procedures.

III. 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)

<p>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.</p>	72,541.44	No	<p>On 24 June 2014, the Company received the execution judgment of (2009) Fo Zhong Fa Zhi Zi No. 235 from the Foshan Intermediate Court, which provides the execution procedure of the above mentioned case has been concluded in accordance with the law. In July and November 2014, the Company received from the Foshan Intermediate Court a sum of approximately RMB 3,000,000 and approximately RMB9,007,000 respectively, being execution payment of the cases involving the Greencool Companies.</p>	<p>The effect of the cases involving Greencool Companies on the net profits attributable to shareholders of the Company was approximately RMB17,440,000.</p>	<p>As at the date hereof, the Company has not yet received execution judgment for 1 case involving Greencool Companies.</p>
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IV.SHAREHOLDINGS IN OTHER LISTED COMPANIES HELD BY THE COMPANY

Stock code	Stock abbreviation	Initial investment cost (RMB ten thousand)	Shareholding percentage in the company (%)	Carrying amount at the end of the period (RMB ten thousand)	Profit and loss for the Reporting Period (RMB ten thousand)	Changes in ownership interests for the Reporting Period (RMB ten thousand)
000404	Huayi Compressor	2,417.14	3.74	8,189.07	700.07	622.70

V.PARTICULARS OF GUARANTEES

Applicable Not applicable

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	Guaranteed	Actual effective date (date of	Actual guarantee	Type of guarantee	Period of guarantee	Completed	Whether the

	relevant announcement in relation to the limit on the guaranteed amount	amount	agreement)	d amount			or not	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	1263.50	Joint liability guarantee	2014.01.24-2014.08.05	Yes	No
Guangdong Refrigerator	22 November 2013	60,000	2014-07-07	124.43	Joint liability guarantee	2014.07.07-2015.01.03	No	No
Kelon Air-conditioner	22 November 2013	30,000	2013-11-26	199.08	Joint liability guarantee	2013.11.26-2014.08.30	Yes	No
Kelon Air-conditioner	22 November 2013	30,000	2014-05-05	160.00	Joint liability guarantee	2014.05.05-2015.12.31	No	No
Kelon Air-conditioner	22 November 2013	30,000	2013-11-20	4456.60	Joint liability guarantee	2013.11.20-2014.12.18	Yes	No
Kelon Air-conditioner	22 November 2013	30,000	2014-10-10	170.63	Joint liability guarantee	2014.10.10-2015.02.07	No	No
Home Appliances Co	22 November 2013	5,000	2013-12-20	135.41	Joint liability guarantee	2013.12.20-2014.11.13	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	1780.49	Joint liability guarantee	2014.01.29-2014.12.30	Yes	No
Guangdong Freezer	22 November 2013	5,000	2014-02-26	95.02	Joint liability guarantee	2014.02.26-2014.04.15	Yes	No
Yangzhou Refrigerator	22 November 2013	10,000	2013-05-14	163.78	Joint liability guarantee	2013.05.14-2014.08.28	Yes	No
Yangzhou Refrigerator	22 November 2013	10,000	2013-05-14	86.26	Joint liability guarantee	2013.05.14-2015.01.14	No	No
Ronsheng Plastic	22 November 2013	6,000	2013-11-25	3049.59	Joint liability guarantee	2013.11.25-2014.12.29	Yes	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)		11,899.41		
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)		736.05		
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)		11,899.41		
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)		736.05		

Proportion of actual amount of guarantees (being A4+B4) to the net assets of the Company	0.21%
Including:	
Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (C)	0
Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (D)	330.63
Total guaranteed amount over 50% of the net asset (E)	0
Sum of the above three guarantees (C+D+E)	330.63
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

VI.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 Reporting Period	Amount of provision for impairment (if any)	Investment at the end of the Reporting 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	31 December 2014	278,543.31		221,160.98	63.95	-1,985.48
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 value of invested derivatives			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								

during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	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-74,339,100. Investment gain amounted to RMB54,484,300, resulting in a total profits or losses of RMB-19,854,800.
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.

VI. DESCRIPTION OF CHANGES IN SCOPE OF CONSOLIDATION AS COMPARED TO FINANCIAL REPORT LAST YEAR

Applicable Not applicable

Newly consolidated subsidiaries: Hisense (Guangdong) Air-Conditioner Co., Ltd. and Hisense (Guangdong) Mould Plastic Company Limited

During the Reporting Period, newly established Hisense (Guangdong) Air-Conditioner Company Limited and Hisense (Guangdong) Mould Plastic Company Limited were included in the scope of consolidation.

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.
“Kelon 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