Hisense 海信家電

**HISENSE HOME APPLIANCES GROUP CO., LTD.**

海信家電集團股份有限公司

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

**(Stock Code: 00921)**

# 2019 FIRST QUARTERLY REPORT

This announcement is made by Hisense Home Appliances Group Co., Ltd. (the "**Company**") pursuant to Part XIVA of the Securities and Futures Ordinance (CAP.571) and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

## I. IMPORTANT NOTICE

1. The board of directors (the "**Board**"), the supervisory committee (the "Supervisory Committee"), the directors (the "**Directors**"), the supervisors (the "**Supervisors**") and the senior management (the "**Senior Management**") of the Company warrant that there are no false representation or misleading statements contained in, or material omissions from, this report; and jointly and severally accept legal responsibility for the truthfulness, accuracy and completeness of the information contained herein.

2. Mr. Tang Ye Guo, the person in charge of the Company and Mr. Chen Xiao Lu, the person in charge of the accounting function and Ms. Liang Hong Tao, the person in charge of the accounting department, warrant the truthfulness, accuracy and completeness of the contents of the financial statements in this quarterly report.

3. All Directors attended the Board meeting for considering and approving the 2019 first quarterly report.

4. The financial statements of the Company for the first quarter of 2019 have not been audited by accountants.

5. The full text of the Company's balance sheet, income statement and cash flow statement are published on the website as designated by the Shenzhen Stock Exchange for release of information: http://www.cninfo.com.cn.

## II. 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

Reasons for retrospective adjustment or restatement: Correction of accounting errors

| Items | This reporting period | The period last year | | Increase or decrease of this reporting period as compared to the corresponding period last year (%) |
|---|---|---|---|---|
| | | Before correction | After correction | After correction |
| Operating revenue (RMB) | 8,686,763,509.65 | 8,974,222,298.65 | 8,974,222,298.65 | -3.20 |
| Net profits attributable to shareholders of listed company (RMB) | 421,644,890.03 | 287,986,771.63 | 282,882,785.69 | 49.05 |
| Net profits attributable to shareholders of listed company after deducting extraordinary profit and loss (RMB) | 390,578,128.46 | 271,595,062.24 | 266,491,076.30 | 46.56 |
| Net cash flow from operating activities (RMB) | 219,895,563.30 | -676,019,105.62 | -676,019,105.62 | N/A |
| Basic earnings per share (RMB/share) | 0.31 | 0.21 | 0.21 | 47.62 |
| Diluted earnings per share (RMB/share) | 0.31 | 0.21 | 0.21 | 47.62 |
| Weighted average rate of return on net assets (%) | 5.57 | 4.37 | 4.22 | 1.35 percentage point |
| Items | End of this reporting period | End of last financial year | | Increase or decrease at the end of this reporting period as compared to the end of last financial year(%) |
| | | Before correction | After correction | After correction |
| Total assets (RMB) | 22,929,363,294.26 | 21,827,905,038.40 | 21,827,905,038.40 | 5.05 |
| Net assets attributable to shareholders of listed company (RMB) | 7,774,916,974.15 | 7,351,824,364.87 | 7,351,824,364.87 | 5.75 |

Illustration of the correction of accounting errors

Details of the correction of accounting errors can be found in the announcement regarding Correction of Accounting Errors published on the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) on 28 March 2019.

**Extraordinary profit and loss items and amounts**

√ Applicable  □ Not applicable

Unit: RMB

| Item | Amounts from the beginning of the year to the end of the reporting period | Description |
|---|---|---|

| | | |
|---|---|---|
| Profits or losses from disposal of non-current assets (including the part written off for provision for impairment on assets) | 88,300.59 | |
| Government subsidy recorded in the profits or losses of the current period (except government subsidy which is closely related to the Company's business and is entitled for fixed amounts or fixed percentage based on unified standards promulgated by the government) | 34,452,420.19 | |
| Gain or loss arising from entrusted investment or entrusted asset management | 8,071,780.81 | |
| Non-operating income and expenses other than the aforementioned items | -2,009,990.32 | |
| Less: Effect of income tax | 5,650,138.19 | |
| Effect of minority interests (after tax) | 3,885,611.51 | |
| Total | 31,066,761.57 | -- |

## III. Table showing total number of shareholders and the shareholding of the top ten holders of ordinary shares at the end of the reporting period

**Unit: shares**

| Total number of shareholders of ordinary shares at the end of the reporting period | | | | | | 29,337 |
|---|---|---|---|---|---|---|
| The shareholding of the top ten holders of ordinary shares | | | | | | |
| Name of Shareholder | Nature of Shareholder | Percentage to the total issued share capital of the Company (%) | No. of shares held | No. of shares held subject to selling restrictions | Situation of pledged or frozen shares | |
| | | | | | Share status | Quantity |
| Qingdao Hisense Air-conditioning Company Limited | State-owned legal person | 37.92% | 516,758,670 | 0 | | |
| HKSCC Nominees Limited Note | Foreign legal person | 33.56% | 457,263,069 | 0 | | |
| Shanghai Gaoyi Asset Management – Gaoyi Linshan No. 1 Long-range Fund | Other | 3.78% | 51,500,000 | 0 | | |
| The Hong Kong Securities Clearing Company (HKSCC) | Foreign legal person | 3.13% | 42,626,079 | 0 | | |
| Cental Huijin Asset Management Ltd. | State-owned legal person | 1.95% | 26,588,700 | 0 | | |
| Bank of Communications – HSBC Jintrust Fund Management Stock Securities Investment Fund | Other | 0.74% | 10,089,985 | 0 | | |
| National Social Security Fund Portfolio 110 | Other | 0.62% | 8,403,229 | 0 | | |
| Bank of China – China International Fund Management Core Growth Stock Securities | Other | 0.55% | 7,517,651 | 0 | | |
| Zhang Shao Wu | Domestic natural person | 0.53% | 7,200,000 | 0 | | |
| China Property Insurance Company - Traditional - General Insurance Products | Other | 0.38% | 5,227,203 | 0 | | |

| The shareholding of the top ten holders of ordinary shares not subject to selling restrictions | | | |
|---|---|---|---|
| Name of Shareholder | Number of shares held not subject to selling restrictions | Class of shares | |
| | | Class of shares | Quantity |
| Qingdao Hisense Air-conditioning Company Limited | 516,758,670 | RMB ordinary shares | 516,758,670 |
| HKSCC Nominees Limited Note | 457,263,069 | Overseas listed foreign | 457,263,069 |

| | | shares | |
|---|---|---|---|
| Shanghai Gaoyi Asset Management – Gaoyi Linshan No. 1 Long-range Fund | 51,500,000 | RMB ordinary shares | 51,500,000 |
| The Hong Kong Securities Clearing Company (HKSCC) | 42,626,079 | RMB ordinary shares | 42,626,079 |
| Cental Huijin Asset Management Ltd. | 26,588,700 | RMB ordinary shares | 26,588,700 |
| Bank of Communications - HSBC Jintrust Fund Management Stock Securities Investment Fund | 10,089,985 | RMB ordinary shares | 10,089,985 |
| National Social Security Fund Portfolio 110 | 8,403,229 | RMB ordinary shares | 8,403,229 |
| Bank of China – China International Fund Management Core Growth Stock Securities | 7,517,651 | RMB ordinary shares | 7,517,651 |
| Zhang Shao Wu | 7,200,000 | RMB ordinary shares | 7,200,000 |
| China Property Insurance Company – Traditional - General Insurance Products | 5,227,203 | RMB ordinary shares | 5,227,203 |

*Note:*

*The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company, increased holding of the company's 27.25 million H shares and held a total of 124,452,000 H shares of the Company as at the end of the Reporting Period, representing 9.13% of the total number of shares of the Company;*

*Save as disclosed above, the Company is not aware of whether any shareholders is connected with each other or any of them is a party acting in concert with any of the other within the meaning of 《上市公司收購管理辦法》(Administrative Measures for the Takeover of Listed Companies).*

## IV. SIGNIFICANT MATTERS

### 1. Details of and reasons for significant changes of the principal accounting items and financial indicators during the reporting period

√Applicable □ Not applicable

Unit: RMB

| Balance sheet items | Closing balance | Opening balance | Change（%） | Reason for the change |
|---|---|---|---|---|
| Other receivables | 987,549,756.79 | 318,926,986.30 | 209.65 | Mainly due to the increase in dividend receivable at the end of the reporting period. |
| Contract Liability | 488,318,793.72 | 716,041,073.75 | -31.8 | Mainly due to the advances from customers roll out with sales, resulting in an decrease in contract liability at the end of the reporting period accordingly. |
| Statement of cash flow items | The balance form the year beginning to the end of this reporting period | The balance of last period | Change（%） | Reason for the change |
| Cash received from other financing related activities | 96,070,145.90 | 219,513,924.23 | -56.24 | Mainly due to the variation margin decreased from the same period last year. |

### 2. Development of significant matters and analysis of their impacts and solutions

√Applicable □ Not applicable

| Overview of significant matters | Release | Website search guidelines of |
|---|---|---|

| | Time | published announcements |
|---|---|---|
| The Company received 0.2% equity interests of Qingdao Hisense Hitachi Air-conditioning System Co., Ltd. ("**Hisense Hitachi**") held by Unitecs Corporation(株式會社聯合貿易) with a consideration of RMB25,000,000 after the approval of the Board of the Company and the Board of Hisense Hitachi. Upon the completion of equity transfer, amendments to the articles of association of Hisense Hitachi and increasement of two directors of Hisense Hitachi who designated by the Company, the financial results of Hisense Hitachi will be consolidated into the accounts of the Company. This resolution has to be considered and approved on the general meeting of the Company. | 6,March,2019 | Website：<br>Hong Kong Stock Exchange http://www.hkex.com.hk<br>Document：<br>Major Transaction |

The progress in implementation of share repurchase

□ Applicable √Not applicable

The progress in implementation of share repurchase by centralized competitive bidding

□ Applicable √Not applicable

### 3. Undertakings not yet performed after the due date during the reporting period by the Company, shareholder(s), beneficial controller(s), acquirer(s), director(s), supervisor(s), senior management or other connected party(ies)

□ Applicable √Not applicable

During the reporting period, there were no incidents of undertaking not yet performed after the due date by the Company's beneficial controller(s), shareholder(s), connected party(ies), acquirer(s) and the Company.

### 4. Estimate of operating results for first six months of 2019

Warnings and explanations of any estimated losses or significant changes to accumulated net profit from the beginning of the year to the end of next reporting period compared to the same period last year

□ Applicable √Not applicable

### 5. Derivatives investment

√Applicable □ Not applicable

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 purchase during the reporting period | Amount of disposal during 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 | 7,109.23 | 1 January 2019 | 31 March 2019 | 7,109.23 | 2,185.49 | 7,109.23 | | 2,185.49 | 0.28 | 71.60 |
| Total | | | | 7,109.23 | -- | -- | 7,109.23 | 2,185.49 | 7,109.23 | | 2,185.49 | 0.28 | 71.60 |
| Source of derivatives investment funding | | | | Export trade payment | | | | | | | | | |
| Litigation involved (if applicable) | | | | N/A | | | | | | | | | |
| Date of the announcement disclosing the approval of derivatives investment by the Board (if any) | | | | 29 March 2019 | | | | | | | | | |
| Date of the announcement disclosing the approval of derivatives investment during shareholders' meetings (if any) | | | | N/A | | | | | | | | | |
| Risk analysis of positions in derivatives and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.) during the reporting period | | | | The derivatives business conducted by the Company mainly are the forward foreign exchange contracts entered into for the purpose of avoiding 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.<br><br>The Company has formulated the "Management Measures for the Foreign Exchange Capital Business" and "the Internal Control System for Forward Foreign Exchange Capital Transactions". The measures specifically regulate the basic principles, operation rules, risk control measures and internal controls that shall be followed when engaging in the business of foreign exchange derivatives. In respect of actual business management, the Company manages the derivatives business before, during and after the operation based on the management measures for the derivatives business. | | | | | | | | | |
| Changes in market price or product fair value of invested derivatives during the reporting period, where specific methods and relevant assumptions and parameters used in the analysis of derivatives' fair value shall be disclosed | | | | The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the reporting period, the Company recognized a gain on change in fair value of the derivatives of RMB 2.6822 million, investment gain amounted to RMB-1.9662 million, resulting in a total profits or losses of RMB0.716 million. | | | | | | | | | |
| 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. | | | | | | | | | |

## 6. Illustration on adjustments of financial statements

**1) Illustration on financial statements at the beginning of the year when the New Financial Instruments Standard, the New Revenue Standard or the New Leasing Standard applied for the first time**

√ Applicable □ Not applicable

Adjustments of financial statements

The Ministry of Finance promulgated Accounting Standards for Business Enterprises No. 21 – Leases (2018 revision) (Cai Hui [2018] No.35, hereinafter the "New Leasing Standard"), requiring that companies that are dually listed on domestic and foreign stock exchanges and companies that are listed on foreign stock exchanges and adopt International Financial Reporting Standards or Accounting Standards for Business Enterprises are required to apply the New Leasing Standard when preparing their financial statements since 1 January 2019. The Company has implemented the above New Leasing Standard since 1 January 2019 and amended relevant accounting policies in accordance with the requirements under the above New Leasing Standard.

**2) Illustration on retrospective prior period adjustment when the New Financial Instruments Standard or the New Leasing Standard applied for the first time**

□ Applicable √ Not applicable

**This quarterly report is prepared in Chinese and English respectively. In case of inconsistency, the Chinese text of this quarterly report shall prevail over its English text.**

By order of the Board of

**Hisense Home Appliances Group Co., Ltd.**

**Tang Ye Guo**

Chairman

Foshan City, Guangdong, the PRC, 25 April 2019

*As at the date of this announcement, the Company's executive directors are Mr. Tang Ye Guo, Mr. Jia Shao Qian, Mr. Lin Lan, Mr. Dai Hui Zhong and Mr. Wang Yun Li; and the Company's independent non-executive directors are Mr. Ma Jin Quan, Mr. Zhong Geng Shen and Mr. Cheung Sai Kit.*