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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)

2013 FIRST QUARTERLY REPORT

This announcement is made by Hisense Kelon Electrical Holdings Company Limited (the "Company") pursuant to Part XIVA of the Securities and Futures Ordinance and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 Ms. Li Jun, the person in charge of the accounting function and person in charge of the accounting department, warrant the truthfulness, accuracy and completeness of the contents of the financial statements in the quarterly report.
3. All Directors attended the Board meeting for considering and approving the 2013 first quarterly report.
4. The financial statements of the Company for the first quarter of 2013 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 FINANCIAL DATA

Did the Company make retrospective adjustment to or restatement of the accounting data of prior years?

Yes No

Items	January – March 2013	January – March 2012	Increase or decrease as compared to last year (%)
Operating revenue (RMB)	5,304,927,504.96	4,135,925,384.23	28.26
Net profits attributable to shareholders of listed company (RMB)	231,881,797.14	126,580,988.53	83.19
Net profits after deducting non-recurring profit and loss attributable to shareholders of listed company (RMB)	200,529,622.09	121,336,500.40	65.27
Net cash flow from operating activities (RMB)	-10,242,594.87	-167,278,677.26	N/A
Basic earnings per share (RMB/share)	0.1712	0.0935	83.10
Diluted earnings per share (RMB/share)	0.1712	0.0935	83.10
Weighted average rate of return on net assets (%)	14.26	14.55	-0.29
Items	31 March 2013	31 December 2012	Increase or decrease as compared to end of last year (%)
Total assets (RMB)	10,854,564,770.34	9,200,334,640.73	17.98
Net assets attributable to shareholders of listed company (RMB)	1,740,657,872.44	1,512,042,166.49	15.12

Non-recurring profit and loss items

Applicable Not applicable

Unit: RMB

Items	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)	23,539,263.33	
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)	7,731,046.01	
Other non-operating income and expenses other than those stated above	2,016,157.12	
Effect of income tax	753,814.16	
Effect of minority interests (after tax)	1,180,477.25	
Total	31,352,175.05	--

III. Table showing total number of shareholders and the shareholding of the top ten holders of

shares at the end of the reporting period

Unit: shares

Total number of shareholders at the end of the reporting period		36,601				
The shareholding of the top ten holders of shares						
Name of Shareholder	Nature of Shareholder	Percentage to the total issued shares of the Company (%)	No. of shares held	No. of shares held subject to trading moratorium	No. of pledged or frozen shares	
					Share status	Quantity
Qingdao Hisense Air-conditioning Company Limited	State-owned legal person	45.22	612,316,909	612,316,909		
HKSCC Nominees Limited ^{Note}	Foreign legal person	33.79	457,599,068	0		
China Huarong Asset Management Corporation	State-owned legal person	2.22	30,000,000	0		
Zhang Shaowu	Domestic natural person	0.47	6,365,415	0		
CCB-China International Growth Pioneer Stock Securities Investment Fund	Other	0.39	5,264,391	0		
Agricultural Bank of China – Fullgoal Tianrui Strong Area Selected Mixed Open Securities Investment Fund	Other	0.34	4,584,930	0		
Agricultural Bank of China – Fullgoal Tiancheng Dividend Flexible Allocation Mixed Securities Investment Fund	Other	0.30	4,000,000	0		
Zhong Juan Wei	Domestic natural person	0.27	3,661,174	0		
Chen Wei Yu	Domestic natural person	0.15	2,045,209	0		
Gu Qian Li	Domestic natural person	0.13	1,701,343	0		
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	Class				
		Class	Quantity			
HKSCC Nominees Limited ^{Note}	457,599,068	Overseas listed foreign shares	457,599,068			
China Huarong Asset Management Corporation	30,000,000	RMB ordinary shares	30,000,000			
Zhang Shaowu	6,365,415	RMB ordinary shares	6,365,415			
CCB-China International Growth Pioneer Stock Securities Investment Fund	5,264,391	RMB ordinary shares	5,264,391			
Agricultural Bank of China – Fullgoal Tianrui	4,584,930	RMB ordinary	4,584,930			

Strong Area Selected Mixed Open Securities Investment Fund		shares	
Agricultural Bank of China – Fullgoal Tiancheng Dividend Flexible Allocation Mixed Securities Investment Fund	4,000,000	RMB ordinary shares	4,000,000
Zhong Juan Wei	3,661,174	RMB ordinary shares	3,661,174
Chen Wei Yu	2,045,209	RMB ordinary shares	2,045,209
Gu Qian Li	1,701,343	RMB ordinary shares	1,701,343
ICBC-China Universal Advanced Selected Mixed Type Securities Investment Fund	1,541,185	RMB ordinary shares	1,541,185

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, held 54 million H shares in total at the end of the period, representing 3.99% of the total number of shares of the Company.

IV. SIGNIFICANT MATTERS

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

Unit: RMB

Balance sheet item	Amount at the end of the period	Amount at the beginning of the period	Increase or decrease (%)	Reason for change
Financial assets held-for-trading	34,346,462.91	10,678,293.47	221.65	Mainly due to change in exchange rate of outstanding forward foreign exchange transactions at the end of the reporting period
Notes receivable	2,394,066,119.70	1,558,766,192.61	53.59	Mainly due to the Company's continuously enhanced management of payment collection, improvement in the Company's capital position, and decrease in endorsement and discounting of the Company's notes receivable and change to collection at maturity due to maturity mismatch of the Company's notes receivable and accounts payable in the reporting period
Accounts receivable	1,981,513,567.92	1,455,882,205.48	36.10	Mainly due to increase in accounts receivable in line with increase in sales in the reporting period
Prepayments	412,550,793.07	304,301,601.58	35.57	Mainly due to increase in prepayments for infrastructure and equipment
Construction-in-progress	93,163,981.57	68,344,253.58	36.32	Mainly due to increase in investment in infrastructure and equipment of subsidiary
Short-term borrowings	-	30,309,453.94	-100.00	Mainly due to the Company's loan repayment in the reporting period

Notes payable	1,894,534,725.69	1,432,852,210.08	32.22	Mainly due to the Company's promotion of electronic bill payment in the reporting period
Accounts payable	3,340,725,938.86	2,335,425,936.47	43.05	Mainly due to increase in accounts payable resulted from scale expansion and increase in purchases
Taxes payable	-99,271,400.06	-48,994,818.36	N/A	Mainly due to increase in the Company's value-added tax credits at the end of the reporting period
Income statement item	Amount for the period	Amount for the corresponding period last year	Increase or decrease (%)	Reason for change
Business taxes and surcharges	40,903,192.14	12,280,821.88	233.07	Mainly due to increase in turnover taxes paid by the Company, leading to corresponding increase in taxes and surcharges paid during the reporting period
Selling and distribution expenses	681,649,066.33	492,466,966.82	38.42	Mainly due to increase in expenses in line with increase in sales
Financial expenses	6,832,863.92	15,524,220.81	-55.99	Mainly due to decrease in borrowings of the Company, leading to decrease in interest expenses during the reporting period
Gain from changes in fair value	23,832,400.66	-5,394,145.41	N/A	Mainly due to change in exchange rate of outstanding forward foreign exchange transactions
Investment income	64,474,629.18	32,956,730.71	95.63	Mainly due to change in the value of the Company's equity interest in Huayi Compressor resulted from additions of net assets upon non-public issue of additional shares by Huayi Compressor in the reporting period, leading to increase in investment income for the period
Cash flows statement item	Amount for the period	Amount for the corresponding period last year	Increase or decrease (%)	Reason for change
Cash received from sales of goods and rendering of services	2,311,683,103.87	1,500,143,982.36	54.10	Mainly due to increase in payment collection in line with increase in sales
Cash paid to and for employees	482,652,715.39	361,683,997.69	33.45	Mainly due to increase in staff costs in line with increase in sales
Taxes and surcharges paid	178,945,950.71	118,829,015.70	50.59	Mainly due to increase in relevant taxes and surcharges paid in line with increase in sales
Cash paid for other operating activities	514,892,389.15	388,465,001.07	32.55	Mainly due to increase in payment in line with increase in sales
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	86,087,392.25	47,703,309.50	80.46	Mainly due to increase in investment in infrastructure and equipment of the Company

Cash received from borrowings	62,714,490.73	664,705,065.73	-90.57	Mainly due to decrease in borrowing transactions resulted from improvement in the Company's capital position during the reporting period
Cash paid for repayment of debts	92,993,735.33	510,797,015.27	-81.79	Mainly due to decrease in borrowing transactions resulted from improvement in the Company's capital position during the reporting period

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

On 28 March 2013, the Company received the notice of execution in relation to the relevant matters concerning the resumption of execution of the cases involving the Greencool Companies from the Intermediate People's Court of Foshan City, Guangdong Province. For details, please refer to the announcement on development of significant litigation issued by the Company on the website of the Stock Exchange (<http://www.hkex.com.hk>) on 1 April 2013.

3. 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

Undertakings	Undertaking party(ies)	Subject matter of undertakings	Time of undertakings	Duration of undertakings	Status of performance
Undertakings made in report on acquisition or report on changes in shareholding	Hisense Company ("Hisense Group"), Qingdao Hisense Air-conditioning Company Limited ("Hisense Air-conditioning")	<p>1. After the acquisition of subject shares by Hisense Air-conditioning, the undertaking parties would deal with possible connected transactions with the Company in strict compliance with the relevant laws and regulations, and the relevant requirements of China Securities Regulatory Commission, the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Articles of Association of the Company based on the market principles of justice, fairness, openness and reasonableness, without prejudicing the interests of the Company and other shareholders.</p> <p>2. The guarantor will not exploit its position and controlling influence as the largest shareholder of the Company to induce the Company to provide it with rights which are more favourable than those offered to third parties in respect of business cooperation and other aspects;</p> <p>3. The guarantor will not exploit its position and controlling influence as the largest shareholder of the Company to seek rights of first refusal in concluding transactions with the Company;</p> <p>4. The guarantor will not conduct transactions with the Company on terms which are less favourable than market prices and will not engage in any acts</p>	12 October 2005	—	Ongoing

		detrimental to the interests of the Company through such transactions.			
Undertakings made during assets restructuring	Hisense Air-conditioning	Hisense Air-conditioning has undertaken that in the event of completion of the restructuring, the shares issued by the Company through the non-public issue under this transaction shall not be transferred within 36 months from the date of registration of the shares under its name. The Company's shares originally held by Hisense Air-conditioning shall also be subject to a new lock-up period of 36 months from the date of registration of the shares subscribed in this transaction under its name, during which such shares shall not be transferred.	30 March 2010	36 months	In progress
	Hisense Group, Hisense Air-conditioning	Undertakings on avoidance of business competition: 1. Upon the completion of this transaction, all white goods-related assets and businesses of Hisense Air-conditioning, Hisense Group and their controlled entities have been injected into the Company. There is no business competition between the other assets and businesses retained by Hisense Air-conditioning, Hisense Group and their controlled entities on the one hand and those of the Company and its controlled entities on the other hand. 2. For future development, where Hisense Air-Conditioning, Hisense Group and their controlled corporations obtain any business development opportunities which are suitable for the Company and its controlled corporations, the Company and its controlled corporations may pursue such development based on their needs and Hisense Air-Conditioning, Hisense Group and their controlled corporations will provide the necessary support and assistance. 3. So long as Hisense Air-Conditioning is the controlling shareholder of the Company and Hisense Group is the beneficial controller of Company, Hisense Air-Conditioning, Hisense Group and their controlled corporations will not develop any businesses or projects of a nature identical or similar to businesses of the Company and its controlled corporations in China or overseas; and will cease to directly or indirectly engage in businesses	9 June 2010	—	Ongoing

	<p>competing with the Company and its controlled corporations through setting up joint venture, cooperation, joint operation or by way of operating leases, subcontract and entrusted management with any third parties.</p> <p>4. Hisense Air-Conditioning and Hisense Group will not exploit its direct or indirect advantageous shareholding position in the Company to engage in any acts detrimental to the interests of the Company and other shareholders, in particular the medium and small shareholders.</p> <p>5. Where Hisense Air-Conditioning and Hisense Group breach the above undertakings and guarantees, they will immediately terminate businesses competing with the Company and its controlled corporations and adopt the necessary rectification and remedial measures; at the same time, they will be jointly and severally liable to compensate the Company and its controlled corporations for all losses and consequences resulted from breach of the above undertakings and guarantees.</p>			
Hisense Group, Hisense Air-conditioning	<p>Undertakings on regulation and minimization of connected transactions:</p> <p>1. Upon the completion of this transaction, Hisense Air-conditioning and Hisense Group would continue to exercise the rights of shareholders or directors and perform the obligations of shareholders or directors in strict compliance with the laws and regulations such as the Company Law, and the relevant requirements of the Articles of Association of the Company, and abstain from voting on resolutions in relation to connected transactions between related companies and the Company at general meetings and board meetings.</p> <p>2. Upon completion of this transaction, connected companies will minimise connected transactions with the Company. In the course of conducting any necessary and unavoidable connected transactions, the Company will ensure that they are conducted fairly on the basis of market principle and fair pricing, and the Company will adopt the decision making procedures and perform obligation in relation to information disclosure in accordance with the relevant requirements of the laws and</p>	9 June 2010	—	Ongoing

	regulations, regulatory documents and the Articles of Association of the Company. 3. In case Hisense Air-Conditioning and Hisense Group breach the undertakings and guarantees made in this letter, they will be liable for the default in accordance with the laws and will be jointly and severally liable to compensate the Company and its shareholders (other than Hisense Air-Conditioning) for the losses caused therefrom.			
Whether the undertakings are timely performed	Yes			
Specific reasons for failure in performance and the plan going forward	Not Applicable			
Whether undertakings have been made in respect of business competition and connected transactions arising therefrom	Yes			
Deadline for settlement of undertakings	Not Applicable			
Way of settlement	Not Applicable			
Performance of undertakings	Ongoing			

4. Estimate of operating results for January to June 2013

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. 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 Company Limited (“ Huayi Compressor ”)	2,417.14	3.74	7,064.89	134.40	126.42

During the reporting period, Huayi Compressor issued 235,042,735 RMB-denominated ordinary shares

to specific investors through non-public issue of shares at an issue price of RMB4.68 per share, payable in cash. Its registered capital changed from RMB324,581,218.00 to RMB559,623,953.00 upon the issue and subscription. Upon the non-public issue of the shares of Huayi Compressor, the shareholding of the Company changed from 6.45% to 3.74%. A corresponding investment income from equity change of RMB23,335,400 was recognised based on the change in shareholding and change in additional net assets of Huayi Compressor.

6. Derivatives investment

<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, 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 23.8324 million. Investment gain amounted to RMB 2.8643 million, resulting in a total profit or loss of RMB 26.6967 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 the 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>

Positions in derivatives investment at the end of the reporting period

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 (%)
Forward foreign exchange contracts	199,816.46	189,397.99	2,669.67	108.81

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

Time of reception	Place of reception	Mode of reception	Type of subjects of reception	Subjects of reception	Major topics discussed and information provided
24 January 2013	Conference room of the Company	Site visit	Institutions	HAITONG Securities Company Limited, Orient Securities Company Limited, Shanghai IVY Assets Management Co., Ltd., Bosera Asset Management Co., Ltd.	
26 February 2013	Conference room of the Company	Site visit	Institutions	Value Star Asset Management (Hong Kong) Limited, CITIC Securities Company Limited, China Merchants Securities, Dongguan Securities, Tianma Investment Management Company Limited, China Re Asset Management Company Ltd., Beijing Capital Synergy Invest Management Co., Ltd., The National Trust Ltd., SMC China Fund, New Think Investment Management Company Limited	Major topics discussed included: Current operation and future development plan of the Company. Information provided: Nil

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, 25 April 2013