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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 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Hisense Kelon Electrical Holdings Company Limited (the “Company”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2012 (the “Reporting Period”) together with comparative figures for the corresponding period in 2011. This interim results announcement has been reviewed by the Company’s Audit Committee.

FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

(Unless otherwise specified, all amounts are denominated in RMB)

Consolidated Balance Sheets

Item	Note	30 June 2012	31 December 2011
Current assets:			
Cash at bank and on hand		461,593,172.16	398,532,682.30
Balances with clearing companies			
Lending capital			
Financial assets held for trading		13,058,618.94	33,787,696.24
Notes receivable		1,594,426,485.68	502,919,307.39
Trade receivables	2	2,068,355,256.32	1,193,767,494.97
Prepayments		216,787,617.79	315,474,246.14
Insurance premium receivable			
Receivables from reinsurers			
Reserves for reinsurance contract receivable			
Interests receivable		-	-
Dividends receivable		-	-
Other receivables		387,518,168.50	439,873,135.47

Buy in and return to and sell the financial assets			
Inventories		1,801,805,377.20	1,547,277,865.07
Non-current assets due within one year			
Other current assets		6,169,695.16	3,568,803.11
Total current assets		6,549,714,391.75	4,435,201,230.69
Non-current assets:			
Disbursement of entrusted loans and advances			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		637,870,699.71	610,755,845.36
Investment properties		36,794,470.76	38,019,850.43
Fixed assets		1,933,578,709.60	1,947,070,154.12
Construction In progress		117,362,310.12	80,702,425.28
Construction materials			
Disposal of fixed assets		-	-
Productive biological assets			
Oil and gas assets			
Intangible assets		508,884,125.02	520,066,256.26
Development costs			
Goodwill			
Long-term prepaid expenses.		-	-
Deferred tax assets		4,652,897.43	3,623,816.22
Other non-current assets			
Total non-current assets		3,239,143,212.64	3,200,238,347.67
Total assets		9,788,857,604.39	7,635,439,578.36
Current liabilities:			
Short-term borrowings		1,102,472,575.34	1,004,998,894.20
Borrowings from central bank			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Financial liabilities held for trading		-	6,636,121.77
Notes payable		755,778,257.70	612,667,073.33
Trade payables	3	3,419,481,207.97	2,054,610,132.81
Advances from customers		466,318,733.78	758,206,285.15
Funds from selling out and repurchasing financial assets			
Handling fees and commission payable			
Employee remunerations payable		207,787,402.12	190,026,739.08
Taxes payable		-100,643,456.00	-90,090,833.72
Interests payable		1,503,837.59	1,447,530.16
Dividends payable		2,067.02	2,067.02

Other payables		1,511,151,037.06	1,156,195,947.88
Reinsured accounts payable			
Reserves for reinsurance contract			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Non-current liabilities due within one year			
Other current liabilities		524,144,484.00	467,458,815.86
Total current liabilities		7,887,996,146.58	6,162,158,773.54
Non-current liabilities:			
Long-term loans			
Bonds payable			
Long-term payables			
Special payables			
Provisions		296,037,777.55	271,488,354.42
Deferred income tax liabilities			
Other non-current liabilities		41,713,740.75	40,977,575.97
Total non-current liabilities		337,751,518.30	312,465,930.39
Total liabilities		8,225,747,664.88	6,474,624,703.93
Owners' equity (or shareholders' equity):			
Share capital (or equity capital)		1,354,054,750.00	1,354,054,750.00
Capital reserve		2,099,253,284.26	2,096,929,058.26
Less: Treasury shares			
Special reserves			
Surplus reserves		145,189,526.48	145,189,526.48
General risk provisions			
Accumulated losses		-2,437,286,064.56	-2,817,156,683.25
Differences on translation of foreign currency financial statements		26,002,141.95	26,106,945.84
Total equity attributable to shareholders of the Company		1,187,213,638.13	805,123,597.33
Minority interests		375,896,301.38	355,691,277.10
Total owners' equity (or shareholders' equity)		1,563,109,939.51	1,160,814,874.43
Total liabilities and owners' equity (or shareholders' equity)		9,788,857,604.39	7,635,439,578.36

Consolidated Income Statements

Item	Note	January to June 2012	January to June 2011
I. Total revenue from operations	4	9,967,726,766.93	10,734,908,708.73
Including: Operating revenues	4	9,967,726,766.93	10,734,908,708.73
Interest incomes			
Insurance premium earned			
Income from handling fees and commission			
II. Total cost of operations		9,653,155,392.60	10,652,649,458.81
Including: Operating costs	4	7,982,126,495.52	8,910,556,396.46

Interest expenses			
Handling fees and commission expenses			
Refunded premiums			
Net amount of compensation payout			
Net amount of insurance contract reserves provided			
Policyholder dividend expense			
Reinsurance premium expense			
Business taxes and surcharges		32,387,549.72	26,603,072.03
Selling and distribution expenses		1,310,271,064.86	1,399,644,377.22
General and administrative expenses		299,727,610.10	275,034,094.98
Financial expenses		25,298,032.29	28,526,360.55
Impairment losses on assets		3,344,640.11	12,285,157.57
Add: Gain from changes in fair value (Loss denoted by “—”)		-14,092,955.53	-6,703,478.40
Investment income (Loss denoted by “—”)		100,107,033.46	99,396,120.11
Including: Share of profit of associates and jointly controlled entities		76,114,854.35	36,258,657.14
Foreign exchange gains (Loss denoted by “—”)			
III. Operating profits (Loss denoted by “—”)		400,585,452.26	174,951,891.63
Add: Non-operating incomes		11,588,454.87	126,379,617.61
Less: Non-operating expenses		4,710,751.58	8,964,553.03
Including: Loss on disposal of non-current assets		1,985,884.72	2,641,645.91
IV. Total profit (Total loss denoted by “—”)		407,463,155.55	292,366,956.21
Less: Income tax expenses	5	5,621,187.99	7,688,210.00
V. Net profits (Net loss denoted by “—”)		401,841,967.56	284,678,746.21
Including: Net profits of consolidated parties prior to consolidation			
Net profits attributable to shareholders of the Company		379,870,618.69	285,838,725.03
Profit and loss of minority interests		21,971,348.87	-1,159,978.82
VI. Earnings per share:		--	--
(1) Basic earnings per share	6	0.2805	0.2111
(2) Diluted earnings per share	6	0.2805	0.2111
VII. Other comprehensive income		-104,803.89	-2,012,024.97

VIII. Total comprehensive income		401,737,163.67	282,666,721.24
Total comprehensive income attributable to shareholders of the Company		379,765,814.80	283,826,700.06
Total comprehensive income attributable to minority interests		21,971,348.87	-1,159,978.82

Notes

1. Basis of preparation of financial statements and accounting policies

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises-Basic Standard” and 38 specific accounting standards issued by the Ministry of Finance (MOF) on 15 February 2006, Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued subsequently (hereinafter referred to as “Accounting Standards for Business Enterprises” or “CAS”), and the disclosure requirements of “Standards for Content and Format of Information Disclosure of Companies Issuing Securities Publicly No.15-General Provisions for Financial Reports” (Revised in 2010) issued by the China Securities Regulatory Commission.

2. Trade receivables

	30 June 2012	31 December 2011
Trade receivables	2,252,375,635.78	1,382,037,364.46
Less: Provision for bad debts	184,020,379.46	188,269,869.49
	2,068,355,256.32	1,193,767,494.97

Normal credit term of 30 days is granted to customers. Generally, sales are settled by cash on delivery for smaller new customers. Trade receivables are non-interest bearing.

The ageing analysis of trade receivables is as follows:

age	30 June 2012	31 December 2011
Within three months	2,046,334,710.84	1,174,482,507.39
Three to six months	4,909,362.96	3,594,295.40
Six months to one year	3,278,154.37	174,160.16
Over one year	197,853,407.61	203,786,401.51
	2,252,375,635.78	1,382,037,364.46

3. Trade payables

The ageing analysis of trade payables is as follows:

age	30 June 2012	31 December 2011
Within one year (inclusive)	3,271,292,363.96	1,896,440,466.81
Over one year	148,188,844.01	158,169,666.00
	3,419,481,207.97	2,054,610,132.81

4. Operating revenue and operating costs

Item	January to June 2012	January to June 2011
Revenue from main Operations	9,046,697,029.94	9,681,132,355.15
Revenue from other Operations	921,029,736.99	1,053,776,353.58
Operating costs	7,982,126,495.52	8,910,556,396.46

5. Income tax expenses

Item	January to June 2012	January to June 2011
Current income tax expenses	6,650,269.20	6,689,295.86
Deferred income tax expenses	-1,029,081.21	998,914.14
	5,621,187.99	7,688,210.00

(1) PRC Enterprise Income Tax (EIT)

The Company and certain subsidiaries have been recognised as “high technology enterprises” and are entitled to a preferential tax rate of 15%. In addition, certain subsidiaries of the Company are foreign-investment enterprises and are subject to a preferential tax rate of 12.5% under the transitional preferential policies of the EIT Law. Other subsidiaries of the Company established and operating in the PRC are subject to EIT at a standard rate of 25%.

(2) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No Hong Kong Profits Tax is provided as no assessable profits have been derived from group entities operating in Hong Kong.

6. Earnings per share

Basic earnings per share is calculated as follows:

Item	January to June 2012	January to June 2011
Profit or loss attributable to ordinary shareholders of the Company	379,870,618.69	285,838,725.03
Weighted average number of outstanding ordinary shares during the period	1,354,054,750.00	1,354,054,750.00
Basic earnings per share	0.2805	0.2111

No diluted earnings per share is presented as there were no dilutive potential ordinary shares in issue during both periods.

7. Segment reporting

The Company manages its businesses by segments, which are organized by a mixture of both business lines and geographical locations. For the purposes of resource allocation and performance assessment, the management manages the operating results of each business segment separately, and the segment results are assessed based on the profits of the reportable segments.

(1) Segment profit or loss and assets and liabilities for January to June 2012 and as at 30 June 2012

Item	Refrigerators	Air-conditioners	Freezers	Others	Inter-segment elimination	Total
1. Revenue from external sales	4,266,279,741.67	3,756,832,970.87	432,587,138.10	590,997,179.30		9,046,697,029.94
2. Revenue from inter-segment sales				297,586,244.28	-297,586,244.28	
3. Share of profit of associates and jointly controlled entities	5,090,008.50	70,973,958.34		50,887.51		76,114,854.35
4. Depreciation and amortisation	86,810,799.69	60,015,847.27	7,915,589.18	28,083,893.92		182,826,130.06
5. Gain from changes in fair value				-14,092,955.53		-14,092,955.53
6. Impairment losses on assets	1,278,358.84	-2,494,454.87	-381,774.55	4,942,510.68		3,344,640.10
7. Total profit (Total loss)	212,840,495.81	139,639,464.49	40,868,383.59	38,331,426.56	-24,216,614.91	407,463,155.54
8. Income tax expenses				5,621,187.99		5,621,187.99
9. Net profit (Net loss) (including minority interests)	212,840,495.81	139,639,464.49	40,868,383.59	32,710,238.57	-24,216,614.91	401,841,967.55
10. Total assets	9,806,768,033.17	6,280,156,296.35	729,729,888.35	3,456,079,364.99	-10,483,875,978.47	9,788,857,604.39
11. Total liabilities	7,136,336,152.06	5,201,670,930.50	526,550,941.56	2,728,099,004.31	-7,366,909,363.54	8,225,747,664.88
12. Additions to other non-current assets other than long-term equity investments	29,748,556.73	-29,324,433.16	239,104.49	-40,524,344.11		-39,861,116.05

Segment profit or loss and assets and liabilities for January to June 2011 and as at 30 June 2011

Item	Refrigerators	Air-conditioners	Freezers	Others	Inter-segment elimination	Total
1. Revenue from external sales	4,399,599,426.71	4,270,344,968.90	437,046,817.06	574,141,142.51		9,681,132,355.18
2. Revenue from inter-segment sales				289,069,035.61	-289,069,035.61	
3. Share of profit of associates and jointly controlled entities	-5,224,290.65	41,641,884.23		-158,936.44		36,258,657.14
4. Depreciation and amortisation	76,518,610.72	60,373,403.53	7,104,435.52	26,801,292.08		170,797,741.84
5. Gain from changes in fair value				-6,703,478.40		-6,703,478.40
6. Impairment losses on assets	7,442,672.38	3,597,759.02	1,173,389.97	71,336.20		12,285,157.57
7. Total profit (Total loss)	209,182,904.08	29,760,598.96	26,248,272.99	13,865,073.70	13,310,106.48	292,366,956.21
8. Income tax expenses				7,688,210.00		7,688,210.00
9. Net profit (Net loss) (including minority interests)	209,182,904.08	29,760,598.96	26,248,272.99	6,176,863.69	13,310,106.48	284,678,746.21
10. Total assets	8,470,781,384.90	6,883,476,655.80	588,610,899.13	3,508,160,462.38	-10,345,931,178.88	9,105,098,223.33
11. Total liabilities	5,940,361,633.57	6,004,514,756.28	400,864,395.00	2,613,306,148.92	-7,039,623,226.79	7,919,423,706.98
12. Additions to other non-current assets other than long-term equity investments	74,427,459.79	-22,262,949.99	-2,180,292.97	-8,122,332.64		41,861,884.18

(2) Geographical information

Item	January to June 2012	January to June 2011
Revenue from external customers-Mainland	5,893,113,321.84	6,837,559,628.68
Revenue from external customers-overseas	3,153,583,708.10	2,843,572,726.47
Total	9,046,697,029.94	9,681,132,355.15
Item	30 June 2012	30 June 2011
Non-current assets - Mainland	2,819,490,351.64	2,778,410,063.08
Non-current assets - Overseas	419,652,861.00	421,828,284.59
Total	3,239,143,212.64	3,200,238,347.67

The operations of the Company are mainly carried out in the PRC, where the majority of its non-current assets are located. Accordingly, no further detailed geographical information is required to be presented.

8. Net current assets

Item	30 June 2012	30 June 2011
Current assets	6,549,714,391.75	4,435,201,230.69
Less: Current liabilities	7,887,996,146.58	6,162,158,773.54
Net current assets	-1,338,281,754.83	-1,726,957,542.85

9. Total assets less current liabilities

Item	30 June 2012	30 June 2011
Total assets	9,788,857,604.39	7,635,439,578.36
Less: Current liabilities	7,887,996,146.58	6,162,158,773.54
Total assets less current liabilities	1,900,861,457.81	1,473,280,804.82

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012. No interim dividend was paid for the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

I .Overall Operation

During the Reporting Period, the domestic refrigerator and air-conditioner markets showed downward trends, while the export market was sluggish on the whole. On the one hand, with the progressive withdrawal of the “Home Appliances Subsidy Policy for Rural Areas and Villages (家電下鄉)” and “Trade-in (以舊換新)” policies, the stimulation brought by such policies on the market showed a diminishing marginal effect, Coupled with the lethargic macro-economy and continued implementation of stringent real estate control

measures in the PRC, the demand for home appliances in the domestic market was sluggish and demand has remained low. On the other hand, the environment for export was also difficult under the continued aggravation of the European debt crisis and weak global economy which led to shrinking demand in the international market. During the Reporting Period, the Company strictly adhered to the operating strategies of “building product advantages, reforming marketing models, enhancing per capita efficiency, accelerating the progress of internationalization and realizing sound and rapid growth” laid down in the beginning of the year, and amidst unfavorable domestic and overseas macro-economic environments, the operating results were further enhanced through improving the product sales structure, increasing the gross profit margin of the products and increasing the scale of export. During the Reporting Period, the Company recorded a total revenue of RMB9,968,000,000, representing a year-to-year decrease of 7.15%, among which the revenue from its principal businesses amounted to RMB9,047,000,000, representing a year-to-year decrease of 6.55%. The net profit attributable to equity holders of the listed company was RMB380,000,000, representing a year-to-year increase of 32.90%, whereas the net profit attributable to equity holders of the listed company after deducting exceptional items amounted to RMB375,000,000, representing a year-to-year increase of 62.62%.

During the Reporting Period, the Company’s revenue from the refrigerator business amounted to RMB4,266,000,000 and accounted for 47.16% of the revenue from principal businesses. Revenue from the air-conditioner business amounted to RMB3,757,000,000 and accounted for 41.53% of the revenue from principal businesses. The operating revenue from the domestic sales business was RMB5,893,000,000, representing a year-to-year decrease of 13.81%. The operating revenue from the overseas sales business was RMB3,154,000,000, representing a year-to-year increase of 10.90%.

Refrigerator Business

During the Reporting Period, the refrigerator industry in general recorded negative growth. According to the statistics of China Market Monitor Co., Ltd. in June 2012, accumulated retail sales volume of the refrigerator industry for the first half of 2012 showed a year-to-year decrease of 17.17%. However, the replacement of double-door refrigerators by three-door refrigerators and the replacement of low-end refrigerators by high-end refrigerators have become the key development trend of the refrigerator industry, bringing along the opportunities of products upgrade. During the Reporting Period, the Company proactively adjusted its product structure, upheld technological innovations and functional upgrades for its products, promoted the strategy of intelligentization, launched new high-end refrigerator products such as the second generation of “I Feel” and the Bauna series of Hisense refrigerators. The proportion of the sales revenue from the Company’s high-end refrigerator products has gradually increased and that has also driven the continuous increase of the overall market share of the Company’s refrigerators. According to the statistics of China Market Monitor Co., Ltd. in June 2012, refrigerator products of the Company acclaimed a market share of 16.51% in terms of sales volume in June 2012, securing the second position in the industry and representing an increase of 1.7 percentage points. At the same time, the Company fully implemented the operating strategy of “accelerating the progress of internationalization” against the background of a continuously sluggish overseas market to boost the export of self-owned brands and improve the export sale structure. During the Reporting Period, sales revenue from the export of refrigerator and freezer products recorded a year-to-year increase of 12.57%.

Air-conditioner business

During the Reporting Period, the overall air-conditioner industry experienced negative growth. According to the statistics of China Market Monitor Co., Ltd. in June 2012, accumulated retail sales volume of the air-conditioner industry for the first half of 2012 showed a year-to-year decrease of 27.14%. However, high-efficiency products and inverter products benefited from favorable policies and were further promoted, with significant increase in the market share of inverter products. During the Reporting Period, leveraging on the advantages in the core technologies for inverter air-conditioners built over the years, small scale VRF series of multi-split inverter was successfully developed, filling the gap in the commercial multi-split air-conditioner products, which further enriched the product categories. the Company proactively adjusted its product structure and focused on the promotion of inverter air-conditioners with level 2 energy-efficiency or above which are characterized by the concepts of “energy-saving, comfort and healthiness”. At the same time, the Company continued to implement enhancement of efficiency and cost reduction. The gross profit margin of air-conditioner product has significantly increased by 5.14 percentage points and the air-conditioner business realized a profit. In addition, with the Company vigorously developing the export business to the market in the United States, the scale of overseas sales for air-conditioner products achieved a year-to-year growth of 12.44%.

Outlook

Projecting into the second half of 2012, the external operating environment for the Company is somber as the demand in domestic home appliance market is insufficient and the international market remains sluggish. Yet at the same time, the new energy-saving subsidy policies promulgated by the State in June 2012 will foster the promotion and use of high-efficiency home appliances, incite the demand for product upgrade and replacement, encourage technological innovation of enterprises and enhance product sales structures.

In the second half of 2012, the Company will continue to uphold the operating strategies devised at the beginning of the year and strive for the steady enhancement of the scale, results and market share of the Company through the following efforts: to focus on product differentiation and improvement of user experience, to reinforce technological innovations and boost product competitiveness; to enhance the product sale structure; to reform the marketing model, speed up establishment of retail channels targeted at the third and fourth grade markets, further utilize the e-business platform and the emerging channels for internet sales; to increase the weight of self-owned brand export and reinforce the effort of development for key export markets; to step up cost control, intensify the implementation of cost-cutting, and streamline workflow to increase efficiency; and to strengthen capital management and expedite cash flow.

II. Analysis to principal financials during the Reporting Period

(i) Analysis of the operation and results of major subsidiaries and companies in which the Company has equity interest

Name of company	Shareholding ratio of the Company	Business nature	Principal products or services	Registered capital	Total operating revenue (RMB'0000)	Net profit (RMB'0000)
Hisense Hitachi	49%	Manufacturing	Production and sale of commercial air-conditioners	US\$46 million	116,257.82	15,040.64

(ii) Risk factors that may have an adverse effect on the future development strategies and operating objectives of the Company

- (1) The diminishing of the effect of China's domestic demand stimulus policies gradually, sluggish market demand in home appliances market in China;
(2) Continuous increase in labour;
(3) Intensification of the European and American debt crisis, and the international market remains sluggish.

(iii) Table showing the principal businesses classified by product

Unit: RMB

Products	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease in operating revenue as compared to corresponding period last year (%)	Increase or decrease in operating cost as compared to corresponding period last year (%)	Increase or decrease in gross profit margin as compared to corresponding period last year (%)
Refrigerators	4,266,279,741.67	3,302,001,862.92	22.60	-2.93	-3.53	0.48
Air-conditioners	3,756,832,970.87	3,040,154,370.30	19.08	-12.01	-17.27	5.14
Others ^{Note}	1,023,584,317.40	806,687,503.79	21.19	0.73	-1.36	1.67
Total	9,046,697,029.94	7,148,843,737.01	20.98	-6.55	-9.68	2.74

Note: Other products include freezers, washing machines, small household appliances and fittings, etc.

(iv) Table showing the principal businesses classified by region

Unit: RMB

Region	Operating revenue	Increase or decrease in operating revenue as compared to corresponding period last year (%)
–Mainland market	5,893,113,321.84	-13.81
–Overseas market	3,153,583,708.10	10.90
Total	9,046,697,029.94	-6.55

(v) Analysis of changes in major items of the financial statement

Unit: RMB

Item	Balance at the end of the period (or amount for the period)	Balance at the beginning of the period (or amount for last period)	Percentage change	Reason for changes
Financial assets held for trading	13,058,618.94	33,787,696.24	-61.35%	Mainly due to transfer of forward contracts upon maturity
Notes receivable	1,594,426,485.68	502,919,307.39	217.03%	Mainly due to increase in the notes received by the Company during the peak season for sales at the end of the Reporting Period, and difference in the payment periods for the Company's notes receivables and notes payable resulting in the increase in notes receivable
Trade receivables	2,068,355,256.32	1,193,767,494.97	73.26%	Mainly due to increase in receivables during the peak season for sales at the end of the Reporting Period but is basically at the same level as that for the corresponding period last year
Prepayments	216,787,617.79	315,474,246.14	-31.28%	Mainly due to decrease in prepayments for materials
Trade payables	3,419,481,207.97	2,054,610,132.81	66.43%	Mainly due to increase in payables during the peak season for sales at the end of the Reporting Period but is basically at the same level as that for the corresponding period last year
Advances from customers	466,318,733.78	758,206,285.15	-38.50%	Mainly due to decrease in advances from distributors with increase in delivery of goods to distributors but is basically at the same level as that for the corresponding period last year
Other payables	1,511,151,037.06	1,156,195,947.88	30.70%	Mainly due to increase in payables during the peak season for sales at the end of the Reporting Period
Impairment losses on assets	3,344,640.11	12,285,157.57	-72.77%	Mainly due to decrease in losses resulting from decrease in value of inventories
Gain from changes in fair value	-14,092,955.53	-6,703,478.40	110.23%	Mainly due to transfer of fair value gains to investment income upon maturity of the forward contracts
Non-operating income	11,588,454.87	126,379,617.61	-90.83%	Mainly due to decrease in subsidies benefiting people received

Minority interests	21,971,348.87	-1,159,978.82	-1994.12%	Mainly due to changes in net profit of subsidiaries
Other cash received relating to operating activities	114,798,118.12	200,707,785.42	-42.80%	Mainly due to decrease in subsidies benefiting people received
Cash received from realisation of investment	49,000,000.00	84,404,301.37	-41.95%	Mainly due to the fact that there is no disposal of equity interest in Huayi Compressor during the Reporting Period but there was disposal of equity interest in Huayi Compressor in the corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	88,888,161.76	145,554,269.74	-38.93%	Mainly due to decrease in acquisition of assets

(vi) Items accounted by fair values

Unit: RMB

Items	At the beginning of the period	Gain or loss in fair value during the period	Accumulated changes in fair value accounted in equity	Impairment provided during the period	At the end of the period
Financial assets					
Of which: 1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	33,787,696.24	-20,729,077.30			13,058,618.94
Of which: Derivative financial assets	33,787,696.24	-20,729,077.30			13,058,618.94
2. Financial assets available for sale					
Subtotal of financial assets	33,787,696.24	-20,729,077.30			13,058,618.94
Financial liabilities	-6,636,121.77	6,636,121.77			-
Real estate for investment					

Productive biological assets					
Other					
Total	27,151,574.47	-14,092,955.53			13,058,618.94

(vii) Financial assets and financial liabilities denominated in foreign currency

Unit: RMB

Items	At the beginning of the period	Gain or loss in fair value during the period	Accumulated changes in fair value accounted in equity	Impairment provided during the period	At the end of the period
Financial assets					
Of which: 1. Financial assets measured at fair value where changes in fair value are accounted for as gain or loss of the period	33,787,696.24	-20,729,077.30			13,058,618.94
Of which: Derivative financial assets	33,787,696.24	-20,729,077.30			13,058,618.94
2、Loans and receivables					
3. Financial assets available for sale					
4、Held to maturity investments					
Subtotal of financial assets	33,787,696.24	-20,729,077.30			13,058,618.94
Financial liabilities	-6,636,121.77	6,636,121.77			

LIQUIDITY AND SOURCES OF CAPITAL

Net cash generated from operating activities of the Group was approximately RMB 31.55 million for the six months ended 30 June 2012(for the six months ended 30 June 2011: RMB-135.43 million).

As at 30 June 2012, the Group had bank deposits and cash (including pledged bank balances) amounting to approximately RMB 461.59 million (as at 30 June 2011 : RMB 321.73 million) and bank loans amounting to approximately RMB1,102.47 million (as at 30 June 2011 : RMB 1,231.03 million).

Total capital expenditures of the Group for the six months ended 30 June 2012 amounted to approximately RMB 88.89 million (for the six months ended 30 June 2011: RMB145.55 million).

GEARING RATIO

As at 30 June 2012, the Group's gearing ratio (calculated according to the formula: total liabilities divided by total assets) was 84.03%.

TRUST DEPOSITS

As at 30 June 2012, the Group did not have any trust deposits with any financial institutions in the PRC. All of the Group's deposits have been deposited in commercial banks and other financial institution in the PRC and Hong Kong.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2012, the Group had approximately 32,823 employees, mainly comprising 4,086 technical staff, 12,677 sales representatives, 615 financial staff, 1,144 administrative staff and 14,301 production staff. The Group had 5 employees with a doctorate degree, 152 with a master's degree and 2,735 with a bachelor's degree. There were 523 employees who occupied mid-level positions or above in the Group according to the national standards. For the six months ended 30 June 2012, the Group's staff payroll amounted to RMB747.01 million (corresponding period in 2011 amounting to RMB 679.38 million).

The Company adopts a position-based remuneration policy for its staff. Staff remuneration is determined by reference to the relative importance of and responsibility assumed by the position and other performance factors.

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2012, the Group's property, plant and equipment (including leasehold land held for own use) and investment properties and trade receivables of approximately RMB 729.80 million (31 December 2011: RMB 568.59 million) were pledged as security for the Group's borrowings.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND ANY RELATED HEDGE

Since part of the Group's purchase and overseas sales during the Reporting Period were denominated in foreign currency, the Group is exposed to the risk of exchange rate fluctuation. The Group has used financial instruments such as import/export documentary bills and forward contracts for exchange rate hedging purpose.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code for securities transaction by Directors. After having made specific enquiries to the Directors, all Directors of the Board confirmed that they had acted in full compliance with the Model Code during their term of office in the Reporting Period.

SHARE CAPITAL STRUCTURE

As at 30 June 2012, the share capital structure of the Company was as follows:

Class of shares	Number of shares	Percentage to the total issued share capital
H shares	459,589,808	33.94%
A shares	894,464,942	66.06%
Total	1,354,054,750	100.00%

TOP TEN SHAREHOLDERS

As at 30 June 2012, there were 37,880 shareholders of the Company (the “Shareholders”) in total, of which the top ten Shareholders were as follows:

Name of Shareholder	Nature of Shareholder	No. of shares held	Percentage to the total issued shares of the Company	Percentage to the relevant class of issued shares of the Company	No. of shares held subject to trading moratorium	No. of pledged or frozen shares
Qingdao Hisense Air-conditioning Company Limited	State-owned Legal Person	612,316,909	45.22%	68.46%	612,316,909	0
HKSCC Nominees Limited ^{Note}	Foreign Shareholder	457,566,208	33.79%	99.56%	0	Unknown
China Huarong Asset Management Corporation	State-owned Legal Person	30,000,000	2.22%	3.35%	0	0
Zhang Shao Wu	Domestic natural person	6,182,000	0.46%	0.69%	0	0
Zhong Juan Wei	Domestic natural person	3,385,289	0.25%	0.38%	0	0
Zhu Hong Jun	Domestic natural person	2,186,165	0.16%	0.24%	0	0
Chen Wei Yu	Domestic natural person	1,999,710	0.15%	0.22%	0	0
Yan Xinyao	Domestic natural person	1,885,739	0.14%	0.21%	0	0
Zhu Li Si	Domestic natural person	1,474,800	0.11%	0.16%	0	0
Wang Qi Yu	Domestic natural person	1,305,000	0.10%	0.15%	0	0

Note: The shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants, among which, 27 million H shares (representing 1.99% of the total

number of shares of the Company) are beneficially owned by Hisense (Hong Kong) Company Limited, a party acting in concert with the controlling shareholder of the Company.

SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES

Name of Shareholders	Number of tradable shares held	Class of shares
HKSCC Nominees Limited	457,566,208	H shares
China Huarong Asset Management Corporation	30,000,000	A shares
Zhang Shao Wu	6,182,000	A shares
Zhong Juan Wei	3,385,289	A shares
Zhu Hong Jun	2,186,165	A shares
Chen Wei Yu	1,999,710	A shares
Yan Xinyao	1,885,739	A shares
Zhu Li Si	1,474,800	A shares
Wang Qi Yu	1,305,000	A shares
Song Chenghai	1,155,003	A shares

Note : The Company is not aware whether any of the top ten holders of tradable shares is connected with each other or any of them is a party acting in concert with any of the other nine shareholders within the meaning of 《上市公司收購管理辦法》 (Administrative Measures for the Takeover of Listed Companies).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES

So far as is known to any Directors, supervisors and the chief executive of the Company, as at 30 June 2012, the following persons (other than the Directors, supervisors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”), or which were recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:

Long position or short position in the shares of the Company

Name of shareholder	Capacity	Type of shares	Number of shares held	Percentage of the respective type of shares	Percentage of the total number of shares in issue
Qingdao Hisense Air-conditioning Company Limited ^{Note 1}	Beneficial owner	A shares	612,316,909(L)	68.46%	45.22%

Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	A shares	612,316,909(L)	68.46%	45.22%
Hisense (Hong Kong) Company Limited ^{Note 1}	Beneficial owner	H shares	27,000,000(L)	5.87%	1.99%
Qingdao Hisense Electric Holdings Company Limited ^{Note 1}	Interest of controlled corporation	H shares	27,000,000(L)	5.87%	1.99%
Hisense Company Limited ^{Note 1}	Interest of controlled corporation	H shares	27,000,000(L)	5.87%	1.99%
Hillhouse Capital Management, Ltd. ^{Note 3}	Investment manager	H shares	50,284,000(L)	10.94%	3.71%
Gaoling Fund, L.P. ^{Note 3}	Beneficial owner	H shares	48,766,000(L)	10.61%	3.60%
Citigroup Inc. ^{Note 4}	Person having security interests in shares and custodian corporation/ approved lending agent	H shares	27,387,130(L) 0(S) 2,313,630(P)	5.95% 0.00% 0.50%	2.02% 0.00% 0.17%
Daiwa Securities Group Inc. ^{Note 5}	Interest of controlled corporation	H shares	25,296,000(L) 50,592,000(S)	5.50% 11.00%	1.87% 3.74%

Long position in the underlying shares of the Company

Name of shareholder	Capacity	Type of shares	Number of underlying shares	Percentage of the respective type of issued shares	Percentage of the total number of shares in issue
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Hisense Company Limited ^{Note 2}	Interest of controlled corporation	H shares	27,000,000(L) ^{Note 2}	5.87%	1.99%
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The letter “L” denotes a long position, the letter “S” denotes a short position and the letter “P” denotes lending pool.

Notes:

1. *Qingdao Hisense Air-conditioning Company Limited is a company directly owned as to 93.33% and indirectly owned as to 6.67% by Qingdao Hisense Electric Holdings Company Limited, whereas Hisense (Hong Kong) Company Limited is a company directly owned as to 100% by Qingdao Hisense Electric Holdings Company Limited. Qingdao Hisense Electric Holdings Company Limited is in turn owned as to 51.01% by Hisense Company Limited. By virtue of the SFO, Qingdao Hisense Electric Holdings Company Limited and Hisense Company Limited were deemed to be interested in the same parcel of A shares of which Qingdao Hisense Air-conditioning Company Limited was interested and in the same parcel of H shares of which Hisense (Hong Kong) Company Limited was interested.*
2. *Hisense Company Limited was deemed to be interested in an option which might be acquired by Hisense (Hong Kong) Company Limited for the purchase of up to 27,000,000 H shares. By virtue of the SFO, Hisense (Hong Kong) Company Limited and Qingdao Hisense Electric Holdings Company Limited were deemed to be interested in the same parcel of underlying H shares.*
3. *Hillhouse Capital Management, Ltd. was interested in a total of 50,284,000 H shares by virtue of the SFO. Of these shares, Gaoling Fund, L.P. and YHG Investment, L.P. were interested in 48,766,000 H shares and 1,518,000 H shares respectively.*
4. *Citigroup Inc. was interested in these H shares by virtue of the SFO, in which it was interested as to 25,073,500 H shares as person having security interests and as to 2,313,630 H shares as custodian corporation or approved lending agent.*
5. *Daiwa Securities Group Inc. had interest and short position in these H shares by virtue of the SFO, in which Daiwa Capital Markets Investments Hong Kong Limited was directly interested in 25,296,000 H shares and Daiwa Capital Markets Investments Asia Limited had short position in 50,592,000 H shares directly.*

Save as disclosed above, as at 30 June 2012, in so far as the Directors, supervisors and chief executive of the Company are aware, there was no other interest and/or short position held by any person in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, save as disclosed in the section “The First Share Option Incentive Scheme”, none of the members of the Board, supervisors and the chief executive of the

Company and their respective associates held any interests or short positions in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be maintained by the Group pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim results announcement for the period ended 30 June 2012.

THE FIRST SHARE OPTION INCENTIVE SCHEME

(1) Movements of the share options during the Reporting Period

No.	Name	Position	Outstanding share options as at 1 January 2012 ('0000 shares)	Number of share options exercised or cancelled during the Reporting Period ('0000 shares)	Number of share options lapsed during the Reporting Period ('0000 shares)	Outstanding share options as at 30 June 2012 ('0000 shares)
1	Tang Ye Guo	Chairman	126	-	-	126
2	Xiao Jian Lin	Director	82.8	-	-	82.8
3	Jia Shao Qian	Vice-President	82.8	-	-	82.8
4	Ren Li Ren	Director, President	72	-	-	72
5	Zhang Yu Qing	Vice-President	82.8	-	-	82.8
6	Wang Yun Li	Vice-President	82.8	-	-	82.8
7	Gan Yong He	Director, Vice-President	18.1	-	-	18.1
8	Zhang Jian Jun	Supervisor	5.6	-	-	5.6
9	Mid level management staff and key personnel		1398.1	-	-	1398.1
	Total		1951	-	-	1951

Note: All share options available for issue under the First Share Option Incentive Scheme have been granted.

(2) The grant date and the exercise price of the share options

The grant date of the share options is 31 August 2011 and the exercise price is RMB7.65 per share.

(3) Validity period of the share options

The validity period of the share options under the grant shall be a term of 5 years commencing from the grant date.

(4) Exercise Arrangement

The exercise of the share options under the grant is subject to a restriction period of 2 years, during which period the rights are not exercisable.

Subject to the fulfillment of the exercise conditions, the share options under the grant can be exercised in batches after the expiry of the 2-year period from the grant date according to the following exercise arrangement:

- i. 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the second anniversary of the grant date (2 September 2013) until the trading day falling on the fifth anniversary of the grant date (31 August 2016);
- ii. another 33% of the share options granted to each participant shall become exercisable on the trading day immediately after the third anniversary of the grant date (1 September 2014) until the trading day falling on the fifth anniversary of the grant date (31 August 2016); and
- iii. the remaining 34% of the share options granted to each participant shall become exercisable on the trading day immediately after the fourth anniversary of the grant date (1 September 2015) until the trading day falling on the fifth anniversary of the grant date (31 August 2016).

Where the participant is a director or member of the senior management, share options of not less than 20% of the total share options granted to such participant can only be exercised after the participant has reached a pass grade or above in the performance appraisal for his/ her employment (or office).

In addition, during the validity period of the share options, the maximum gain which the participants can obtain from the share option incentives shall not exceed 40% of their remuneration level (inclusive of the gain from the share option incentives) when the share options were granted. In the event that the gain from the share option incentive exceeds the above proportion, share options which have not been exercised will not be exercised.

According to the calculation by the Black-Scholes option pricing model, the Company recognized an expense of RMB2.3242 million in total in relation to First Share Option Incentive Scheme during the Reporting Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The articles of association of the Company provide that the Company can purchase

liability insurance for the Directors with the approval of the shareholders' general meeting. Following the consideration and approval by the shareholders at the annual general meeting of the Company held on 26 June 2012, the Company has already purchased liability insurance for the Directors and senior management of the Company to meet the requirement in Code Provision A.1.8 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (the "CG Code"). Other than the above, to the best knowledge and information of the Company, during the Reporting Period, the Company has complied with the code provisions of the CG Code.

PUBLICATION OF INTERIM REPORT ON THE INTERNET WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

An interim report containing all information as required by Appendix 16 of the Listing Rules will be published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company's website (<http://www.kelon.com>) in due course.

By order of the Board of
Hisense Kelon Electrical Holdings Company Limited
Tang Ye Guo
Chairman

Foshan City, Guangdong, the PRC, 23 August 2012

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.

Supplementary information as required by The Stock Exchange of Hong Kong Limited in relation to the Company's A shares interim results announcement

I .EXPLANATION GIVEN BY THE BOARD OF THE COMPANY OF THE CHANGES AND TREATMENT OF THE MATTERS RELATING TO THE QUALIFIED OPINIONS IN THE AUDITOR'S REPORT FOR THE 2011 ANNUAL REPORT

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 Company's 2011 annual report and the 2011 annual results announcement published on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) on 29 March 2012. As at the date of this announcement, there was no real progress in relation to such matters.

II . INVESTMENTS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company did not raise any capital and no proceeds

obtained prior to the Reporting Period were used during the Reporting Period and there was no material investment which did not involve raising of capital.

III. MATERIAL LITIGATIONS AND ARBITRATIONS OF THE COMPANY

Name of case	Amount in dispute (RMB ten thousand)	Particulars of the case	Status
Ronshen Refrigerator against Xi'an Kelon in relation to a sale and purchase contract	9998.41	Since February 2004, Ronshen Refrigerator has repeatedly provided Xi'an Kelon fundings and prepayments in an aggregate amount of RMB89,184,085.06 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 to the Higher People's Court of the Guangdong Province (the "Guangdong Higher Court"). The Guangdong Higher Court has revoked the judgment of the Foshan Intermediate Court (Fo Zhong Fa Min Er Chu Zi No. 88 (2007)) and the case was to be re-tried by the Foshan Intermediate Court. On 23 December 2011, the Company received the civil judgment (Fo Zhong Fa Min Er Chong Zi No. 2 (2010)) from the Foshan Intermediate Court. The Foshan Intermediate Court made the first instance judgment for the retrial, according to which Xi'an Kelon shall pay to Ronshen Refrigerator for the debt in the amount of RMB87,314,200 together with relevant interests. During the Reporting Period, 西安航空動力控制有限責任公司 (Xi'an Aero-Engine Controls Company Ltd.) appealed to the Guangdong Higher Court, but did not pay an appeal fee. Guangdong Higher Court ruled that 西安航空動力控制有限責任公司 (Xi'an Aero-Engine Controls Company Ltd.) was considered to have withdrawn the appeal. The first instance judgment made by the Foshan Intermediate Court entered into force.

IV. DISPOSALS OF ASSETS BY THE COMPANY

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 held by the Company and the relevant debt (being the debt owed by Xi'an Kelon to the Company in the sum of RMB10,580,000 and the debt owed by Xi'an Kelon to Ronshen Refrigerator 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 announcement published by the Company on 12 January 2012 on the webpage of the Hong Kong 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. The procedures for the transfer of equity interests are in the process.

V. SECURITIES INVESTMENTS DURING THE REPORTING PERIOD

(I) The Company has not made any securities investments during the Reporting Period

(II) Shareholdings in other listed companies held by the Company

Stock code	Stock abbreviation	Initial investment cost (RMB)	Shareholding percentage in the company (%)	Carrying amount at the end of the period (RMB)	Profit and loss for the Reporting Period (RMB)	Changes in ownership interests for the Reporting Period (RMB)
000404	Huayi Compressor	41,686,088.96	6.45	46,573,601.59	2,935,819.51	2,935,819.51

VI. FUNDS EMBEZZLED FOR NON-OPERATING PURPOSES AND THE SETTLEMENT PROGRESS

1. Amount of funds embezzled for non-operating purposes in the beginning of and at the end of the Reporting Period

Unit: RMB (in ten thousand)

Outstanding amount of funds of the Company embezzled by a former substantial shareholder, its subsidiaries, the specific third parties and other related parties for non-operating purpose		Total amount recovered during the Reporting Period	Settlement Method	Amount recovered	Time of Settlement (Month)
1 January 2012	30 June 2012				
65,514.95	65,514.95	-	-	-	-

2. Explanation of the Board on the progress of the Company's claims for all embezzled amounts during the Reporting Period

The Company has initiated a total of 19 cases of legal proceedings against the Greencool Companies and specified third parties, with a target claim amount of RMB791 million. As at the date of this announcement, 17 judgments were in force and entered the execution process, and the amount applied for enforcement was RMB 725 million. One case was withdrawn, involving an amount of RMB29.8437 million; one case was rejected due to lack of evidence, involving an amount of RMB12.2894 million. To expedite the enforcement of the cases, the Company has reported to the relevant authorities such as Supreme People's Court and General Office of the State Council for several times so that the amount involved in these cases can be recovered as soon as possible. The Company will also pay attention to the progress of the cases and use its best efforts to protect its rights as a creditor.

VII. PARTICULARS OF MATERIAL CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

Connected parties	Type of connected transaction	Particulars of connected transaction	Pricing principle of connected transaction	Connected transaction amount (RMB)	Percentage of total amount of similar transactions (%)
Hisense Electric	Purchase	Finished goods	Agreed price	70,450.42	0.00
Hisense -Whirlpool	Purchase	Finished goods	Agreed price	209,985,170.21	2.63
Hisense Electric	Purchase	Materials	Agreed price	8,828,237.97	0.11
Hisense Group	Purchase	Materials	Agreed price	2,016,523.86	0.03
Hisense -Whirlpool	Purchase	Materials	Agreed price	2,872,802.47	0.04
Hisense Hitachi	Purchase	Materials	Agreed price	2,916,803.97	0.04
Huayi Compressor	Purchase	Materials	Agreed price	396,280,145.09	4.96
Embraco	Purchase	Materials	Agreed price	13,529,918.80	0.17
Hisense Electric	Purchase	Mould and equipment	Agreed price	2,683.76	0.00
Hisense Group	Purchase	Mould and equipment	Agreed price	143,005.00	0.00
Hisense Electric	Receipt of services		Agreed price	3,109,919.40	0.04
Hisense Group	Receipt of services		Agreed price	101,295,054.95	1.27
Snowflake	Receipt of services		Agreed price	11,852,038.13	0.15
Hisense Hong Kong	Purchase financing agency		Agreed price	48,924,559.05	0.61
Hisense Group	Sale	Finished goods	Agreed price	1,244,720,449.41	12.49
Hisense Hitachi	Sale	Finished goods	Agreed price	26,796,830.82	0.27
Hisense Electric	Sale	Materials	Agreed price	6,920.76	0.00
Hisense Group	Sale	Materials	Agreed price	26,483,602.86	0.27
Hisense -Whirlpool	Sale	Materials	Agreed price	15,666,123.08	0.16
Hisense Hitachi	Sale	Materials	Agreed price	25,771.24	0.00
Hisense Electric	Sale	Mould and equipment	Agreed price	27,826,536.17	0.28

Hisense Group	Sale	Mould and equipment	Agreed price	74,117,573.22	0.74
Hisense Electric	Provision of services		Agreed price	231,000.00	0.00
Hisense Group	Provision of services		Agreed price	1,165,859.39	0.01

Of which: During the Reporting Period, connected transactions in relation of sale of products or provision of services by the Company to the controlling shareholder and its subsidiaries amounted to RMB1,374,551,941.81.

As at 30 June 2012, the Company and its subsidiaries had a balance of loan in the amount of RMB411,044,900 with Hisense Finance, and the draft discount by the Company from Hisense Finance was in the amount of RMB137,500,000, whereas the balance of electronic bank acceptance notes was in the amount of RMB258,486,200, and the balance of deposit was in the amount of RMB163,063,800. Loan interests paid to Hisense Finance amounted to RMB17,072,400, handling fees paid in relation to electronic bank acceptance notes amounted to RMB150,300, interests paid in relation to discounted notes amounted to RMB4,822,500, and the interest income received from Hisense Finance for the deposit amounted to RMB548,300.

VIII. PARTICULARS OF GUARANTEES DURING THE REPORTING PERIOD ARE AS FOLLOWS:

Unit: RMB (in ten thousand)

External guarantee given by the Company (excluding guarantees for its subsidiaries)								
The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date (date of agreement)	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is given for any connected party
Fujian Kelon	30 November 2011	3,000	2012.04.26	1,000	Unsecured guarantee	2012.04.26-2013.12.31	No	No
Total limit on the amount of external guarantees approved during the Reporting Period (A1)		12,000			Actual amount of external guarantees during the Reporting Period (A2)		1,000	
Total limit on the amount of external guarantees which has been approved at the end of the Reporting Period (A3)		12,000			Total balance of actual amount of external guarantees at the end of the Reporting Period (A4)		1,000	
Guarantees given by the Company for its subsidiaries								
The guaranteed party	Date of disclosure of relevant announcement	Guaranteed amount	Actual effective date (date of	Actual guaranteed amount	Type of guarantee	Period of guarantee	Completed or not	Whether the guarantee is

	in relation to the limit on the guaranteed amount		agreement)					given for any connect ed party
Ronshen Refrigerator	30 November 2011	90 ,000	2011.09.30	861 . 92	Unsecured guarantee / secured guarantee	2011.09.30-2012. 08.30	No	No
Kelon Air-conditioner		30 ,000	2011.09.30	13 ,098 . 92	Unsecured guarantee	2011.09.30-2012. 09.28	No	No
Kelon Fittings		5 ,000	2011.09.30	98 . 55	Unsecured guarantee / secured guarantee	2011.09.30-2012. 08.30	No	No
Ronshen Freezer		5 ,000	2012.5.16	294 . 51	Unsecured guarantee / secured guarantee	2012.5.16- 2012.08.14	No	No
Yangzhou Refrigerator		10 ,000	2010.07.23	873 . 17	Unsecured guarantee	2010.07.23-2012. 08.25	No	No
Ronshen Plastic		6 ,000	2012.04.16	220 . 09	Unsecured guarantee	2012.04.16-2012. 07.25	No	No
Kelon International Incorporation		50 ,000	2011.07.29	15 ,352 . 19	Unsecured guarantee	2011.07.29-2013. 01.22	No	No
Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1)		198 ,000				Actual amount of guarantees for subsidiaries during the Reporting Period (B2)	69 ,075 . 84	
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (B3)		198 ,000				Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (B4)	30 ,799 . 35	
Total guaranteed amount of the Company (being the sum of the previous two major items)								
Total limit on the amount of guarantees approved during the Reporting Period (A1+B1)		210 ,000				Actual amount of guarantees during the Reporting Period (A2+B2)	70 ,075 . 84	
Total limit on the amount of guarantees which has been approved at the end of the Reporting Period (A3+B3)		210 ,000				Total balance of actual amount of guarantees at the end of the Reporting Period (A4+B4)	31 ,799 . 35	
Percentage of actual amount of guarantees (being A4+B4) to the net assets of the Company						26 . 78%		
Including:								

Guaranteed amount provided for shareholders, beneficial controlling parties and their connected parties (C)	0
Guaranteed amount provided directly or indirectly for the guaranteed party with gearing ratio over 70% (D)	30,422.83
Total guaranteed amount over 50% of the net asset (E)	0
Sum of the above three guarantees (C+D+E)	30,422.83
Statement on possibility to assume joint liabilities for guarantees which have not expired	Nil
Description of provision of external guarantee in violation of prescribed procedures	Nil

IX. DERIVATIVES INVESTMENT

(i) Situations of derivatives investment

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-14.0930 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, sponsor or financial advisor 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 by the Company, and the targeted risk control measures adopted were practicable.

(ii) Positions in derivatives investment at the end of the Reporting Period

Unit: RMB 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	224,793.36	-1,409.30	189.35
Commodity derivatives contracts				
Total	159,732.21	224,793.36	-1,409.30	189.35

This announcement is published in both English and Chinese. If there is any conflict between the English and the Chinese versions, the Chinese version shall prevail.

DEFINITIONS

In the announcement, unless the context requires otherwise, the following terms or expressions shall have the following meanings:

“Company”, “the Company”	Hisense Kelon Electrical Holdings Company Limited
“Hisense Air-Conditioning”	Qingdao Hisense Air-Conditioning Company Limited
“Hisense Electric”	Hisense Electric Co., Ltd.
“Hisense Group”	Hisense Company Limited
“Hisense Hitachi”	Qingdao Hisense Hitachi Air-Conditioning Systems Co., Ltd.
“Hisense-Whirlpool”	Hisense-Whirlpool (Zhejiang) Electric Appliances Co., Ltd.
“Hisense Finance”	Hisense Finance Company Limited
“Embraco”	Beijing Embraco Snowflake Compressor Co., Ltd.
“Snowflake”	Beijing Snowflake Electrical Appliance Group Corporation
“Hisense Hong Kong”	Hisense (Hong Kong) Company Limited
“Guangdong Greencool”	Guangdong Greencool Enterprise Development Company Limited
“Greencool Companies”	Guangdong Greencool and other related parties
“Xi’an Kelon”	Xi’an Kelon Refrigeration Co., Ltd.
“Ronshen Refrigerator ”	Hisense Ronshen (Guangdong) Refrigerator Co., Ltd.

“Kelon Air-Conditioner”	Guangdong Kelon Air-Conditioner Co., Ltd.
“Kelon Fittings”	Guangdong Kelon Fittings Co., Ltd.
“Ronshen Freezer”	Hisense Ronshen (Guangdong) Freezer Co., Ltd.
“Yangzhou Refrigerator”	Hisense Ronshen (Yangzhou) Refrigerator Co., Ltd.
“Kelon Mould”	Guangdong Kelon Mould Company Limited
“Ronshen Plastic”	Foshan Shunde District Ronshen Plastic Co., Ltd.
“Fujian Kelon”	Fujian Kelon Air-Conditioner Sales Co., Ltd.
“Huayi Compressor”	Huayi Compressor Company Limited
“Foshan Intermediate Court”	Intermediate People’s Court of Foshan City
“RMB”	Renminbi
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited