



**TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED**

**INTERIM REPORT**

**2012**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. LI Dongsheng (Chairman)  
 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

#### Independent Non-Executive Directors

Mr. TANG Guliang  
 Mr. Robert Maarten WESTERHOF  
 Ms. WU Shihong  
 Mr. TSENG Shieng-chang Carter

#### COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

#### AUDITOR

Ernst & Young  
 Certified Public Accountants  
 22/F, CITIC Tower  
 1 Tim Mei Avenue  
 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 2012 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	
		2012	2011	2012	2011
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	4	<b>16,379,926</b>	13,156,097	<b>8,077,737</b>	6,575,016
Cost of sales		<b>(13,605,938)</b>	(11,095,619)	<b>(6,800,497)</b>	(5,568,527)
Gross profit		<b>2,773,988</b>	2,060,478	<b>1,277,240</b>	1,006,489
Other revenue and gains		<b>384,126</b>	287,696	<b>87,683</b>	111,977
Selling and distribution costs		<b>(1,806,822)</b>	(1,527,675)	<b>(742,396)</b>	(712,109)
Administrative expenses		<b>(478,663)</b>	(318,100)	<b>(304,820)</b>	(136,327)
Research and development costs		<b>(177,380)</b>	(125,910)	<b>(105,615)</b>	(70,118)
Other operating expenses		<b>(13,824)</b>	(33,188)	<b>(10,744)</b>	(1,149)
		<b>681,425</b>	343,301	<b>201,348</b>	198,763
Finance costs	5	<b>(170,762)</b>	(160,200)	<b>(63,644)</b>	(58,809)
Share of profits and losses of:					
Jointly-controlled entities		<b>54</b>	(969)	<b>(158)</b>	(116)
Associates		<b>(30,992)</b>	1,382	<b>(7,697)</b>	(13,069)
PROFIT BEFORE TAX		<b>479,725</b>	183,514	<b>129,849</b>	126,769
Income tax expense	6	<b>(39,502)</b>	(47,291)	<b>(887)</b>	(27,730)
PROFIT FOR THE PERIOD		<b>440,223</b>	136,223	<b>128,962</b>	99,039

## INTERIM RESULTS

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

	Six months ended 30 June		Three months ended 30 June	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER COMPREHENSIVE INCOME/(LOSS)				
Exchange fluctuation reserve:				
Translation of foreign operations	(17,916)	59,833	(15,818)	38,599
Release upon liquidation of a jointly-controlled entity	-	(23,828)	-	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(17,916)	36,005	(15,818)	38,599
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	422,307	172,228	113,144	137,638
Profit attributable to:				
Owners of the parent	434,455	131,179	125,599	97,131
Non-controlling interests	5,768	5,044	3,363	1,908
	440,223	136,223	128,962	99,039
Total comprehensive income attributable to:				
Owners of the parent	417,235	164,857	110,546	134,235
Non-controlling interests	5,072	7,371	2,598	3,403
	422,307	172,228	113,144	137,638
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9			
Basic	HK33.55 cents	HK12.07 cents		
Diluted	HK33.28 cents	HK12.05 cents		

Details of the dividends are disclosed in note 8.

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2012 (unaudited) <i>Notes</i> <b>HK\$'000</b>	31 December 2011 (audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,925,810</b>	1,342,461
Prepaid land lease payments		<b>143,142</b>	87,076
Goodwill		<b>119,638</b>	119,638
Other intangible assets		<b>491</b>	594
Investment in a jointly-controlled entity		<b>7,119</b>	6,840
Investments in associates		<b>165,308</b>	190,478
Available-for-sale investments		<b>6,677</b>	6,677
Deferred tax assets		<b>39,917</b>	42,967
<b>Total non-current assets</b>		<b>2,408,102</b>	1,796,731
<b>CURRENT ASSETS</b>			
Inventories		<b>3,762,398</b>	4,298,384
Trade receivables	10	<b>3,150,482</b>	3,795,014
Bills receivable		<b>3,954,707</b>	7,575,284
Other receivables		<b>1,838,812</b>	1,930,424
Tax recoverable		<b>43,230</b>	28,253
Pledged deposits		<b>1,451,141</b>	255,770
Cash and bank balances		<b>3,242,006</b>	4,452,001
<b>Total current assets</b>		<b>17,442,776</b>	22,335,130
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>4,282,143</b>	6,725,368
Bills payable		<b>3,371,409</b>	5,268,877
Other payables and accruals		<b>3,267,090</b>	3,608,742
Interest-bearing bank and other borrowings	12	<b>3,056,058</b>	2,623,940
Due to TCL Corporation	13	<b>–</b>	131,978
Due to T.C.L. Industries	13	<b>250,061</b>	971,163
Tax payable		<b>148,164</b>	169,690
Provisions		<b>311,821</b>	248,783
<b>Total current liabilities</b>		<b>14,686,746</b>	19,748,541
<b>NET CURRENT ASSETS</b>		<b>2,756,030</b>	2,586,589
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,164,132</b>	4,383,320

## INTERIM RESULTS

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

		<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>5,164,132</b>	4,383,320
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	<b>586,902</b>	710,928
Deferred tax liabilities		<b>33,985</b>	13,790
Pensions and other post-employment benefits		<b>5,757</b>	5,917
Total non-current liabilities		<b>626,644</b>	730,635
Net assets		<b>4,537,488</b>	3,652,685
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Issued capital	14	<b>1,320,294</b>	1,072,276
Reserves		<b>3,079,716</b>	2,461,376
<b>Non-controlling interests</b>		<b>4,400,010</b>	3,533,652
		<b>137,478</b>	119,033
Total equity		<b>4,537,488</b>	3,652,685



## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	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	Total (unaudited) HK\$'000	Non-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
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	-	-	-	-	-
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(29,955)	-	(29,955)	-	(29,955)
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

## INTERIM RESULTS

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

	Attributable to owners of the parent												
	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	Total (unaudited) HK\$'000	Non-controlling interests (unaudited) HK\$'000	Total equity (unaudited) HK\$'000	
At 1 January 2012	1,072,276	3,215,422	44,711	59,099	915,188	472,411	(2,122,648)	(126,249)	3,442	3,533,652	119,033	3,652,685	
Profit for the period	-	-	-	-	-	-	434,455	-	-	434,455	5,768	440,223	
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	(17,220)	-	-	-	(17,220)	(696)	(17,916)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(17,220)	434,455	-	-	417,235	5,072	422,307	
2011 final dividend paid	-	(204,033)	-	-	-	-	-	-	-	(204,033)	-	(204,033)	
Acquisition of subsidiaries	246,497	391,931	-	-	-	-	-	-	-	638,428	13,373	651,801	
Equity-settled share option arrangements	-	-	11,001	-	-	-	-	-	-	11,001	-	11,001	
Issue of shares upon exercise of share options	1,521	3,425	(1,219)	-	-	-	-	-	-	3,727	-	3,727	
Share options lapsed during the period	-	-	(781)	-	-	-	781	-	-	-	-	-	
Transfer from retained profits	-	-	-	-	1,618	-	(1,618)	-	-	-	-	-	
At 30 June 2012	1,320,294	3,406,745*	53,712*	59,099*	916,806*	455,191*	(1,689,050)*	(126,249)*	3,442*	4,400,010	137,478	4,537,488	

\* These reserve accounts comprise the consolidated reserves of HK\$3,079,716,000 (31 December 2011: HK\$2,461,376,000) in the condensed consolidated statement of financial position.

## INTERIM RESULTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Net cash inflow from operating activities	<b>855,856</b>	886,098
Net cash inflow/(outflow) from investing activities	<b>(1,060,814)</b>	1,221,229
Net cash outflow from financing activities	<b>(985,945)</b>	(1,119,933)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(1,190,903)</b>	987,394
Cash and cash equivalents at beginning of period	<b>4,452,001</b>	2,132,619
Effect of foreign exchange rate changes, net	<b>(19,092)</b>	26,136
<b>Cash and cash equivalents at end of period</b>	<b>3,242,006</b>	3,146,149
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>3,242,006</b>	3,025,007
Cash and bank balances included in assets of a subsidiary classified as held for sale	-	121,142
	<b>3,242,006</b>	3,146,149

## 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 2011, 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. 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 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>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes: Deferred Tax – Recovery of Underlying Assets</i>

## INTERIM RESULTS

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

Other than as further explained below regarding the impact of HKFRS 7 Amendments, the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g. securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendment does not result in additional disclosures to the Group.

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

The Group has not early 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 – Government Loans</i> <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>4</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>2</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>1</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>2</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>2</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
HK(IFRIC)-Int 20 Annual Improvements Projects	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup> <i>Annual Improvements 2009-2011 Cycle</i> <sup>2</sup>

## INTERIM RESULTS

### 3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2012
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2013
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2014
- <sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

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.

### 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 resources 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 interest income, finance costs, share of profits and losses of jointly-controlled entities and associates as well as head office and corporate income and expenses 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(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>8,641,121</b>	7,484,284	<b>5,783,702</b>	3,401,173	<b>1,434,151</b>	1,926,803	<b>520,952</b>	343,837	<b>16,379,926</b>	13,156,097
Segment results	<b>472,945</b>	307,052	<b>107,855</b>	(63,416)	<b>44,218</b>	64,977	<b>(27,883)</b>	12,757	<b>597,135</b>	321,370
Bank interest income									<b>45,937</b>	40,311
Corporate income/(expenses), net									<b>38,353</b>	(18,380)
Finance costs									<b>(170,762)</b>	(160,200)
Share of profits and losses of:										
Jointly-controlled entities	-	(446)	<b>54</b>	(523)	-	-	-	-	<b>54</b>	(969)
Associates	<b>(38,141)</b>	(1,954)	-	-	-	-	<b>7,149</b>	3,336	<b>(30,992)</b>	1,382
Profit before tax									<b>479,725</b>	183,514
Income tax expense									<b>(39,502)</b>	(47,291)
Profit for the period									<b>440,223</b>	136,223

### 5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans and overdrafts	<b>148,239</b>	132,412
Loans from TCL Corporation	<b>9,094</b>	20,591
Loans from T.C.L. Industries	<b>12,300</b>	2,631
Loans from an associate	<b>1,129</b>	4,566
Total	<b>170,762</b>	160,200

## INTERIM RESULTS

### 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2011: 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	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Current – Hong Kong	<b>13,445</b>	7,201
Current – Elsewhere	<b>25,565</b>	35,789
Deferred	<b>492</b>	4,301
Total tax charge for the period	<b>39,502</b>	47,291

### 7. DEPRECIATION AND AMORTIZATION

During the period, depreciation of HK\$152,986,000 (30 June 2011: HK\$105,154,000) was charged to the condensed consolidated statement of comprehensive income in respect of the Group's property, plant and equipment; and amortization of HK\$100,000 (30 June 2011: HK\$201,000) and HK\$1,997,000 (30 June 2011: HK\$1,383,000) 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

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
Interim dividend declared – HK10.00 cents (30 June 2011: Nil) per ordinary share	<b>132,032</b>	–



## INTERIM RESULTS

### 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share amounts are based on:

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

#### Earnings

Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations

**434,455**      131,179

	Number of shares	
	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)

#### Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation      **1,295,051,938**      1,086,582,475

Effect of dilution – weighted average number of ordinary shares:

Assumed issue at no consideration on deemed exercise of all share options outstanding during the period      **10,308,957**      1,764,415

Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation      **1,305,360,895**      1,088,346,890

## 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 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
Current to 90 days	<b>2,753,872</b>	3,681,453
91 to 180 days	<b>353,311</b>	65,611
181 to 365 days	<b>17,754</b>	25,846
Over 365 days	<b>25,545</b>	22,104
	<b>3,150,482</b>	3,795,014

Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2011, trade receivables factored to banks aggregated to HK\$74,047,000 was included in the balance of trade receivables (the "Recognised Factored Receivables") because the derecognition criteria for financial assets were not met. Accordingly, the advances from a bank of approximately HK\$74,047,000 received by the Group as consideration for the Recognised Factored Receivables at 31 December 2011 were recognised as liabilities and included in "interest-bearing bank and other borrowings" (note 12).

## INTERIM RESULTS

### 11. 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</b> <b>2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31 December 2011 (audited) HK\$'000
Current to 90 days	<b>4,167,274</b>	6,604,675
91 to 180 days	<b>50,535</b>	54,870
181 to 365 days	<b>4,375</b>	7,354
Over 365 days	<b>59,959</b>	58,469
	<b>4,282,143</b>	6,725,368

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

## INTERIM RESULTS

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

	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
<b>Current</b>		
Bank loans – secured	<b>510,609</b>	606,404
Bank loans – unsecured	<b>2,011,047</b>	1,701,537
Advances from banks as consideration for the Recognised Factored Receivables – unsecured	–	74,047
Trust receipt loans – unsecured	<b>493,802</b>	201,352
Loans from an associate – unsecured	<b>40,600</b>	40,600
	<b>3,056,058</b>	2,623,940
<b>Non-current</b>		
Bank loans – secured	<b>92,002</b>	154,131
Bank loans – unsecured	<b>494,900</b>	556,797
	<b>586,902</b>	710,928
	<b>3,642,960</b>	3,334,868
Analysed into:		
Bank loans repayable:		
Within one year or on demand	<b>3,015,458</b>	2,583,340
In the second year	<b>276,655</b>	276,837
In the third to fifth year, inclusive	<b>310,247</b>	434,091
	<b>3,602,360</b>	3,294,268
Loans from an associate repayable:		
Within one year	<b>40,600</b>	40,600
	<b>3,642,960</b>	3,334,868

## INTERIM RESULTS

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

Notes:

- (a) As at 30 June 2012, 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\$22,751,000 (31 December 2011: HK\$23,566,000), HK\$241,131,000 (31 December 2011: HK\$249,162,000) and HK\$93,674,000 (31 December 2011: HK\$100,917,000), respectively.
  - (ii) pledge of certain of the Group's time deposits amounting to HK\$403,582,000 (31 December 2011: HK\$255,770,000).
  - (iii) pledge of certain of the Group's bills receivable amounting to HK\$246,609,000 as of 31 December 2011.
- (c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK\$1,850,071,000 (31 December 2011: HK\$1,799,996,000) as at the end of the reporting period.

### 13. 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. An aggregate amount of HK\$250,061,000 due to T.C.L. Industries bears interest at a fixed rate of 6.00% per annum (31 December 2011: an aggregate amount of HK\$131,978,000 due to TCL Corporation and an aggregate amount of HK\$971,163,000 due to T.C.L. Industries bore interest at a fixed rate of 7.63% per annum and fixed rates ranging from 2.28% to 6.00% per annum, respectively).

## INTERIM RESULTS

### 14. SHARE CAPITAL

	<b>30 June 2012 (unaudited) HK\$'000</b>	31 December 2011 (audited) HK\$'000
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#### Shares

Authorised:

2,200,000,000 (31 December 2011: 2,200,000,000) shares of HK\$1.00 each (31 December 2011: HK\$1.00 each)	<b>2,200,000</b>	2,200,000
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Issued and fully paid:

1,320,294,381 (31 December 2011: 1,072,275,768) shares of HK\$1.00 each (31 December 2011: HK\$1.00 each)	<b>1,320,294</b>	1,072,276
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During the period, the movements in share capital account were as follows:

- (a) 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. ("TOT") and its 60% owned-subsiidiary, Huizhou TCL Coretronic Co., Ltd. ("Huizhou Coretronic") (collectively the "TOT Entities") from TCL Corporation. The acquisition of the TOT Entities was completed on 18 January 2012 (the "Completion Date"). The purchase price was settled by the issue and allotment of 246,497,191 new shares of the Company at an issue price of HK\$3.20 per share on the Completion Date.
- (b) During the six months ended 30 June 2012, the subscription rights attaching to 1,521,422 share options were exercised at the subscription price of HK\$2.45 per share, resulting in the issue of 1,521,422 shares of HK\$1.00 each for a total cash consideration of HK\$3,727,000 before expenses.

## INTERIM RESULTS

## 15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2012 (unaudited) HK\$'000	2011 (unaudited) HK\$'000
A jointly-controlled entity:		
Sales of finished goods	<b>30,053</b>	66,566
TCL Corporation:		
Interest expense	<b>9,094</b>	20,591
Bank loan guarantee fee	<b>12,739</b>	7,239
T.C.L. Industries:		
Interest expense	<b>12,300</b>	2,631
Associates:		
Interest income	<b>4,144</b>	1,856
Interest expense	<b>1,129</b>	4,566
Other finance service fee	<b>1,352</b>	76
Sales of finished goods	<b>277,188</b>	155,260
Sales of raw materials	<b>22,172</b>	136,728
Purchases of raw materials	<b>-</b>	512,710
Subcontracting fee expense	<b>11,209</b>	-
Companies controlled by TCL Corporation:		
Sales of raw materials	<b>69,127</b>	24,264
Sales of finished goods	<b>313,883</b>	25,021
Purchases of raw materials	<b>1,959,507</b>	515,449
Purchases of finished goods	<b>603,918</b>	99,155
Subcontracting fee expense	<b>23,072</b>	15,020
Subcontracting income	<b>8,743</b>	-
Rental, maintenance fees and facilities usage fee	<b>36,393</b>	1,901
Rental expense	<b>19,890</b>	18,276
Reimbursement of brand advertising cost	<b>80,472</b>	57,545
Logistic service fee expense	<b>29,780</b>	28,319
Call centre service fee expense	<b>9,468</b>	8,749
Recharge of expenses	<b>744</b>	569
Reimbursement of research and development and rental expenses	<b>18,497</b>	-
Construction service fee expense	<b>1,844</b>	-
Associates of TCL Corporation:		
Rental expense	<b>6,034</b>	3,523
Rental income	<b>433</b>	-
Service fee expenses	<b>27,962</b>	15,517

## INTERIM RESULTS

### 15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000	30 June 2012 (unaudited) HK\$'000	31 December 2011 (audited) HK\$'000
A jointly-controlled entity	<b>14,382</b>	47,327	–	–
Associates	<b>511,537</b>	714,484	<b>23,951</b>	101,833
TCL Corporation and its affiliates	<b>481,175</b>	455,885	<b>970,588</b>	1,745,041



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Group remained committed to “speed and efficiency” in its operational and marketing strategies and optimizing its product mix, exploring sales channels and potential markets and fully utilizing the cost advantages brought by integration to enhance its core competitiveness and profitability. For the six months ended 30 June 2012, the Group recorded turnover of approximately HK\$16,380 million, up 24.5% compared with the same period of 2011. Gross profit was approximately HK\$2,774 million, up 34.7% year-on-year. Operating profit and profit attributable to owners of the parent reached approximately HK\$681 million and HK\$434 million, up by 98.5% and 231.3% from the same period of last year, respectively, including the one-off gain of approximately HK\$144 million arising from the acquisition of the entire equity interest in TOT and its 60% owned-subsiidiary, Huizhou Coretronic, completed on 18 January 2012. Basic earnings per share was HK33.55 cents (same period in 2011: basic earnings per share of HK12.07 cents). The board of directors declared an interim dividend of HK10.00 cents per share.

In addition, the Group remained dedicated to strengthening its supply chain management, lowering costs through resources integration and actively promoting its high-end products, including 3D TVs and smart “cloud” TVs. Gross profit margin therefore improved to 16.9% in the first half of this year from 15.7% in the same period of last year while expense ratio was maintained at 14.0%.

During the period under review, the Group strived to strengthen its product competitiveness by optimizing its product mix, marketing strategies and sales channels, achieving growth in its sales volume. The Group sold a total of 6.48 million sets of LCD TVs during the first half of 2012, up by 60.6% compared with the same period of last year. It recorded satisfactory growth in the sales volume of LCD TVs in the PRC Market and the Overseas Markets, which saw a year-on-year growth of 32.1% and 108.4%, respectively, was higher than the industry average. The Group not only maintained stable growth in sales volume but also strived to gain market share. According to the latest DisplaySearch report, in the first quarter of 2012, the Group’s global LCD TV market share increased to 5.6% from 4.9% with its ranking rising to No.5 from No.7 in 2011, marking the first time a PRC TV manufacturer has entered into top five in the global LCD TV market share. The Group’s market share in the PRC TV market was 18.1%, rising to No.1 from the previous ranking of No.2 in 2011. Its LCD TV market share in the PRC Market was 17.5%, bringing its ranking to No.2 from No.3 in 2011.

Furthermore, impacted by the volatile global economy and the continuous shrinking of traditional DVD player market, sales volume of AV products decreased by 28.5% year-on-year to 6.79 million sets.

## MANAGEMENT DISCUSSION AND ANALYSIS

### TV Business

The Group sold 6.48 million sets of LCD TVs in the first half of 2012, up by 60.6% from the same period of last year. Sales volume of LCD TVs in the PRC Market and Overseas Markets increased by 32.1% and 108.4% year-on-year to 3.34 million sets and 3.14 million sets, respectively, well above the industry average. Meanwhile, the Group continued to increase the proportion of the sales volume of LED backlight LCD TVs to the total LCD TV sales volume while actively promoting 3D TVs and smart & internet TVs. During the period under review, the proportion of the sales volume of smart & internet TVs and 3D TVs as a percentage of the total LCD TV sales volume increased to 20.1% and 9.1%, respectively. The proportion of the sales volume of LED backlight LCD TVs as a percentage of the total LCD TV sales volume also increased stably to 66.5%.

According to the sales volume of the first five months of 2012, the Group announced in June that it has adjusted its 2012 annual sales target of LCD TVs from 13.80 million sets to 15.20 million sets, an expected increase of 40.0% compared to the sales volume of 10.86 million sets of LCD TVs in 2011.

The Group remained dedicated to increasing the proportion of sales of high-end products. It also proactively produced value-for-money and market-driven products through strategies which include technological innovation, cost optimization and price adjustment in order to further strengthen its product competitiveness. During the period under review, the Group launched 7 series featuring 76 new products in the global market, of which 5 series were 3D TV products. The number of 3D TV products accounted for over 70% of the new products launched in the PRC Market in the first half of 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group's sales volume of TVs and AV products by regions are shown below:

	1H 2012 ('000 sets)	1H 2011 ('000 sets)	Change
<b>LCD TVs</b>	<b>6,477</b>	4,033	+60.6%
of which: LED backlight LCD TVs	<b>4,307</b>	1,379	+212.3%
Smart & internet TVs	<b>1,302</b>	389	+234.7%
3D TVs	<b>592</b>	40	+1,380.0%
– PRC	<b>3,338</b>	2,527	+32.1%
– Overseas	<b>3,139</b>	1,506	+108.4%
<b>CRT TVs</b>	<b>1,271</b>	2,243	(43.3%)
– PRC	<b>144</b>	601	(76.0%)
– Overseas	<b>1,127</b>	1,642	(31.4%)
<b>Total TV sales volume</b>	<b>7,748</b>	6,276	+23.5%
<b>Total AV products sales volume</b>	<b>6,791</b>	9,504	(28.5%)

### The PRC Market

During the period under review, the Group's both sales volume and turnover in the PRC Market continued to record satisfactory growth. Sales volume of LCD TVs reached 3.34 million sets, up 32.1% from the same period of last year, well above the industry average. Of which, sales volume of LED backlight LCD TVs increased by 145.7% from 0.92 million sets in the same period of last year to 2.26 million sets in the first half of this year. Sales volume of LED backlight LCD TVs as a percentage of LCD TV sales volume in the PRC Market also increased to 67.7% in the first half of this year. Turnover in the PRC Market increased by 15.5% year-on-year to HK\$8,641 million and remains the Group's major source of income.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group increased sales volume, profit and brand influence by continuously improving its product mix and product differentiation, enhancing price competitiveness and strengthening marketing promotion. The Group also continued to capitalize on the opportunity of being an exclusive partner of the CCTV's first 3D TV channel and actively promoted 3D TVs and smart & internet TVs. In the first half of this year, sales volume of 3D TVs amounted to 0.56 million sets. Sales volume of 3D TVs as a percentage of total LCD TV sales volume in the PRC Market increased to 16.9%. Sales volume of smart & internet TVs amounted to 1.28 million sets. Sales volume of smart & internet TVs as a percentage of total LCD TV sales volume in the PRC Market also increased to 38.3%. At the same time, the Group remained committed to "speed and efficiency", streamlining its product portfolio and focusing on producing and promoting its flagship products in order to shorten production cycles and increase production efficiency. Along with lowering production costs through measures that include resources integration, overall competitiveness was strengthened.

In addition, the Group actively optimized its sales channels. Riding on TV replacement demand from the third-tier to sixth-tier markets and rural markets in the PRC, the Group continued to improve network penetration and store efficiency in its rural distribution channels. The number of points of sales in the first half of 2012 increased to approximately 27,000 in third-tier to sixth-tier markets and rural markets, an increase of approximately 6,000 points of sales compared to the beginning of 2011. The Group actively leveraged its dual brand strategy and channel advantages to offer value-for-money products, thereby realizing growth in sales volume and profitability.

### Overseas Markets

During the period under review, the Group continued to adopt a prudent operational strategy in the Overseas Markets and enhanced operational efficiency and profitability through remaining committed to "speed and efficiency". At the same time, the Group continued to step up efforts in brand and marketing promotions in the Overseas Markets to create a global and youthful brand image. In addition to continuous stable growth in sales volume in the Emerging Markets and strategic OEM business, the Group actively capitalized on the opportunities brought by the UEFA EURO in the European Market, improved product mix and accelerated the introduction of new products. During the period, turnover in the Overseas Markets reached HK\$5,784 million, up 70.1% from the same period of last year. Sales volume of LCD TVs in the Overseas Markets reached 3.14 million sets, representing a year-on-year increase of 108.4%, of which sales volume of LED backlight LCD TVs grew significantly to 2.05 million sets from 0.46 million sets in the same period of last year. Sales volume of LED backlight TVs as a percentage of total LCD TV sales volume in the Overseas Markets also increased to 65.2%.

## MANAGEMENT DISCUSSION AND ANALYSIS

Emerging Markets have been the Group's major overseas market and have become a new growth driver to its business alongside with the PRC Market. In addition to continuously expanding its LCD TVs and LED backlight LCD TVs businesses, the Group promoted high-end TV products to cope with the TV replacement demand in the Emerging Markets and boosted growth in sales volume by actively exploring new sales channels. During the period under review, sales volume of LCD TVs in the Emerging Markets reached 1.82 million sets, up 103.9% from the same period of last year, with good sales performance in areas such as Africa and Thailand.

In addition, the Group's strategic OEM business showed results after the optimization of its customer base, leading to continuous growth in LCD TV sales volume. In the European Market, the Group launched sports marketing and promotion projects for the 2012 UEFA EURO and London Olympic Games. Leveraging the increased market demand stimulated by the UEFA EURO, the Group recorded stable growth in sales volume. In order to enhance its brand influence, the Group entered into a cooperation agreement with Sweden-based IKEA, the world's largest furniture manufacturer, for the development of comprehensive household solution that includes TV, audio equipment and furniture. In North American Market, the Group continued to explore sales channels and successfully engaged in the internet sales channels of mainstream American retailers.

### AV Business

Due to the impact of the volatile global economy and the continuous shrinking of traditional DVD player market, the total sales volume of AV products decreased by 28.5% year-on-year to 6.79 million sets during the period under review. Despite this, the Group continued to carry out its strategy of diversifying its products and customer base, and stepped up its investment in R&D. It proactively developed its blue ray products and improved the competitiveness of its electro-acoustic products during the period under review, with sales volume of these two types of products increasing by 52.8% and 36.2% year-on-year, respectively. In the meantime, it further enhanced its overall competitiveness by continuing to establish its overseas supply chain, improving operational efficiency and implementing effective cost control.

## MANAGEMENT DISCUSSION AND ANALYSIS

### R&D

The Group has always been dedicated to strengthening its capabilities in self-innovation and R&D. It continued to commit more resources to R&D and adjusted its product mix and layout in an effort to boost the proportion of middle to high-end products among the Group's products. In addition, it consolidated the exploitation of smart applications as well as the introduction of new products, launched its new market-leading E5390 series based on the Android 4.0 application software in the PRC Market, and innovatively introduced an educational reading function to realize cross-application of control and function. During the period under review, the Group launched a number of globally innovative new products, including V7500 series, the first 3D smart "cloud" TV in the world with a smart TV operating system (STV OS) and E5390 series, the first 3D smart "cloud" TV in the world with a TV smart educational reading system. The Group aims to consolidate its industry leading position leveraging the layout of its full cloud strategy and full cloud product series. The Group applied for 159 patents during the period under review. Smart TVs will become the major technological trend in the TV industry. The Group will continue to strengthen its exploitation of smart applications in order to further improve the competitiveness of the functions of its smart TVs and will continue to lead the PRC Market in the high-end network.

### Outlook

Looking to the second half of 2012, the operating environment of the TV industry is still full of challenges due to the unstable global economy. However, as the PRC's urbanization continues to move at a rapid pace, market demand for high-end TVs brought by replacement demand of traditional CRT TVs remains huge. At the same time, the PRC government announced a new energy-saving subsidy program which promotes five types of home appliances, including flat panel TVs, that meet energy-saving standards. The Group's 259 LCD TV products, including all of its 3D smart "cloud" TVs, were eligible for the subsidy scheme, making it be the enterprise having the largest number of LCD TV products included on the subsidy list. The Group's entire range of LCD TV products will be designed in line with the National Level 1 Energy Consumption Standard in the future. The Group's 2012 annual sales target of LCD TVs is 15.20 million sets, of which 8.20 million sets are expected from the PRC Market. It is expected to benefit significantly from the implementation of the energy-saving subsidy program, which will further boost the sales volume growth of the Group's high-end TV products.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of TV business, the PRC Market remains the major source of revenue for the Group's TV business. As the growth of both the PRC's macro economy and the TV industry is not optimistic, the growth of sales volume in the second half of 2012 is expected to be slower than that in the first half, coupled with a high basis of comparison for the Group's sales volume in the second half of last year. Nevertheless, the Group will continue to improve its product mix. In addition to focusing on boosting the sales of LED backlight LCD TVs, the Group will seize the opportunity of being an exclusive partner of CCTV's first 3D TV channel to capitalize on the booming 3D TV market, which will thus offset the negative impact of the slowing growth of the macro economy and TV industry. The Group will also leverage "innovation of full-scale cloud technology, integration of full-scale cloud resources, orientation of full-scale cloud market and synergy of full-scale cloud industry" as a driving force to support the theme of a full range of cloud products, which includes six series of 3D smart "cloud" TVs. In addition, the Group will focus on four major core areas – product, price, place and promotion to carry out its "full cloud strategies" in the future and to build up core competitive advantages in the cloud age. On the other hand, the Group is dedicated to expanding its sales network. It not only develops partnerships with retail chain stores in the PRC, but also continues to enhance sales network coverage and establish more specialty stores so as to boost the sales volume growth and market share.

In the Overseas Markets, the Group will continue to implement prudent operational strategies. The Group is dedicated to sustaining continuous growth in the Emerging Markets while further enhancing its operational efficiency in the European and North American Markets in order to ensure profit-making in the overall business for the Overseas Markets in the whole year of 2012. The Group will continue to step up its efforts in brand building and marketing in the Overseas Markets, including expanding promotional channels on the internet so as to strengthen its brand influence and awareness. The Group will also speed up the introduction of new products in order to further increase the proportion of the sales of high-end products. In addition, the Group will strengthen the establishment of its sales channels in key overseas markets, increase penetration in the chain store channels in mature markets like Australia and Thailand and continue to enhance its advantages in traditional channels in developing markets such as the Philippines and Vietnam in order to fully explore their market potential.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the AV business, the Group will continue to strengthen its strategic partnership with existing major customers and endeavor to expand its customer base in order to diversify its product and customer base, while continuing to optimize its global supply chain to improve its operational efficiency and further enhance the overall competitiveness. The Group will also increase its R&D efforts and step up investment in its R&D capabilities in software and electro-acoustic technology in order to support the introduction of electro-acoustic products for Smartphones, develop its smart TV-related Sound Bar product business and the market of set top boxes designed for domestic broadcast satellites.

The Group acquired the entire equity interest in TOT (which is mainly engaged in the production of LCD modules) on 18 January 2012, together with the 8.5-generation LCD panel production plant operated by Shenzhen Huaxing Photoelectrics Technology Company Limited, a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (Korea). The synergy effect from the vertically-integrated industry chain will gradually take effect and enhance overall business competitiveness of the Group.

The Group will remain committed to "speed and efficiency", implementing development strategies of achieving "sales volume growth, transformation and sustainable profit growth", strengthening its R&D efforts in product technology as well as further optimizing its product mix to strengthening overall competitiveness, all in an effort to improve the Group's leading position in the global TV market. While laying a solid foundation for long-term consistent development, the Group will also remain devoted to creating better returns for its shareholders.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Significant Investments, Acquisitions and Disposals

The acquisition of the TOT Entities was completed on 18 January 2012. The purchase price was settled by the issue of 246,497,191 new shares of the Company at an issue price of HK\$3.20 per share on the Completion Date. The aggregate fair value of the consideration shares issued is approximately HK\$638,428,000 and a gain on bargain purchase of approximately HK\$143,749,000 was recognized during the period.

On 20 January 2012, the Group entered into a share transfer agreement with Huizhou Techne Corporation (“Huizhou Techne”), a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Huizhou Techne agreed to sell the entire equity interest in Huizhou Keda Precision Parts Co., Ltd., a wholly-owned subsidiary of Huizhou Techne, at a cash consideration of approximately RMB6,848,000 (equivalent to approximately HK\$8,415,000). The transaction was completed on 27 February 2012.

#### Liquidity and Financial Resources

The Group’s principal financial instruments comprise of 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 2012 amounted to HK\$3,242,006,000, of which 0.6% was maintained in Hong Kong dollars, 23.2% in US dollars, 72.5% in Renminbi, 2.6% in Euro and 1.1% was held in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2011 and there was no asset held under finance lease as at 30 June 2012.

As at 30 June 2012, the Group’s gearing ratio was 0% since the Group’s total pledged deposits and cash and bank balances of HK\$4,693,147,000 were higher than the total interest-bearing borrowings of HK\$3,893,021,000. The maturity profile of the borrowings ranged from one to three years.

#### Pledge of Assets

As at 30 June 2012, saved as disclosed in note 12, certain bills receivable and time deposits of the Group amounting to HK\$387,866,000 and HK\$1,047,559,000, respectively, were pledged for certain bills payable amounting to HK\$1,418,576,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Commitments and Contingent Liabilities

As at 30 June 2012, the Group had capital commitments of approximately HK\$80,520,000 (31 December 2011: HK\$9,256,000) and HK\$698,949,000 (31 December 2011: HK\$549,479,000) 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 2011.

### Events After The Reporting Period

On 20 July 2012, TOT, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Coretronic (Suzhou) Co., Ltd. ("Suzhou Coretronic"), pursuant to which TOT agreed to acquire from Suzhou Coretronic its 40% equity interest in the registered capital of Huizhou Coretronic, a 60% owned-subsiary of TOT, for a consideration of approximately RMB13,124,000 (equivalent to approximately HK\$16,142,000).

### 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 emphasizes on 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 28,391 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 performance of individual and the Company. 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 for subscribing a total of 57,144,355 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held on 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 2012, 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	Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests			
LI Dongsheng	30,327,848	2,538,000	482,000	7,171,956	40,519,804	3.069%
BO Lianming	1,807	–	96,920	1,616,057	1,714,784	0.130%
ZHAO Zhongyao	6,854,000	–	192,800	8,198,257	15,245,057	1.155%
YU Guanghui	242,493	–	–	697,663	940,156	0.071%
XU Fang	–	–	108,760	1,282,110	1,390,870	0.105%
Albert Thomas DA ROSA, Junior	–	–	30,000	330,000	360,000	0.027%
HUANG Xubin	–	–	60,560	1,092,529	1,153,089	0.087%
TANG Guiliang	–	–	30,000	330,000	360,000	0.027%
Robert Maarten WESTERHOF	–	–	30,000	330,000	360,000	0.027%
WU Shihong	–	–	30,000	330,000	360,000	0.027%

## 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

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
	Personal interests	Family interests			
LI Dongsheng	475,904,300	–	–	475,904,300	5.615%
BO Lianming	802,340	–	6,871,400	7,673,740	0.091%
ZHAO Zhongyao	3,557,478	–	3,077,800	6,635,278	0.078%
YU Guanghui	–	–	1,026,000	1,026,000	0.012%
XU Fang	–	40,000	3,383,400	3,423,400	0.040%
HUANG Xubin	–	–	4,833,400	4,833,400	0.057%

#### (C) Interests in Associated Corporation of the Company – Long Positions

##### TCL Communication

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Communication
	Personal interests	Family interests			
LI Dongsheng	34,102,756	1,920,000	12,416,165	48,438,921	4.293%
BO Lianming	65,700	–	3,388,987	3,454,687	0.306%
ZHAO Zhongyao	443,000	–	–	443,000	0.039%
YU Guanghui	740	–	–	740	0.0001%
XU Fang	–	–	2,511,467	2,511,467	0.223%
HUANG Xubin	–	–	2,767,906	2,767,906	0.245%

## OTHER INFORMATION

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

## (D) Interests in Associated Corporation of the Company – Long Positions

## Huizhou Techne

Name of Director	Number of ordinary shares held		Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Huizhou Techne
	Personal interests	Family interests			
ZHAO Zhongyao	12,443,000	–	–	12,443,000	5.410%
WU Shihong	802,700	–	–	802,700	0.349%

## Notes:

1. The shares are restricted shares granted to the relevant directors under the Award Scheme of the Company and were not vested as at 30 June 2012.
2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.
3. TCL Communication Technology Holdings Limited ("TCL Communication") is a subsidiary of TCL Corporation.
4. Huizhou Techne is a subsidiary of TCL Corporation.

Save as disclosed above, as at 30 June 2012, 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.

## OTHER INFORMATION

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

As at 30 June 2012, 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	816,094,475 (Note)	61.81%

Note:

TCL Corporation was deemed to be interested in 569,597,284 shares held by T.C.L. Industries, its direct wholly-owned subsidiary, for the purpose of the SFO. On 6 July 2012, TCL Corporation transferred 246,497,191 shares to T.C.L. Industries and the total number of shares held by T.C.L. Industries became 816,094,475 shares.

Save as disclosed above, as at 30 June 2012, 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 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2012				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	6.30	Note 1	6.00	N/A
	1,395,754	-	-	-	1,395,754	25-Aug-08	2.45	Note 2	2.33	N/A
	3,977,200	-	-	-	3,977,200	5-Jul-11	3.17	Note 4	3.17	N/A
	7,171,956	-	-	-	7,171,956					
BO Lianming	182,003	-	-	-	182,003	4-Jul-07	6.30	Note 1	6.00	N/A
	158,354	-	-	-	158,354	25-Aug-08	2.45	Note 2	2.33	N/A
	1,275,700	-	-	-	1,275,700	5-Jul-11	3.17	Note 4	3.17	N/A
	1,616,057	-	-	-	1,616,057					
ZHAO Zhongyao	130,003	-	-	-	130,003	4-Jul-07	6.30	Note 1	6.00	N/A
	158,354	-	-	-	158,354	25-Aug-08	2.45	Note 2	2.33	N/A
	2,341,800	-	-	-	2,341,800	8-Nov-10	3.60	Note 3	3.60	N/A
	5,568,100	-	-	-	5,568,100	5-Jul-11	3.17	Note 4	3.17	N/A
8,198,257	-	-	-	8,198,257						
YU Guanghui	338,452	-	-	-	338,452	4-Jul-07	6.30	Note 1	6.00	N/A
	359,211	-	-	-	359,211	25-Aug-08	2.45	Note 2	2.33	N/A
	697,663	-	-	-	697,663					
XU Fang	23,600	-	-	-	23,600	4-Jul-07	6.30	Note 1	6.00	N/A
	123,610	-	-	-	123,610	25-Aug-08	2.45	Note 2	2.33	N/A
	183,000	-	-	-	183,000	8-Nov-10	3.60	Note 3	3.60	N/A
	951,900	-	-	-	951,900	5-Jul-11	3.17	Note 4	3.17	N/A
	1,282,110	-	-	-	1,282,110					
18,966,043	-	-	-	18,966,043						

## OTHER INFORMATION

### SHARE OPTIONS SCHEMES (continued)

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 2012	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2012				At grant date HK\$	At exercise date HK\$
<i>Non-Executive directors</i>										
Albert Thomas DA ROSA, Junior	30,000 300,000	- -	- -	- -	30,000 300,000	25-Aug-08 5-Jul-11	2.45 3.17	Note 2 Note 4	2.33 3.17	N/A N/A
	330,000	-	-	-	330,000					
HUANG Xubin	72,249 222,980 797,300	- - -	- - -	- - -	72,249 222,980 797,300	4-Jul-07 25-Aug-08 5-Jul-11	6.30 2.45 3.17	Note 1 Note 2 Note 4	6.00 2.33 3.17	N/A N/A N/A
	1,092,529	-	-	-	1,092,529					
TANG Guliang	30,000 300,000	- -	- -	- -	30,000 300,000	25-Aug-08 5-Jul-11	2.45 3.17	Note 2 Note 4	2.33 3.17	N/A N/A
	330,000	-	-	-	330,000					
Robert Maarten WESTERHOF	30,000 300,000	- -	- -	- -	30,000 300,000	25-Aug-08 5-Jul-11	2.45 3.17	Note 2 Note 4	2.33 3.17	N/A N/A
	330,000	-	-	-	330,000					
WU Shihong	30,000 300,000	- -	- -	- -	30,000 300,000	25-Aug-08 5-Jul-11	2.45 3.17	Note 2 Note 4	2.33 3.17	N/A N/A
	330,000	-	-	-	330,000					
	2,412,529	-	-	-	2,412,529					
<b>Other employees and those who have contributed or may contribute to the Group</b>	7,192,865 8,435,373 530,600 21,549,300	- - - -	- (1,521,422) - -	(305,109) (115,824) - -	6,887,756 6,798,127 530,600 21,549,300	4-Jul-07 25-Aug-08 8-Nov-10 5-Jul-11	6.30 2.45 3.60 3.17	Note 1 Note 2 Note 3 Note 4	6.00 2.33 3.60 3.17	N/A 4.28 N/A N/A
	37,708,138	-	(1,521,422)	(420,933)	35,765,783					
	59,086,710	-	(1,521,422)	(420,933)	57,144,355					

*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

### SHARE OPTIONS SCHEMES (continued)

*Note 4* One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

### PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the six months ended 30 June 2012.

### INTERIM DIVIDEND

The Board is pleased to declare an interim dividend for the period ended 30 June 2012, of HK10.00 cents (30 June 2011: Nil) in cash per share.

The said interim dividend will be payable on or about 14 September 2012, Friday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 31 August 2012, Friday.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 August 2012, Thursday to 31 August 2012, Friday (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the interim dividend. No transfer of shares may be registered during the said period. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 29 August 2012, Wednesday.

### 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 2012, complied with the code provisions (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") except for the deviation from Code Provisions D.1.4 and F.1.1. The reasons for the deviation are set out below.

Code Provision D.1.4 stipulates that all directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company has no formal letters of appointment for all directors as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

## OTHER INFORMATION

### CORPORATE GOVERNANCE (continued)

Code Provision F.1.1 stipulates that the company secretary should be an employee of the Company and have knowledge of the Company's day-to-day affairs. The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since November 1999. The Company has also assigned Mr. Sin Man Lung, financial controller of the Company as the contact person with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned. Given the long-term relationship between Ms. Pang and the Group, Ms. Pang is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

### AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30 June 2012, 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 2012, they have complied with the required standards set out in the Model Code and the Company's model code of conduct regarding directors' securities transactions.

On behalf of the Board

**LI Dongsheng**

*Chairman*

Hong Kong, 9 August 2012

*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 Shieh-chang Carter as independent non-executive directors.*