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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 THIRD 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").

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 full responsibility for the truthfulness, accuracy and completeness of the information contained herein.
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 third quarterly report.
3. All Directors attended the Board meeting for considering and approving the 2012 third quarterly report.
4. The financial report of the Company for the third quarter of 2012 has not been audited by accountants.
5. Mr. Tang Ye Guo, the person in charge of the Company and Ms. Li Jun, the person in charge of the accounting function and person in charge of the accounting department, warrant the truthfulness and completeness of the contents of the financial report in the quarterly report.

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>.

II. BASIC INFORMATION OF THE COMPANY

(i) Major Accounting Data and Financial Indicators

	30 September 2012	31 December 2011		Increase/ decrease when compared with 31 December 2011
Total Assets (RMB)	9,547,424,902.83	7,635,439,578.36		25.04%
Equity attributable to shareholders of listed company (RMB)	1,389,521,148.13	805,123,597.33		72.58%
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)	1.0262	0.5946		72.59%
	July – September 2012	Increase/ decrease when compared with corresponding period of last year	January – September 2012	Increase/ decrease when compared with corresponding period of last year
Total operating income (RMB)	5,280,960,003.14	14.66%	15,248,686,770.07	-0.60%
Net profit attributable to shareholders of the listed company (RMB)	215,125,272.67	405.22%	594,995,891.36	81.17%
Net cash flow from operating activities (RMB)	--	--	385,248,731.74	498.61%
Net cash flow per share from operating activities (RMB/share)	--	--	0.2845	498.95%
Basic earnings per share (RMB/share)	0.1589	406.05%	0.4394	81.20%
Diluted earnings per share (RMB/share)	0.1589	406.05%	0.4394	81.20%
Weighted average rate of return on net assets	16.70%	11.67%	54.22%	7.64%
Weighted average rate of return on net assets after deducting extraordinary profit and loss	15.01%	10.82%	51.51%	13.81%

Deduction of extraordinary profit and loss items and amounts

√ Applicable □ Not applicable

Items	Amounts from the beginning of the year to the end of the reporting period (RMB)	Description
Profit or loss on disposal of non-current assets	14,730,645.43	
Return, reduction and exemption of taxes approved ultra vires or without official approval document		
Government subsidy included in profit or loss for the current period (excluding government subsidy closely related to the entity's business, and entitled in fixed amounts or quantities according to national standards)	14,158,868.62	
Capital occupation fee received from non-financial entities included in profit or loss for the current period		
Gain from the excess of the fair value of the identifiable net assets of investee companies on acquisition of the investment over the cost of investment in the Company's subsidiaries, associates and jointly controlled entities		
Profit or loss from exchange of non-monetary assets		
Profit or loss from entrusted investments or asset management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Profit or loss from debt restructuring		
Corporate restructuring costs, such as employee relocation expenses and integration costs		
Profit or loss from transactions with obviously unfair transaction price for amount which exceeds fair value		
Net profit or loss for current period from subsidiaries arising from business combination involving entities under common control from the beginning of the period to the date of combination		
Profit or loss from other contingencies which are not related to the Company's normal operations		
Profit or loss from changes in fair value arising from holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, except effective hedging business related to the Company's normal operations		
Reversal of provision for impairment for receivables that had been subject to individual impairment assessment		
Profit or loss from entrusted loans		
Profit or loss arising from changes in fair value of investment property under fair value model on subsequent measurement		
Effect of one-time adjustment to profit or loss for the current period according		

to the requirements of tax and accounting laws and regulations on profit or loss for the current period		
Entrusted fee income from entrusted operations		
Non-operating income and expenses other than those stated above	351,503.92	
Other profit and loss items falling within the definition of extraordinary profit and loss		
Effect of minority interests	-2,334,850.16	
Effect of income tax	-1,096,023.14	
Total	25,810,144.67	

Explanation of the Company on “Other profit and loss items falling within the definition of extraordinary profit and loss” and the classification of extraordinary profit and loss items as recurring profit and loss items based on the nature and characteristics of its own normal operations

Items	Amounts involved (RMB)	Explanation
Nil		

(ii) 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	37,883	
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 Shao Wu	6,365,415	RMB ordinary shares
Zhong Juan Wei	3,661,174	RMB ordinary shares
Liu Hongyan	2,396,531	RMB ordinary shares
Zhu Hong Jun	2,205,075	RMB ordinary shares
Chen Wei Yu	1,999,000	RMB ordinary shares
Yan Xinyao	1,885,739	RMB ordinary shares
Zhu Li Si	1,471,100	RMB ordinary shares

Song Chenghai	1,155,003	RMB ordinary shares
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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, has acquired 27 million H shares of the Company through the exercise of option during the reporting period, and became holder of 54 million H shares in total at the end of the period, representing 3.99% of the total number of shares of the Company.

III. SIGNIFICANT MATTERS

(i) The details of and reasons for significant changes of principal accounting items and financial indicators

√ Applicable □ Not applicable

Unit: RMB

Balance sheet items	Amount at the end of the period	Amount at the beginning of the period	Percentage change	Reason for change
Cash at bank and on hand	580,701,013.69	398,532,682.30	45.71%	Mainly due to increase in amounts received for payment for the sales peak season at the end of the reporting period
Held-for-trading financial assets	3,012,827.86	33,787,696.24	-91.08%	Mainly due to transfer of forward contracts upon maturity
Notes receivable	1,752,141,530.68	502,919,307.39	248.39%	Mainly due to increase in notes received by the Company for the sales peak season at the end of the reporting period, and increase in notes receivable arising from imbalance between the terms of notes receivable and notes payable of the Company
Accounts receivable	1,853,138,417.97	1,193,767,494.97	55.23%	Mainly due to increase in receivables for the sales peak season at the end of the reporting period
Prepayments	201,049,530.99	315,474,246.14	-36.27%	Mainly due to decrease in prepayments for materials
Accounts payable	2,970,153,803.18	2,054,610,132.81	44.56%	Mainly due to increase in payables for the sales peak season at the end of the reporting period
Advance receipts	491,778,549.99	758,206,285.15	-35.14%	Mainly due to increase in delivery of goods to distributors and decrease in

				advance payment from distributors. The amount was basically the same with that of the corresponding period
Other payables	1,628,564,162.12	1,156,195,947.88	40.86%	Mainly due to increase in payables for the sales peak season at the end of the reporting period
Differences on translation of foreign currency financial statements	12,022,266.28	26,106,945.84	-53.95%	Mainly due to disposal of overseas subsidiary
Income statement items	Amount for the period	Amount for the corresponding period last year	Percentage change	Reason for change
Business taxes and surcharges	79,583,025.79	45,277,137.52	75.77%	Mainly due to increase in turnover tax paid
Financial expenses	29,438,105.28	53,326,176.94	-44.80%	Mainly due to decrease in exchange losses
Impairment losses on assets	-1,821,713.11	10,028,420.14	-118.17%	Mainly due to decrease in losses resulting from decrease in value of inventories
Gain on change in fair value	-24,138,746.61	6,586,925.09	-466.46%	Mainly due to transfer of gain on change in fair value to investment income upon maturity of forward contracts
Investment income	182,601,213.56	135,980,111.25	34.29%	Mainly due to increase in income from associated companies
Non-operating income	50,889,547.56	158,957,835.09	-67.99%	Mainly due to decrease in subsidies benefiting people received
Income tax expenses	8,470,215.71	14,704,314.90	-42.40%	Mainly due to changes in net profits of subsidiaries
Cash flow statement items	Amount for the period	Amount for the corresponding period last year	Percentage change	Reason for change
Cash received from returns on investments	49,000,000.00	96,405,748.87	-49.17%	Mainly due to no shares of Huayi Compressor Company Limited being disposed during the reporting period, whereas shares of Huayi Compressor Company Limited were disposed in the corresponding period

(ii) Development of significant matters and analysis of their impacts and solutions

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 2011. As at the date of this report, there was no real progress in relation to such matters.

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

Applicable Not applicable

4. Others

Applicable Not applicable

(iii) Undertakings made by the Company or shareholders with shareholding of more than 5% in the reporting period or in previous periods but which have continued into the reporting period

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.

(iv) Prediction of operating results for 2012

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

(v) Other material matters required to be disclosed

1. Information about securities investment

Applicable Not Applicable

2. Derivatives investment

Applicable Not Applicable

<p>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>	<p>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.</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>
<p>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</p>	<p>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 during the reporting period, 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 gain or loss the derivatives of RMB3.0128 million.</p>
<p>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</p>	<p>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.</p>
<p>Specific opinions of independent Directors on the derivatives investment and risk control of the Company</p>	<p>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.</p>

3. Positions in derivatives investment at the end of the reporting period

Applicable Not Applicable

Type of contract	Contract amount at the beginning of the period (RMB ten thousand)	Contract amount at the end of the period (RMB ten thousand)	Gain or loss during the reporting period (RMB ten thousand)	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	103,253.00	301.28	74.31%
Total	159,732.21	103,253.00	301.28	74.31%

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

Applicable Not Applicable

5. Issue of corporate bonds

Issue of corporate bonds

Yes No

IV. 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. Xu Xiang Yi, Mr. Wang Xin Yu and Mr. Wang Ai Guo.

Foshan City, Guangdong, the PRC, 29 October 2012