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)

2010 THIRD QUARTERLY REPORT

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "Company") in accordance with Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

§1 IMPORTANT NOTICE

1.1 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 full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

1.2 No Directors, Supervisors or Senior Management have failed to warrant or expressed any disagreement on the truthfulness, accuracy and completeness of the contents of this 2010 third quarterly report.

1.3 All Directors attended the meeting.

1.4 The financial report of the Company for the third quarter of 2010 has not been audited by accountants.

1.5 Mr. Tang Ye Guo, the chariman of the Company, Ms. Liu Chun Xin, the person in charge of the accounting function and Ms. Liang Hong Tao, the accounting department supervisor, warrant the accuracy and completeness of the contents of the financial report in the quarterly report .

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

§2 BASIC INFORMATION OF THE COMPANY

2.1 Major Accounting Data and Financial Indicators

Unit: RMB

Items	30 September 2010	31 December 2009		Changes (%)
		Before adjustment	After adjustment	After adjustment
Total Assets(RMB)	8,024,551,021.89	4,348,222,259.37	6,103,155,692.04	31.48%
Owner's interests attributable to shareholders of listed company (RMB)	393,379,106.42	(848,214,232.53)	(291,958,447.91)	N/A
Share capital (Shares)	1,354,054,750.00	992,006,563.00	992,006,563.00	36.50%
Net asset value per share attributable to shareholders of listed company (RMB/ share)	0.29	(0.86)	(0.22)	N/A

Items	July – September 2010	Increase/ decrease when compared with corresponding period of last year		January – September 2010	Increase/ decrease when compared with corresponding period of last year	
		Before adjustment	After adjustment		Before adjustment	After adjustment
Total operating income(RMB)	4,861,042,673.75	80.26%	33.08%	14,378,057,233.04	92.70%	37.72%
Net profit attributable to shareholders of the listed company(RMB)	139,373,808.27	414.24%	1860.07%	468,765,276.18	156.57%	75.25%
Net cash flow from operating activities(RMB)	347,082,981.19	-16.77%	56.85%	716,991,226.78	31.28%	-6.14%
Net cash flow per share from operating activities (RMB/Share)	0.26	-39.02%	50.73%	0.54	-2.56%	-8.62%
Basic earnings per share (RMB/Share)	0.10	276.74%	1783.57%	0.35	90.44%	70.63%
Diluted earnings per share (RMB/Share)	0.10	276.74%	1783.57%	0.35	90.44%	70.63%
Weighted average rate of return on net assets (%)	43.18%	N/A	N/A	443.77%	N/A	N/A
Weighted average rate of return on net assets after deducting extraordinary profit and loss (%)	20.57%	N/A	N/A	N/A	N/A	N/A

Note: During the reporting period, the issue of shares (A shares) to a specific target by the Company for the acquisition of assets and connected transactions were completed. In accordance with the relevant requirements under the Accounting Standards for Business Enterprises, retrospective adjustments were made to the opening balances of the financial accounting statements. Weighted averaging was also applied to the number of shares, the denominator, in the calculation of net assets per share, earnings per share and net operating cash flow per share.

Unit: RMB

Extraordinary profit and loss items	Amounts for January to September 2010
Profit or loss from disposal of non-current assets	137,051,977.89
Government subsidy recorded in the profits or losses of the current period (except government subsidy which is closely related to the Company's normal operation, in compliance with the State policies, and continuously entitled for standard amount or quantities)	32,636,380.07
Gain or loss on debt restructuring	92,927.10
Net profit or loss from subsidiaries formed through business combination involving entities under common control from the beginning of the Period to the date of combination	55,989,532.07
Net non-operating income and expenses other than those stated above	2,586,063.99
Total extraordinary profit or loss	**228,356,881.12**
Less: Effect of minority interests	2,295,981.73
Less: Effect of income tax	6,619,602.34
Total extraordinary profit or loss after deducting income tax and minority interests	**219,441,297.05**

2.2 Table showing total number of shareholders and the shareholding of the top ten holders of shares not subject to selling restrictions at the end of the reporting period

Unit: shares

Total number of shareholders at the end of the reporting period	34, 089	
The shareholding of the top ten holders of shares not subject to selling restrictions		
Name of Shareholder	Number of shares not subject to selling restrictions held at the end of the period	Class
HKSCC Nominees Limited	457,355,208	Overseas listed foreign shares
China Huarong Asset Management Corporation	51,700,000	RMB ordinary shares
ChinaAMC Growth Securities Investment Fund	8,850,630	RMB ordinary shares
Zhang Shao Wu	6,080,000	RMB ordinary shares
Ruan Chun Dao	3,550,000	RMB ordinary shares
Industrial and Commercial Bank of China – South Excellent Performance Growth Stock Investment Fund	2,551,564	RMB ordinary shares

CCB – China Southern Shengyuan Dividend Stock Fund	2,473,758	RMB ordinary shares
Cheng Jin Yang	2,219,149	RMB ordinary shares
Ma Teng	1,944,617	RMB ordinary shares
Lou Ming	1,929,096	RMB ordinary shares

§3 SIGNIFICANT MATTERS

3.1 The details of and reasons for significant changes of the principal accounting statements and financial indicators

√ Applicable . Not applicable

(Unit:RMB'0,000)

Balance sheet items	Amounts as at the end of the period	Amounts as at the beginning of the period	Percentage changes (%)	Reasons for the changes
Bank balances and cash	67, 253. 70	20, 846. 99	222. 61	Mainly due to the increase of the receivables caused by the increase in sales at the end of the reporting period which fell on the Company's peak season for sales.
Notes receivable	57, 670. 29	13, 386. 72	330. 80	
Accounts receivable	147, 713. 23	114, 301. 79	29. 23	Mainly due to the increase of the sales-related receivables, prepayments paid for the sales preparation and inventories caused by the increase in sales at the end of the reporting period which fell on the Company's peak season for sales.
Prepayments	22, 592. 00	17, 175. 99	31. 53	
Inventories	157, 919. 51	114, 102. 83	38. 40	
Long-term equity investments	58, 137. 64	23, 701. 23	145. 29	Mainly due to the increase in the long-term investment in Hisense Hitachi due to the completion of the white goods assets restructuring. Meanwhile, the Company's investments in Hisense-Whirlpool by way of construction of the factory plant was completed and was transferred to and recognized as long-term investment.
Constructions in progress	8, 049. 87	14, 361. 34	-43. 95	
Accounts payable	262, 961. 88	171, 329. 87	53. 48	Mainly due to the increase of the purchases and payables caused by the increase in sales at the end of the period which fell on the Company's peak season for sales.
Others payables	117, 359. 79	72, 035. 06	62. 92	Mainly due to the increase in sales at the end of the period which fell on the Company's peak season for sales, which resulted in a corresponding increase in the sales-related expenses such as logistics and advertisement fees.
Income statement items	**Amounts for the current period**	**Amounts for the corresponding period of last year**	**Percentage changes (%)**	**Reasons for the changes**
Operating income	1, 437, 805. 72	1, 044, 015. 77	37. 72	Mainly due to the increase in the sales volume of the Company's products during the reporting period.
Investment gains	19, 173. 21	528. 66	3, 526. 75	Mainly due to the increase of the investment gains caused by the disposal of part of the shares of Huayi Compressor held by the Company during the reporting period.

Non-operating income	29,081.21	7,348.34	295.75	Mainly due to the increase of the income from the “Energy-saving Products Benefiting People” adopted by the PRC.

Items of the statement of cash flows	Amounts for the current period	Amounts for the corresponding period of last year	Percentage changes (%)	Reasons for the changes
Net cash flows from investment activities	-2,291.56	-17,224.02	N/A	Mainly due to the increase of the net cash flows from investment resulted from the disposal of part of the shares of Huayi Compressor held by the Company during the reporting period.
Net cash flows from financing activities	-24,423.73	-41,294.52	N/A	Mainly due to the improvement of the Company’s financing structure during the reporting period.

3.2 Development of significant matters and analysis of their impacts and solutions

√ Applicable □Not applicable

3.2.1 EXPLANATION GIVEN BY THE BOARD OF THE COMPANY OF THE CHANGES AND TREATMENT OF THE MATTERS RELATING TO THE QUALIFIED OPINIONS IN THE 2009 FINANCIAL REPORT:

BDO CHINA LI XIN DA HUA Certified Public Accountants CO., LTD issued an auditor’s report with qualified opinion for the 2009 financial report of the Company. The Board of the Company has given detailed explanation on the matters relating to the auditor’s opinion in the 2009 annual report, details of which can be found in 2009 annual results announcement published on the website of the Stock Exchange (http://www.hkex.com.hk) on 8 April 2010. As at the date of this announcement, there was no real progress in relation to such matters.

3.2.2 Funds Embezzled For Non-operating Purposes and the Their Settlement Progress

Details of Funds Embezzled For Non-operating Purposes and the Their Settlement can be found in 2009 annual results announcement published on the website of the Stock Exchange (http://www.hkex.com.hk) on 8 April 2010. The Company is proactively facilitating the execution of the judgments that have come into force by the relevant judiciary authorities.

3.3 Performance of undertakings given by the Company, shareholders and controlling parties

√ Applicable □ Not Applicable

On 29 March 2007, the Company successfully completed the share reform scheme. Other than the statutory undertakings, Qingdao Hisense Air-conditioning Company Limited, a substantial shareholder of the Company, has made three special undertakings, of which: the “Undertaking of

Lock-up Period" has been performed; the "Undertaking of Share Borrowing" has been performed; and for the "Undertaking of Restructuring and Offering Additional Shares", due to the failure to accomplish the white goods assets restructuring of the Company within the prescribed period, Qingdao Hisense Air-conditioning Company Limited has performed its undertaking to offer additional shares to the holders of shares not subject to selling restrictions. During the major assets restructuring involving the private placement of A shares to Qingdao Hisense Air-conditioning Company Limited by the Company to purchase its white assets, Qingdao Hisense Air-conditioning Company Limited undertakes that: the new shares issued by Hisense Kelon through the non-public issue under this transaction shall not be transferred within 36 months from the date of the listing of the new shares, while the Company's shares originally held by Qingdao Hisense Air-conditioning Company Limited and the shares subscribed by Qingdao Hisense Air-conditioning Company Limited in this transaction shall also be subject to a new lock-up period of 36 months from the date of the listing of the new shares, during which such shares shall not be transferred. The above undertakings are currently being performed by Qingdao Hisense Air-conditioning Company Limited.

3.4 Warnings and explanations of any forecasted 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

3.5 Other material matters required to be disclosed

3.5.1 Information about securities investment

□Applicable √Not Applicable

3.5.2 Information about shareholding in other listed companies by the Company

√ Applicable □ Not Applicable

No.	Type of securities	Stock code	Abbreviated name	Initial investment amount (RMB： in ten thousand)	Shareholding at the end of the period (share)	Carrying amount at the end of the period (RMB：in ten thousand)	Percentage to total securities investment at the end of the period (%)	Profit or loss for the reporting period (RMB：in ten thousand)
Other securities investment held at the end of the period	Stock	000404	Huayi Compressor	8,836.04	44,404,800	9,142.29	100%	505.14

In order to supplement the Company's need for cash flow during the course of its normal production and operational activities, the Company disposed of part of the shares of Huayi Compressor held by it in a total of 14,895,242 shares during the reporting period. The corresponding cost of long-term equity investment of RMB28,950,000 was released and an investment gain of RMB129,600,000 was recognised.

3.5.3 Information about the shareholdings in non-listed financial enterprises or proposed listing companies

□Applicable √Not applicable

3.5.4 Other matters

□Applicable √Not applicable

(1) During the reporting period, there was no proposal or implementation of increases in shareholding by the major shareholder of the Company and its parties in concert;

(2) During the reporting period, there was no provision of fund to the controlling shareholder or its associates or external guarantees provided in violation of the required procedures;

(3) During the reporting period, there was no major contract in the ordinary course of operation that would be discloseable under the relevant requirements and guides of the stock exchanges.

3.5.5 Table setting out the reception activities in respect of research, communications and visits during the reporting period

□Applicable √Not applicable

3.6 Derivatives investment

√ Applicable □ Not Applicable

Risk analysis of positions in derivatives during the reporting period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk etc.)	The derivatives business of the Company mainly represents the foreign exchange derivatives business used to avoid the risk of foreign exchange fluctuations related to the overseas sales receivables. The Company determines a reasonable range of foreign exchange rates to achieve the hedging purpose. The Company has formulated the “Management Measures for the Foreign Exchange Capital Business”. 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 the 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 derivatives invested during the reporting period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value	The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which is 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 of fair value changes of the derivatives of RMB4.4858 million.
Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives between the reporting period and the last reporting period	During the Reporting Period, there were no material changes in principal in the accounting policy and the accounting and auditing principles of the Company's derivatives business as compared to last reporting period.
Specific opinions of independent Directors, sponsor or financial advisor on the derivatives investment and risk control of the Company	The opinion of the independent directors: starting the foreign exchange derivatives business by the Company enables the Company to avoid the risk of foreign exchange fluctuations; the Company has formulated the "Management Measures for the Foreign Exchange Capital Business", which has adopted the targeted risk control measures that are practicable.

3.6.1 Positions in derivatives investment at the end of the Reporting Period

√ Applicable □ Not Applicable

Unit: RMB (in ten thousand)

Type of contract	Contract amount at the beginning of the Period	Contract amount at the end of the Period	Gain or loss during the reporting period	Percentage of contract amount at the end of the Period to net assets of the Company at the end of the reporting period
Foreign exchange derivatives contracts	40,410.30	157,365.23	448.58	400%
Total	40,410.30	157,365.23	448.58	400%

§ 4 Auditor's Opinion: Unaudited

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 Kelon Electrical Holdings Company Limited

Tang Ye Guo

Chairman

As at the date of this announcement, the Company's directors are Mr. Tang Ye Guo, Mr. Zhou Xiao Tian, Ms. Yu Shu Min, Mr. Lin Lan, Ms. Liu Chun Xin and Mr. Zhang Ming; and the Company's independent non-executive directors are Mr. Zhang Sheng Ping and Mr. Cheung Yui Kai, Warren.

Foshan City, Guangdong, the PRC, 25 October 2010