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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)

2012 FIRST QUARTERLY REPORT

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "Company") in accordance with Rule 13.09(1) and 13.09(2) 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 2012 first quarterly report.

1.3 All Directors attended the meeting.

1.4 The financial report of the Company for the first quarter of 2012 has not been audited by accountants.

1.5 Mr. Tang Ye Guo, the chariman of the Company and Mr. Wang Hao, the person in charge of finance, warrant the accuracy and completeness of the contents of the financial report in this 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.

§2 BASIC INFORMATION OF THE COMPANY

2.1 Major Accounting Data and Financial Indicators

Unit: RMB

Items	31 March 2012	31 December 2011	Changes
Total assets (RMB)	8,755,673,670.41	7,635,439,578.36	14.67%
Owner's equity attributable to shareholders of listed company (RMB)	934,573,724.92	805,123,597.33	16.08%
Total share capital (shares)	1,354,054,750.00	1,354,054,750.00	0.00%
Net asset value per share attributable to shareholders of listed company (RMB/ share)	0.6902	0.5946	16.08%
Items	January – March 2012	January –March 2011	Changes
Total operating income (RMB)	4,135,925,384.23	4,630,501,996.45	-10.68%
Net profit attributable to shareholders of the listed company (RMB)	126,580,988.53	106,331,643.67	19.04%
Net cash flow from operating activities (RMB)	-167,278,677.26	-267,320,687.73	N/A
Net cash flow per share from operating activities (RMB/share)	-0.1235	-0.1974	N/A
Basic earnings per share (RMB/share)	0.0935	0.0785	19.11%
Diluted earnings per share (RMB/share)	0.0935	0.0785	19.11%
Weighted average rate of return on net assets	14.55%	17.88%	-3.33%
Weighted average rate of return on net assets after deducting extraordinary profit and loss	13.95%	13.22%	0.73%

Extraordinary profit and loss items

√ Applicable □Not applicable

Unit: RMB

Extraordinary profit and loss items	Amounts for January to March 2012
Profit or loss from disposal of non-current assets	166,280.41
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)	5,504,959.15
Non-operating income and expenses other than those stated above	1,235,146.03
Total extraordinary profit or loss	6,906,385.59
Less: Effect of minority interests	1,114,839.51
Less: Effect of income tax	547,057.95
Total extraordinary profit or loss after deducting income tax and minority interests	5,244,488.13

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	38,925	
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 *Note*	457,566,208	Overseas listed foreign shares
China Huarong Asset Management Corporation	30,000,000	RMB ordinary shares
Zhang Shaowu	6,110,200	RMB ordinary shares
Zhong Juanwei	3,273,189	RMB ordinary shares
Xian Zhuoqun Investment Management Limited	2,000,000	RMB ordinary shares

Yan Xinyao	1,885,739	RMB ordinary shares
Chen Weiyu	1,689,856	RMB ordinary shares
Song Chenghai	1,650,003	RMB ordinary shares
Zhu Hongjun	1,597,200	RMB ordinary shares
Zhu Lisi	1,473,600	RMB ordinary shares

Note: The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants.

§3 SIGNIFICANT MATTERS

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

√ Applicable □Not applicable

Unit: RMB

Balance sheet item	Balance at the end of the period	Balance at the beginning of the period	Percentage increase / decrease	Reason for change
Financial assets held for trading	21,757,429.06	33,787,696.24	-35.61%	Mainly due to decreases in outstanding foreign exchange forward business at the end of the period
Notes receivable	987,344,307.52	502,919,307.39	96.32%	Mainly due to increased reimbursement leading to increases in notes receivable with increases in sales during the peak season for sale at the end of the period
Trade receivables	1,726,364,107.39	1,193,767,494.97	44.61%	Mainly due to increases in trade receivables with increases in sales during the peak season for sale at the end of the period
Dividends receivable	49,000,000.00	-	N/A	Due to increases in dividends receivable from Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.
Trade payables	2,816,444,162.32	2,054,610,132.81	37.08%	Mainly due to increases in trade payables with increases in sales and procurement during the peak season for sale at the end of the period
Financial liabilities held for trading	-	6,636,121.77	-100.00%	Due to transfer of forward businesses upon maturity
Taxes payable	-128,714,991.92	-90,090,833.72	42.87%	Mainly due to increases in input value-added taxes with increases in sales and procurement during the peak season for sale at the end of the period

Income statement item	Amount for current period	Amount for corresponding period last year	Percentage increase / decrease	Reason for change
Financial expenses	15,524,220.81	10,355,796.04	49.91%	Mainly due to increases in bank discount interest
Impairment losses on assets	-773,407.68	5,900,515.83	-113.11%	Mainly due to significant decreases in inventory level compared to same period leading to decreases in impairment loss on inventory
Gain from changes in fair value	-5,394,145.41	3,892,133.77	-238.59%	Mainly due to changes in income from foreign currency forward businesses
Non-operating income	7,933,655.51	90,493,210.62	-91.23%	Mainly due to decreases in subsidies benefiting people
Cash flow statement item	Amount for current period	Amount for corresponding period last year	Percentage increase / decrease	Reason for change
Refund of tax and levies	131,712,126.38	251,824,126.30	-47.70%	Mainly due to decreases in refund of export tax received
Other cash received relating to operating activities	68,395,345.06	138,769,120.90	-50.71%	Mainly due to decreases in subsidies benefiting people received
Cash received from realization of investment	-	27,369,589.37	-100.00%	Mainly due to decreases in disposal of equity interests in Huayi Compressor Company Limited
Net cash received from disposals of subsidiaries and other operation units	42,080,494.77	-	N/A	Due to receipt of proceeds from disposal of equity interests in subsidiaries
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	47,703,309.50	95,556,215.75	-50.08%	Mainly due to decreases in payments for long-term investments
Cash received relating to other financing activities	1,659,203.60	8,319,635.50	-80.06%	Mainly due to changes in security
Cash paid for distribution of dividends, profit or interest expenses	10,084,307.27	7,187,563.22	40.30%	Mainly due to increases in interest expenses

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

√Applicable □Not applicable

3.2.1 Non-standard opinion

√ Applicable □Not Applicable

Crowe Horwath China Certified Public Accountants (LLP) issued an auditor's report with qualified opinion for the 2011 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 2011 annual report, details of which can be found in the 2011 annual results announcement of the Company published on the website of the Stock Exchange (http://www.hkex.com.hk) on 29 March 2012. As at the date of this report, there was no real progress in relation to such matters.

3.2.2 Provision of funds to controlling shareholder or its related parties, or provision of external guarantee in violation of prescribed procedures by the Company

□Applicable √Not applicable

3.2.3 Entering into and performance of material contracts in ordinary course of business

□Applicable √Not applicable

3.2.4 Funds Embezzled For Non-operating Purposes and Their Settlement Progress

√Applicable □Not applicable

Details of Funds Embezzled For Non-operating Purposes and Their Settlement can be found in the 2011 annual results announcement of the Company published on the website of the Stock Exchange (http://www.hkex.com.hk) on 29 March 2012. As at the date of this report, there was no real progress in relation to such matters. The Company is proactively facilitating the execution of the judgments that have come into force by the relevant judiciary authorities.

3.2.5 Major acquisition and disposal of assets and/or merger

√Applicable □Not applicable

On 12 January 2012, the seventh session of the Board convened the first extraordinary meeting in 2012, at which the Resolution in relation to the Transfer of 60% of the Equity Interests in Xi'an Kelon Refrigeration Co., Ltd. and Relevant Debt was considered and passed. On the same day, the Company and Shanxi Qidi Science and Technology Park Development Co., Ltd. entered into the equity transfer contract in relation to the transfer of the 60% equity interests in Xi'an Kelon Refrigeration Co., Ltd. held by the Company and the relevant debt (being the debt owed by Xi'an Kelon Refrigeration Co., Ltd. to the Company in the sum of RMB10,580,000 and the debt owed by Xi'an Kelon Refrigeration Co., Ltd. to Hisense Ronshen (Guangdong) Refrigerator Co., Ltd. in the sum of RMB87,314,216.54, together with interests, as well as the case acceptance fee, property preservation fee and assessment costs in the sum of RMB872,733) by the Group to Shanxi Qidi Science and Technology Park Development Co., Ltd. for a total consideration of RMB110,580,000. For details, please see the announcement published by the Company on 12 January 2012 on the website of the Stock Exchange (http://www.hkex.com.hk). Subsequent to this transfer of equity interests, the Company will no longer hold any equity interests in Xi'an Kelon Refrigeration Co., Ltd.. The procedures for the transfer of equity interests are in the process.

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

√Applicable □Not Applicable

During the reorganization of material assets, Qingdao Hisense Air-Conditioning Company Limited, the controlling shareholder of the Company, has given undertakings in respect of avoidance of competition in the industry, regulation and minimization of connected transactions, maintenance of the independence of the listed company and the lock-up period for additional shares received under this reorganization. Details are available in the "Announcement on shareholder undertakings in relation to the non-public issue of shares" published by the Company on http://cninfo.com.cn on 9 June 2010. 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 Table setting out the reception activities in respect of research, communications and visits during the reporting period

√Applicable □Not Applicable

Time of reception	Place of reception	Mode of reception	Subject of reception	Major topics discussed and information provided
From 4 January 2012 to 31 March 2012	Securities department of the Company	Telephone Communication	Public Investors	Major topics discussed included: 1. Production and operation of the Company; 2. Future development plan of the Company. Information provided: Nil

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" 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 shall be disclosed in the analysis of derivatives' fair value	The assessment of the fair value of the derivatives carried out by the Company mainly represents the outstanding foreign exchange forward contracts entered into by the Company and banks, which are recognized as transactional financial assets or liabilities based on the difference between the quotation of the outstanding foreign exchange forward contracts and the forward exchange rate as at the end of the period. During the reporting period, the Company recognized a gain of fair value changes of the derivatives of RMB-5.3941 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, and the targeted risk control measures adopted were 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	159,732.21	152,148.30	-539.41	162.80
Total	159,732.21	152,148.30	-539.41	162.80

§ 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. Ren Li Ren, Ms. Yu Shu Min, Mr. Lin Lan, Mr. Xiao Jian Lin and Mr. Gan Yong He; and the Company's independent non-executive directors are Mr. Zhang Sheng Ping, and Mr. Wang Ai Guo and Mr. Wang Xin Yu.

Foshan City, Guangdong, the PRC, 24 April 2012