

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 2005 with comparative figures for the previous year as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		<b>6 months ended 30 June 2005 (unaudited)</b>	6 months ended 30 June 2004 (unaudited) (Restated)	<b>3 months ended 30 June 2005 (unaudited)</b>	3 months ended 30 June 2004 (unaudited) (Restated)
	Notes	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>REVENUE</b>					
Sale of goods	2	<b>15,615,098</b>	7,844,614	<b>7,688,802</b>	3,819,039
Cost of sales		<b>(13,026,152)</b>	(6,434,288)	<b>(6,451,834)</b>	(3,193,543)
Gross profit		<b>2,588,946</b>	1,410,326	<b>1,236,968</b>	625,496
Other income and gains		<b>90,854</b>	70,185	<b>46,341</b>	47,050
Selling and distribution costs		<b>(1,885,021)</b>	(782,305)	<b>(832,591)</b>	(369,526)
Administrative expenses		<b>(555,276)</b>	(282,944)	<b>(295,844)</b>	(142,224)
Research and development costs		<b>(228,211)</b>	(35,541)	<b>(125,957)</b>	(17,214)
Other expenses		<b>(35,926)</b>	(25,635)	<b>(28,485)</b>	(15,915)
Loss on disposal of a subsidiary		—	(2,075)	—	(2,075)
Change in fair value of financial assets		<b>(11,336)</b>	—	<b>(8,813)</b>	—
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>					
Finance costs	3	<b>(67,082)</b>	(7,936)	<b>(47,640)</b>	(4,601)
Share of profits and losses of jointly-controlled entities		<b>1,623</b>	129,956	<b>552</b>	45,595
Amortisation of goodwill on acquisition of a jointly-controlled entity		—	(39,216)	—	(19,608)
<b>PROFIT/(LOSS) BEFORE TAX</b>					
Tax	5	<b>(56,262)</b>	(56,861)	<b>(15,800)</b>	(26,508)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>					
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		<b>(95,627)</b>	381,068	<b>(47,614)</b>	128,090
Minority interests		<b>(62,064)</b>	(3,114)	<b>(23,655)</b>	(7,620)
		<b>(157,691)</b>	377,954	<b>(71,269)</b>	120,470
<b>INTERIM DIVIDEND</b>					
	6	<b>Nil</b>	109,511		
<b>EARNINGS/(LOSS) PER SHARE</b>					
Basic	7	<b>(3.47 cents)</b>	14.00 cents		
Diluted		<b>(3.51 cents)</b>	13.49 cents		

## Interim Results

### CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2005 (unaudited)</b>	31 December 2004 (audited) (Restated)
	Note	<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>2,642,889</b>	2,376,800
Prepaid land lease payments		<b>97,042</b>	71,604
Trademarks		<b>23,678</b>	26,506
Goodwill:			
Goodwill		<b>206,639</b>	206,639
Negative goodwill		—	(559,532)
Interests in jointly-controlled entities		<b>148,017</b>	146,375
Available-for-sale investments		<b>18,891</b>	42,301
Long term receivables		<b>258,773</b>	283,814
Prepaid royalty		<b>556,213</b>	620,368
Deferred tax assets		<b>19,725</b>	18,583
<b>Total non-current assets</b>		<b>3,971,867</b>	3,233,458
<b>CURRENT ASSETS</b>			
Inventories		<b>3,860,090</b>	4,565,500
Trade and bills receivables	8	<b>4,888,693</b>	5,812,543
Other receivables		<b>1,407,922</b>	1,318,452
Tax recoverable		<b>22,252</b>	11,266
Financial assets at fair value through profit or loss		<b>67,597</b>	168,460
Cash and bank balances		<b>1,653,575</b>	1,833,272
<b>Total current assets</b>		<b>11,900,129</b>	13,709,493

		<b>30 June 2005 (unaudited)</b>	31 December 2004 (audited) (Restated)
	Notes	<b>HK\$'000</b>	HK\$'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>5,837,984</b>	6,649,213
Tax payable		<b>105,720</b>	110,838
Other payables and accruals		<b>1,313,534</b>	1,656,962
Provisions		<b>172,309</b>	239,877
Bank borrowings	10	<b>797,564</b>	570,119
Due to a minority shareholder	11	<b>607,110</b>	430,748
Due to the ultimate holding company	12	<b>397,910</b>	246,965
Convertible notes		<b>256,000</b>	256,000
<b>Total current liabilities</b>		<b>9,488,131</b>	10,160,722
<b>NET CURRENT ASSETS</b>		<b>2,411,998</b>	3,548,771
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,383,865</b>	6,782,229
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	10	<b>1,512,205</b>	1,622,134
Due to a minority shareholder	11	<b>55,192</b>	603,048
Deferred tax liabilities		<b>27,148</b>	33,989
Pensions and other post-employment benefits		<b>116,333</b>	130,050
<b>Total non-current liabilities</b>		<b>1,710,878</b>	2,389,221
		<b>4,672,987</b>	4,393,008
<b>CAPITAL AND RESERVES</b>			
Equity attributable to equity holders of the Company:			
Issued capital	13	<b>275,877</b>	275,796
Reserves		<b>2,981,705</b>	2,584,784
Proposed final dividend		<b>110,346</b>	110,346
		<b>3,367,928</b>	2,970,926
Minority interests		<b>1,305,059</b>	1,422,082
		<b>4,672,987</b>	4,393,008

# Interim Results

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital HK\$ '000	Share premium account HK\$ '000	Capital reserve HK\$ '000	Reserve funds HK\$ '000	Employee share-based compensation reserve HK\$ '000	Exchange fluctuation reserve HK\$ '000	Retained profits HK\$ '000	Proposed final dividend HK\$ '000	Minority interests HK\$ '000	Total HK\$ '000
At 1 January 2004	268,133	1,273,754	66,204	492,205	—	39,550	1,708,405	272,000	100,079	4,220,330
Prior period adjustment:										
HKFRS 2 — Employee share option benefits	—	—	—	—	4,044	—	(4,044)	—	—	—
As restated	268,133	1,273,754	66,204	492,205	4,044	39,550	1,704,361	272,000	100,079	4,220,330
Issue of shares upon exercise of share options	2,080	28,153	—	—	—	—	—	—	—	30,233
Issue of shares upon conversion of convertible notes	3,560	87,440	—	—	—	—	—	—	—	91,000
Employee share option benefits	—	—	—	—	2,207	—	—	—	—	2,207
Exchange realignment	—	—	—	—	—	(6,509)	—	—	24	(6,485)
Profit for the period (as restated)	—	—	—	—	—	—	381,068	—	(3,114)	377,954
Final 2003 dividend	—	—	—	—	—	—	(1,544)	(272,000)	—	(273,544)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(943)	(943)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	31,969	31,969
Disposal of a subsidiary	—	—	—	(198)	—	—	198	—	(5,033)	(5,033)
At 30 June 2004 (as restated)	273,773	1,389,347	66,204	492,007	6,251	33,041	2,084,083	—	122,982	4,467,688
At 1 January 2005	275,796	37,730	59,099	487,712	—	99,399	1,860,794	110,346	1,422,082	4,352,958
Prior period and opening adjustments:										
HKFRS 2 — Employee share option benefits	—	—	—	—	8,457	—	(8,457)	—	—	—
HKAS 39 — Financial instruments	—	—	—	—	—	—	40,050	—	—	40,050
HKFRS 3 — Derecognition of negative goodwill	—	—	—	—	—	—	559,532	—	—	559,532
As restated	275,796	37,730	59,099	487,712	8,457	99,399	2,451,919	110,346	1,422,082	4,952,540
Issue of shares upon exercise of share options	81	723	—	—	—	—	—	—	—	804
Employee share option benefits	—	—	—	—	5,662	—	—	—	—	5,662
Exchange realignment	—	—	—	—	—	(73,369)	—	—	(36,156)	(109,525)
Loss for the period	—	—	—	—	—	—	(95,627)	—	(62,064)	(157,691)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(18,803)	(18,803)
At 30 June 2005	275,877	38,453	59,099	487,712	14,119	26,030	2,356,292	110,346	1,305,059	4,672,987

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>297,536</b>	(199,848)
Net cash inflow/(outflow) from investing activities	<b>(464,368)</b>	15,008
Net cash outflow from financing activities	<b>(58,461)</b>	(213,341)
<b>Net decrease in cash and cash equivalents</b>	<b>(225,293)</b>	(398,181)
Cash and cash equivalents at beginning of period	<b>1,833,272</b>	1,069,562
Effect of foreign exchange rate changes, net	<b>45,596</b>	(3,991)
<b>Cash and cash equivalents at end of period</b>	<b>1,653,575</b>	667,390
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	<b>1,653,575</b>	667,390

# Interim Results

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Principal Accounting Policies

The Directors are responsible for the preparation of the Group's unaudited interim financial statements. These financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 accounting policies and the basis of preparation adopted in the preparation of these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2004, except for those mentioned below.

The HKICPA has issued a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively the "new HKFRSs") which are effective for the accounting periods beginning on or after 1 January 2005. In the period under review, the Group has adopted, for the first time these new HKFRSs.

The adoption of these new HKFRSs has resulted in the following major changes to the Group's accounting policies that have affected the amount reported or disclosures for the current and prior year.

#### ***HKAS 1 — Presentation of Financial Statements***

HKAS 1 affects the presentation in the condensed consolidated balance sheet and condensed consolidated income statement in respect of:

- (1) Minority interests: profit and loss attributable to minority interests is disclosed as an allocation of profit and loss for the period. Minority interests are now included in the equity section of the balance sheet.
- (2) Share of results of jointly-controlled entities: share of profits and losses of jointly-controlled entities is disclosed net of tax of the jointly controlled entities.

#### ***HKAS 17 — Leases***

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

## 1. Principal Accounting Policies (Continued)

### **HKAS 32 — Financial Instruments: Disclosure and Presentation**

### **HKAS 39 — Financial Instruments: Recognition and Measurement**

#### (1) *Equity securities*

In prior periods, the Group classified its investments in equity securities as either long term or short term investments. Long term investments held for non-trading purposes were stated at cost less any impairment losses. Short term investment held for trading purposes are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

Upon the adoption of HKAS 32 and 39, long term investments are classified as available-for-sale investments. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. Short term investments such as listed securities and mutual funds held for trading purposes are classified as financial assets at fair value through profit or loss with changes in fair value recognized in the income statement.

#### (2) *Call option*

An option (the "Call Option") was granted to the Company by Thomson S.A. ("Thomson") to purchase from Thomson an aggregate of no less than 2.5 million shares of Thomson at a prescribed exercise price, pursuant to a call option agreement dated 30 July 2004 entered into by the Company and Thomson. The arrangement formed part of the combination deal (the "Combination") under which the respective TV businesses and assets of the Group and Thomson were combined and managed together. Details of the Call Option have been set out in the circular of the Company dated 31 May 2004.

The adoption of HKAS 32 & 39 has resulted in retrospective recognition of the fair value of the Call Option at the date of grant and subsequent changes in its fair value in the income statement. Negative goodwill arising from the Combination and the opening balance of retained profits as at 1 January 2005 have been adjusted accordingly.

#### (3) *Discounted bills with recourse*

The Group's discounted bills with recourse, which were previously disclosed as contingent liabilities, have been accounted for as collateralized bank advances prospectively on or after 1 January 2005, as the financial assets derecognition conditions as stated in HKAS 39 have not been fulfilled.

# Interim Results

## 1. Principal Accounting Policies (Continued)

### ***HKFRS 3 — Business Combinations***

### ***HKAS 36 — Impairment of assets***

### ***HKAS 38 — Intangible Assets***

The adoption of HKFRS 3 and HKAS 38 has resulted in a change in the accounting policy for goodwill and trademarks. Prior to 1 January 2005, goodwill and trademarks were amortised over useful life of 10 years and negative goodwill was amortised over the remaining weighted average useful life of the non-monetary assets acquired.

In accordance with the new provisions:

- The Group ceased amortization of goodwill and trademarks from 1 January 2005.
- Accumulated amortization as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill and trademarks.
- The carrying amount of previously recognized negative goodwill has been derecognized as at 1 January 2005 with a corresponding adjustment to the opening balance of retained profits.
- The Group will continue to review goodwill and trademarks for impairment annually or where there are indications of possible impairment.

### ***HKFRS 2 — Share-based Payment***

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share options granted after 7 November 2002 and to be vested after 1 January 2005. Prior to 1 January 2005, the Group did not account for the grant of share options as expenses. Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. Such cost is recognized, together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the awards.



**1. Principal Accounting Policies (Continued)**

The effect of changes in accounting policies on the condensed consolidated income statement are as follows:

	Effect of adopting			Total effect of adoption HK\$'000
	HKFRS 2 HK\$'000	HKFRS 3, HKAS 36 & HKAS 38 HK\$'000	HKAS 32 & HKAS 39 HK\$'000	
<b>For the six months ended 30 June 2005</b>				
Change in fair value of and exchange loss on the Call Option	—	—	(6,677)	(6,677)
Decrease in amortization of trademark with indefinite useful life	—	1,083	—	1,083
Increase in staff costs and related expenses	(5,662)	—	—	(5,662)
Total increase/(decrease) in profit attributable to equity holders of the Company	(5,662)	1,083	(6,677)	(11,256)
(Increase)/decrease in basic loss per share ( <i>HK cents</i> )	(0.21)	0.04	(0.24)	(0.41)
<b>For the six months ended 30 June 2004</b>				
Increase in staff costs and related expenses	(2,206)	—	—	(2,206)
Decrease in profit attributable to equity holders of the Company	(2,206)	—	—	(2,206)
Decrease in basic earnings per share ( <i>HK cents</i> )	(0.08)	—	—	(0.08)

## Interim Results

### 2. Segment Information

An analysis of the Group's turnover and profit/(loss) from operating activities by principal activities for the six months ended 30 June 2005 is as follows:

	Turnover		Profit/(loss) from operating activities	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited) (Restated) HK\$'000
Television	13,444,365	6,116,098	(31,051)	354,351
Computers	971,315	966,242	36,541	24,567
Other audio-visual products	936,243	530,682	23,038	14,404
Others	263,175	231,592	(13,464)	(3,800)
	<b>15,615,098</b>	<b>7,844,614</b>	<b>15,064</b>	<b>389,522</b>
Interest income			14,184	4,773
Amortisation of goodwill			—	(17,096)
Corporate expenses			(53,882)	(23,113)
Loss on disposal of a subsidiary			—	(2,075)
Change in fair value of financial assets			(11,336)	—
			<b>(35,970)</b>	<b>352,011</b>

### 3. Finance Costs

	Six months ended	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Interest on:		
Bank loans and facilities	35,216	4,179
Convertible notes	3,840	3,757
Loan from a minority shareholder	10,109	—
Loan from the ultimate holding company	12,648	—
	<b>61,813</b>	<b>7,936</b>
Charges on discounted bills and factoring costs	5,269	—
	<b>67,082</b>	<b>7,936</b>

#### 4. Depreciation and Amortization

During the period, depreciation of HK\$225,263,000 (2004: HK\$81,744,000) was charged to the income statement in respect of the Group's property, plant and equipment; and HK\$nil (2004: HK\$57,847,000) amortisation was charged to the income statement in respect of the Group's intangible assets and goodwill arising on consolidation upon the adoption of HKFRS 3 and HKAS 38.

#### 5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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:

	Six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
		(Restated)
	HK\$'000	HK\$'000
Current:		
Hong Kong	4,475	20,815
Elsewhere	60,640	37,469
Deferred	(8,853)	(1,423)
	<b>56,262</b>	<b>56,861</b>

#### 6. Interim dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: 4.0 HK cents per share).

## Interim Results

### 7. Earnings/(Loss) per Share

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

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(unaudited)</b>	(unaudited)
		(Restated)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit/(loss) attributable to ordinary equity holders of the parent entity used in basic earnings/(loss) per share calculation	<b>(95,627)</b>	381,068
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	—	3,757
Adjustment to minority interest upon exercise of the Exchange Option <sup>®</sup>	<b>(41,178)</b>	—
<b>Earnings/(loss) for the purposes of diluted earnings/(loss) per share</b>	<b>(136,805)</b>	384,825

	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in basic earnings/(loss) per share calculation	<b>2,758,443,352</b>	2,721,745,496
Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all share options outstanding during the period	—	20,243,451
Assumed issued on deemed conversion of all convertible notes outstanding during the period	—	111,622,728
Assumed issued on deemed exercise of the Exchange Option <sup>®</sup> outstanding during the period	<b>1,144,182,095</b>	—
<b>Weighted average number of ordinary shares used in diluted earnings/(loss) per share calculation</b>	<b>3,902,625,447</b>	2,853,611,675

<sup>®</sup> Pursuant to an exchange option agreement dated 30 July 2004 entered into between the Company and Thomson S. A. ("Thomson"), the Company granted an option (the "Exchange Option") to Thomson, the then minority shareholder of TTE Corporation ("TTE"), a subsidiary of the Company, to exchange all of Thomson's interest in TTE for new shares to be issued by the Company. Subsequent to the balance sheet date, Thomson exercised its Exchange Option and 1,144,182,095 new shares were issued to Thomson on 10 August 2005. Details of the Exchange Option have been set out in the circular of the Company dated 31 May 2004 and the announcement of the Company dated 10 August 2005.

## 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 required settlement by letter of credit with tenure ranging from 90 days to 180 days or on open-account basis with credit term of no more than 90 days. Over 40% of the sales made on open-account basis were covered by credit insurance. 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 2005 (unaudited) HK\$'000</b>	31 December 2004 (audited) HK\$'000
Current to 90 days	<b>4,454,802</b>	5,191,272
91 days to 180 days	<b>275,726</b>	552,555
181 days to 365 days	<b>108,400</b>	65,602
Over 365 days	<b>49,765</b>	3,114
	<b>4,888,693</b>	5,812,543

## 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 2005 (unaudited) HK\$'000</b>	31 December 2004 (audited) HK\$'000
Current to 90 days	<b>5,122,711</b>	6,123,466
91 days to 180 days	<b>656,252</b>	479,123
181 days to 365 days	<b>49,426</b>	15,610
Over 365 days	<b>9,595</b>	31,014
	<b>5,837,984</b>	6,649,213

## Interim Results

### 10. Bank Borrowings

	<b>30 June 2005 (unaudited) HK\$'000</b>	31 December 2004 (audited) HK\$'000
Bank loans, unsecured	<b>1,983,999</b>	1,986,511
Trust receipt loans, unsecured	<b>318,414</b>	205,742
Advances for discounted bills, secured	<b>7,356</b>	—
	<b>2,309,769</b>	2,192,253
Bank loans repayable:		
Within one year	<b>471,794</b>	364,377
In the second year	<b>94,117</b>	94,118
In the third to fifth year, inclusive	<b>1,418,088</b>	1,528,016
	<b>1,983,999</b>	1,986,511
Trust receipt loans	<b>318,414</b>	205,742
Advances for discounted bills	<b>7,356</b>	—
	<b>2,309,769</b>	2,192,253
Portion classified as current liabilities	<b>(797,564)</b>	(570,119)
Long term portion	<b>1,512,205</b>	1,622,134

### 11. Due to a Minority Shareholder

The loan due to Thomson S.A. bears interest at 2.32% per annum (31 December 2004: 2.36% per annum), being the cost of fund of Thomson S.A., and is secured by the Group's accounts receivable with a carrying value of HK\$662,302,000 (31 December 2004: HK\$1,033,796,000). Such loan amount shall from the first anniversary of the closing of the Combination Agreement (i.e. 30 July 2004), be reduced by 1/12 at the end of each month so that it shall, at the second anniversary of closing, be zero, and the agreement shall then be automatically terminated.

### 12. Due to the Ultimate Holding Company

The amount is unsecured and repayable within one year, and bears interest at 2.8% per annum (31 December 2004: 5.022%).

### 13. Share Capital

	<b>30 June 2005 (unaudited) HK\$'000</b>	31 December 2004 (audited) HK\$'000
Authorised:		
5,000,000,000 shares of HK\$0.10 each	<b>500,000</b>	500,000
Issued and fully paid:		
2,758,769,632 (31 December 2004: 2,757,960,632) shares of HK\$0.10 each	<b>275,877</b>	275,796

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

	<b>Number of shares issued</b>	<b>Paid-up nominal value HK\$'000</b>
Issued capital at 1 January 2005	2,757,960,632	275,796
Share options exercised	809,000	81
Issued capital at 30 June 2005	2,758,769,632	275,877

Details of the movements in respect of the share option during the period are set out under the "Share options" section on page 31.

## Interim Results

### 14. Related Party Transactions

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

	<b>Six month ended 30 June</b>	
	<b>2005</b>	2004
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Jointly-controlled entities:		
Sale of raw materials	<b>546,760</b>	672,881
Sale of finished goods	<b>47,854</b>	—
Purchase of finished goods	<b>492,117</b>	641,692
The ultimate holding company and its affiliates:		
Sales of raw materials	<b>228</b>	11,208
Purchases of raw materials	<b>179,871</b>	279,808
Purchase of finished goods	<b>31,799</b>	37,776
Sales handling fee income	—	667
Subcontracting fee expense	<b>6,411</b>	8,216
Interest expense	<b>12,648</b>	—
Thomson S.A. and its affiliates:		
Purchases of raw materials	<b>890,368</b>	—
Purchases of finished goods	<b>759,544</b>	—
Agency fee and cost reimbursement expenses	<b>679,994</b>	—
Styling service fee expense	<b>8,954</b>	—
Shared service fee expense	<b>112,401</b>	—
Interest expense	<b>10,109</b>	—
Royalty expense	<b>8,618</b>	—
Reimbursement of brand advertising costs	<b>8,198</b>	—
Strategic sourcing fee expense	<b>14,560</b>	—



**14. Related Party Transactions (Continued)**

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000	30 June 2005 (unaudited) HK\$'000	31 December 2004 (audited) HK\$'000
Jointly-controlled entities	<b>33,693</b>	35,047	<b>9,696</b>	60,512
The ultimate holding company and its affiliates	<b>148,547</b>	19,633	<b>577,267</b>	492,829
Thomson S.A. and its affiliates	<b>893,383</b>	444,095	<b>1,652,940</b>	2,463,861