GWT

長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code : 0074

2012

Interim Report

CONTENTS

CORPORATE INFORMATION

Company Name in Chinese	:	長城科技股份有限公司
Company Name in English	:	Great Wall Technology Company Limited
Place of Registration	:	No. 2 Keyuan Road Technology & Industry Park Nanshan District Shenzhen, China
Tel	:	(0755) 2672 8686
Fax	:	(0755) 2650 4493
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Lu Ming Tam Man Chi Yang Jun Su Duan Du Heping
Independent Non-executive Directors	:	Yao Xiaocong James Kong Tin Wong Zeng Zhijie
Supervisors	:	Lang Jia Kong Xueping Song Jianhua
Company's Legal Representative	:	Liu Liehong
Company's Secretary	:	Siu Yuchun
Authorized Representative	:	Lu Ming Siu Yuchun
International Auditor	:	SHINEWING (HK) CPA Limited Certified Public Accountants Hong Kong
Domestic Auditor	:	Shinewing CPA
Legal Advisor (as to Hong Kong law)	:	Jones Day
Place of H Shares Listing	:	The Stock Exchange of Hong Kong Limited
Stock Short Name	:	Great Wall Tech
Stock Code	:	0074
H Shares Registrar and Transfer Office	:	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Center 183 Queen's Road East Wanchai, Hong Kong

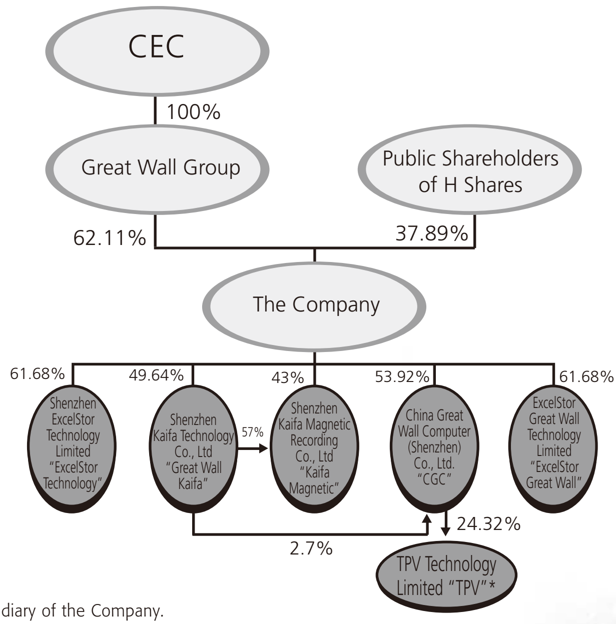
GROUP STRUCTURE

China Great Wall Computer Group Company ("Great Wall Group") was the sole promoter of Great Wall Technology Company Limited (the "Company"). The Company was formally established in Shenzhen, China on 20 March 1998 with a registered capital of RMB743,870,000 and was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 August 1999. Currently, the registered capital of the Company is RMB1,197,742,000. The Company was classified as "Information Technology Stock" in May 2000 by the Hong Kong Hang Seng Index Services Limited.

On 2 August 2005, the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") announced the Notifications on the Restructuring of 6 Enterprises including China Electronics Corporation (《關於中國電子信息產業集團公司等6戶企業重組的通報》), pursuant to which Great Wall Group would be consolidated into China Electronics Corporation ("CEC") for restructuring (the "Restructuring"). The Company was notified by Great Wall Group on 15 September 2006 that the Restructuring has been approved by the State Administration For Industry and Commerce ("SAIC") on 18 August 2006. As a result of the Restructuring, Great Wall Group has become a wholly-owned subsidiary of CEC. CEC has become the ultimate controlling shareholder of the Company through Great Wall Group, which holds 62.11% of the Company. CEC is an enterprise directly administered by SASAC. It is principally engaged in the design and manufacturing of integrated circuits, software and integrated system services and research, development and manufacturing of other communication products.

The business of the Company and its subsidiaries (hereinafter collective referred to as the "Group") covers development, manufacture, sale and research and development of personal computer ("PC") and information terminal products, storage products, power supply products, monitoring terminal, LCD TV products and EMS business.

GROUP STRUCTURE



* TPV is a subsidiary of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	NOTES	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Turnover		42,755,637	46,717,824
Cost of sales		(40,068,121)	(44,131,743)
Gross profit		2,687,516	2,586,081
Other income and gains	4	701,992	456,664
Net realised and unrealised gain on foreign exchange forward contracts		540,861	30,916
Selling and distribution costs		(1,424,794)	(1,153,678)
Administrative expenses		(1,238,138)	(852,457)
Research and development expenses		(822,760)	(448,242)
Finance costs	5	(201,271)	(54,502)
Share of results of associates		34,939	21,149
Share of results of jointly controlled entities		(9,997)	(5,884)
Profit before tax	6	268,348	580,047
Income tax expense	7	(92,297)	(95,216)
Profit for the period		176,051	484,831
Profit for the period attributable to:			
Owners of the Company		20,430	123,730
Non-controlling interests		155,621	361,101
		176,051	484,831
Earnings per share			
– Basic and diluted (RMB per share)	9	1.71 cents	10.33 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	**2011**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	176,051	484,831
Other comprehensive expense		
Change in fair value of available-for-sale investments	730	(11,975)
Share of other comprehensive income (expense) of associates and jointly controlled entities	2,991	(7,563)
Exchange differences arising on translation	(144,764)	(129,508)
Other comprehensive expense for the period	(141,043)	(149,046)
Total comprehensive income for the period	35,008	335,785
Total comprehensive income for the period attributable to:		
Owners of the Company	7,910	70,346
Non-controlling interests	27,098	265,439
	35,008	335,785

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	NOTES	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	6,476,998	5,912,955
Prepaid land lease payments	11	683,710	357,339
Investment properties	12	1,478,869	1,477,954
Intangible assets		1,487,677	349,889
Interests in associates		709,078	653,161
Interests in jointly controlled entities		51,459	61,522
Available-for-sale investments		263,039	263,318
Prepayment, deposits and other receivables		71,272	133,128
Term deposits		110,000	113,025
Pledged deposits		1,011,326	746,750
Derivative financial instruments		74,583	–
Deferred tax assets		354,415	256,734
		12,772,426	10,325,775
Current assets			
Inventories		10,827,890	7,687,545
Trade and bills receivables	13	15,978,400	17,484,408
Prepaid land lease payments	11	18,799	10,548
Prepayments, deposits and other receivables		3,201,347	2,897,849
Financial assets at fair value through profit or loss		46,127	36,892
Tax recoverable		28,888	30,401
Derivative financial instruments		546,883	233,206
Amounts due from fellow subsidiaries		14,680	20,797
Amounts due from associates		20,295	5,700
Term deposits		671,007	1,695,579
Pledged deposits		215,616	1,524,218
Bank balances and cash		7,048,319	3,457,887
		38,618,251	35,085,030

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2012

	NOTES	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	14	16,675,443	14,475,148
Other payables and accruals		7,598,560	5,550,030
Bank and other loans	15	6,570,027	7,902,033
Derivative financial instruments		76,323	168,103
Tax payable		156,563	153,308
Warranty and other provisions	16	688,454	480,691
Amounts due to fellow subsidiaries		1,313	12,778
Amounts due to associates		789	794
		31,767,472	28,742,885
Net current assets		6,850,779	6,342,145
Total assets less current liabilities		19,623,205	16,667,920
Capital and reserves			
Share capital	17	1,197,742	1,197,742
Reserves		3,345,464	3,373,486
Equity attributable to owners of the Company		4,543,206	4,571,228
Non-controlling interests		11,050,050	10,850,036
Total equity		15,593,256	15,421,264
Non-current liabilities			
Bank and other loans	15	1,597,682	492,497
Other payables		1,895,612	288,134
Pension obligations		92,647	37,913
Deferred tax liabilities		375,417	390,646
Government grants		44,933	37,466
Derivative financial instruments		3,023	–
Other provision	16	20,635	–
		4,029,949	1,246,656
		19,623,205	16,667,920

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company												
	Share capital RMB'000	**Share premium** RMB'000	**Merger reserve** RMB'000	**Goodwill reserve** RMB'000	**Asset revaluation reserve** RMB'000	**Available-for-sale investment revaluation reserve** RMB'000	**Statutory reserve** RMB'000 (Note a)	**Translation reserve** RMB'000	**Other reserve** RMB'000 (Note b)	**Retained profits** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2012 (audited)	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,679,723	4,571,228	10,850,036	15,421,264
Profit for the period	–	–	–	–	–	–	–	–	–	20,430	20,430	155,621	176,051
Other comprehensive expense for the period													
Fair value gain on available-for-sale investments	–	–	–	–	–	541	–	–	–	–	541	189	730
Share of other comprehensive income of associates and jointly controlled entities	–	–	–	–	–	–	–	1,089	–	–	1,089	1,902	2,991
Exchange differences arising on translation	–	–	–	–	–	–	–	(14,150)	–	–	(14,150)	(130,614)	(144,764)
Total comprehensive income (expense) for the period	–	–	–	–	–	541	–	(13,061)	–	20,430	7,910	27,098	35,008
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(35,932)	(35,932)	–	(35,932)
Dividends attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(167,448)	(167,448)
Recognition of equity-settled share-based payment of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	8,420	8,420
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	88,813	88,813
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	243,131	243,131
At 30 June 2012 (unaudited)	1,197,742	997,498	272	(28,155)	136,959	5,731	1,032,139	(282,181)	(181,020)	1,664,221	4,543,206	11,050,050	15,593,256

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Goodwill reserve RMB'000	Asset revaluation reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve RMB'000 (Note a)	Translation reserve RMB'000	Other reserve RMB'000 (Note b)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (audited)	1,197,742	997,498	272	(28,155)	127,678	12,757	1,019,655	(149,934)	(181,020)	1,715,170	4,711,663	11,164,962	15,876,625
Profit for the period	–	–	–	–	–	–	–	–	–	123,730	123,730	361,101	484,831
Other comprehensive expense for the period													
Fair value loss on available-for-sale investments	–	–	–	–	–	(4,325)	–	–	–	–	(4,325)	(7,650)	(11,975)
Share of other comprehensive expense of associates and jointly controlled entities	–	–	–	–	–	–	–	(2,716)	–	–	(2,716)	(4,847)	(7,563)
Exchange differences arising on translation	–	–	–	–	–	–	–	(46,343)	–	–	(46,343)	(83,165)	(129,508)
Total comprehensive (expense) income for the period	–	–	–	–	–	(4,325)	–	(49,059)	–	123,730	70,346	265,439	335,785
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(179,661)	(179,661)	–	(179,661)
Dividends attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(314,050)	(314,050)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	58,597	58,597
Recognition of equity-settled share-based payment of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(16,278)	(16,278)
Repurchase of shares of a non-wholly owned subsidiary from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	(609)	(609)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	76,075	76,075
At 30 June 2011 (unaudited)	1,197,742	997,498	272	(28,155)	127,678	8,432	1,019,655	(198,993)	(181,020)	1,659,239	4,602,348	11,234,136	15,836,484

Notes:

(a) In accordance with the relevant People's Republic of China (the "PRC") rules and regulations, subsidiaries established in the PRC are required to set aside 10% of their profit after income tax as recorded in the PRC statutory financial statements as statutory reserves, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make good the subsidiaries' previous years' losses, to expand the subsidiaries' production operations or to increase the capital of the subsidiaries.

(b) Other reserve represents reserve from transactions with non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June	
	2012	**2011**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operations	2,732,888	2,571,687
PRC Enterprise Income Tax and overseas income tax paid	(174,669)	(175,282)
Hong Kong Profits Tax paid	(6,403)	(9,625)
NET CASH FROM OPERATING ACTIVITIES	2,551,816	2,386,780
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	45,195	32,981
Dividends received from associates	17,192	26,845
Purchase of property, plant and equipment	(507,455)	(808,082)
Purchase of intangible assets	(2,748)	(28,333)
Additions to prepaid lease payments	(341,200)	–
Purchases of available-for-sale investments	–	(28,329)
Capital injection to an associate	(22,984)	(40,908)
Net cash inflow (outflow) from the acquisition of subsidiaries	43,699	(48,131)
Dividends received from unlisted available-for-sale-investments	1,970	2,575
Proceeds from disposal of prepaid land lease payments	111,268	–
Proceeds from disposal of financial assets at fair value through profit and loss	492	–
Other investing activities cash flows	2,146,651	(391,961)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,492,080	(1,283,343)
FINANCING ACTIVITIES		
Repayment of bank and other loans	(7,473,835)	(5,340,913)
Contribution from non-controlling interests	243,131	76,075
Dividend paid to non-controlling interests	(167,448)	(314,050)
Interest paid	(139,218)	(54,502)
New bank and other loans raised	6,125,420	5,341,133
Repurchase of shares of a non-wholly owned subsidiary	–	(609)
Inception of loans from non-controlling interest in a subsidiary	1,097,876	–
Net repayment of payables under discounting arrangements	(213,022)	–
Other financing activities cash flows	70,248	(68,320)
NET CASH USED IN FINANCING ACTIVITIES	(456,848)	(361,186)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,587,048	742,251
CASH AND CASH EQUIVALENTS AT 1 JANUARY	3,457,887	2,757,805
Effect of foreign exchange rate changes	3,384	(55,566)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	7,048,319	3,444,490

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a limited liability company incorporated in the PRC and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company is located at No.2 Keyuan Road, Technology and Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the development, manufacture and sale of TVs and computer and related products including hardware and software products.

In the opinion of the directors, the immediate holding of the Company is China Great Wall Computer Group Company ("Great Wall Group"), and the ultimate holding company of the Company is China Electronics Corporation ("CEC") as a result of the restructuring approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 18 August 2006. Both of them are state-owned enterprises established in the PRC.

These condensed consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company while the functional currency of a major subsidiary, TPV Technology Limited ("TPV"), is US dollars ("US$").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle [2]
Amendments to HKFRS 1	Government Loans [2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (as revised in 2011)	Employee Benefits [2]
HKAS 27 (as revised in 2011)	Separate Financial Statements [2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [3]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

The directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information report to chief operating decision maker, for the purposes of resource allocation and performance assessment are as follows:

(a) the TV segment produces televisions;

(b) TP Vision – TV business;

(c) the monitor segment produces monitors;

(d) the electronic parts and components segment produces magnetic heads, switch power supplies, hard disk drives and disk substrates mainly for use in personal computers ("PC");

(e) the computer segment produces PCs, printers, network electric meters, servers and PC peripheral products;

(f) the property investment segment invests in prime office space for its rental income potential; and

(g) the "others" segment comprises, principally, the sales of chassis, spare parts, complete knock down/semi knock down products, the software and system integration and other related businesses.

During the period, one more operating segment, T.P. Vision Holding B.V.'s ("TP Vision") TV business, was identified, as result of acquisition of 70% equity interest of TP Vision on 1 April 2012 (note 18). Given that the newly acquired business is an individual operating segment separately reviewed by the chief operating decision maker from the Group's original TV business, therefore TP Vision's TV business is considered as a separate reportable segment.

The sales of computer monitors and flat TVs are subject to seasonal fluctuations, with peak demand in the third and forth quarters of the year. This is due to seasonal holiday periods.

Information regarding the above segments is reported below.

The following tables present revenue, profit and expenditure information for the Group's reportable segments for the six months ended 30 June 2012 and 2011.

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2012

	TV	TP Vision – TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue									
Sales to external customers	6,293,441	4,546,560	17,673,724	8,689,603	1,405,207	105,855	4,041,247	–	42,755,637
Other income and gains	168,888	122,009	468,857	19,436	14,240	–	91,842	–	885,272
Intersegment sales	2,307,499	–	–	2,944	81,071	6,879	–	(2,398,393)	–
Total	8,769,828	4,668,569	18,142,581	8,711,983	1,500,518	112,734	4,133,089	(2,398,393)	43,640,909
Segment results	19,856	99,072	134,333	12,429	(13,685)	27,967	(35,726)	–	244,246
Unallocated gains									357,581
Corporate and other unallocated expenses									(157,150)
Finance costs									(201,271)
Share of profits and losses of associates and jointly controlled entities									24,942
Profit before tax									268,348

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2011

	TV	TP Vision – TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue									
Sales to external customers	11,578,001	–	19,986,266	9,974,502	1,225,660	94,005	3,859,390	–	46,717,824
Other income and gains	143,601	–	179,510	33,977	7,253	25,467	11,454	–	401,262
Intersegment sales	–	–	–	–	12,521	2,635	–	(15,156)	–
Total	11,721,602	–	20,165,776	10,008,479	1,245,434	122,107	3,870,844	(15,156)	47,119,086
Segment results	(50,797)	–	531,146	94,962	13,691	71,804	13,850	(3,031)	671,625
Unallocated gains									86,318
Corporate and other unallocated expenses									(138,659)
Finance costs									(54,502)
Share of profits and losses of associates and jointly controlled entities									15,265
Profit before tax									580,047

Segment results represent the profit (loss) attributable to each segment without allocation of central administration costs, acquisition-related costs, director's emoluments, bank interests income, finance costs, share of results of associates and jointly controlled entities, change in fair value of financial assets at fair value through profit or loss, gain from a bargain purchase of subsidiaries, dividend income and government grants.

The following table presents segment assets of the Group's operating segments as at 30 June 2012 and 31 December 2011:

Segment assets	TV	TP Vision – TV business	Monitor	Electronic parts and components	Computer	Property investment	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 30 June 2012	9,028,982	7,750,267	15,720,828	3,021,464	1,614,923	1,478,869	1,800,047	10,975,297	51,390,677
At 31 December 2011	11,548,220	–	16,128,699	3,186,129	1,670,407	1,477,954	1,998,754	9,400,642	45,410,805

4. OTHER INCOME AND GAINS

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Gains on exchange difference	–	294,681
Net realised and unrealised gain on derivative financial instruments	46,060	15,963
Bank interest income	124,303	45,832
Government grants	80,632	33,454
Reversal of impairment of trade receivables	31,275	28,671
Brand promotion fee	120,056	–
Compensation for product launch delay	141,981	–
Fair value gain on investment properties	–	25,467
Gain from a bargain purchase of subsidiaries	130,561	3,993
Dividend income from unlisted available-for-sale investments	1,970	2,575
Gain on deemed acquisition of additional interests of an associate	12,129	–
Gain on disposal of property, plant and equipment	–	1,428
Fair value gain on financial assets at fair value through profit or loss	9,644	464
Others	3,381	4,136
	701,992	456,664

5. FINANCE COSTS

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest on bank and other loans, wholly repayable within five years	121,608	54,502
Interest on loans from a non-controlling interest in subsidiaries	17,610	–
Unwinding of interests on license fee payable	62,053	–
	201,271	54,502

No borrowing costs were capitalised during the six months ended 30 June 2012 and 2011.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging (crediting):

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Staff costs, including directors' emoluments	2,051,158	1,554,446
Depreciation of property, plant and equipment	648,210	617,777
Amortisation of prepaid land lease payments (included in administrative expenses)	7,144	4,459
Amortisation of intangible assets (included in cost of sales and administrative expenses)	142,575	46,501
Foreign exchange differences, net	330,727	(294,681)
Charge for warranty and other provisions	543,564	276,225
(Reversal of) allowance for inventories (included in cost of sales)	(22,721)	16,887
Loss on disposal of property, plant and equipment	5,754	–
Acquisition-related costs	24,807	–
Impairment losses on property, plant and equipment	7,443	–
Impairment on trade receivables	14,690	4,049

7. INCOME TAX EXPENSE

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Current tax:		
– Hong Kong Profits Tax	9,431	2,243
– PRC Enterprise Income Tax ("EIT") and overseas income tax	177,217	165,214
	186,648	167,457
Deferred tax	(94,351)	(72,241)
Total tax charge for the period	92,297	95,216

7. INCOME TAX EXPENSE (continued)

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the period.

(b) PRC EIT

The subsidiaries established in the PRC are subject to the PRC EIT at rate of 25%. Certain of the subsidiaries of the Group are approved to be high technology enterprises and income tax is calculated at a rate of 22% of the estimated assessable profit for the year. In accordance with the relevant income tax regulations of the PRC, certain subsidiaries are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation after offsetting prior year tax losses, followed by a 50% reduction in the PRC EIT for the next three years.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on PRC EIT (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the PRC EIT rate of the Group's subsidiaries in the PRC, except for those subsidiaries approved to be high technology enterprise, was increased from 15% to 25% progressively from 1 January 2008 onwards (2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012: 25%). The relevant tax rates for the Group's subsidiaries in the PRC for the six months ended 30 June 2012 are 25% (six months ended 30 June 2011: ranged from 22% to 25%).

(c) Overseas Income Tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

8. DIVIDENDS

During the current interim period, a final dividend of RMB3 cents per share in respect of the year ended 31 December 2011 (2011: RMB15 cents per share in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company on 20 August 2012.

The board of directors of the Company does not recommend the payment of an interim dividend to shareholders in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to owners of the Company of approximately RMB20,430,000 (six months ended 30 June 2011: RMB123,730,000) and on the weighted average number of 1,197,742,000 (six months ended 30 June 2011: 1,197,742,000) ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately RMB507,455,000 (six months ended 30 June 2011: RMB808,082,000). During the six months ended 30 June 2012, no construction in progress and leasehold land and buildings were transferred to investment properties (six months ended 30 June 2011: RMB19,303,000) .

Property, plant and equipment with net book value of approximately RMB50,949,000 were disposed of by the Group during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB33,828,000), resulting in a net loss on disposal of approximately RMB5,754,000 (six months ended 30 June 2011: net gain on disposal of approximately RMB1,428,000).

11. PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2012, the Group had acquired prepaid land lease payments with a cost of approximately RMB341,200,000 (six months ended 30 June 2011: Nil)

12. INVESTMENT PROPERTIES

At 30 June 2012, the fair values of the investment properties were valued by the directors of the Company on an open market basis, which has taken into account the comparable market transactions and the directors of the Company estimated that the carrying amounts did not differ significantly from that which would be determined using fair value. Consequently, no revaluation surplus or deficit has been recognised for the six months ended 30 June 2012.

At 30 June 2011, the fair values of the investment properties were valued by the independent professional qualified valuer. The resulting increase in fair value of investment properties of approximately RMB25,467,000 has been recognised directly in profit or loss for the six months ended 30 June 2011.

13. TRADE AND BILLS RECEIVABLES

The Group's sales are on credit terms from 30 to 120 days and certain of its export sales are on letters of credit or documents against payment. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade and bills receivables, net of impairment presented based on the invoice date.

	30 June 2012 RMB'000 (Unaudited)	**31 December 2011** RMB'000 (Audited)
0 to 90 days	15,273,766	17,058,077
91 to 180 days	465,116	225,514
181 to 365 days	213,069	183,909
Over 365 days	26,449	16,908
	15,978,400	17,484,408

14. TRADE AND BILLS PAYABLES

The average credit period on purchase is 30 to 90 days. An aged analysis of the trade and bills payables presented based on the invoice date.

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
0 to 90 days	14,457,094	14,296,243
91 to 180 days	1,970,879	158,230
181 to 365 days	158,055	3,855
Over 365 days	89,415	16,820
	16,675,443	14,475,148

15. BANK AND OTHER LOANS

During the current interim period, the Group obtained new bank loans and other loans amounting to approximately RMB7,223,296,000 (30 June 2011: RMB5,341,133,000) and repaid the bank loans amounting to approximately RMB7,473,835,000 (30 June 2011: RMB5,340,913,000).

Included in bank and other loans was unsecured RMB denominated note payable with carrying value of RMB491,255,000 (31 December 2011: RMB 492,497,000) which bears an interest rate of 4.25% per annum. The note payable matures three years from the issue date at its principal amount of RMB500,000,000.

Included in bank and other loans were loans from a subsidiary's substantial shareholder with carrying values of approximately RMB1,097,876,000 (31 December 2011: Nil) which bear interest at floating rates.

16. WARRANTY AND OTHER PROVISIONS

	Six months ended 30 June			
	2012	**2012**	**2012**	**2011**
	RMB'000	RMB'000	RMB'000	RMB'000
	Warranty provision	Restructuring provision	Warranty and other provisions total	Warranty provision total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January	480,691	–	480,691	498,000
Additional provision recognised	374,835	168,729	543,564	276,225
Amounts utilised during the year	(305,487)	–	(305,487)	(269,168)
Exchange realignment	(4,550)	(5,129)	(9,679)	(10,908)
At 30 June	545,489	163,600	709,089	494,149

Analysis of warranty and other provisions:	**As at 30 June 2012** (Unaudited)	**As at 31 December 2011** (Audited)
– Non-current liabilities	20,635	–
– Current liabilities	688,454	480,691
Total	709,089	480,691

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily within a period ranging from twelve months to thirty-six months on average. The provision as of 30 June 2012 had been made for expected warranty claims on products sold during the last thirty-six months. It is expected that the majority of this provision will be utilised in the next twelve months, and all will be utilised in the next thirty-six months.

The restructuring provision was provided in relation to employee severance costs in respect of the restructuring of TV business of TP Vision as planned during the six months ended 30 June 2012. It is expected that the restructuring will be completed in more than one year and included in the restructuring provision amount of approximately RMB20,635,000 were classified under non-current liabilities. This restructuring was still in process as at 30 June 2012.

17. SHARE CAPITAL

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Authorised, issued and fully paid:		
743,870,000 state-owned legal person shares of RMB1.00 each	743,870	743,870
453,872,000 overseas listed foreign invested shares of RMB1.00 each	453,872	453,872
	1,197,742	1,197,742

18. BUSINESS COMBINATIONS

For the six months ended 30 June 2012

a. Acquisition of TP Vision

On 1 April 2012, Coöperatie MMD Meridian U.A. ("MMD"), the wholly-owned subsidiary of TPV, a subsidiary of the Company, completed the acquisition of 70% equity in TP Vision and its subsidiaries ("TP Vision Group") from Koninklijke Philips Electronics N.V. ("Philips") pursuant to the Share Purchase Agreement ("SPA") dated 1 November 2011. Philips retains the remaining 30% equity interest in TP Vision, and has the right to sell or transfer, partly or all, of its equity interest of TP Vision to the Group pursuant to the Shareholders' Agreement dated 1 April 2012.

As a result of the acquisition, the Group owns and controls 70% of the Philips' TV business through TP Vision Group, which comprise, amongst other things, innovation and development sites, manufacturing sites, sales organisations in various countries, assumed employees, and certain patents and contracts relating to the designs, manufacturing, distribution, marketing and sale of Philips branded TVs worldwide except for the Mainland China, India, the United States, Canada, Mexico and certain countries in South America.

The TP Vision Group's future operations are expected to leverage on Philips' strengths, especially awareness of its brand and its well-established market share particularly in Europe and South America, and increase the Group's retail market share in the global TV business.

A provisional gain on this bargain purchase of US$20,749,000 (equivalent to approximately RMB130,561,000) has been recognised in the condensed consolidated income statement of the Group, attributable to the recognition of fair market values of net assets acquired at higher values than the contingent consideration payable.

18. BUSINESS COMBINATIONS (Continued)

a. Acquisition of TP Vision (Continued)

Consideration transferred:

	RMB'000
Contingent consideration arrangement (Note)	76,668

Note: The contingent consideration for the 70% equity interest of TP Vision acquired is calculated based on 70% of TP Vision Group's average audited consolidated earnings before interest and taxes ("EBIT"), as defined in the SPA and the supplemental agreements, in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2014 and the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to receive the contingent consideration (the "Last Year"), times a multiple of four. If the above calculation results in a negative number, then the contingent consideration is deemed to be zero.

Based on management's current view, the contingent consideration that the Group may be required to pay to Philips, on an undiscounted basis, is estimated to amount to EUR19,876,000 (equivalent to approximately RMB157,965,000).

The present value of the contingent consideration of approximately RMB76,668,000 is included in the other payables under non-current liabilities in the consolidated statement of financial position as at 30 June 2012.

The Group has recognised the contingent consideration at the fair value which is determined in accordance with the terms as stipulated in the SPA and the supplementary agreements and with reference to the expected post-acquisition performance of the acquired business. Judgement is applied to determine key assumptions (such as growth rate, margins and discount rate) adopted in the estimate of post-acquisition performance of the acquired business. Changes to key assumptions may impact the future payable amount. Contingent consideration shall be re-measured at fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the consolidated income statement in accordance with HKFRS 3 (Revised).

As at the date of the interim financial report, the valuation assessments have not yet been completed and the Group has not finalised the fair value assessments for all the assets acquired and liabilities assumed. On this basis, the relevant fair values of the net assets acquired are stated above on a provisional basis.

18. BUSINESS COMBINATIONS (Continued)

a. Acquisition of TP Vision (Continued)

The provisional fair value of amounts of assets acquired and liabilities assumed recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	741,276
Intangible assets	1,342,600
Inventories	1,157,427
Prepayment, deposits and other receivables – non-current portion	127,032
Prepayments, deposits and other receivables – current portion	553,214
Bank balance and cash	43,699
Other payables and accruals	(3,586,420)
Pension obligations	(82,786)
Provisional fair values of net assets acquired	296,042

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	76,668
Plus: non-controlling interest	88,813
Less: net assets acquired	(296,042)
Gain from a bargain purchase of subsidiaries	(130,561)

The Group's acquired intangible assets mainly represented a 5-year trademark license agreement between TP Vision and Philips, whereby TP Vision Group is granted the rights to use the Philips brand for its products sold and a favorable IT service contract.

The Group recognised TP Vision Group's non-controlling interest at their proportionate share of TP Vision's net assets.

Net cash inflow arising on acquisition:

	RMB'000
Cash consideration paid	–
Less: Cash and cash equivalent acquired	(43,699)
	(43,699)

18. **BUSINESS COMBINATIONS** (Continued)

a. **Acquisition of TP Vision** (Continued)

The acquisition-related costs of approximately RMB24,807,000 have been charged to administrative expenses in the condensed consolidated income statement for the six months ended 30 June 2012.

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB99,072,000 attributable to TP Vision. Revenue for the period includes approximately RMB4,546,560,000 is attributable to TP Vision.

Had the acquisition been completed on 1 January 2012, the gross revenue of the Group for the six months ended 30 June 2012 would have been approximately RMB42,755,637,000 and the profit for the period would have been approximately RMB176,051,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is intended to be a projection of future results.

b. **Acquisition of PI International Holdings and its subsidiaries ("PI International Holdings")**

On 31 March 2011, the Group acquired 51% equity interests in PI International Holdings, from an independent third party, for cash consideration of HK$94,619,000 (equivalent to approximately RMB79,573,000). PI International Holdings is mainly engaged in the development, manufacturing and sale of power supplies for electronic products.

Consideration transferred:

	RMB'000
Cash	79,573

Acquisition-related costs amounting to approximately RMB2,518,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

18. BUSINESS COMBINATIONS (Continued)

b. Acquisition of PI International Holdings and its subsidiaries ("PI International Holdings") (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	34,201
Prepaid land lease payments	3,753
Intangible assets	333
Available-for-sale investments	29,922
Deferred tax assets	1,013
Inventories	119,727
Trade and bills receivables	266,719
Prepayments, deposits and other receivables	4,941
Bank balances and cash	42,119
Trade and bills payables	(175,126)
Other payables and accruals	(104,617)
Tax payable	(362)
Bank loan	(106,444)
Deferred tax liabilities	(925)
	115,254

The receivables acquired (which principally comprised trade receivables) with a fair value of approximately RMB266,719,000 had gross contractual amounts of approximately RMB270,583,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB3,864,000.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,573
Plus: non-controlling interest of PI international Holding's subsidiaries	2,123
non-controlling interest of PI International Holdings	56,474
Less: net assets acquired (100%)	(115,254)
Goodwill arising on acquisition	22,916

18. BUSINESS COMBINATIONS (Continued)

b. Acquisition of PI International Holdings and its subsidiaries ("PI International Holdings") (Continued)

The non-controlling interest (49%) in PI International Holdings recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of PI International Holdings and amounted to approximately RMB56,474,000.

Goodwill arose on the acquisition of PI International Holdings because the acquisition included the sales network of PI International Holdings in the overseas markets, especially in the South East Asia region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	79,573
Less: bank balances and cash acquired	(42,119)
	37,454

Impact of acquisition on the results of the Group

Included in the profit for the interim period is approximately RMB2,978,000 attributable to PI International Holdings. Revenue for the period includes approximately RMB238,407,000 is attributable to PI International Holdings.

Had the acquisition of PI International Holdings been effected on 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been approximately RMB46,994,085,000, and the profit for the period would have been approximately RMB503,940,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had PI International Holdings been acquired on 1 January 2011, the directors of the Company calculated depreciation and amortisation of property, plant and equipment and prepaid land leases on the recognised amounts of property, plant and equipment and prepaid land leases at the date of acquisition.

18. BUSINESS COMBINATIONS (Continued)

c. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited

On 29 September 2010, AOC Holdings Limited ("AOC"), a subsidiary of the Company, entered into a five-year trademark license agreement with Philips, under which trademarks for the sales and distribution of colour TVs in the PRC was granted to AOC and its affiliates in which AOC is required to pay royalty on an annual basis, which is based on higher of percentage of the turnover and a minimum royalty of EUR6,800,000 (equivalent to approximately RMB58,548,000) a year of the aforesaid TVs as specified in the agreement. The trademark license agreement has been effective since 1 January 2011.

In addition, a share purchase agreement was signed pursuant to which AOC agreed to purchase two wholly-owned subsidiaries of Philips, Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, with a consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000). The two companies were holding the necessary spare parts, in-store samples, equipment, employees and contracts for the operations of the Philips Contributed Business. The Philips Contributed Business represents the entire business of the product management, operation, marketing, sale and distribution of the aforesaid TVs manufactured under the brand name "Philips" or any other brand name or trademark of the Philips Group as carried on by the Philips Group in the PRC prior to completion of the share purchase agreement.

The share purchase agreement was completed on 1 January 2011 and AOC acquired 100% of the share capital of Ebony Hong Kong Holding Limited and PTC Consumer Electronic Co., Limited, for a cash consideration of EUR1,240,000 (equivalent to approximately RMB10,677,000) on 1 January 2011.

Consideration transferred:

	RMB'000
Cash	10,677

Acquisition-related costs amounting to approximately RMB759,000 have been excluded from the cost of acquisition and have been recognised directly as an expense in the period and included in the administrative expenses in the condensed consolidated income statement.

18. BUSINESS COMBINATIONS (Continued)

c. Acquisition of Ebony Hong Kong Limited and PTC Consumer Electronic Co., Limited(Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Trademark	253,239
Inventories and spare parts	14,670
Other payables	(253,239)
	14,670

Bargain purchase arising on acquisition

	RMB'000
Consideration transferred	10,677
Less: net assets acquired	(14,670)
Gain from a bargain purchase of subsidiaries	(3,993)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	10,677

Impact of acquisition on the results of the Group

The acquired business contributed revenue of RMB568,654,000 and net loss of RMB71,192,000 to the Group for the six months ended 30 June 2011.

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants in respect of investment properties falling due as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	69,933	76,217
In the second to fifth years, inclusive	63,683	70,821
After five years	1,979	2,247
	135,595	149,285

(b) As lessee

The Group had total future minimum lease payments under non-cancellable operating leases in respect of certain office properties falling due as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	130,398	131,770
In the second to fifth years, inclusive	100,130	88,257
After five years	46,972	53,085
	277,500	273,112

20. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Capital commitments for plant, machinery and equipment		
– Contracted, but not provided for	531,972	510,319
Capital commitments for investment		
– Contracted, but not provided for	250,548	162,964

21. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Notes	For the six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Ultimate holding company:			
Sales of products	(i)	118	481
Associates:			
Sales of products	(i)	931,240	1,191,602
Rental income	(ii)	18,408	15,997
Processing fee income	(iii)	–	309
Purchases of components and parts	(iv)	181,576	99,478
Jointly controlled entities:			
Sales of finished goods	(i)	170	13
Rental income	(ii)	2,845	3,194
Purchases of raw materials	(iv)	110,973	605,427
Fellow subsidiaries:			
Sales of products	(i)	12,410	18,191
Rental income	(ii)	177	6,473
Purchases of components and parts	(iv)	917	15,021
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(v)	1,325	116,452
Purchases of raw materials	(v)	2,122,343	2,358,137
Interests paid	(vi)	17,610	–
Brand promotion fee	(vii)	120,056	–
Compensation for product launch delay	(vii)	141,981	–

21. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The sales to ultimate holding company, associates, jointly controlled entities and fellow subsidiaries were made according to the published prices and conditions offered to major customers of the Group.

(ii) The rental income from the property leased to associates, jointly controlled entities and fellow subsidiaries were made according to the market rate offered to third parties.

(iii) Processing fee income from associates was made on terms mutually agreed between both parties.

(iv) The purchases from associates, jointly controlled entities and fellow subsidiaries were made according to published prices and conditions offered by associates, jointly controlled entities and fellow subsidiaries to their major customers.

(v) The transactions were conducted in the normal course of business at prices and terms as agreed between the transacting parties.

(vi) The interests paid to a subsidiary's substantial shareholder were made according to the rate as agreed between the parties.

(vii) The brand promotion fee income and compensation for product launch delay received from a subsidiary's substantial shareholder was made on terms mutually agreed between both parties.

In April 2012, TPV entered into an agreement with CEC Panda LCD Technology Co., Ltd ("Panda LCD"), a subsidiary of CEC to establish a new joint venture company ("Nanjing JV") in Nanjing, the PRC, with a registered capital of RMB17,500,000,000. The Nanjing JV will engage in manufacturing of large size panels, research and development and provision of after-sales service, in the PRC. CEC and TPV will own 99.2% and 0.8% equity interests of the Nanjing JV respectively. TPV agreed to contribute RMB140,000,000 to Nanjing JV in proportion to the equity interest. Pursuant to the agreement, TPV has sole discretion to exercise an option to require Panda LCD to acquire the 0.8% equity interests owned by TPV ("put option") at a consideration of RMB140,000,000, plus interest of 4% per annum. At 30 June 2012, CEC and the Group were still in the process of establishing this Nanjing JV.

(b) In additional to the outstanding balance with related parties detailed elsewhere in these condensed consolidated financial statements, the Group had the following material outstanding balances with related parties:

(i) The Group had outstanding receivables from TPV's associates and jointly controlled entities of approximately RMB701,627,000 (31 December 2011: RMB659,269,000) and RMB32,409,000 (31 December 2011: RMB1,947,000) respectively, which were presented in the condensed consolidated statement of financial position within trade receivables and prepayments, deposits and other receivables.

21. RELATED PARTY TRANSACTIONS (continued)

(b) (continued)

(i) (continued)

The Group had outstanding payables to TPV's associates and jointly controlled entities of approximately RMB154,207,000 (31 December 2011: RMB166,293,000) and RMB72,258,000 (31 December 2011: RMB34,157,000) respectively, which were presented in the condensed consolidated statement of financial position within trade payables and other payables and accruals.

Receivables from TPV's substantial shareholders and their subsidiaries of approximately RMB41,725,000 (31 December 2011: RMB88,000) were presented in the condensed consolidated statement of financial position within trade receivables.

Payables to TPV's substantial shareholders and their subsidiaries of approximately RMB608,696,000 (31 December 2011: RMB516,655,000) were presented in the condensed consolidated statement of financial position in trade payables.

Payables to a subsidiary's substantial shareholder of approximately RMB598,183,000 (31 December 2011: Nil) were presented in the condensed consolidated statement of financial position within other payables and accruals.

The above balances with subsidiaries' substantial shareholders, fellow subsidiaries and associates are unsecured, interest-free and repayable on demand.

(ii) License fee payable of RMB1,500,279,000 (31 December 2011: nil) to a subsidiary's substantial shareholder were presented in condensed consolidated statement of financial position within other payable and accruals. Included in the license fee payable amount of approximately RMB1,374,698,000 were classified with non-current liabilities.

(iii) The Group had a bank deposit of approximately RMB163,190,000 (31 December 2011: RMB163,189,000) in a fellow subsidiary, which was an authorised non-bank financial institution set up in the PRC. The deposit was presented in the condensed consolidated statement of financial position within bank balances and cash.

(c) CEC, the ultimate holding company of the Company, is owned and controlled by SASAC and are the state-owned enterprises. In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state enterprises and their subsidiaries directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the Group had transactions with state-owned enterprises including, but not limited to, sales and purchase of computers, electronic parts and computer-related products. The directors of the Company consider that transactions with other state-owned enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

21. RELATED PARTY TRANSACTIONS (continued)

(d) Apart from the acquisition of TP Vision as disclosed in note 18(a), TP Vision has entered into service agreements with Philips in respect of the provision of certain transitional services by Philips to TP Vision.

TP Vision is entitled to charge Philips a brand promotion fee up to EUR172 million (equivalent to approximately RMB1,444 million) in five years from the acquisition date and a compensation amount up to EUR32 million (equivalent to RMB269 million) due to the delay in the launch of certain products.

The directors of the Company are of the opinion that these represent transactions with Philips that are separate from the business acquisition and are therefore do not form part of the net assets acquired and recognised from the acquisition assets in accordance with HKFRS 3 (Revised).

(e) Key management compensation

The remunerations of directors (executive and non-executive) and other members of key management during the period were as follows:

	Six months ended 30 June	
	2012	**2011**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	8,872	8,988
Share-based payments	120	220
	8,992	9,208

22. CONTINGENT LIABILITIES

The Group had certain outstanding litigations as recorded by TPV, the details of which are set out as follow:

(a) In December 2008, a third party company filed a complaint in the United States of America against one of its subsidiaries, one of its associated companies and other third party companies. The complaint currently concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitors ("Patent I").

The directors are of the opinion that while this case is currently subject to arbitration proceedings, it is not probable to assess the outcome of the case for the time being.

22. CONTINGENT LIABILITIES (continued)

(b) In January 2009, a third party company filed a complaint in Germany against the Group. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of computer monitor ("Patent II").

As far as the Group is concerned, it is alleged among other matters that:

(i) they had infringed, actively induced, contributed to the infringement of Patent II by making, using, causing to be used, offering to sell, selling, causing to be sold, importing and/or causing to be imported monitors in Germany; and

(ii) as a consequence of the infringement, the plaintiff has been damaged and would continue to sustain damages unless the court grants an award of damages to it covering reasonably attorneys' fees, costs and expenses that incurred by it for pursuing this action.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(c) In July 2010, a third party company filed a complaint in the United States of America against the Group. The complaint concerns claims of compensation related to indemnity obligations as provided in an agreement between the parties.

The directors are of the opinion that while the appellate proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

(d) In July 2010, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and another third party company. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent III").

As far as the Group and its associated company are concerned, it is alleged among other matters that:

(i) they have been infringing and continue to infringe the Patent III, and contributing to and actively inducing the infringement of Patent III by others in the United States of America.

(ii) as a consequence of the infringement, the plaintiff has been damaged and will continue to sustain damages unless the court enjoins them from further infringement of Patent III.

The directors are of the opinion that while the proceedings are still ongoing, it is not probable to assess the outcome of the case for the time being.

22. CONTINGENT LIABILITIES (continued)

(e) In November 2010, a third party individual filed a complaint in the United States of America against the Group. The Complaint concerns alleged claims of personal injury caused by products that contain asbestos.

On 26 April 2012, the complaint was dismissed according to the Court's order. The directors consider that the dismissal does not have any material financial impact on the Group as a whole.

(f) In August 2011, a third party company filed a complaint in the United States of America against the Group, one of its associated companies and other third party companies.

The complaint concerns alleged infringement of a United States patent in respect of technology of the manufacture of certain televisions ("Patent IV").

The directors are of the opinion that while the proceedings are stayed automatically pending the investigation instituted by the United States International Trade Commission on the same subject-matter, it is not probable to assess the outcome of the case for the time being.

(g) In January 2012, the U.S. International Trade Commission instituted an investigation based on a complaint filed by a third party company against the Group, one of its associated companies and other third party companies. The investigation concerns alleged infringement of Patent IV in respect of technology of the manufacture of certain televisions.

As far as the Group and its associated company are concerned, it is claimed among other matters that:

(i) they have sold for importation, imported, and/or sold within the United States after importation certain televisions that directly infringe Patent IV; and

(ii) the complainant seeks as relief a permanent exclusion order barring from entry into the United States the accused televisions. Complainant seeks as further relief permanent cease and desist orders preventing them from all commercial activities concerning infringing imported goods.

The directors are of the opinion that while the proceedings are still ongoing before the U.S. International Trade Commission, it is not probable to assess the outcome of the case for the time being.

23. EVENTS AFTER THE REPORTING PERIOD

There have been no subsequent events that need to disclosed in the interim condensed consolidated financial statements.

CHAIRMAN'S STATEMENT

Operation Review

In 2012, the global economic situation has become more complicated. European debt crisis continued to spread, international market demand has been shrinking increasingly, and the global economy remained downturn. Also, since domestic economy development remained unbalanced, patchy and unsustainable, which was still a big problem, the growth was significantly slower. Under the complicated domestic and international market environment, the Company actively promoted the transformation of the industry to "scientific Great Wall" by strengthening strategic research and planning the layout carefully. From January to June 2012, in addition that most of the costs of industry transformation and capital operation were undertaken by the members of the Group, they also managed to reduce costs by strict cost control measures and to maintain growth as best as possible, and finally kept their footing in the steep downward trend. In the first half of the year, the Group achieved operating revenue of RMB42,756 million, representing a comparative decrease of 8.5%. Gross profit amounted to RMB2,688 million, representing a comparative increase of 3.9%. Excluding the net decrease in exchange gain/loss, gross profit represented an increase as compared to the same period of last year. The principal business operations of the Company maintained stable generally.

1. *Broadened sources of income to maintain growth, and kept stable growth momentum in respect of manufacturing and sales of the main products.*

   Market share in monitors business sector remained the largest in the world. In the first half of the year, although the global demand for monitors remained weak, TPV, by putting more efforts on market expansion, continued to maintain high market share of 36.6% in the global market under the extremely difficult operation conditions, which continued to be the largest in the world.

   Gross margin of television business and proportion of brand business improved significantly. In the first half of the year, TPV focused on the optimization of customer mix of television business, and increased market expansion for brand business. In the first half of the year, TPV and Koninklijke Philips Electronics N.V. ("Philips") established a joint venture company – TP Vision, which took over Philips' television business. From January to June, sales revenue of RMB13.44 billion was recorded in aggregate for television business, representing a comparative increase of 15%.

   Magnetic head segment continued to grow rapidly. In recent years, as Great Wall Kaifa's manufacturing capacity and EMS electronics manufacturing service proficiency have improved, the quality of its products and services is well recognized by international customers. In the first half of the year, magnetic head segment of Great Wall Kaifa achieved a new high growth rate over 50% compared to the previous year, and represented a comparative increase of 16% in terms of sales revenue from January to June.

Domestic market expansion for the electric meter segment has progressed well. For the first half of the year, Great Wall Kaifa has put more efforts on domestic market expansion for the electric meter segment, and such efforts have progressed well. To this end, the Company has been undergoing technological innovation to expand wires, so that the annual production capacity of single-phase meters and three-phase meters increased to 8 million and 900,000 units, respectively.

Satisfactory result was achieved in exploring high-end customer market for power supply business. CGC has strengthened organic growth and integrated resources. Since the acquisition of PI International in 2011, CGC has endeavored to strengthen the synergies between Great Wall Power Supplies Factory and PI International in all respects such as technology research and development, marketing and procurement system, and it has successfully achieved organic integration and collaborative development representing "1+1>2". For the first half of the year, the overall sales of power supply business of CGC increased by 488% as compared to the same period of last year. Also, Great Wall Power Supplies Factory and PI International have jointly explored high-end power supply market and overseas high-end customer market, which has achieved positive results. The power adapters manufactured by PI International, which meet the standards in Europe, the United States of America, Britain, South Korea, China, Australia and Argentina, have been admitted to supporting Google tablet computers.

2. *Innovation promoted transformation and new break throughs were achieved in terms of key technologies in several areas.*

Great Wall Kaifa and CGC were recognized as national high-tech enterprises. In recent years, as members of the Group focused on strategic goal of and development on transforming from "manufactural Great Wall" to "scientific Great Wall", they continued to increase investment in technological innovation and R&D of their own products, and vigorously promoted technological innovation in all respects. They have made satisfying achievements in terms of implementation of innovation strategy, scientific research talents pool, establishment of scientific and technological innovation system, R&D of own products, launch of technological innovation activities, etc.. In the first half of 2012, both Great Wall Kaifa and CGC were recognized as national high-tech enterprises, which laid a good foundation for the Company to accelerate industry transformation and upgrading.

TPV launched smart monitor series applicable to the "Cloud Era". In March 2012, TPV introduced its newly developed "smart monitors in the Cloud Era" – new Smart series products to the industry and the media. AOC Smart series monitors are designed for the age of "cloud computing", which include, among others, the smart monitor e2258Pwx known as "super-Pad". With built-in Android operating system, it is able to directly connect the internet and run games and various applications without any PC, like a huge-screen Pad, which is one of the smart monitors with a large screen and high-definition introduced in the market, and meet the needs to be used in various places such as houses, offices, mobile office workplaces when the "Cloud Era" is coming.

Great Wall Power Supplies Factory achieved new break throughs in respect of technology R&D. In recent years, CGC has made new achievements in high-end power supplies. It developed and introduced more than 30 high-performance server power supplies in the past three years with sales volume exceeding 300,000 units. In the first half of the year, Great Wall achieved new break throughs in respect of technology R&D of 1KW and 2KW high-end server power supplies, which resulted in the placing of orders by a number of well-known server vendors. It also successfully developed 2500W blade server power supplies, which supply the largest power in China. Currently, CGC has developed into a large manufacturer of high-performance server power supplies with independent R&D capabilities in China.

3. *Promoted capital operation to further enhance the competitive strength of the industry chain.*

   The Company supported and promoted the acquisition of Philips' brand TV business by TPV, and the establishment of a joint venture company for television business by TPV and Philips was completed in the first half of the year. The joint venture company is named as TP Vision, of which TPV and Philips hold 70% and 30% respectively. TP Vision will engage in the design, manufacturing, distribution, marketing and sales of Philips' televisions in the globe other than some countries in combination of design and innovation capabilities of Philips' televisions and manufacturing size and excellent operational capacity of TPV.

4. *Focused on emerging industries to proceed with special core works steadily and rapidly.*

   a. LED R&D and industrialized construction projects advanced rapidly.

   In the first half of the year, the production base of KFES Lighting Co., Ltd. ("KFES"), owned as to 44% by Great Wall Kaifa, was constructed in all respects according to the planning and design, and the capping of plants was completed. In order to meet the requirements for the production of packaging products as soon as possible, KFES has leased a 1,000 square-meters plant and set up two packaging production lines. The first batch of sample products was tested functionally and qualified.

b. The new energy inverter business of the Group started steadily.

For the inverter business segment, seven 100 – 625KW inverters were approved by Golden Sun certification in the first half of the year, and low voltage ride-through test was finished in July. At present, there have been several interested clients of large photovoltaic grid connection power system and roof photovoltaic grid connection power system.

Outlook and Major Measures for Maintaining Growth and Promoting Development in the Second Half Year

In the second half of the year, the global economy will be more uncertain. In the face of tough international economic environment and weak domestic market demand, the Company will endeavor to enhance its management and make every effort to maintain growth and promote development through industry transformation under the leadership of the board of directors of the Company (the "Board").

Firstly, to enhance internal management and control to minimise the loss from loss-making businesses in a timely manner. The members of the Group will take various measures to improve resource allocation and reduce operational loss.

Secondly, to intensify market expansion and seek to improve production operation while remaining stable. Each Group company will develop a specific product roadmap to meet the market demand based on the ideas of "innovation, speediness, flexibility, quality and low-cost".

Thirdly, to streamline administrative structure and increase revenue and reduce cost so as to reduce administrative expenses. We will implement flat management to improve organizational efficiency and reduce manufacturing costs. Meanwhile, the Company will continue to actively promote refining management to reduce expenses.

Fourthly, to further improve "soft power" and strengthen brand and corporate culture building and social responsibility management so as to provide vital support and protection for business production and operation. We will strengthen brand promotion and corporate culture building, seriously proceed with anti-corruption and law education, ensure production safety, energy saving and emission reduction on an active basis, and conscientiously fulfill corporate social responsibility.

Fifthly, to accelerate the construction of informatization, construct self-controlled information system and improve corporate informationized management so as to provide vital support and protection for the production and operation of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2012 (the "Reporting Period"), the Group realised a turnover of approximately RMB42,756 million, representing a decrease of 8.5% as compared to the corresponding period of last year. Profit after tax attributable to the shareholders of the Company amounted to approximately RMB20 million during the Reporting Period as compared to the profit of approximately RMB124 million for the corresponding period last year. As global economy has just started recovering gradually from severe deterioration, the pace of recovery in the Europe and the U.S., which are major markets of the Group, is slow, which impacted the Group's results.

Liquidity and Financial Resources

As at 30 June 2012, the Group's total cash and cash equivalent amounted to approximately RMB9,056 million and the Group's total bank and other borrowings amounted to approximately RMB8,168 million.

Gearing Ratio

As at 30 June 2012, the Group's total bank and other borrowings and shareholders' equity were approximately RMB8,168 million and RMB4,543 million respectively, as compared to approximately RMB8,395 million and RMB4,571 million respectively as at 31 December 2011.

The gearing ratio as at 30 June 2012 was 179.79%. The gearing ratio as at 31 December 2011 was 183.64%. The gearing ratio is defined as the ratio between total bank borrowings and shareholders' equity.

Current Ratio and Working Capital

As at 30 June 2012, the Group's current assets and current liabilities were approximately RMB38,618 million and RMB31,767 million respectively, while the Group's working capital was approximately RMB6,851 million. The current ratio was 1.22.

As at 31 December 2011, the Group's current assets and current liabilities were approximately RMB35,085 million and RMB28,743 million respectively, while the Group's working capital was RMB6,342 million. The current ratio was 1.22.

Charge of Group Assets

As at 30 June 2012, certain of the Group's term deposit with a carrying value of approximately RMB1,227 million were pledged to banks to secure general banking facilities and performance bond for the Group.

As at 31 December 2011, the Group had pledged to banks its bank savings of approximately RMB2,271 million as a pledge of banks' general finance for the Group.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

Employees

As at 30 June 2012, the number of employees of the Group was approximately 62,000 (as at 31 December 2011: approximately 59,000). The salaries of the employees were determined according to the rank in and contribution to the respective company of any individual employee with reference to the remuneration and incentive system of the respective company.

OTHER INFORMATION

Directors', Supervisors' and the Company's Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 30 June 2012, the interests and short positions of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors, supervisors and chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") adopted by the Company were as follows:

1. Personal Interests

Name of Director	Number of shares held	Approximate percentage of total registered share capital of the relevant entities
Mr. Tam Man Chi	1,670,817 shares of Great Wall Kaifa (L)	0.13%
Mr. Du Heping	60,000 shares of CGC (L)	0.0045%
	6,270 shares of Great Wall Kaifa (L)	0.0005%

2. Corporate Interests

Name of Director	Number of shares held	Approximate percentage of total registered share capital of the relevant entities
Mr. Tam Man Chi	106,649,381 shares of Great Wall Kaifa (Note 1) (L)	8.1%

Note:

1. Broadata (H.K.) Limited ("Broadata") held approximately 8.1% of these shares. Flash Bright International Limited held approximately 69.08% shares in Broadata. Mr. Tam and his spouse held in aggregate 100% equity shares in Flash Bright International Limited.

The letter "L" denotes a long position.

Save as disclosed above and so far as the directors, supervisors and chief executives of the Company are aware, as at 30 June 2012, none of the directors, supervisors and chief executive officers of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor or chief executive officers is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code adopted by the Company.

Interests and Short Positions of Substantial Shareholders

So far as the directors, supervisors and chief executives of the Company are aware, as at 30 June 2012, the following persons (other than the directors, supervisors and chief executives of the Company) had an interest or short position in the Company's shares or underlying shares which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of shares	Number of the Company's shares held	Approximate percentage of the issued state-owned legal person shares	Approximate percentage of the total issued shares
Great Wall Group	State-owned legal person shares	743,870,000	100%	62.11%

Save as disclosed above and so far as the directors, supervisors and chief executives of the Company are aware, as at 30 June 2012, the Company had not been notified by any other person (other than the directors, supervisors or chief executives of the Company) who had an interest or short position in the Company's shares or underlying shares which are required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Corporate Governance

The Company, currently and within the Reporting Period, has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("CG Code") during the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Listing Rules.

Audit Committee

The Company established its Audit Committee in December 1999 with specific written terms of reference which has from time to time been modified in accordance with the prevailing provisions of the CG Code. The principal duties of the Audit Committee include the review of the Company's financial reporting program, internal controls and financial reporting matters of the Group. The Audit Committee comprises three independent non-executive directors, namely Mr. Yao Xiaocong (the chairman of Audit Committee), Mr. James Kong Tin Wong and Mr. Zeng Zhijie.

The Audit Committee has reviewed, with the management, the accounting principles and policies, audit, internal controls and financial reporting adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2012 and recommended its adoption by the Board.

Nomination and Remuneration Committee

The Company established its Nomination and Remuneration Committee on 8 April 2005 with specific written terms of reference which have from time to time been modified in accordance with the prevailing provisions of the CG Code.

The Nomination and Remuneration Committee is responsible for analysing the nomination of, and appraisal standard for, directors and senior management of the Group, and making recommendations to the Board from time to time.

The Nomination and Remuneration Committee comprising two independent non-executive directors, namely Mr. James Kong Tin Wong (the chairman of Nomination and Remuneration Committee) and Mr. Yao Xiaocong, and an executive director, namely Mr. Lu Ming.

Changes in Information of Directors or Supervisors

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors or supervisors of the Company subsequent to the date of the 2011 annual report of the Company are set out below:

Mr. Lu Ming was appointed as an outside director of China Telecommunications Corporation, a state-owned telecom operator in China, on 29 March 2012.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' and supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all the directors and supervisors of the Company and all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

Purchase, Sale and Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

By Order of the Board
Great Wall Technology Company Limited
Liu Liehong
Chairman

Shenzhen, PRC, 30 August 2012