

## Interim Results

The board of directors of TCL International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004 with comparative figures for the previous year as follows:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	6 months ended 30 June 2004 (unaudited) HK\$'000	6 months ended 30 June 2003 (unaudited) HK\$'000	3 months ended 30 June 2004 (unaudited) HK\$'000	3 months ended 30 June 2003 (unaudited) HK\$'000
TURNOVER	2	<b>7,844,614</b>	6,247,682	<b>3,819,039</b>	2,770,741
Cost of sales		<b>(6,434,288)</b>	(5,244,230)	<b>(3,193,543)</b>	(2,323,878)
Gross profit		<b>1,410,326</b>	1,003,452	<b>625,496</b>	446,863
Other revenue and gains		<b>70,185</b>	59,633	<b>47,050</b>	39,690
Selling and distribution costs		<b>(782,305)</b>	(592,386)	<b>(369,526)</b>	(268,434)
Administrative expenses		<b>(316,278)</b>	(266,319)	<b>(157,231)</b>	(127,551)
Other operating expenses		<b>(25,635)</b>	(30,175)	<b>(15,915)</b>	(18,575)
Loss on disposal of a subsidiary		<b>(2,075)</b>	—	<b>(2,075)</b>	—
PROFIT FROM OPERATING ACTIVITIES	2	<b>354,218</b>	174,205	<b>127,799</b>	71,993
Finance costs		<b>(7,936)</b>	(17,399)	<b>(4,601)</b>	(9,157)
Share of profits and losses of jointly-controlled entities	3	<b>141,537</b>	194,816	<b>48,270</b>	82,409
Amortisation of goodwill on acquisition of jointly-controlled entities		<b>(39,216)</b>	(39,216)	<b>(19,608)</b>	(19,608)
PROFIT BEFORE TAX		<b>448,603</b>	312,406	<b>151,860</b>	125,637
Tax	5	<b>(68,442)</b>	(36,577)	<b>(29,183)</b>	(19,880)
PROFIT BEFORE MINORITY INTERESTS		<b>380,161</b>	275,829	<b>122,677</b>	105,757
Minority interests		<b>3,114</b>	(10,460)	<b>7,620</b>	(3,324)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>383,275</b>	265,369	<b>130,297</b>	102,433
DIVIDENDS	6				
Interim		<b>109,511</b>	Nil		
EARNINGS PER SHARE	7				
— Basic		<b>14.08 cents</b>	10.05 cents		
— Diluted		<b>13.56 cents</b>	9.70 cents		

# Interim Results

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2004 (unaudited) HK\$'000	31 December 2003 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>895,147</b>	868,919
Trademarks		<b>25,320</b>	27,744
Goodwill		<b>231,511</b>	244,539
Interests in jointly-controlled entities		<b>1,632,202</b>	1,653,375
Long term investments		<b>1,682</b>	1,682
Prepayment for the acquisition of a subsidiary		—	47,815
Deferred tax assets		<b>10,278</b>	8,855
		<b>2,796,140</b>	2,852,929
<b>CURRENT ASSETS</b>			
Inventories		<b>3,114,811</b>	2,441,500
Trade and bills receivables	8	<b>1,783,434</b>	1,941,137
Other receivables		<b>664,225</b>	359,569
Pledged bank deposits		—	5,199
Cash and bank balances		<b>667,390</b>	1,069,562
		<b>6,229,860</b>	5,816,967
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>3,098,189</b>	2,966,659
Tax payable		<b>66,715</b>	53,543
Other payables and accruals		<b>709,310</b>	684,235
Bank borrowings	10	<b>190,957</b>	113,929
		<b>4,065,171</b>	3,818,366
<b>NET CURRENT ASSETS</b>			
		<b>2,164,689</b>	1,998,601
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>4,960,829</b>	4,851,530
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	10	<b>235,294</b>	282,353
Convertible notes		<b>256,000</b>	347,000
Deferred tax liabilities		<b>1,847</b>	1,847
		<b>493,141</b>	631,200
<b>MINORITY INTERESTS</b>			
		<b>122,982</b>	100,079
		<b>4,344,706</b>	4,120,251
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	<b>273,773</b>	268,133
Reserves	12	<b>4,070,933</b>	3,852,118
		<b>4,344,706</b>	4,120,251

## Interim Results

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
1 January — Total equity	<b>4,120,251</b>	3,558,008
Net gains not recognised in the profit and loss account:		
Exchange differences on translation of the financial statements of foreign entities	<b>(6,509)</b>	4,261
Net profit for the period	<b>383,275</b>	265,369
Dividend	<b>(273,544)</b>	(185,483)
Issue of shares, including share premium	<b>121,233</b>	19,550
Write off of exchange reserve	<b>—</b>	145
30 June — Total equity	<b>4,344,706</b>	3,661,850

## Interim Results

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Net cash outflow from operating activities	(199,848)	(393,725)
Net cash inflow from investing activities	15,008	145,192
Net cash outflow from financing activities	(213,341)	(163,600)
<b>Decrease in cash and cash equivalents</b>	<b>(398,181)</b>	<b>(412,133)</b>
Cash and cash equivalents at beginning of period	1,069,562	1,093,187
Effect of foreign exchange rate changes, net	(3,991)	686
<b>Cash and cash equivalents at end of period</b>	<b>667,390</b>	<b>681,740</b>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	667,390	681,740

# Interim Results

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Preparation and Principal Accounting Policies

The interim financial report is unaudited, but has been reviewed by the Audit Committee.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. They have been prepared under the historical cost convention.

The accounting policies used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2003.

### 2. Segment Information

An analysis of the Group's turnover and profit from operating activities by principal activities for the six months ended 30 June 2004 is as follows:

	Turnover		Profit from operating activities	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Television	<b>6,116,098</b>	5,179,358	<b>356,558</b>	211,418
Computers	<b>966,242</b>	728,320	<b>24,567</b>	12,864
Other audio-visual products	<b>530,682</b>	159,354	<b>14,404</b>	(7,791)
Others	<b>231,592</b>	180,650	<b>(3,800)</b>	(16,364)
	<b>7,844,614</b>	<b>6,247,682</b>	<b>391,729</b>	200,127
Interest Income			<b>4,773</b>	7,175
Amortisation of goodwill			<b>(17,096)</b>	(16,705)
Corporate expenses			<b>(23,113)</b>	(16,392)
Loss on disposal of a subsidiary			<b>(2,075)</b>	—
			<b>354,218</b>	174,205

### 3. Share of Profits and Losses of Jointly-controlled Entities

More than 90% of the Group's share of results of its jointly-controlled entities was derived from Huizhou TCL Mobile Communication Co., Ltd ("TCL Mobile") and its subsidiaries (together "TCL Mobile Group"), which are engaged in the manufacture and sale of mobile phones.



# Interim Results

### 3. Share of Profits and Losses of Jointly-controlled Entities (Continued)

On 6 April 2004, TCL Communication Technology Holdings Limited ("TCL Communication"), the holding company of TCL Mobile, has applied for an advance booking to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the listing of its shares on the main board of the Stock Exchange. It is currently intended that the listing will be effected by way of an introduction. Further details of the proposed listing are set out in the Company's announcement dated 6 April 2004 and 2 August 2004.

The condensed summary of certain additional financial information of TCL Mobile Group is as follows:

Results for the six months ended 30 June 2004:

	<b>6 months ended 30 June 2004 (unaudited) HK\$'000</b>	6 months ended 30 June 2003 (unaudited) HK\$'000 <i>(note iii)</i>	<b>3 months ended 30 June 2004 (unaudited) HK\$'000</b>	3 months ended 30 June 2003 (unaudited) HK\$'000 <i>(note iii)</i>
TURNOVER	<b>3,488,020</b>	4,928,913	<b>1,531,639</b>	2,309,453
Cost of sales	<b>(2,702,952)</b>	(3,891,507)	<b>(1,235,914)</b>	(1,772,097)
Gross profit	<b>785,068</b>	1,037,406	<b>295,725</b>	537,356
Other revenue and gains	<b>32,786</b>	11,523	<b>22,388</b>	4,989
Selling and distribution costs	<b>(329,402)</b>	(439,087)	<b>(127,935)</b>	(244,274)
Research and development costs	<b>(76,320)</b>	(50,606)	<b>(46,099)</b>	(27,351)
Administrative and other operating expenses	<b>(79,967)</b>	(70,850)	<b>(40,654)</b>	(31,602)
PROFIT FROM OPERATING ACTIVITIES	<b>332,165</b>	488,386	<b>103,425</b>	239,118
Finance costs	<b>(2,877)</b>	(9,258)	<b>(1,766)</b>	(4,566)
PROFIT BEFORE TAX	<b>329,288</b>	479,128	<b>101,659</b>	234,552
Tax	<b>(26,962)</b>	(17,926)	<b>(5,465)</b>	(9,438)
NET PROFIT	<b>302,326</b>	461,202	<b>96,194</b>	225,114

# Interim Results

## 3. Share of Profits and Losses of Jointly-controlled Entities (Continued)

Financial position:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
NON-CURRENT ASSETS	<b>285,891</b>	259,598
CURRENT ASSETS		
Inventories ( <i>note i</i> )	<b>946,907</b>	760,965
Trade receivables	<b>63,628</b>	392,021
Bills receivable	<b>1,717,049</b>	1,356,571
Cash and bank balances	<b>669,431</b>	858,454
Other current assets	<b>414,485</b>	610,280
	<b>3,811,500</b>	3,978,291
CURRENT LIABILITIES		
Trust receipt loans	—	13,851
Trade and bills payable	<b>1,061,434</b>	1,340,978
Other payables and accruals	<b>496,291</b>	776,223
Other current liabilities ( <i>note ii</i> )	<b>1,869,760</b>	92,610
	<b>3,427,485</b>	2,223,662
NET CURRENT ASSETS	<b>384,015</b>	1,754,629
	<b>669,906</b>	2,014,227
CAPITAL AND RESERVES		
Paid-up capital	<b>232,215</b>	232,215
Reserves	<b>437,691</b>	1,782,012
	<b>669,906</b>	2,014,227

*Note i:* Included in the inventories are raw materials of HK\$609,905,000 (31 December 2003: HK\$557,109,000), work in progress of HK\$99,337,000 (31 December 2003: HK\$78,868,000) and finished goods of HK\$237,665,000 (31 December 2003: HK\$124,988,000).

*Note ii:* Included in other current liabilities is HK\$1,376,132,000 (31 December 2003: Nil) dividend payable due to existing shareholders of TCL Mobile. It is currently the intention of all the shareholders of TCL Mobile that these dividend will be directly or indirectly re-invested in TCL Communication prior to its listing on the Stock Exchange.

*Note iii:* Certain comparative figures have been reclassified to conform to the current year's presentation.

# Interim Results

## 4. Depreciation and Amortization

During the period, depreciation of HK\$81,744,000 (2003: HK\$69,577,000) was charged to the profit and loss account in respect of the Group's property, plant and equipment; and amortisation of HK\$57,847,000 (2003: HK\$57,369,000) was charged to the profit and loss account in respect of the Group's intangible assets and goodwill arising on consolidation.

## 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Group:		
Current — Hong Kong	<b>20,815</b>	7,270
— Elsewhere	<b>37,469</b>	21,274
Deferred	<b>(1,423)</b>	—
	<b>56,861</b>	28,544
Share of tax attributable to:		
Jointly-controlled entities	<b>11,581</b>	8,033
	<b>68,442</b>	36,577
Total tax charge for the period	<b>68,442</b>	36,577

## 6. Dividends

The directors of the Company ("Directors") recommend the payment of an interim dividend of 4.0 HK cents per share (2003: Nil) to shareholders on the register of members on 22 September 2004.

In addition, subject to, among others, the approval by the shareholders at the extraordinary general meeting to be held on 9 September 2004, the Directors proposed the payment of a special dividend in the form of distribution in specie of shares of TCL Communication (the "Distribution"). For indicative purpose only, on the basis of a total of 2,737,768,993 outstanding issued shares as at 11 August 2004, the latest practicable date for the purpose of approving the Distribution, the Directors expect that 42 shares of TCL Communication be distributed for every 100 shares held by the shareholders. The Company will in due course inform the shareholders of the date for ascertaining the entitlement of shareholders to the Distribution.

## 7. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$383,275,000 (2003: HK\$265,369,000) and the weighted average of 2,721,745,496 (2003: 2,640,504,430) shares in issue during the period.



# Interim Results

## 7. Earnings per Share (Continued)

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$383,275,000 (2003: HK\$265,369,000), adjusted by the reduction of interest expenses of HK\$3,757,000 (2003: HK\$5,250,000) relating to the convertible notes. The weighted average number of shares used in the calculation is 2,721,745,496 (2003: 2,640,504,430) shares in issue during the period, as used in the basic earnings per share calculation; the weighted average of 20,243,451 (2003: 12,673,692) shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period; and the weighted average of 111,622,728 (2003: 136,932,707) shares on the deemed conversion of all convertible notes during the period.

## 8. Trade and Bills Receivables

The majority of the Group's sales in China were made on cash-on-delivery basis and on commercial bills guaranteed by banks with credit period ranging from 30 days to 90 days. For overseas sales, the Group usually requires settlement by letter of credit with tenure ranging from 90 days to 180 days. Sales to certain long term strategic customers were also made on open-account basis with credit term of no more than 90 days. An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Current to 90 days	<b>1,330,229</b>	1,779,018
91 days to 180 days	<b>429,721</b>	130,542
181 days to 365 days	<b>23,190</b>	22,606
Over 365 days	<b>294</b>	8,971
	<b>1,783,434</b>	1,941,137

## 9. Trade and Bills Payables

The aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Current to 90 days	<b>2,884,624</b>	2,211,432
91 days to 180 days	<b>103,688</b>	701,627
181 days to 365 days	<b>101,850</b>	47,095
Over 365 days	<b>8,027</b>	6,505
	<b>3,098,189</b>	2,966,659

## Interim Results

### 10. Bank Borrowings

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Bank loans:		
Secured	—	943
Unsecured	<b>426,251</b>	395,339
	<b>426,251</b>	396,282
Bank loans repayable:		
Within one year	<b>190,957</b>	113,929
In the second year	<b>94,118</b>	94,118
In the third to fifth year, inclusive	<b>141,176</b>	188,235
	<b>426,251</b>	396,282
Portion classified as current liabilities	<b>(190,957)</b>	(113,929)
Long term portion	<b>235,294</b>	282,353

At 31 December 2003, certain bank loans were secured by the Group's bank deposits with a net book value of HK\$472,000.

### 11. Share Capital

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Authorised:		
5,000,000,000 shares of HK\$0.10 each	<b>500,000</b>	500,000
Issued and fully paid:		
2,737,734,993 (31 December 2003: 2,681,328,559) shares of HK\$ 0.10 each	<b>273,773</b>	268,133

## Interim Results

### 11. Share Capital (Continued)

A summary of the movements in the Company's share capital is as follows:

	Number of shares issued	Paid-up nominal value HK\$'000
Issued capital at 1 January 2004	2,681,328,559	268,133
Share options exercised	20,803,938	2,080
Conversion of convertible notes	35,602,496	3,560
	<u>2,737,734,993</u>	<u>273,773</u>
Issued capital at 30 June 2004		

Details of the movements in respect of the share option during the period are set out under the "Share option schemes" section on page 29.

### 12. Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	1,273,754	66,204	492,205	39,550	1,980,405	3,852,118
Issue of shares upon exercise of share options	28,153	—	—	—	—	28,153
Issue of shares upon conversion of convertible notes	87,440	—	—	—	—	87,440
Exchange realignments	—	—	—	(6,509)	—	(6,509)
Released on disposal	—	—	(199)	—	199	—
Net profit for the period	—	—	—	—	383,275	383,275
Final 2003 dividend	—	—	—	—	(273,544)	(273,544)
	<u>1,389,347</u>	<u>66,204</u>	<u>492,006</u>	<u>33,041</u>	<u>2,090,335</u>	<u>4,070,933</u>
At 30 June 2004						

## Interim Results

### 13. Capital Commitments

The Group had the following commitments at the balance sheet date:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Contracted, but not provided for	<b>146,634</b>	187,436

In addition, the Group's share of capital commitments of jointly-controlled entities not included in the above is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Contracted, but not provided for	<b>7</b>	4,418

### 14. Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities not provided for in the financial statements in respect of:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Bills discounted with recourse	<b>562,605</b>	64,882

In addition, the Group's share of contingent liabilities of jointly-controlled entities not included above is as follows:

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Bills discounted with recourse	<b>277,132</b>	—

## Interim Results

### 15. Related Party Transactions

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

	Notes	Six months ended 30 June	
		2004 (unaudited) HK\$'000	2003 (unaudited) HK\$'000
Jointly-controlled entities:			
Sales of raw materials	(i)	<b>672,881</b>	605,663
Purchase of finished goods	(ii)	<b>641,692</b>	610,350
Sales commission income	(iii)	—	522
Minority shareholder of a subsidiary:			
Sales of finished goods	(iv)	<b>27,318</b>	12,201
Companies controlled by the ultimate holding company:			
Sales of raw materials	(i)	<b>11,208</b>	8,274
Purchase of raw materials	(ii)	<b>279,808</b>	180,356
Purchase of finished goods	(ii)	<b>37,776</b>	21,279
Sales handling fee income	(v)	<b>667</b>	4,381
Subcontracting fee expense	(vi)	<b>8,216</b>	—
Contract fee expense	(vii)	<b>15,684</b>	15,004
Company controlled by a jointly-controlled entity:			
Purchase of raw materials	(ii)	—	34,237

*Notes:*

- (i) The sales of raw materials were made at cost.
- (ii) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers.
- (iii) The sales commission was calculated at 10% of the retail price of the products distributed.
- (iv) The sales of finished goods are carried out by reference to the prevailing market price for comparable transactions.
- (v) The sales handling fee income was calculated at 1.7% of the invoiced sales of products distributed.
- (vi) The subcontracting fees were determined by reference to subcontracting fees charged by third party companies offering similar services.
- (vii) The contract fee was the sum of the followings:
  - (1) A fee equivalent to 8% of net asset value of the contracted operation as at the end of preceding financial year; and
  - (2) Depreciation costs of the contracted operation for this financial period.