



Interim Report 2011

**TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED**

Stock code: 01070

追梦  
30年



创意感动生活  
The Creative Life



TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

INTERIM REPORT  
2011



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

Mr. LI Dongsheng

#### Executive Directors

Mr. BO Lianming  
Mr. ZHAO Zhongyao (chief executive officer)  
Mr. YU Guanghui  
Ms. XU Fang

#### Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior  
Mr. HUANG Xubin  
Mr. LEONG Yue Wing (resigned as  
non-executive director effective  
from 30 June 2011)

#### Independent Non-Executive Directors

Mr. TANG Guliang  
Mr. Robert Maarten WESTERHOF  
Ms. WU Shihong  
Mr. TSENG Shieng-chang Carter  
(appointed as independent  
non-executive director effective  
from 1 July 2011)

### COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

### AUDITOR

Ernst & Young  
Certified Public Accountants  
18/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

### LEGAL ADVISOR

Cheung Tong & Rosa Solicitors  
Room 501, 5/F  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai, Hong Kong

### PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705, George Town  
Grand Cayman  
Cayman Islands

### BRANCH REGISTRAR

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

### PRINCIPAL OFFICE

13/F, TCL Tower  
8 Tai Chung Road  
Tsuen Wan  
New Territories  
Hong Kong

### REGISTERED OFFICE

P.O. Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

### INVESTOR AND MEDIA RELATIONS

Hill & Knowlton Asia Limited  
36th Floor, PCCW Tower  
Taikoo Place, 979 King's Road  
Quarry Bay, Hong Kong

## INTERIM RESULTS

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 with comparative figures for the previous period as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June		Three months ended 30 June	
		2011	2010	2011	2010
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	4	<b>13,156,097</b>	12,240,676	<b>6,575,016</b>	5,480,044
Cost of sales		<b>(11,095,619)</b>	(10,520,040)	<b>(5,568,527)</b>	(4,856,847)
Gross profit		<b>2,060,478</b>	1,720,636	<b>1,006,489</b>	623,197
Other revenue and gains		<b>287,696</b>	157,809	<b>111,977</b>	125,404
Selling and distribution costs		<b>(1,527,675)</b>	(1,575,959)	<b>(712,109)</b>	(802,344)
Administrative expenses		<b>(318,100)</b>	(346,976)	<b>(136,327)</b>	(184,372)
Research and development costs		<b>(125,910)</b>	(81,912)	<b>(70,118)</b>	(40,586)
Other operating expenses		<b>(33,188)</b>	(46,789)	<b>(1,149)</b>	(17,035)
Finance costs	5	<b>343,301</b>	(173,191)	<b>198,763</b>	(295,736)
Share of profits and losses of:					
Jointly-controlled entities		<b>(969)</b>	(1,794)	<b>(116)</b>	(1,800)
Associates		<b>1,382</b>	(792)	<b>(13,069)</b>	880
PROFIT/(LOSS) BEFORE TAX		<b>183,514</b>	(282,720)	<b>126,769</b>	(348,490)
Income tax expense	6	<b>(47,291)</b>	(47,960)	<b>(27,730)</b>	(28,627)
PROFIT/(LOSS) FOR THE PERIOD		<b>136,223</b>	(330,680)	<b>99,039</b>	(377,117)

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Six months ended 30 June		Three months ended 30 June	
	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Exchange fluctuation reserve:				
Translation of foreign operations	<b>59,833</b>	34,002	<b>38,599</b>	31,978
Release upon liquidation of a jointly-controlled entity	<b>(23,828)</b>	-	-	-
Release upon disposal of an associate	-	(21)	-	(21)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<b>36,005</b>	33,981	<b>38,599</b>	31,957
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b>172,228</b>	(296,699)	<b>137,638</b>	(345,160)
Profit/(loss) attributable to:				
Owners of the parent	<b>131,179</b>	(333,775)	<b>97,131</b>	(377,514)
Non-controlling interests	<b>5,044</b>	3,095	<b>1,908</b>	397
	<b>136,223</b>	(330,680)	<b>99,039</b>	(377,117)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	<b>164,857</b>	(300,665)	<b>134,235</b>	(346,312)
Non-controlling interests	<b>7,371</b>	3,966	<b>3,403</b>	1,152
	<b>172,228</b>	(296,699)	<b>137,638</b>	(345,160)
EARNINGS/(LOSS) PER SHARE	9			
Basic	<b>HK12.07 cents</b>	HK(31.80) cents		
Diluted	<b>HK12.05 cents</b>	HK(31.80) cents		

Details of the dividends are disclosed in note 8.

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,418,064</b>	1,497,821
Prepaid land lease payments		<b>92,376</b>	106,207
Goodwill		<b>119,638</b>	119,638
Other intangible assets		<b>783</b>	965
Investments in jointly-controlled entities		<b>8,832</b>	9,268
Investments in associates		<b>165,135</b>	165,027
Available-for-sale investments		<b>6,677</b>	6,677
Deferred tax assets		<b>20,650</b>	25,736
<b>Total non-current assets</b>		<b>1,832,155</b>	1,931,339
<b>CURRENT ASSETS</b>			
Inventories		<b>3,926,758</b>	4,925,369
Trade receivables	10	<b>2,550,270</b>	3,236,589
Bills receivable		<b>2,710,648</b>	2,180,665
Other receivables		<b>1,989,633</b>	1,537,322
Tax recoverable		<b>14,275</b>	3,326
Pledged deposits		<b>1,363,247</b>	2,374,328
Cash and bank balances		<b>3,025,007</b>	2,132,619
<b>Non-current assets classified as held for sale</b>	11	<b>15,579,838</b> <b>147,024</b>	16,390,218 179,096
<b>Total current assets</b>		<b>15,726,862</b>	16,569,314
<b>CURRENT LIABILITIES</b>			
Trade payables	12	<b>5,073,403</b>	5,289,926
Bills payable		<b>1,677,582</b>	1,310,418
Other payables and accruals		<b>2,343,026</b>	2,371,266
Interest-bearing bank and other borrowings	13	<b>3,024,505</b>	4,863,517
Due to TCL Corporation	14	<b>116,531</b>	590,059
Due to T.C.L. Industries	14	<b>677,112</b>	-
Tax payable		<b>127,602</b>	173,591
Provisions		<b>277,440</b>	367,284
<b>Total current liabilities</b>		<b>13,317,201</b>	14,966,061
<b>NET CURRENT ASSETS</b>		<b>2,409,661</b>	1,603,253
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,241,816</b>	3,534,592

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		30 June 2011 (unaudited) <i>HK\$'000</i>	31 December 2010 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>4,241,816</b>	3,534,592
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	<b>827,099</b>	265,143
Deferred tax liabilities		<b>12,067</b>	12,994
Pensions and other post-employment benefits		<b>6,769</b>	6,798
Total non-current liabilities		<b>845,935</b>	284,935
Net assets		<b>3,395,881</b>	3,249,657
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	<b>1,086,760</b>	1,086,425
Reserves		<b>2,196,539</b>	2,058,021
		<b>3,283,299</b>	3,144,446
<b>Non-controlling interests</b>		<b>112,582</b>	105,211
Total equity		<b>3,395,881</b>	3,249,657

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent													
	Share Issued capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Reserve funds (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Shares held for the Award Scheme (unaudited) HK\$'000	Awarded share reserve (unaudited) HK\$'000	Proposed final dividends (unaudited) HK\$'000	Total (unaudited) HK\$'000	Non- controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
	At 1 January 2010	1,011,840	2,777,385	32,312	59,099	858,194	312,547	(1,538,408)	(17,150)	3,439	121,421	3,620,679	91,786	3,712,465
	Profit/(loss) for the period	-	-	-	-	-	-	(333,775)	-	-	-	(333,775)	3,095	(330,680)
Other comprehensive income/(loss) for the period:														
Exchange differences on:														
Translation of foreign operations	-	-	-	-	-	33,131	-	-	-	-	33,131	871	34,002	
Release upon disposal of an associate	-	-	-	-	-	(21)	-	-	-	-	(21)	-	(21)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	33,110	(333,775)	-	-	-	(300,665)	3,966	(296,699)	
Dividend paid to shareholders	-	(7,939)	-	-	-	-	-	-	-	(121,421)	(129,360)	-	(129,360)	
Equity-settled share option arrangements	-	-	3,757	-	-	-	-	-	-	-	3,757	-	3,757	
Issue of shares upon exercise of share options	2,207	12,665	(3,895)	-	-	-	-	-	-	-	10,977	-	10,977	
Share options lapsed during the period	-	-	(984)	-	-	-	984	-	-	-	-	-	-	
Subscription of new shares	72,000	450,785	-	-	-	-	-	-	-	-	522,785	-	522,785	
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	119	3	-	122	-	122	
Transfer from retained profits	-	-	-	-	21,338	-	(21,338)	-	-	-	-	-	-	
At 30 June 2010	1,086,047	3,232,896	31,190	59,099	879,532	345,657	(1,892,537)	(17,031)	3,442	-	3,728,295	95,752	3,824,047	

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent											
								Shares				
	Share	Share	Capital	Reserve	Exchange	Accumulated	held for	Awarded	Non-			
	Issued capital (unaudited) HK\$'000	premium account (unaudited) HK\$'000	Share option reserve (unaudited) HK\$'000	reserve (unaudited) HK\$'000	funds (unaudited) HK\$'000	fluctuation reserve (unaudited) HK\$'000	losses (unaudited) HK\$'000	the Award Scheme (unaudited) HK\$'000	share reserve (unaudited) HK\$'000	Total (unaudited) HK\$'000	controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000
At 1 January 2011	1,086,425	3,233,686	32,715	59,099	881,708	408,250	(2,543,848)	(17,031)	3,442	3,144,446	105,211	3,249,657
Profit for the period	-	-	-	-	-	-	131,179	-	-	131,179	5,044	136,223
Other comprehensive income/ (loss) for the period:												
Exchange differences on:												
Translation of foreign operations	-	-	-	-	-	57,506	-	-	-	57,506	2,327	59,833
Release upon liquidation of a jointly-controlled entity	-	-	-	-	-	(23,828)	-	-	-	(23,828)	-	(23,828)
Total comprehensive income for the period	-	-	-	-	-	33,678	131,179	-	-	164,857	7,371	172,228
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(29,955)	-	(29,955)	-	(29,955)
Equity-settled share option arrangements	-	-	3,129	-	-	-	-	-	-	3,129	-	3,129
Issue of shares upon exercise of share options	335	758	(271)	-	-	-	-	-	-	822	-	822
Share options lapsed during the period	-	-	(876)	-	-	-	876	-	-	-	-	-
Transfer to retained profits	-	-	-	-	(21,092)	-	21,092	-	-	-	-	-
At 30 June 2011	1,086,760	3,234,444*	34,697*	59,099*	860,616*	441,928*	(2,390,701)*	(46,986)*	3,442*	3,283,299	112,582	3,395,881

\* These reserve accounts comprise the consolidated reserves of HK\$2,196,539,000 (31 December 2010: HK\$2,058,021,000) in the condensed consolidated statement of financial position.

## INTERIM RESULTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Net cash inflow/(outflow) from operating activities	<b>886,098</b>	(623,027)
Net cash inflow/(outflow) from investing activities	<b>1,221,229</b>	(855,103)
Net cash inflow/(outflow) from financing activities	<b>(1,119,933)</b>	1,454,046
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>987,394</b>	(24,084)
Cash and cash equivalents at beginning of period	<b>2,132,619</b>	2,078,724
Effect of foreign exchange rate changes, net	<b>26,136</b>	14,690
<b>Cash and cash equivalents at end of period</b>	<b>3,146,149</b>	2,069,330
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>3,025,007</b>	2,069,330
Cash and bank balances included in assets of a subsidiary classified as held for sale	<b>121,142</b>	–
	<b>3,146,149</b>	2,069,330

## INTERIM RESULTS

Notes:

### 1. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under historical cost convention, except for the derivative financial instruments, which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less cost to sell. These condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period’s condensed consolidated financial statements.

HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010*\* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to remove inconsistencies and clarify wordings.

\* *Improvements to HKFRSs 2010* contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.

Other than as further explained below regarding the impact of HKAS 24 (Revised), amendments to HKFRS 3, HKAS 1, HKAS 27 and HKAS 34 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed financial statements and there has been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

#### (a) **HKAS 24 (Revised) Related Party Disclosures**

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard has resulted in changes in the accounting policy, the revised standard does not have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

## INTERIM RESULTS

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### (b) *Improvements to HKFRSs 2010*

*Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Those amendments that have had a significant impact on the Group's policies are as follows:

- *HKFRS 3 Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.
- *HKAS 27 Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 are applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.
- *Amendment to HKAS 34 Interim Financial Reporting*: Amendment to HKAS 34 requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in condensed financial statements. The amendment does not result in additional disclosures to the Group.

## INTERIM RESULTS

### 3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these condensed consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
Amendments to HKAS 1 (Revised)	Amendments to HKAS 1 (Revised) <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax – Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## INTERIM RESULTS

### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has three reportable operating segments as follows:

- (a) Television segment – manufactures and sells television sets and trades related components in:
  - the People’s Republic of China (“PRC”) market
  - the Overseas markets
- (b) AV segment – manufactures and sells audio-visual products; and
- (c) Others segment – comprises of information technology and other businesses, including sales of white goods, mobile phones and air conditioners.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that bank interest income, finance costs, share of profits and losses of jointly-controlled entities and associates as well as head office and corporate expenses/(income) are excluded from such measurement.

## INTERIM RESULTS

### 4. OPERATING SEGMENT INFORMATION (continued)

Information regarding these reportable segments, together with their related comparative information, is presented below.

	Six months ended 30 June									
	Television - PRC market		Television - Overseas markets		AV		Others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	<b>7,484,284</b>	6,512,839	<b>3,401,173</b>	3,625,579	<b>1,926,803</b>	1,641,497	<b>343,837</b>	460,761	<b>13,156,097</b>	12,240,676
Segment results	<b>344,857</b>	(181,890)	<b>(38,076)</b>	(78,043)	<b>55,142</b>	138,885	<b>4,330</b>	12,031	<b>366,253</b>	(109,017)
Bank interest income									<b>40,311</b>	6,295
Corporate expenses									<b>(63,263)</b>	(70,469)
Finance costs									<b>(160,200)</b>	(106,943)
Share of profits and losses of:										
Jointly-controlled entities	<b>(446)</b>	(2,894)	<b>(523)</b>	1,100	-	-	-	-	<b>(969)</b>	(1,794)
Associates	<b>(1,954)</b>	(49)	-	-	-	-	<b>3,336</b>	(743)	<b>1,382</b>	(792)
Profit/(loss) before tax									<b>183,514</b>	(282,720)
Income tax expense									<b>(47,291)</b>	(47,960)
Profit/(loss) for the period									<b>136,223</b>	(330,680)

## INTERIM RESULTS

### 5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts	<b>132,412</b>	92,302
Loans from TCL Corporation	<b>20,591</b>	8,805
Loans from T.C.L. Industries	<b>2,631</b>	–
Loans from an associate	<b>4,566</b>	4,235
Loan from an associate of TCL Corporation	<b>–</b>	1,601
<b>Total</b>	<b>160,200</b>	106,943

### 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	<b>7,201</b>	8,459
Current – Elsewhere	<b>35,789</b>	41,762
Deferred	<b>4,301</b>	(2,261)
<b>Total tax charge for the period</b>	<b>47,291</b>	47,960

## INTERIM RESULTS

### 7. DEPRECIATION AND AMORTIZATION

During the period, depreciation of HK\$105,154,000 (30 June 2010: HK\$112,295,000) was charged to the condensed consolidated statement of comprehensive income in respect of the Group's property, plant and equipment; and amortization of HK\$201,000 (30 June 2010: HK\$962,000) and HK\$1,383,000 (30 June 2010: HK\$1,139,000) were charged to the condensed consolidated statement of comprehensive income in respect of the Group's other intangible assets and prepaid land lease payments, respectively.

### 8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2011 (30 June 2010: Nil).

## INTERIM RESULTS

### 9. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share amounts are based on:

	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

#### Earnings/(loss)

Profit/(loss) attributable to ordinary equity holders of the parent,  
used in the basic and diluted earnings/(loss) per share calculation

**131,179** (333,775)

	Number of shares	
	Six months ended 30 June	
	2011	2010
	(unaudited)	(unaudited)

#### Shares

Weighted average number of ordinary shares in issue during  
the period used in basic earnings/(loss) per share calculation

**1,086,582,475** 1,049,587,381

Effect of dilution – weighted average number of ordinary shares:

Assumed issue at no consideration on deemed exercise of  
all share options during the period

**1,764,415** 9,607,189

Weighted average number of ordinary shares in issue during  
the period used in diluted earnings/(loss) per share calculation

**1,088,346,890** 1,059,194,570

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2010 in respect of the dilution as the impact of the share options outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented.

## INTERIM RESULTS

### 10. TRADE RECEIVABLES

The majority of the Group's sales in the PRC were made on the cash-on-delivery basis and on commercial bills guaranteed by banks with credit periods ranging from 30 to 90 days. For overseas sales, the Group usually requires settlement by letters of credit with tenures ranging from 90 to 180 days. Sales to certain long term strategic customers were also made on open-account basis with credit terms of no more than 180 days.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2011 (unaudited) HK\$'000</b>	31 December 2010 (audited) HK\$'000
Current to 90 days	<b>2,338,593</b>	2,958,042
91 to 180 days	<b>98,886</b>	233,942
181 to 365 days	<b>68,256</b>	28,278
Over 365 days	<b>44,535</b>	16,327
	<b>2,550,270</b>	3,236,589

### 11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		<b>30 June 2011 (unaudited) HK\$'000</b>	31 December 2010 (audited) HK\$'000
An available-for-sale investment	(a)	–	65,215
Property, plant and equipment	(b)	–	15,137
Investment in a jointly-controlled entity	(c)	–	98,744
Assets of a subsidiary classified as held for sale	(d)	<b>147,024</b>	–
		<b>147,024</b>	179,096

## INTERIM RESULTS

### 11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

- (a) On 12 December 2010, the Group and Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd. ("Tianjin Vantone") entered into a transfer agreement ("Transfer Agreement") and pursuant to which, the Group will transfer the Group's 25% equity interest in TCL Digital Science and Technology (Wuxi) Company Limited (the "Wuxi Interest") to Tianjin Vantone at a consideration of RMB57,500,000 (equivalent to approximately HK\$69,227,000) (the "Share Transfer"). Completion of the Share Transfer took place on 18 May 2011. As the Transfer Agreement was entered before 31 December 2010, the Wuxi Interest was classified as non-current assets held for sale and included as current asset in the condensed consolidated statement of financial position as at 31 December 2010.
- (b) On 30 November 2010, TCL-Thomson Electronics (Thailand) Co., Ltd., a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party for the disposal of certain items of property, plant and equipment (the "Disposal Assets") at an aggregate consideration of US\$8,300,000 (equivalent to approximately HK\$64,598,000). Completion of the necessary legal procedures in respect of the change in ownership of the Disposal Assets took place on 21 January 2011. As the S&P Agreement was entered before 31 December 2010, the Disposal Assets with an aggregate carrying amount of HK\$15,137,000 were classified as non-current assets held for sale and included as current assets in the condensed consolidated statement of financial position as at 31 December 2010.
- (c) Pursuant to the board resolution of a jointly-controlled entity of the Company, Henan TCL-Melody Electronics Co., Ltd. ("Henan TCL-Melody") on 18 May 2010, it was resolved that Henan TCL-Melody should be dissolved by way of voluntary liquidation. Completion of the liquidation took place on 27 January 2011. As the liquidation plan was approved before 31 December 2010, the Group's investment in Henan TCL-Melody, with a carrying amount of HK\$98,744,000, was classified as non-current assets held for sale and included as current asset in the condensed consolidated statement of financial position as at 31 December 2010.
- (d) On 28 June 2011, the Group entered into an equity transfer agreement ("Equity Transfer Agreement") with Talent Bright International Limited ("Talent Bright"), pursuant to which the Group agreed to sell and Talent Bright agreed to acquire the entire equity interest in TCL King Electronics (Shenzhen) Company Limited ("Shenzhen King"), a wholly-owned subsidiary of the Group, at a consideration of RMB315,500,000 (equivalent to approximately HK\$379,846,000) (subject to adjustment). As the Equity Transfer Agreement was entered before 30 June 2011, the assets of Shenzhen King (mainly comprise cash and bank balances, prepaid land lease payments and buildings) with an aggregate amount of HK\$147,024,000 were classified as non-current assets held for sale and included as current assets in the condensed consolidated statement of financial position as at 30 June 2011.

## INTERIM RESULTS

### 12. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	<b>30 June 2011 (unaudited) HK\$'000</b>	31 December 2010 (audited) HK\$'000
Current to 90 days	<b>4,961,557</b>	5,153,743
91 to 180 days	<b>43,248</b>	84,745
181 to 365 days	<b>25,138</b>	7,748
Over 365 days	<b>43,460</b>	43,690
	<b>5,073,403</b>	5,289,926

The trade payables are non-interest-bearing and are normally settled with credit periods ranging from 30 to 120 days.

## INTERIM RESULTS

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2011 (unaudited) HK\$'000</b>	31 December 2010 (audited) HK\$'000
<b>Current</b>		
Bank loans – secured	<b>1,450,297</b>	2,387,130
Bank loans – unsecured	<b>757,591</b>	1,719,415
Advances from banks as consideration for discounted bills – secured	<b>209,584</b>	79,232
Trust receipt loans – unsecured	<b>446,038</b>	519,299
Loans from an associate – unsecured	<b>160,995</b>	158,441
	<b>3,024,505</b>	4,863,517
<b>Non-current</b>		
Bank loans – secured	<b>210,691</b>	265,143
Bank loans – unsecured	<b>616,408</b>	–
	<b>827,099</b>	265,143
	<b>3,851,604</b>	5,128,660
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>2,863,510</b>	4,705,076
In the second year	<b>244,922</b>	117,842
In the third to fifth year, inclusive	<b>582,177</b>	147,301
	<b>3,690,609</b>	4,970,219
Loans from an associate repayable:		
Within one year	<b>160,995</b>	158,441
	<b>3,851,604</b>	5,128,660

## INTERIM RESULTS

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) As at 30 June 2011, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.
- (b) Certain of the Group's bank loans are secured by:
  - (i) pledge of the Group's prepaid land lease payments, buildings and plant and machinery situated in the PRC, which had aggregate carrying amounts at the end of the reporting period of approximately HK\$23,690,000 (31 December 2010: HK\$23,853,000), HK\$249,905,000 (31 December 2010: HK\$251,086,000) and HK\$105,350,000 (31 December 2010: HK\$108,379,000), respectively.
  - (ii) pledge of certain of the Group's time deposits amounting to HK\$1,363,247,000 (31 December 2010: HK\$2,374,328,000).
  - (iii) pledge of certain of the Group's bills receivable amounting to HK\$210,081,000 (31 December 2010: Nil).
- (c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK\$1,032,056,000 (31 December 2010: HK\$1,333,364,000) as at the end of the reporting period.

#### Breach of loan covenants

As at 31 December 2010, in respect of the bank loans with an aggregate carrying amount of HK\$615,181,000 (the "Syndicated Loans"), the Group breached certain financial covenants of the relevant loan agreement which are primarily related to the value of the Group's consolidated tangible net worth and the Group's interest coverage ratio.

Since the lenders had not agreed to waive their right to demand immediate payment as at 31 December 2010, the Syndicated Loans were classified as current liabilities in the condensed consolidated statement of financial position as at 31 December 2010. On 23 February 2011, the Group successfully obtained the necessary consent from the majority of the lenders following the Group's waiver request and certain financial covenants have been amended. As at 30 June 2011, the Group complied with all the financial covenants and the Syndicated Loans have been classified as non-current liabilities in the condensed consolidated statement of financial position according to their maturity profile.

## INTERIM RESULTS

### 14. DUE TO TCL CORPORATION/T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company and TCL Corporation ("TCL Corporation") is the ultimate holding company of the Company.

The amounts are unsecured and repayable within one year (31 December 2010: except for HK\$88,381,000 due to TCL Corporation which was secured by certain of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately HK\$83,387,000 and HK\$12,341,000 respectively, the remaining balances were unsecured and repayable within one year). The amount of HK\$116,531,000 due to TCL Corporation bears interest at fixed rate of 5.87% per annum (31 December 2010: amounts of HK\$501,678,000 and HK\$88,381,000 due to TCL Corporation which bore interest at fixed rates ranging from 5.87% to 6.05% per annum and 5.31% per annum, respectively), and an amount of HK\$677,112,000 due to T.C.L. Industries bears interest at fixed rates ranging from 1.76% to 2.78% per annum (31 December 2010: Nil).

### 15. SHARE CAPITAL

	30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
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#### Shares

Authorised:

2,200,000,000 (31 December 2010: 2,200,000,000)  
shares of HK\$1.00 each

**2,200,000**      2,200,000

Issued and fully paid:

1,086,759,982 (31 December 2010: 1,086,424,827)  
shares of HK\$1.00 each

**1,086,760**      1,086,425

During the six months ended 30 June 2011, the subscription rights attaching to 335,155 share options were exercised at the subscription price of HK\$2.45, resulting in the issue of 335,155 shares of HK\$1.00 each for a total cash consideration of HK\$821,000 before expenses.

## INTERIM RESULTS

### 16. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 June	
	2011 (unaudited) HK\$'000	2010 (unaudited) HK\$'000
Jointly-controlled entities:		
Sales of raw materials	–	70,840
Sales of finished goods	<b>66,566</b>	49,727
Purchases of finished goods	–	82,500
TCL Corporation:		
Interest expense	<b>20,591</b>	8,805
Bank loan guarantee fee	<b>7,239</b>	4,790
T.C.L. Industries:		
Interest expense	<b>2,631</b>	–
Associates:		
Interest income	<b>1,856</b>	1,497
Interest expense	<b>4,566</b>	4,235
Other finance service fee	<b>76</b>	217
Sales of finished goods	<b>155,260</b>	–
Sales of raw materials	<b>136,728</b>	–
Purchases of raw materials	<b>512,710</b>	–
Companies controlled by TCL Corporation:		
Sales of raw materials	<b>24,264</b>	157,050
Sales of finished goods	<b>25,021</b>	30,493
Purchases of raw materials	<b>515,449</b>	1,103,494
Purchases of finished goods	<b>99,155</b>	48,582
Subcontracting fee expense	<b>15,020</b>	381
Rental, maintenance fees and facilities usage fee	<b>1,901</b>	1,095
Rental expense	<b>18,276</b>	17,336
Reimbursement of brand advertising cost	<b>57,545</b>	71,244
Logistic service fee expense	<b>28,319</b>	25,910
Call centre service fee expense	<b>8,749</b>	7,886
Recharge of expenses	<b>569</b>	–
Associates of TCL Corporation:		
Purchases of finished goods	–	663,609
Sales of raw materials	–	28,151
Sales of finished goods	–	49,525
Rental expense	<b>3,523</b>	644
Interest expense	–	1,601
Service fee expenses	<b>15,517</b>	–

## INTERIM RESULTS

### 16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000	30 June 2011 (unaudited) HK\$'000	31 December 2010 (audited) HK\$'000
Jointly-controlled entities	<b>30,073</b>	42,541	–	130,204
Associates	<b>242,402</b>	270,388	–	530,881
TCL Corporation and its affiliates	<b>385,225</b>	461,786	<b>1,353,410</b>	1,022,407

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the period under review, the demand for TVs in the PRC and global markets slowed down due to various macro-factors, such as America's sluggish economy, the European debt crisis and earthquake in Japan. Nevertheless, the Group was still committed to the following: enhancing the speed and efficiency of its operational and marketing strategies; improving its overall competitiveness in terms of sales and marketing, products and back-end operation; lowering product costs and accelerating operational flow through resources integration; and continuously optimizing its product-mix to enhance its product competitiveness. At the same time, the Group strived to strengthen its sales channel development in rural areas and expand its sales network coverage in third-tier and fourth-tier cities in the PRC. Coupled with its successful marketing and promotional strategies, the Group successfully turned around its business with a profit in the first half of 2011. During the period, the Group recorded a turnover of approximately HK\$13,156 million, up 7.5% year-on-year. Meanwhile, gross profit was approximately HK\$2,060 million, up 19.7% year-on-year, and gross profit margin increased from 14.1% to 15.7% compared to the same period last year. The Group successfully turned around its business from last year's net loss and recorded a profit attributable to the owners of the parent of approximately HK\$131 million. Basic earnings per share was HK12.07 cents (same period in 2010: basic loss per share of HK31.80 cents).

In addition, the Group continued to expand its LCD TV and LED backlight LCD TV businesses vigorously in Overseas Markets by accelerating new products introduction, and strengthening its sales channel management and marketing efforts. The Group also continued to execute its strategy of upgrading towards high-end TV products through self-innovation and R&D, with a strong emphasis on its product competitiveness and supply chain management, in order to speed up inventory turnover. By implementing its upstream and downstream industry chains and vertically integrated plant production, the Group strived to generate synergies, improve operating capabilities, enhance its overall competitiveness and realize its corporate strategy of "integration, innovation and internationalization".

## TV Sales

During the period under review, the Group sold 4,033 million sets of LCD TV, representing a growth of 23.9% year-on-year. The sales volume of LCD TVs accounted for 64.3% of overall TV sales volume, up 10.9% year-on-year. The Group optimized its product mix and strengthened its product competitiveness in response to market changes. It adopted a market-oriented marketing strategy in order to increase the sales proportion of its LED backlight LCD TVs. The sales volume of the Group's LED backlight LCD TVs rose from 0.599 million sets in the first quarter to 1.379 million sets in the first half of this year, accounting for 34.2% of total LCD TVs sold.

## MANAGEMENT DISCUSSION AND ANALYSIS

To strengthen its brand image and product promotion capability, the Group actively carried out a number of innovative marketing and promotional campaigns. The TCL brand became an international joint promotion partner of the Hollywood 3D movie "Transformers III" during the period under review, reflecting unprecedented cooperation between the PRC TV manufacturer and Hollywood movie maker to launch promotional activities for TCL-branded products and the movie globally. Moreover, the Group launched its commemorative edition "Smart Change" V8200 series, the world's first Super Smart 3D TV for "Transformers III", at the joint promotional event in Guangzhou, the PRC, in June. It demonstrates the Group's strong 3D and intelligence technology. With Windows and Android dual operating systems, the V8200 series incorporates industry-leading super intelligent technology, progressive 3D technology and a full closure crystal-masking screen TV design, which is also used in the X9200 series, and has been well received by the market. During the period under review, the Group launched 13 new series such as X9200, V8200, P7200, P6100 and V6300 and 31 new products in the PRC Market, in which 13 particular 3D TV products from 6 of the new series have been especially popular among consumers since their launch.

According to the latest research from DisplaySearch, the Group's LCD TV market share in the global market was 4.4% and ranked No. 8 in the first quarter of 2011 while the Group's market share ranked No. 2 in the PRC TV market. Its LCD TV market share in the PRC market was 13.9% and ranked No. 3 in the PRC market.

The Group's sales volumes by region are indicated as below:

	1H 2011 ('000 sets)	1H 2010 ('000 sets)	Change
<b>LCD TVs</b>	<b>4,033</b>	3,254	+23.9%
of which: LED backlight LCD TVs	<b>1,379</b>	–	N/A
– PRC	<b>2,527</b>	2,055	+23.0%
– Overseas	<b>1,506</b>	1,199	+25.6%
<b>CRT TVs</b>	<b>2,243</b>	2,836	(20.9%)
– PRC	<b>601</b>	993	(39.5%)
– Overseas	<b>1,642</b>	1,843	(10.9%)
<b>Total TV sales volume</b>	<b>6,276</b>	6,090	+3.1%
<b>Total AV products sales volume</b>	<b>9,504</b>	7,770	+22.3%

## MANAGEMENT DISCUSSION AND ANALYSIS

### The PRC Market

The Group endeavored to enhance its product mix and boost product competitiveness by increasing the sales proportion of LED backlight LCD TVs in total LCD TVs sold, strengthening the promotional intensity of 3D TVs and streamlining its product lines. Meanwhile, the Group reduced costs and improved inventory turnover through resources integration. During the period under review, the Group achieved a satisfactory turnover growth of 14.9% year-on-year in the PRC Market, with the sales volume of LCD TVs increased by 23.0% to 2.527 million sets. In addition, the sales volume of LED backlight LCD TVs increased from 0.403 million sets in the first quarter to 0.915 million sets in the first half of the year, accounting for 36.2% of total LCD TVs sold.

Riding on the strong TV-replacement demand from the third-tier and fourth-tier cities and rural markets in the PRC, the Group further strengthened its sales channels. It focused on improving network penetration and store efficiency in its rural distribution channels and established approximately 2,990 retail outlets in the first half of the year. It also promoted retail network in rural markets, and fully developed e-business and direct sales channels. In the meantime, the Group continued to improve its terminal-sales capabilities and standardize management in urban and rural markets. It also further extended the coverage of its sales network so as to boost sales efficiency.

### Overseas Markets

In order to meet consumer demand for LCD TV products, the Group strengthened its sales of LCD TVs and LED backlight LCD TVs in Overseas Markets and recorded encouraging results. During the period under review, sales volume of the Group's LCD TVs reached 1.506 million sets, up 25.6% year-on-year. Given the robust demand in Emerging Markets, the Group continued to improve its channel management and product marketing capabilities. It successfully launched market-oriented promotion strategies and further diversified the product mix to enhance its brand image and market shares as well as accelerated the inventory turnover by improving supply chain management. Therefore, sales volume of the Group's LCD TVs soared 124.3% year-on-year in Emerging Markets, among which key markets such as Brazil, Indonesia, Thailand, etc achieved breakthrough in sales volume.

In addition, the Group strengthened sales management, continued to increase the sales ratio of TCL-branded products and actively controlled the risk by improving inventory turnover in the European Market. In the North American Market, the Group also explored regional sales channels and started to sell TCL-branded products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### AV Products

During the period under review, the Group strengthened the development of its AV business while achieving customer and product diversification. The Group launched 152 new products, including DVD, blue ray, video and digital multimedia broadcasting products. The sales volume of AV products rose 22.3% year-on-year to 9.504 million sets, whereas gross profit margin experienced year-on-year decrease due to expansion of new product lines during the transition period. Therefore, the Group established overseas industrial bases in the regions with cost and logistics advantages and realized bulk shipments, in addition to implementation of measures such as increasing production efficiency per head. With such measures, pressure from rising costs of production was relieved to a certain extent and product competitiveness was further strengthened.

### R&D

The Group is committed to strengthen its self-innovation and R&D capabilities, it applied for approximately 80 technology patents during the period under review. In terms of technological innovation, the Group launched the Super Smart TV V8200 series which equipped with Windows and Android dual operating systems. This recognized a technological breakthrough in automatic identification and switch between the two operating systems. In the meantime, the V8200 series adopted industry-leading super intelligent technology and progressive 3D technology. Since its launch, the V8200 series has been well-received by the market and in a supply shortage. The Group also achieved a number of important technological breakthroughs, including full closure masking screen TV designs, Internet upgrades to support APP applications and Lumiace techniques.

### Outlook

Looking to the second half of 2011, the operating environment for the global TV industry is still full of both challenges and opportunities. A number of uncertain factors, such as sluggish economies in Europe and the U.S.A., as well as the accelerating inflationary pressures in the PRC and property control measures may halt demand growth and intensify competition in the global TV market. On the other hand, the acceleration of the PRC's urbanization and rural development, strong demand for high-end TV products in the third-tier and fourth-tier cities and rural markets in the PRC, as well as the upcoming traditional peak selling season in the second half of the year will all generate growth momentum for TV sales. Therefore, the Group will accelerate its development in the PRC's third-tier and fourth-tier cities and rural markets by continuing to expand its sales channels and network and to fully develop its e-business and direct sales channels so as to focus on promoting its sales growth in those markets. In addition, the Group will continue to enhance the speed and efficiency of its operating and marketing strategies, improve supply chain management and boost its operational efficiency through reducing the expense ratio and speeding up turnover of inventory and trade receivable.

## MANAGEMENT DISCUSSION AND ANALYSIS

With the quick popularization of LED backlight LCD TVs and comprehensive promotion of 3D TVs, Smart TVs are set to become another trend in the PRC Market. The Group has seized the market development opportunity by optimizing its product mix in time to respond to changes in market demand. In addition to further promoting its LED backlight LCD TV business, the Group is keen on developing high-end products, such as 3D TVs, Internet TVs and Smart TVs, in an effort to strengthen its market share and profitability in the PRC Market.

In Overseas Markets, the Group will continue to improve its risk control systems and to increase its investment in TCL-branded products in order to maintain healthy development of its business. The Group will continue to seize every opportunity for product transition and rapid development of chain sales channels in Emerging Markets, optimize channel management as well as increase product promotion to gain market share and enhance profitability. Meanwhile, the Group will further optimize its supply chain, adopt dual-brand strategy and operate its business model with its own brands and industrial sales model in the European Market. In the North American Market, the Group will continue to carry out operational risk control, strengthen TCL brand building efforts, explore national sales channels by seeking other innovative sales channels, and provide industrial support to key strategic OEM clients in order to further strengthen strategic partnerships with them.

Leveraging the advantages of its accumulated technology and client base, the Group will explore new production lines for its AV business, among which media players with internet functions will be launched in the market. The Group will also develop TCL-branded products, including satellite boxes and sound bar products. Against a backdrop of rising operating costs, the Group will continue to reduce production costs and strengthen product competitiveness through improvement in its production process, production efficiency and globalized industry chain structure.

The 8.5-generation LCD panel production plant of Shenzhen Huaxing Photoelectrics Technology Company Limited, a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (South Korea), is expected to start trial-production in the third quarter. This will provide strategic support for the supply of the Group's LCD panels, generate synergy and strengthen its overall competitiveness. Thus, it will lay an excellent foundation for the Group's healthy sustainable development in future. Meanwhile, the acquisition of TCL Optoelectronics Technology (Huizhou) Co., Ltd. (primarily engages in LCD module business) will help further realize the Group's vertical integration strategy. It will also generate cost synergy, create new revenue streams and significantly improve the Group's competitiveness with regard to TV manufacturing capabilities. In addition, to cope with its surging sales demand, the Group is planning to build a vertically integrated LCD TV production plant, with an annual production capacity of 3 million sets, in Hohhot, Inner Mongolia. The Group believes that with the further extension of its industry chain, its core competitiveness and brand influence will be further strengthened in future. As a result, the Group's corporate strategy, with an emphasis on "integration, innovation and internationalization", will be further realized and extended.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Significant Investments, Acquisitions and Disposals

On 17 June 2011, TCL King Electrical Appliances (Huizhou) Co. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with the People's Government of Hohhot in relation to an investment project which involves construction of a vertically integrated LCD TV production plant in Hohhot, Inner Mongolia. It is expected that the total investment of the project will be in the amount of RMB561,000,000 (equivalent to approximately HK\$675,415,000).

On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its subsidiary Huizhou TCL Coretronics Co., Ltd. from TCL Corporation for a consideration of RMB655,572,000 (equivalent to approximately HK\$788,791,000). The purchase price will be settled by way of issue and allotment of 246,497,191 new shares by the Company at an issue price of HK\$3.20 per new share. The acquisition (including the acquisition agreement) has been approved by the independent shareholders in the extraordinary general meeting held on 5 August 2011.

Regarding disclosure on significant disposals, please refer to note 11.

### Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance of the Group as at 30 June 2011 amounted to HK\$3,025,007,000 of which 5.5% was maintained in Hong Kong dollars, 35.3% in US dollars, 54.3% in Renminbi, 1.3% in Euro and 3.6% held in other currencies for the overseas operations.

There was no material change in available credit facilities when compared with the year ended 31 December 2010 and there was no asset held under finance lease as at 30 June 2011.

As at 30 June 2011, the Group's gearing ratio was 7.8% which is calculated based on the Group's net borrowing of approximately HK\$256,993,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK\$3,283,299,000. The maturity profile of the borrowings is from one to four years.

### Pledge of Assets

Please refer to notes 13 and 14.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitments and Contingent Liabilities

As at 30 June 2011, the Group had capital commitments of approximately HK\$122,532,000 (31 December 2010: HK\$119,000) and HK\$556,752,000 (31 December 2010: HK\$4,800,000) which were contracted but not provided for and authorized but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the annual report for 2010.

### Pending Litigations

Save as disclosed in the Group's results announcement of the year ended 31 December 2010, the Group had not been involved in any other material litigation for the six months ended 30 June 2011.

On 7 April 2011, in relation to the Alleged Claims (as defined in the Group's results announcement of the year ended 31 December 2010) made by the official liquidator of TTE Europe SAS ("TTE Europe", a wholly-owned subsidiary of the Group which had been deconsolidated in 2007) (the "Receiver") in the Commercial Court of Nanterre of France against, amongst others, various companies in the Group, various companies in the Group reached a settlement with the Receiver (the "Settlement"). Pursuant to the Settlement, the relevant condition precedents have been completed, the Group paid Euro 11,666,666 (equivalent to approximately HK\$128,456,000) to the Receiver accordingly as full and final settlement of the Alleged Claims.

The Labour Claim (as defined in the Group's results announcement of the year ended 31 December 2010) made by a group of former employees of TTE Europe against the Company, TTE Europe and TCL Belgium S.A. (a wholly-owned subsidiary of the Company) was also settled during the period under review.

Of those litigations mentioned above, there was no outstanding claim.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Foreign Exchange Exposure

Due to its international presence and operation, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralise foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

### Employee and Remuneration Policy

The Group had a total of 25,571 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and the Company's performance. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options to subscribe for a total of 24,485,185 shares remained outstanding at the end of the reporting period.

An award scheme dated 6 February 2008 (the "Award Scheme") was also adopted by the Company pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

#### (A) Interests in the Company – Long Positions

Name of Director	Number of ordinary Shares held		Number of underlying shares held under equity derivatives	Total	Appropriate percentage of issued share capital of the Company
	Personal interests	Family interests			
LI Dongsheng (Note 1)	23,095,848	2,538,000	3,194,756	28,828,604	2.653%
BO Lianming	1,807	–	340,357	342,164	0.031%
ZHAO Zhongyao	3,524,000	–	2,630,157	6,154,157	0.566%
YU Guanghui (Note 1)	242,493	–	697,663	940,156	0.087%
XU Fang	–	–	330,210	330,210	0.030%
Albert Thomas DA ROSA, Junior	–	–	30,000	30,000	0.003%
HUANG Xubin	–	–	295,229	295,229	0.027%
LEONG Yue Wing	594,672	–	–	594,672	0.055%
TANG Guiliang	–	–	30,000	30,000	0.003%
Robert Maarten WESTERHOF	–	–	30,000	30,000	0.003%
WU Shihong	–	–	30,000	30,000	0.003%

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

#### (B) Interests in associated corporation of the Company – Long Positions

##### TCL Corporation (Note 2)

Name of Director	Number of ordinary Shares held		Number of underlying shares held under equity derivatives	Total	Appropriate percentage of issued share capital of TCL Corporation
	Personal interests	Family interests			
LI Dongsheng	459,833,600	–	–	459,833,600	5.425%
BO Lianming	802,340	–	–	802,340	0.009%
ZHAO Zhongyao	4,743,304	–	–	4,743,304	0.056%
XU Fang	–	40,000	–	40,000	0.0005%

#### (C) Interests in associated corporation of the Company – Long Positions

##### TCL Communication (Note 3)

Name of Director	Number of ordinary Shares held		Number of underlying shares held under equity derivatives	Total	Appropriate percentage of issued share capital of TCL Communication
	Personal interests	Family interests			
LI Dongsheng	30,823,756	1,920,000	9,240,620	41,984,376	3.79%
BO Lianming	65,700	–	1,719,987	1,785,687	0.161%
YU Guanghui	740	–	–	740	0.0001%
XU Fang	–	–	1,093,367	1,093,367	0.099%
HUANG Xubin	–	–	1,452,126	1,452,126	0.131%

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

- The interests include certain movements of interest notified to the Company subsequently:
  - purchase by Mr. LI Dongsheng of 220,000 shares and 5,638,000 shares respectively in the Company (if taken into account of the consolidation effective on 23 January 2009, such number amounted to 22,000 shares and 563,800 shares respectively);
  - disposal by Mr. LI Dongsheng of 1,200,000 shares in the Company;
  - granting by the Company to Mr. LI Dongsheng of 34,317 awarded shares; and
  - granting by the Company to Mr. YU Guanghui of 11,547 awarded shares.
- TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
- TCL Communication Technology Holdings Limited ("TCL Communication") is a subsidiary of TCL Corporation.

Save as disclosed above, as at 30 June 2011, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2011, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

#### Long position in shares of the Company

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	565,239,284 (Note)	52.011%

Note:

TCL Corporation was deemed to be interested in 565,239,284 shares held by T.C.L. Industries, its direct wholly owned subsidiary, for the purpose of the SFO.

Save as disclosed above, as at 30 June 2011, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## OTHER INFORMATION

### SHARE OPTIONS SCHEMES

The directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the share option schemes during the period:

Name or category of participant	Number of share options					Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of Company's shares		
	At 1 January 2011	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period				At 30 June 2011	At grant date HK\$	At exercise date HK\$
<b>Directors</b>											
<i>Executive directors</i>											
LI Dongsheng	1,799,002	-	-	-	-	1,799,002	4-Jul-07	6.300	Note 1	6.000	N/A
	1,395,754	-	-	-	-	1,395,754	25-Aug-08	2.450	Note 2	2.330	N/A
	3,194,756	-	-	-	-	3,194,756					
BO Lianming	182,003	-	-	-	-	182,003	4-Jul-07	6.300	Note 1	6.000	N/A
	158,354	-	-	-	-	158,354	25-Aug-08	2.450	Note 2	2.330	N/A
	340,357	-	-	-	-	340,357					
ZHAO Zhongyao	130,003	-	-	-	-	130,003	4-Jul-07	6.300	Note 1	6.000	N/A
	158,354	-	-	-	-	158,354	25-Aug-08	2.450	Note 2	2.330	N/A
	2,341,800	-	-	-	-	2,341,800	8-Nov-10	3.600	Note 3	3.600	N/A
	2,630,157	-	-	-	-	2,630,157					
YU Guanghui	338,452	-	-	-	-	338,452	4-Jul-07	6.300	Note 1	6.000	N/A
	359,211	-	-	-	-	359,211	25-Aug-08	2.450	Note 2	2.330	N/A
	697,663	-	-	-	-	697,663					
XU Fang	23,600	-	-	-	-	23,600	4-Jul-07	6.300	Note 1	6.000	N/A
	123,610	-	-	-	-	123,610	25-Aug-08	2.450	Note 2	2.330	N/A
	183,000	-	-	-	-	183,000	8-Nov-10	3.600	Note 3	3.600	N/A
	330,210	-	-	-	-	330,210					
	7,193,143	-	-	-	-	7,193,143					

## OTHER INFORMATION

### SHARE OPTION SCHEMES (continued)

Name or category of participant	Number of share options					At 30 June 2011	Date of grant of share options	Exercise price of share options HK\$	Exercise period of share options	Price of Company's shares	
	At 1 January 2011	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period					At grant date HK\$	At exercise date HK\$
<i>Non-Executive directors</i>											
Albert Thomas DA ROSA, Junior	30,000	-	-	-	-	30,000	25-Aug-08	2.450	Note 2	2.330	N/A
HUANG Xubin	72,249 222,980	- -	- -	- -	- -	72,249 222,980	4-Jul-07 25-Aug-08	6.300 2.450	Note 1 Note 2	6.000 2.330	N/A N/A
	295,229	-	-	-	-	295,229					
TANG Guliang	30,000	-	-	-	-	30,000	25-Aug-08	2.450	Note 2	2.330	N/A
Robert Maarten WESTERHOF	30,000	-	-	-	-	30,000	25-Aug-08	2.450	Note 2	2.330	N/A
WU Shihong	30,000	-	-	-	-	30,000	25-Aug-08	2.450	Note 2	2.330	N/A
	415,229	-	-	-	-	415,229					
<b>Other employees and those who have contributed or may contribute to the Group</b>											
	7,982,142	-	-	-	(311,410)	7,670,732	4-Jul-07	6.300	Note 1	6.000	N/A
	9,151,738	-	-	(335,155)	(232,602)	8,583,981	25-Aug-08	2.450	Note 2	2.330	2.90
	622,100	-	-	-	-	622,100	8-Nov-10	3.600	Note 3	3.600	N/A
	17,755,980	-	-	(335,155)	(544,012)	16,876,813					
	25,364,352	-	-	(335,155)	(544,012)	24,485,185					

Note 1 One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 3 July 2012.

Note 2 One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013.

Note 3 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

## OTHER INFORMATION

### PURCHASES, SALE OR REDEMPTION OF SHARES

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 9,514,000 shares being the awarded shares. The total amount paid to acquire such shares during the period was about HK\$29,955,000.

### CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the six months ended 30 June 2011, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30 June 2011, including the accounting principles adopted by the Group, with the Company's management.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all directors who have confirmed that throughout the six months ended on 30 June 2011, they have complied with the required standards set out in the Model Code and the Company's model code of conduct regarding securities transactions.

On behalf of the Board  
**LI Dongsheng**  
Chairman

Hong Kong, 8 August 2011

*As at the date of this report, the Board comprises LI Dongsheng, BO Lianming, ZHAO Zhongyao, YU Guanghui and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.*