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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)

2011 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 2011 third quarterly report.

1.3 All Directors attended the meeting.

1.4 The financial report of the Company for the third quarter of 2011 has not been audited by accountants.

1.5 Mr. Tang Ye Guo, the chairman 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 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>.

§2 BASIC INFORMATION OF THE COMPANY

2.1 Major Accounting Data and Financial Indicators

Major Financial Data and Indicators

Unit: RMB

| Items | 30 September 2011 | 31 December 2010 | | Changes (%) |
|---|-----------------------|--|--------------------------|---|
| Total Assets (RMB) | 7,821,462,138.61 | 8,018,968,919.84 | | -2.46 |
| Owner's interests attributable to shareholders of listed company (RMB) | 868,910,586.53 | 541,241,410.07 | | 60.54 |
| Share capital (shares) | 1,354,054,750.00 | 1,354,054,750.00 | | - |
| Net asset value per share attributable to shareholders of listed company (RMB/ share) | 0.6417 | 0.3997 | | 60.54 |
| Items | July – September 2011 | Increase/ decrease when compared with corresponding period of last year(%) | January – September 2011 | Increase/ decrease when compared with corresponding period of last year (%) |
| Total operating income (RMB) | 4,605,943,673.53 | -5.25 | 15,340,852,382.26 | 6.70 |
| Net profit attributable to shareholders of the listed company (RMB) | 42,580,755.46 | -69.45 | 328,419,480.49 | -29.94 |
| Net cash flow from operating activities(RMB) | -- | -- | 64,356,935.60 | -91.02 |
| Net cash flow per share from operating activities (RMB/Share) | -- | -- | 0.0475 | -91.02 |
| Basic earnings per share (RMB/share) | 0.0314 | -69.45 | 0.2425 | -30.85 |
| Diluted earnings per share (RMB/share) | 0.0314 | -69.45 | 0.2425 | -30.85 |
| Weighted average rate of return on net assets (%) | 5.03% | -88.36 | 46.58% | -89.50 |
| Weighted average rate of return on net assets after deducting extraordinary profit and loss (%) | 4.19% | -79.65 | 37.70% | N/A |

Note: For January to September 2011, the net profit of the Company attributable to shareholders of the listed company after deducting extraordinary profit and loss is RMB 265,820,448.01, representing 6.62% increase compared with corresponding period of last year.

Unit: RMB

| Extraordinary profit and loss items | Amounts |
|--|---------------|
| Profit or loss from disposal of non-current assets | 43,624,700.03 |
| 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) | 13,633,315.36 |
| Gain or loss on debt restructuring | 30,000.00 |
| Net non-operating income and expenses other than those stated above | 10,338,478.36 |
| Total extraordinary profit or loss | 67,626,493.75 |
| Effect of minority interests | -1,747,148.32 |
| Effect of income tax | -3,280,312.95 |
| Total extraordinary profit or loss after deducting income tax and minority interests | 62,599,032.48 |

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 | 37,731 | |
|--|--|--------------------------------|
| 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} | 457,573,208 | Overseas listed foreign shares |
| China Huarong Asset Management Corporation | 30,400,000 | RMB ordinary shares |
| China Construction Bank – Penghua Value Advanced Stock Fund | 9,000,000 | RMB ordinary shares |
| Construction Bank of China – Bosera Strategy Dynamic Asset Allocation Mixed Type Equity Fund | 6,999,733 | RMB ordinary shares |
| Yuyang Securities Investment Fund | 6,199,673 | RMB ordinary shares |
| Zhang Shaowu | 6,110,200 | RMB ordinary shares |

| | | |
|---|-----------|---------------------|
| The Industrial and Commercial Bank of China – Lion Flexible Allocation Stock Fund | 3,780,227 | RMB ordinary shares |
| Xian Zhuoqun Investment Management Limited | 2,000,000 | RMB ordinary shares |
| Yan Xinyao | 1,885,739 | RMB ordinary shares |
| Song Chenghai | 1,663,438 | RMB ordinary shares |

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 its holding of H shares of the Company during the reporting period and became holder of 27 million H shares in total, representing 1.99% of the total number of shares of the Company.

§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 items | Closing amount | Opening amount | Percentage change (%) | Reason for change |
|--|-----------------------|-----------------------------|-----------------------|---|
| Notes receivable | 644,325,047.97 | 385,982,498.33 | 66.93 | The Company is at its peak season for sales at the end of the reporting period and therefore increase in sales leads to the increase in receivables at the end of the reporting period. |
| Construction in progress | 93,046,912.79 | 166,835,913.79 | -44.23 | Transferred out mainly due to completion of construction of Yangzhou production line. |
| Financial liabilities held for trading | - | 5,960,727.44 | -100.00 | Transferred out for expiry of forward contracts. |
| Notes payable | 471,669,300.00 | 810,263,300.00 | -41.79 | Notes due for repayment. |
| Receipts in advance | 562,495,825.64 | 950,206,943.91 | -40.80 | Receipts in advance from distributors decreased with increase in goods picked up by distributors. |
| Taxes payable | -70,003,933.01 | -209,997,869.00 | -66.66 | Mainly decrease in input tax to be deducted. |
| Dividends payable | 9,098,911.85 | 3,208,911.85 | 183.55 | Increase in dividends payable to Hisense (Beijing) Electric Co., Ltd and Hisense (Nanjing) Electric Co., Ltd, both subsidiaries |
| Income statement items | Amount for the period | Amount for the prior period | Percentage change (%) | Reason for change |
| Business taxes and surcharges | 45,277,137.52 | 14,348,957.05 | 215.54 | Mainly increase in city construction tax and education surcharges. |
| Gain on change | 6,586,925.09 | 4,485,836.41 | 46.84 | Mainly increase in gain on |

| | | | | |
|--|------------------------------|------------------------------------|------------------------------|---|
| in fair value | | | | forward exchange contracts. |
| Non-operating revenue | 158,957,835.09 | 290,812,128.43 | -45.34 | Mainly decrease in energy saving subsidy received. |
| Income tax expenses | 14,704,314.90 | 25,927,122.97 | -43.29 | Mainly decrease in profit of some subsidiaries, lowering income taxes payable. |
| Cash flow statement items | Amount for the period | Amount for the prior period | Percentage change (%) | Reason for change |
| Tax refund received | 481,213,212.89 | 364,747,260.69 | 31.93 | Mainly increase in export tax refund received. |
| Other cash received relating to operating activities | 282,812,663.37 | 455,681,258.21 | -37.94 | Mainly decrease in energy saving subsidy received. |
| Cash paid for goods purchased and services received | 4,048,545,709.56 | 2,959,403,286.94 | 36.80 | Due to increase in purchases in line with growth in sales, and notes payable due for payment. |
| Cash received from disposal of investments | 96,405,748.87 | 154,881,932.12 | -37.76 | Mainly decrease in amount recovered from investment in Huayi Compressor. |
| Cash received from borrowings | 1,800,897,375.66 | 1,141,212,257.59 | 57.81 | Increase in financing activities from factoring in line with growth in export sales. |
| Cash paid for debt repayment | 1,944,835,547.45 | 1,329,215,535.47 | 46.31 | Increase in financing activities from factoring in line with growth in export sales. |

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

3.2.1 Non-standard opinion

Applicable Not applicable

BDO CHINA LI XIN DA HUA Certified Public Accountants CO., LTD issued an auditor's report with qualified opinion for the 2010 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 2010 annual report, details of which can be found in the 2010 annual results announcement of the Company published on the website of the Stock Exchange (<http://www.hkex.com.hk>) on 30 March 2011. 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

Details of Funds Embezzled For Non-operating Purposes and Their Settlement can be found in the 2010 annual results announcement of the Company published on the website of the Stock Exchange (<http://www.hkex.com.hk>) on 30 March 2011. The Company is proactively facilitating the execution of the judgments that have come into force by the relevant judiciary authorities.

3.2.5 Material litigations and arbitrations of the Company

There is one outstanding material litigation or arbitration of the Company and its subsidiaries with the amount in dispute exceeding RMB10,000,000 as at the date of this announcement, the basic information of which are as follows:

| Name of case | Amount in dispute RMB (in ten thousand) | Particulars of the case | Status |
|---|---|--|--|
| Hisense Ronshen(Guangdong) Refrigerator Co Ltd. against Xi'an Kelon Cooling Co., Ltd. in relation to a sale and purchase contract | 9,998.41 | Since February 2004, Ronshen Refrigerator has repeatedly provided Xi'an Kelon fundings and prepayments in an aggregate amount of RMB89,184,100 to support the latter's production. The two parties later entered into a repayment agreement, but Xi'an Kelon has failed to perform such agreement. Therefore, Ronshen Refrigerator initiated the proceedings in the Foshan Intermediate Court, demanding Xi'an Kelon to refund the payment for goods and the related expenses. | In December 2008, the Foshan Intermediate Court dismissed the claim due to insufficiency of factual and legal evidence. Ronshen Refrigerator made an appeal. The Guangdong Province Higher Court has revoked the judgment of the Foshan Intermediate Court (Fo Zhong Fa Min Er Zi No. 88 (2007)) and the case was to be re-tried by the Foshan Intermediate Court. The case has been re-opened at the Foshan Intermediate Court for re-trial in February 2011. Foshan Intermediate Court requested audit to be conducted on the payment for goods and other debt of the defendant. In June 2011, Foshan Intermediate Court determined by ballot two accounting firms for conducting the judicial audit. The judicial audit is in progress. |

3.2.6 Major acquisition and disposal of assets and/or merger

Applicable Not applicable

3.2.7 Share Option Incentive Scheme

Applicable Not Applicable

The related examination and approval procedure of the Company's first Share Option Incentive Scheme has been completed. During the reporting period, the board of directors of the Company has conducted and completed the registration for the grant of share options under the First Share Option Incentive Scheme of Hisense Kelon Electrical Holdings Company Limited, which has been reviewed by Shenzhen Stock Exchange with no objection, and reviewed and confirmed by Shenzhen branch of China Securities Depository and Clearing Corporation Limited.

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

Applicable Not Applicable

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 Information about shareholding in other listed companies by the Company

Applicable Not Applicable

Unit:RMB

| Stock code | Stock abbreviation | Initial investment amount | Shareholding percentage in the company | Carrying amount at the end of the period | Profit and loss for the Reporting Period | Changes in ownership interests for the |
|------------|--------------------|---------------------------|--|--|--|--|
|------------|--------------------|---------------------------|--|--|--|--|

| | | | | | | Reporting Period |
|--------|------------------|---------------|-------|---------------|--------------|------------------|
| 000404 | Huayi Compressor | 41,686,088.96 | 6.45% | 42,901,503.71 | 1,233,332.82 | - |

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

Applicable Not applicable

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

Applicable Not Applicable

| Time of meeting | Venue of meeting | Mode of meeting | Targets of meeting | Major topic discussed and information provided |
|-------------------|------------------|-----------------|---|---|
| 15 September 2011 | Company | Field research | First-Trust Fund Management Co., Ltd., Everbright Securities Co., Ltd., Industrial Securities Co., Ltd., Fullgoal Fund Management Co., Ltd., AXA SPDB Investment Managers Co., Ltd., Bank of Communications Schroders Fund Management Co. Ltd., Cathay Life Insurance Co., Ltd., Pacific Asset Management Co., Ltd., Donghai Securities Co., Ltd. | Major topic discussed included: Current operating status and future development strategy for operation 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 |
|--|---|

| | |
|--|--|
| | <p>purpose.</p> <p>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.</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>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 RMB6.5869 million.</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>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> |
| Specific opinions of independent Directors, sponsor or financial advisor on the derivatives investment and risk control of the Company | <p>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 have adopted targeted risk control measures that are practicable.</p> |

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 attributable to equity holders of the |
|------------------|--|--|--|---|
| | | | | |

| | | | | Company at the end of the Reporting Period (%) |
|--|------------|------------|----------|--|
| Foreign exchange derivatives contracts | 138,989.87 | 160,087.89 | 2,661.66 | 184.24 |
| Total | 138,989.87 | 160,087.89 | 2,661.66 | 184.24 |

§ 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 and Mr. Xiao Jian Lin; and the Company's independent non-executive directors are Mr. Zhang Sheng Ping, Mr. Wang Xinyu and Mr. Wang Ai Guo.

Foshan City, Guangdong, the PRC, 27 October 2011