TCL

创意感动生活
The Creative Life

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

INTERIM REPORT 2013

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

INTERIM REPORT 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. HAO Yi (appointed as an acting chief executive officer and an alternate director from 4 June 2013, and then appointed as an executive director, the chief executive officer and a member of the executive committee with effect from 13 August 2013)
Mr. YAN Xiaolin (appointed as a non-executive director with effect from 24 April 2013, re-designated as an executive director and appointed as a member of the executive committee with effect from 13 August 2013)
Mr. ZHAO Zhongyao (resigned as an executive director and the chief executive officer and ceased as a member of the executive committee with effect from 13 August 2013)
Mr. YU Guanghui (resigned as an executive director and ceased as a member of the executive committee with effect from 13 August 2013)
Ms. XU Fang (resigned as an executive director with effect from 24 April 2013)

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. BO Lianming (ceased as an executive director and re-designated as a non-executive director with effect from 22 April 2013)
Mr. HUANG Xubin
Mr. SHI Wanwen (appointed as a non-executive director with effect from 13 August 2013)

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR

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

PRINCIPAL REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH REGISTRAR

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

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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Grand Cayman
KY1-1104
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INVESTOR AND MEDIA RELATIONS

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Central, Hong Kong

INTERIM RESULTS

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2013 (unaudited) HK$'000	Six months ended 30 June 2012 (unaudited) HK$'000 (Restated)	Three months ended 30 June 2013 (unaudited) HK$'000	Three months ended 30 June 2012 (unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS					
TURNOVER	4	**18,077,295**	14,762,864	**8,692,606**	7,246,302
Cost of sales		**(15,236,969)**	(12,150,286)	**(7,399,519)**	(6,046,911)
Gross profit		**2,840,326**	2,612,578	**1,293,087**	1,199,391
Other revenue and gains		**280,527**	322,310	**196,283**	70,422
Selling and distribution expenses		**(2,121,320)**	(1,747,352)	**(989,255)**	(718,889)
Administrative expenses		**(510,219)**	(432,448)	**(302,948)**	(279,966)
Research and development costs		**(154,316)**	(114,604)	**(143,666)**	(73,166)
Other operating expenses		**(3,617)**	(13,824)	**(3,415)**	(10,744)
		331,381	626,660	**50,086**	187,048
Finance costs	5	**(69,578)**	(170,050)	**(37,103)**	(62,932)
Share of profits and losses of:					
A joint venture		**(1,398)**	54	**(503)**	(158)
Associates		**11,336**	(30,932)	**8,675**	(7,725)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**271,741**	425,732	**21,155**	116,233
Income tax expense	6	**(77,105)**	(33,491)	**192**	(3,245)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**194,636**	392,241	**21,347**	112,988
DISCONTINUED OPERATION					
Profit for the period from a discontinued operation	8	**76,449**	48,355	**41,896**	14,927
PROFIT FOR THE PERIOD		**271,085**	440,596	**63,243**	127,915

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2013	2012	**2013**	2012
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		*(Restated)*
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of change in fair value of the hedging instruments arising during the period		**94**	–	**(21,130)**	–
Exchange fluctuation reserve:					
Translation of foreign operations		**84,790**	(18,011)	**66,182**	(15,921)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**84,884**	(18,011)	**45,052**	(15,921)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**355,969**	422,585	**108,295**	111,994

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Notes	Six months ended 30 June		Three months ended 30 June	
		2013	2012	**2013**	2012
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
			(Restated)		*(Restated)*
Profit attributable to:					
Owners of the parent		**253,596**	434,828	**58,714**	124,552
Non-controlling interests		**17,489**	5,768	**4,529**	3,363
		271,085	440,596	**63,243**	127,915
Total comprehensive income attributable to:					
Owners of the parent		**334,299**	417,513	**100,338**	109,396
Non-controlling interests		**21,670**	5,072	**7,957**	2,598
		355,969	422,585	**108,295**	111,994
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10				
Basic					
– For profit for the period		**HK19.11 cents**	HK33.58 cents		
– For profit from continuing operations		**HK14.51 cents**	HK29.84 cents		
Diluted					
– For profit for the period		**HK18.84 cents**	HK33.31 cents		
– For profit from continuing operations		**HK14.30 cents**	HK29.61 cents		

Details of the dividends are disclosed in note 9.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (unaudited) *HK$'000***	31 December 2012 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,426,585**	2,484,028
Prepaid land lease payments		**160,816**	146,266
Goodwill		**119,638**	119,638
Other intangible assets		**352**	419
Investment in a joint venture		**9,659**	11,574
Investments in associates		**148,943**	158,921
Available-for-sale investments		**6,677**	6,677
Deferred tax assets		**41,267**	150,707
Total non-current assets		**2,913,937**	3,078,230
CURRENT ASSETS			
Inventories		**6,974,902**	6,731,951
Trade receivables	11	**3,120,346**	4,338,139
Bills receivable		**3,913,956**	7,087,252
Other receivables		**2,880,436**	2,502,247
Tax recoverable		**25,979**	24,363
Pledged deposits		**–**	826,220
Cash and bank balances		**4,740,091**	3,431,337
		21,655,710	24,941,509
Assets of a disposal group classified as held for distribution	8	**3,428,876**	–
Total current assets		**25,084,586**	24,941,509
CURRENT LIABILITIES			
Trade payables	12	**6,204,292**	9,263,133
Bills payable		**7,486,829**	5,176,951
Other payables and accruals		**4,098,021**	4,974,350
Interest-bearing bank and other borrowings	13	**1,497,704**	2,607,644
Due to T.C.L. Industries	14	**387,850**	–
Tax payable		**111,361**	213,276
Provisions		**211,595**	345,020
		19,997,652	22,580,374
Liabilities directly associated with the assets classified as held for distribution	8	**2,428,923**	–
Total current liabilities		**22,426,575**	22,580,374
NET CURRENT ASSETS		**2,658,011**	2,361,135
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,571,948**	5,439,365

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**30 June 2013 (unaudited) *HK$'000***	31 December 2012 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,571,948**	5,439,365
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**310,280**	402,346
Deferred tax liabilities		**32,995**	38,873
Pensions and other post-employment benefits		**6,305**	6,301
Total non-current liabilities		**349,580**	447,520
Net assets		**5,222,368**	4,991,845
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**1,331,084**	1,321,003
Reserves		**3,638,702**	3,444,244
		4,969,786	4,765,247
Non-controlling interests		**252,582**	226,598
Total equity		**5,222,368**	4,991,845

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent											
	Issued capital (unaudited) *HK$'000*	Share premium account (unaudited) *HK$'000*	Share option reserve (unaudited) *HK$'000*	Capital reserve (unaudited) *HK$'000*	Reserve funds (unaudited) *HK$'000*	Exchange fluctuation reserve (unaudited) *HK$'000* *(Restated)*	Accumulated losses (unaudited) *HK$'000* *(Restated)*	Shares held for the Award Scheme (unaudited) *HK$'000*	Awarded share reserve (unaudited) *HK$'000*	Total (unaudited) *HK$'000* *(Restated)*	Non-controlling interests (unaudited) *HK$'000*	Total equity (unaudited) *HK$'000* *(Restated)*
At 1 January 2012	1,072,276	3,215,422	44,711	59,099	915,188	472,411	(2,122,648)	(126,249)	3,442	3,533,652	119,033	3,652,685
Profit for the period	–	–	–	–	–	–	434,828	–	–	434,828	5,768	440,596
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	(17,315)	–	–	–	(17,315)	(696)	(18,011)
Total comprehensive income/(loss) for the period	–	–	–	–	–	(17,315)	434,828	–	–	417,513	5,072	422,585
2011 final dividend paid	–	(204,033)	–	–	–	–	–	–	–	(204,033)	–	(204,033)
Acquisition of subsidiaries	246,497	391,931	–	–	–	–	–	–	–	638,428	13,373	651,801
Equity-settled share option arrangements	–	–	11,001	–	–	–	–	–	–	11,001	–	11,001
Issue of shares upon exercise of share options	1,521	3,425	(1,219)	–	–	–	–	–	–	3,727	–	3,727
Share options lapsed during the period	–	–	(781)	–	–	–	781	–	–	–	–	–
Transfer from retained profits	–	–	–	–	1,618	–	(1,618)	–	–	–	–	–
At 30 June 2012	1,320,294	3,406,745	53,712	59,099	916,806	455,096	(1,688,657)	(126,249)	3,442	4,400,288	137,478	4,537,766

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent												
	Issued capital (unaudited) HK$'000	Share premium account (unaudited) HK$'000	Share option reserve (unaudited) HK$'000	Capital reserve (unaudited) HK$'000	Reserve funds (unaudited) HK$'000	Hedging reserve (unaudited) HK$'000	Exchange fluctuation reserve (unaudited) HK$'000	Accumulated losses (unaudited) HK$'000	Shares held for the Award Scheme (unaudited) HK$'000	Awarded share reserve (unaudited) HK$'000	Total (unaudited) HK$'000	Non-controlling interests (unaudited) HK$'000	Total equity (unaudited) HK$'000
At 1 January 2013	1,321,003	3,280,788	42,502	50,994	996,851	(94)	466,804	(1,271,426)	(125,531)	3,356	4,765,247	226,598	4,991,845
Profit for the period	-	-	-	-	-	-	-	253,596	-	-	253,596	17,489	271,085
Other comprehensive income for the period:													
Cash flow hedge	-	-	-	-	-	94	-	-	-	-	94	-	94
Exchange differences on translation of foreign operations	-	-	-	-	-	-	80,609	-	-	-	80,609	4,181	84,790
Total comprehensive income for the period	-	-	-	-	-	94	80,609	253,596	-	-	334,299	21,670	355,969
2012 final dividend paid	-	(192,470)	-	-	-	-	-	-	-	-	(192,470)	-	(192,470)
Deemed distribution to non-controlling interests	-	-	-	(4,314)	-	-	-	-	-	-	(4,314)	4,314	-
Equity-settled share option arrangements	-	-	8,409	-	-	-	-	-	-	-	8,409	-	8,409
Issue of shares upon exercise of share options	10,081	27,206	(10,106)	-	-	-	-	-	-	-	27,181	-	27,181
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	-	(9,260)	-	(9,260)	-	(9,260)
Vesting of shares under the Award Scheme	-	-	-	-	-	-	-	-	43,826	(3,132)	40,694	-	40,694
At 30 June 2013	1,331,084	3,115,524*	40,805*	46,680*	996,851*	-*	547,413*	(1,017,830)*	(90,965)*	224*	4,969,786	252,582	5,222,368

* These reserve accounts comprise the consolidated reserves of HK$3,638,702,000 (31 December 2012: HK$3,444,244,000) in the condensed consolidated statement of financial position.

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**3,048,893**	855,856
Net cash inflow/(outflow) from investing activities	**98,916**	(1,060,814)
Net cash outflow from financing activities	**(913,790)**	(985,945)
Net increase/(decrease) in cash and cash equivalents	**2,234,019**	(1,190,903)
Cash and cash equivalents at beginning of period	**3,431,337**	4,452,001
Effect of foreign exchange rate changes, net	**39,253**	(19,092)
Cash and cash equivalents at end of period	**5,704,609**	3,242,006
Analysis of balances of cash and cash equivalents		
Cash and bank balances as stated in the condensed consolidated statement of financial position	**4,740,091**	3,242,006
Cash and bank balances attributable to a disposal group classified as held for distribution	**964,518**	–
Cash and bank balances as stated in the condensed consolidated statement of cash flows	**5,704,609**	3,242,006

Notes:

1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under historical cost convention, except for the derivative financial instruments, which have been measured at fair value. Disposal groups held for distribution are stated at the lower of their carrying amounts and fair values less costs to sell. These condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral arrangements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The amendment does not result in additional disclosures to the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. HKFRS 10 does not have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The amendments do not have any impact on the reported results or financial position of the Group.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The amendment does not have any impact on the reported results or financial position of the Group.

INTERIM RESULTS

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The amendment does not have any impact on the reported results or financial position of the Group.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosure of defined benefit plans. The amendment does not have any impact on the reported results or financial position of the Group.

The *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have a significant financial impact on the Group. Those amendments that have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassification, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distribution to equity holders.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 9	*Financial Instruments* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* [1]
HK(IFRIC)–Int 21	*Levies* [1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

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

INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION

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

(a) Television segment – manufacture and sale of television sets and trading of related components in:

- the People's Republic of China ("PRC") market
- the Overseas markets

(b) AV segment – manufacture and sale of audio-visual ("AV") products; and

(c) Others segment – comprises information technology and other businesses, including sale of white goods, mobile phones and air conditioners.

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

INTERIM RESULTS

4. OPERATING SEGMENT INFORMATION (continued)

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

	Six months ended 30 June											
	Continuing operations								Discontinued operation			
	Television – PRC market		Television – Overseas markets		Others		Total continuing operations		AV		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Sales to external customers	**12,161,943**	8,641,121	**5,545,925**	5,783,702	**369,427**	338,041	**18,077,295**	14,762,864	**1,863,537**	1,646,502	**19,940,832**	16,409,366
Segment results	**439,215**	472,945	**(113,365)**	106,390	**(16,437)**	(27,909)	**309,413**	551,426	**75,279**	47,542	**384,692**	598,968
Bank interest income							**31,940**	36,574	**22,058**	9,363	**53,998**	45,937
Corporate income/ (expenses), net							**(9,972)**	38,660	**-**	–	**(9,972)**	38,660
Finance costs							**(69,578)**	(170,050)	**(5,907)**	(712)	**(75,485)**	(170,762)
Share of profits and losses of:												
A joint venture	**-**	–	**(1,398)**	54	**-**	–	**(1,398)**	54	**-**	–	**(1,398)**	54
Associates	**4,425**	(38,081)	**-**	–	**6,911**	7,149	**11,336**	(30,932)	**(30)**	(60)	**11,306**	(30,992)
Profit before tax							**271,741**	425,732	**91,400**	56,133	**363,141**	481,865
Income tax expense							**(77,105)**	(33,491)	**(14,951)**	(7,778)	**(92,056)**	(41,269)
Profit for the period							**194,636**	392,241	**76,449**	48,355	**271,085**	440,596

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5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Interest on:		
Bank loans and overdrafts	**66,645**	147,527
Loans from TCL Corporation	**213**	9,094
Loans from T.C.L. Industries	**881**	12,300
Loans from an associate	**1,839**	1,129
Total finance costs for the period from continuing operations	**69,578**	170,050

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current – Hong Kong	**–**	11,149
Current – Elsewhere	**40,796**	21,850
Deferred	**36,309**	492
Total tax charge for the period from continuing operations	**77,105**	33,491

7. DEPRECIATION AND AMORTIZATION

During the period, depreciation from continuing operations of HK$141,685,000 (30 June 2012: HK$147,317,000) was charged to the condensed consolidated statement of comprehensive income in respect of the Group's property, plant and equipment; and amortization from continuing operations of HK$75,000 (30 June 2012: HK$100,000) and HK$1,931,000 (30 June 2012: HK$1,828,000) were charged to the condensed consolidated statement of comprehensive income in respect of the Group's other intangible assets and prepaid land lease payments, respectively.

8. DISCONTINUED OPERATION

On 22 February 2013, the Group announced its proposal to spin-off its ODM business in relation to AV products through separate listing of its wholly-owned subsidiary, Tonly Electronics Holdings Limited ("Tonly Holdings") and its subsidiaries (collectively, "Tonly Group") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has on 13 March 2013 submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. As at 30 June 2013, the proposed spin-off was subject to the approval of the Stock Exchange and the business of Tonly Group was classified as a discontinued operation. The assets and liabilities attributable to Tonly Group have been classified as a disposal group held for distribution and are presented separately in the condensed consolidated statement of financial position.

INTERIM RESULTS

8. DISCONTINUED OPERATION (continued)

The results of Tonly Group for the period are presented below:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Turnover	**1,863,537**	1,646,502
Cost of sales	**(1,620,185)**	(1,484,885)
Gross profit	**243,352**	161,617
Other revenue and gains	**92,778**	68,177
Selling and distribution expenses	**(68,669)**	(63,591)
Administrative expenses	**(76,103)**	(43,197)
Research and development costs	**(94,004)**	(66,086)
Other operating expenses	**(17)**	(15)
	97,337	56,905
Finance costs	**(5,907)**	(712)
Share of profit and loss of an associate	**(30)**	(60)
Profit before tax from the discontinued operation	**91,400**	56,133
Income tax expense	**(14,951)**	(7,778)
Profit for the period from the discontinued operation	**76,449**	48,355
Profit attributable to:		
Owners of the parent	**61,050**	48,355
Non-controlling interests	**15,399**	–
	76,449	48,355

8. DISCONTINUED OPERATION (continued)

The major classes of assets and liabilities of Tonly Group classified as held for distribution as at 30 June 2013 are as follows:

	30 June 2013 (unaudited) *HK$'000*
Assets	
Property, plant and equipment	**295,473**
Prepaid land lease payments	**38,205**
Investment in an associate	**363**
Deferred tax assets	**69,627**
Inventories	**356,846**
Trade receivables	**830,727**
Bills receivable	**22,748**
Other receivables	**363,790**
Tax recoverable	**1,386**
Pledged deposits	**485,193**
Cash and bank balances	**964,518**
Assets of the disposal group classified as held for distribution	**3,428,876**
Liabilities	
Trade payables	**907,927**
Bills payable	**513,715**
Other payables and accruals	**631,843**
Interest-bearing bank and other borrowings	**106,271**
Tax payable	**89,810**
Provisions	**174,775**
Deferred tax liabilities	**4,582**
Liabilities directly associated with the assets classified as held for distribution	**2,428,923**
Net assets directly associated with the disposal group	**999,953**

INTERIM RESULTS

8. DISCONTINUED OPERATION (continued)

The net cash flows incurred by Tonly Group are as follows:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Operating activities	**83,598**	347,882
Investing activities	**(87,697)**	194,931
Financing activities	**(40,764)**	(124,335)
Net cash inflow/(outflow)	**(44,863)**	418,478

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Earnings per share from the discontinued operation:		
Basic	**HK4.60 cents**	HK3.74 cents
Diluted	**HK4.54 cents**	HK3.70 cents

8. DISCONTINUED OPERATION (continued)

The calculations of basic and diluted earnings per share from Tonly Group are based on:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**HK$61,050,000**	HK$48,355,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 10)*	**1,326,935,467**	1,295,051,938
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *(note 10)*	**1,346,227,147**	1,305,360,895

9. DIVIDENDS

In view of the payment of special interim dividend in specie of shares in Tonly Holdings as announced by the Company on 15 July 2013, the Board does not recommend the payment of cash dividend for the six months ended 30 June 2013 (30 June 2012: HK10.00 cents per ordinary share, amounting to HK$132,032,000).

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

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	**192,546**	386,473
From a discontinued operation	**61,050**	48,355
	253,596	434,828

	Number of shares Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,326,935,467**	1,295,051,938
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	**19,291,680**	10,308,957
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,346,227,147**	1,305,360,895

11. TRADE RECEIVABLES

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2013 (unaudited) ***HK$'000***	31 December 2012 (audited) *HK$'000*
Current to 90 days	**2,482,926**	3,855,007
91 to 180 days	**501,479**	433,945
181 to 365 days	**134,133**	40,491
Over 365 days	**1,808**	8,696
	3,120,346	4,338,139

Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 30 June 2013, trade receivables factored to banks aggregated to HK$467,784,000 (31 December 2012: HK$519,070,000) were fully derecognised from the condensed consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

INTERIM RESULTS

12. TRADE PAYABLES

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

	30 June 2013 (unaudited) ***HK$'000***	31 December 2012 (audited) *HK$'000*
Current to 90 days	**5,720,676**	8,940,845
91 to 180 days	**312,300**	137,000
181 to 365 days	**124,627**	125,620
Over 365 days	**46,689**	59,668
	6,204,292	9,263,133

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2013 (unaudited) ***HK$'000***	31 December 2012 (audited) *HK$'000*
Current		
Bank loans – secured	**–**	106,198
Bank loans – unsecured	**1,205,817**	2,156,914
Trust receipt loans – unsecured	**246,887**	97,892
Loan from an associate – secured	**–**	246,640
Loan from an associate – unsecured	**45,000**	–
	1,497,704	2,607,644
Non-current		
Bank loan – unsecured	**310,280**	402,346
	1,807,984	3,009,990
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,452,704**	2,361,004
In the second year	**310,280**	402,346
	1,762,984	2,763,350
Loan from an associate repayable:		
Within one year	**45,000**	246,640
	1,807,984	3,009,990

INTERIM RESULTS

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

Notes:

(a) As at 30 June 2013, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) As at 31 December 2012, certain of the Group's bank loans are secured by certain of the Group's time deposits and bills receivable amounting to HK$106,486,000 and HK$246,640,000, respectively.

(c) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK$794,806,000 (31 December 2012: HK$1,355,187,000) as at the end of the reporting period.

14. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The amount is unsecured, bears interest at a fixed rate of 1.485% per annum and is repayable within one year.

15. SHARE CAPITAL

	30 June 2013 (unaudited) ***HK$'000***	31 December 2012 (audited) *HK$'000*
Authorised:		
2,200,000,000 (31 December 2012: 2,200,000,000) shares of HK$1.00 each (31 December 2012: HK$1.00 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,331,084,219 (31 December 2012: 1,321,002,598) shares of HK$1.00 each (31 December 2012: HK$1.00 each)	**1,331,084**	1,321,003

During the six months ended 30 June 2013, the subscription rights attaching to 7,188,022, 1,966,999 and 926,600 share options were exercised at the subscription price of HK$2.45, HK$3.17 and HK$3.60 per share, respectively, resulting in the issue of 10,081,621 shares of HK$1.00 each for a total cash consideration of HK$27,182,000 before expenses.

16. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
		(Restated)
A joint venture:		
Sales of finished goods	**57,962**	30,053
TCL Corporation:		
Interest expense	**213**	9,094
Other finance service fee	**3,141**	12,739
T.C.L. Industries:		
Interest expense	**881**	12,300
Associates:		
Interest income	**6,824**	4,144
Interest expense	**1,839**	1,129
Other finance service fee	**620**	1,352
Sales of finished goods	**249,045**	277,188
Sales of raw materials	**614**	22,172
Subcontracting fee expense	**33,176**	11,209
Companies controlled by TCL Corporation:		
Sales of raw materials	**71,683**	69,127
Sales of finished goods	**678,293**	313,883
Purchases of raw materials	**4,282,357**	1,959,507
Purchases of finished goods	**913,646**	603,918
Subcontracting fee expense	**15,384**	23,072
Subcontracting income	**69,572**	8,743
Rental, maintenance fees and facilities usage fees	**550**	36,393
Rental expense	**13,085**	16,685
Reimbursement of brand advertising costs	**57,719**	84,595
Logistics service fee expense	**84,020**	29,780
Call centre service fee expense	**12,074**	9,468
Recharge of expenses	**–**	744
Reimbursement of research and development and rental expenses	**25,878**	18,497
Construction management fee expense	**1,867**	1,844
After-sale service income	**4,749**	–
Associates of TCL Corporation:		
Rental expense	**1,960**	9,240
Service fee expenses	**42,938**	27,962
A joint venture of TCL Corporation:		
Purchases of raw materials	**7,579**	–
Rental income	**455**	433

INTERIM RESULTS

16. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	Due from related parties		Due to related parties	
	30 June 2013 (unaudited) *HK$'000*	31 December 2012 (audited) *HK$'000*	**30 June 2013 (unaudited) *HK$'000***	31 December 2012 (audited) *HK$'000*
A joint venture	**15,649**	25,344	**–**	–
Associates	**251,666**	408,049	**5,887**	27,626
TCL Corporation and its affiliates	**1,037,530**	1,201,974	**2,887,412**	2,743,698

17. COMPARATIVE AMOUNTS

The comparative condensed consolidated statement of comprehensive income has been re-presented as if the operation classified as discontinued operation during the period had been discontinued at the beginning of the comparative period (note 8). Certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2013, despite the gradual recoveries in the economies of the United States and Eurozone, the uncertainties surrounding the scaling back of the quantitative easing policy in the United States inflicted volatilities in the capital markets. The world economy remained complicated and vulnerable to changes. Meanwhile the PRC's economic growth experienced persistent slowdown with the market becoming wary of abundance of liquidity of funds, impacting sentiments in both the capital and consumer markets. Facing such a challenging business environment, the Group adhered to its core development strategy with an emphasis on "speed and efficiency", and further boosted its sales volume and market share by improving its product competitiveness, stepping up its efforts in sales channel and brand establishment. For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK$18,077 million, up by 22.4% year-on-year. Gross profit was approximately HK$2,840 million, up by 8.7% year-on-year. In addition, the Group integrated its industrial chain so as to reduce costs. It also raised the proportion of sales volume of high-end products to improve its product mix. Nonetheless, the Group derived a higher proportion of sales volume from small and medium size TVs due to the energy-saving home appliances subsidy program promulgated by the PRC government. In addition, its new product launch has fallen behind schedule, which has led to a decrease in gross profit margin. For the six months ended 30 June 2013, the gross profit margin dropped to 15.7% from 17.7% for the same period of last year. The expense ratio lowered to 14.6% from 14.8% for the same period of last year. Operating profit was approximately HK$331 million, down by 47.2% year-on-year. Net profit after tax from continuing operations was approximately HK$195 million, down by 50.3% year-on-year, net profit margin was 1.1%. Operating profit and net profit after tax from continuing operations would have dropped 31.5% and 21.4% year-on-year, respectively, if the one-off gain ("One-off Gain") from acquisition of the entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% equity interest in Huizhou TCL Coretronic Co., Ltd. in the same period of last year were excluded. Profit attributable to owners of the parent from continuing operations was approximately HK$193 million, which would have represented a decrease of 20.6% year-on-year if the One-off Gain in the same period of last year were excluded. Basic earnings per share and basic earnings per share from continuing operations were HK19.11 cents and HK14.51 cents, respectively (same period in 2012: HK33.58 cents and HK29.84 cents, respectively).

For the six months ended 30 June 2013, the Group achieved growth in the sales volume of LCD TVs by continuously optimizing its product mix, expanding its sales channels and implementing proactive marketing strategies. The Group sold a total of 7.82 million sets of LCD TVs in the first half of 2013, up by 20.7% year-on-year. The sales volume of LCD TVs in the PRC Market increased by 36.1% year-on-year, representing a significant increase. According to the latest DisplaySearch report, the Group's market share in the global LCD TV market increased from 5.8% in 2012 to 7.3% in the first quarter of 2013, up 1.5 percentage points, thereby lifting its global ranking to No.3. Meanwhile, the Group remained the No.1 position in the PRC LCD TV market with a market share of 20.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

Moreover, the Group has successfully spun off its ODM business of AV products, Tonly Holdings for a separate listing on the Main Board of the Stock Exchange on 15 August 2013 under the stock code 01249. Through the spin-off of Tonly Holdings for a separate listing, the Group has delineated clearly its TV and AV businesses through establishing for each of them a separate business platform. The Group will continue to focus on development of its core business and enhance its decision making efficiency and ability to accommodate changes in the market.

TV Business

During the first half of 2013, the Group sold a total of 7.82 million sets of LCD TVs, up by 20.7% year-on-year. The sales volume of LCD TVs in the PRC Market rose by 36.1% year-on-year to 4.54 million sets while the sales volume of LCD TVs in the Overseas Markets increased by 4.4% year-on-year to 3.28 million sets, of which the sales volume of LCD TVs in the Emerging Markets grew by 13.7% year-on-year to 2.07 million sets. The Emerging Markets remained the major contributor to the Overseas Markets of the Group and continued as a major growth driver alongside the PRC Market. The proportion of smart TVs and 3D TVs to the total LCD TV sales volume in the PRC Market in June 2013 increased to 31.5% and 31.3%, respectively.

During the first half of 2013, the Group announced its new strategies of brand enhancement for a full upgrade of a "young, fashionable and internationalized" image. On 27 March 2013, the Group announced its "Fireball Plan", under which the Group simultaneously introduced into the markets a collection of smart cloud TV products in 8 major series, including Cloud QingV8500, Cloud JingV7600, Cloud XianH6600, Cloud LianE5590 and Cloud LeE4650, with an overall upgrade in design, function and experience. This will enable the Group to have simultaneous replacement of an array of outmoded products with new products for the first time in the industry, as part of its efforts to bring to consumers a brand new smart cloud lifestyle experience. Meanwhile, the Group implemented the "Plan V" targeting at the high-end market, through launching a new sub-brand "Viveza" for high-end TVs and promoting its first high-end TV product, Viveza V101. Viveza V101 features an ultra-thin and fashionable design, with an overall thickness of only 12.5mm and being the first ultra-thin flat-panel LED backlight LCD TV in the world, bringing comprehensive entertainment to consumers who attach great importance to high quality lifestyles. Viveza V101 and the 110-inch ultra high-definition 3D flat-panel TV MTB001D01-1 won the "2013 CITE innovative product and application" gold award in the first "China Information Technology Expo" ("CITE") on 10 April 2013, making the Group the only enterprise to have two products received gold awards simultaneously in country-level contests.

MANAGEMENT DISCUSSION AND ANALYSIS

TCL aims at enhancing its brand influence in the global TV industry through its international entertainment marketing efforts and brand enhancement strategies. During the first half of 2013, TCL has released a new brand Visual Identity system and has gone through a series of cooperations with the Hollywood movie "Iron Man 3" through brand placement, joint promotions and authorized usage of creative elements. Meanwhile, TCL has obtained the naming right of Grauman's Chinese Theatre, a landmark building on Hollywood Boulevard. The building was officially renamed "TCL Chinese Theatre". TCL assisted to fully upgrade facilities including LCD and LED digital display panels, electronic posters and advertising panels, etc. in the theatre and will feature the "TCL Chinese Theatre" as a landmark which blends in Hollywood's history with modern technologies in the future, laying a solid foundation for penetrating into international markets. Furthermore, the Group has become a new television sponsor of Hong Kong International Airport ("HKIA"), making it the first television brand in the PRC to feature its TV products at HKIA and allowing consumers and travelers from all over the world to experience the charisma of TCL branded products.

The Group's sales volume of TVs and AV products by regions are as follows:

	1H 2013 ('000 sets)	1H 2012 ('000 sets)	**Change**
LCD TVs	**7,818**	6,477	**+20.7%**
of which: LED backlight LCD TVs	**7,328**	4,307	**+70.1%**
Smart TVs	**1,138**	324	**+251.2%**
3D TVs	**1,335**	592	**+125.5%**
– PRC Market	**4,542**	3,338	**+36.1%**
– Overseas Markets	**3,276**	3,139	**+4.4%**
CRT TVs	**669**	1,271	**(47.4%)**
– PRC Market	**9**	144	**(93.8%)**
– Overseas Markets	**660**	1,127	**(41.4%)**
Total TV sales volume	**8,487**	7,748	**+9.5%**
Total AV products sales volume	**7,601**	6,791	**+11.9%**

MANAGEMENT DISCUSSION AND ANALYSIS

The PRC Market

During the first half of 2013, the Group recorded growth in both sales volume and turnover in the PRC Market. The turnover rose by 40.7% year-on-year to HK$12,162 million and the PRC Market remains the Group's major source of revenue. The sales volume of LCD TVs reached 4.54 million sets, up by 36.1% from the same period last year, average selling price of LCD TVs increased by 4.4% year-on-year, thanks to the energy-saving home appliances subsidy program promulgated by the PRC government and the improvement in the Group's product mix and product differentiation strategies. Nonetheless, the Group derived a higher proportion of sales volume from small and medium size TVs due to the energy-saving home appliance subsidy program. In addition, its new product launch has fallen behind schedule, which has led to a decrease in gross profit margin. The operating profit from the PRC Market dropped 7.2% year-on-year.

The Group continued to strengthen its "full cloud strategies", sped up its strategic layout process for smart TVs, proactively improved development of 3D TVs and stepped up marketing efforts to continuously increase the proportion of sales volume of smart TVs and 3D TVs. The sales volume of smart TVs was 1.04 million sets in the first half of 2013, and its proportion to the total LCD TV sales volume in the PRC Market increased to 22.9%. The sales volume of 3D TVs increased from 0.56 million sets in the same period of last year to 1.32 million sets in the first half of 2013, and its proportion to the total LCD TV sales volume in the PRC Market increased to 29.1%. Sales volume of smart TVs and 3D TVs in June 2013 accounted for 31.5% and 31.3% of the LCD TV sales volume in the PRC Market, respectively.

In addition, the Group continued to strengthen the establishment of points of sales and added an additional 1,150 speciality stores. Meanwhile, it also enhanced the store efficiency and further improved its penetration rate in third-tier to sixth-tier markets. The Group formed comprehensive strategic partnerships with large-scale home appliance chain stores and online sales channels, launched value-for-money products by implementing its dual brand strategy and taking the advantage of its sales channels in order to boost sales volume and market share in the PRC Market. Meanwhile, the Group continued to enhance its supply chain management and recorded a year-on-year decrease in its expense ratio through effective cost control, thereby further improving the competitiveness of its products.

Overseas Markets

The operational environment in the Overseas Markets was still full of challenges. During the first half of 2013, the Group's turnover in the Overseas Markets decreased by 4.1% year-on-year to HK$5,546 million. Nevertheless, the sales volume of LCD TVs in the Overseas Markets increased by 4.4% year-on-year to 3.28 million sets, in which the sales volume of LED backlight LCD TVs grew from 2.05 million sets in the same period of last year to 3.00 million sets in the first half of 2013, accounting for 91.5% of the total sales volume of LCD TVs in the Overseas Markets.

During the first half of 2013, the sales volume of the LCD TVs in the Emerging Markets rose by 13.7% year-on-year to 2.07 million sets, of which sales performance in Brazil showed the most satisfying results with a 91.0% year-on-year increase in sales volume. In the Emerging Markets, the Group fully capitalized on opportunities in transformation to high-end products and actively expanded the businesses of LCD TVs and LED backlight LCD TVs. It successfully introduced smart TVs which are based on the Android platform to boost both the proportion of high-end products and its market share. According to GfK figures, the LCD TV market share of the Group in Australia increased from 2.4% in the first half of 2012 to 4.7% in the first half of 2013 and the LCD TV market share in Thailand rose from 5.7% in the first half of 2012 to 6.5% in the first half of 2013. To boost sales volume, the Group also actively expanded new points of sales and started to sell TCL branded products in Egypt and Kazakhstan. Moreover, the Group continued to enhance its supply chain management by implementing measures like product standardization and integrating the mold management to maintain its cost competitiveness.

In the European Market, the Group strived to optimize its product mix through accelerated introduction of new products including smart TVs to boost the proportion of sales volume of high-end products. The proportion of the Group's sales volume of smart TVs in the European LCD TV Market was 22.1% while the LCD TV market share in France grew from 5.5% in the first half of 2012 to 6.2% in the first half of 2013, according to the GfK figures. The Group continued to step up efforts in sales channel establishment and also continued to improve its supply chain so as to lower the inventory level in its sales channels. In the North American Market, the Group continued to maintain its strategic online cooperation with Amazon while actively developing other countrywide and regionwide sales channels to boost sales volumes, thereby raising awareness of the TCL brand.

MANAGEMENT DISCUSSION AND ANALYSIS

R&D

During the first half of 2013, the Group actively stepped up investments in R&D and strived to gain market share in the mid-range and high-end products at a faster pace than its peer by the combination of forward-looking product technique and technological innovations to comprehensively enhance its core competences, with a view to groom TCL into a global brand with international influence. In March 2013, the Group announced its "Fireball Plan" and "Plan V" and launched 85 new products of 30 series in the PRC Market as part of the moves to enrich its product mix and enhance its product competitiveness. In addition, the Group and the world's leading semi-conductor chip manufacturer, Marvell, jointly launched Google Super-Smart TV "MoVo", making the Group the first Chinese television enterprise to launch the integrated TV sets of Google TVs. It will also launch later this year the latest 4K ultra high-definition TV equipped with Google TV software "MoVo UD", which had been preluded in the 2013 Google I/O Conference launched in May 2013. MoVo UD is preinstalled with the latest software version of Google TV and the latest Android 4.2.2 system, equipped with conventional applications and functions such as voice-activated searching technologies, Google Chrome, Google Play and YouTube, etc..

Outlook

Looking ahead, various uncertainties and downside risks surrounding the economies of the United States and Europe and the slowing economic growth in the PRC are expected to pose challenges to the world's TV industry. Following the expiry of the energy-saving home appliances subsidy program promulgated by the PRC government, the market is concerned about the impact on sales of home appliances. The expansion of IT enterprises into the TV industry will also intensify competition, making the business environment even more challenging. Nevertheless, the stable development of urbanization in the PRC, the replacement demand from traditional CRT TVs and the rapid popularization of smart TVs will continue to support LCD TV development in the PRC and Emerging Markets.

The Group will continue to implement its strategies with an emphasis on "speed and efficiency" and will strive to bring more value-for-money products to consumers through product innovation, cost optimization, product competitiveness and pricing strategy. It will also boost its sales volume and market share by enhancing both the sales channels and brand establishment. In addition, the Group will fully take advantage brought by vertically-integrated operations to establish a smart TV ecosystem with strong competitive edge, continuously enhancing its core competency and profitability. The Group is striving to meet its annual sales volume target of 18.00 million sets of LCD TVs for 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, the Group will continue to strengthen its "full cloud strategies" with a focus on user experience improvement and strive to establish an ecosystem for the smart TVs with TCL's advantages. Driven by the convergency across industries, smart TVs become the key terminal products following traditional PCs, smart phones and tablets, enabling simultaneous connection of those four devices. It has resulted in a product ecosystem featuring "platform, content, terminal and application". The competition of the smart TVs has spread from terminal products to product ecosystems. In view of this, the Group will continue to seek breakthroughs in the software and hardware platform of smart TVs, strengthening its cooperation with internet service providers and video content suppliers to further enhance its competitiveness.

In the PRC Market, the Group will reinforce its leadership in the smart TV market in terms of branding, products, sales channels and operation. In response to market demand, it will improve its product structure for 4K ultra high-definition TVs in order to enhance the competitiveness and the proportion of sales volume of high-end products, with an aim to become a leader in the market for ultra high-definition TV products. The Group will also continue to strengthen its brand image and recognition through an innovative mode of operation, consolidate its production chain to reduce cost and expense ratio, and speed up turnover rate to maintain the average selling price as well as increase the gross profit margin. In addition, the Group will continue to step up its efforts in building sales channels and specialty stores, improve store efficiency and market penetration rate in third-tier to sixth-tier markets, promote the development of electronic sales channels and integrate online and offline resources to boost sales volume and market share.

In the Overseas Markets, the Group will continue to implement a prudent operational strategy. Speed, efficiency and cost control will remain the core elements of the Group's strategy to establish its core competences in the Overseas Markets. It will intensify efforts in brand establishment and marketing to establish a "young, fashionable and internationalized" image so as to enhance the influence of TCL brand in the Overseas Markets. The Group will continue to capitalize on the opportunities brought about by the migration towards high-end products in the Emerging Markets, devote to enhancing the proportion of sales volume of LED backlight LCD TVs and smart TVs, proactively expand sales channels and enhance the overall operating efficiency. Sales volume of smart TVs is expected to continue with high growth in the Emerging Markets. The Group will strive to improve penetration rate of smart TVs by strengthening contents and hardware support, as well as R&D efforts to support sales of smart TVs. The Group will continue to improve operating efficiencies in the European and North American Markets, step up investment in branding, accelerate introduction of new products and increase sales volume in mainstream channels of key markets.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will fully capitalize on resource advantages of TCL Corporation, and cooperate more strategically with TCL Communication Technology Holdings Limited ("TCL Communication") and Shenzhen China Star Optoelectronics Technology Co., Ltd. in products, R&D as well as management, etc., to derive more strategic synergies. The Group will fully take the advantages brought by its vertically-integrated operations, enhance the Group's leading position in global TV market and make TCL to be a more influential international brand with comprehensive competitiveness, and thus, to create greater values to its shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 19 April 2013, Shenzhen TCL New Technology Company Limited ("TCL New Technology"), a wholly-owned subsidiary of the Company, entered into club membership acquisition agreements with TCL Optoelectronics Tech (Shenzhen) Company Limited ("Shenzhen TCL Optoelectronics"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which TCL New Technology agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell further club membership interests, including but not limited to the exclusive rights to occupy and use the premises and the ancillary services at Unit 201 to Unit 708 of Category A to H of the 2nd to 7th Floor of B8 building and the whole floor of 6th Floor of D4 building, TCL Science Park, No. 1001, Zhongshanyuan Road, Xili, Nanshan District, Shenzhen, the PRC, for office and industrial research use, at a cash consideration of approximately RMB51,416,000 (equivalent to approximately HK$63,756,000). The transaction was completed on 19 April 2013.

On 26 June 2013, each of TCL King Electrical Appliances (Huizhou) Company Limited, a wholly-owned subsidiary of the Company and TCL Technoly Electronics (Huizhou) Company Limited, a non-wholly owned subsidiary of the Company (collectively, the "Purchasers"), entered into a transfer agreement with Huizhou TCL Mobile Communication Company Limited (the "Vendor"), a wholly-owned subsidiary of TCL Communication and a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Vendor would transfer a relevant portion of a piece of land located in Sub-division 38, Zhong Kai High Tech Park, Huizhou, Guangdong Province, the PRC, together with the buildings thereon to each of the Purchasers (the "Transfer"). The total consideration of the Transfer was in the sum of approximately RMB72,918,000 (equivalent to approximately HK$91,148,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

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

The cash and bank balance of the Group as at 30 June 2013 amounted to HK$5,704,609,000, of which 1.4% was maintained in Hong Kong dollars, 20.9% in US dollars, 76.3% in Renminbi, 0.6% in Euro and 0.8% was held in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2012 and there was no asset held under finance lease as at 30 June 2013.

As at 30 June 2013, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of HK$6,189,802,000 were higher than the total interest-bearing borrowings of HK$2,302,105,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 30 June 2013, saved as disclosed in note 13, certain financial instruments, bills receivable and time deposits of the Group amounting to HK$134,250,000, HK$152,338,000 and HK$485,193,000, respectively, were pledged for certain bills payable and bank borrowings amounting to HK$661,546,000 and HK$106,271,000, respectively (31 December 2012: certain bills receivable and time deposits of the Group amounting to HK$88,050,000 and HK$719,734,000, respectively, were pledged for certain bills payable amounting to HK$804,045,000).

Capital Commitments and Contingent Liabilities

As at 30 June 2013, the Group had capital commitments of approximately HK$101,115,000 (31 December 2012: HK$44,092,000) and HK$520,320,000 (31 December 2012: HK$753,614,000) which were contracted but not provided for and authorized but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the annual report for 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Events After The Reporting Period

On 15 July 2013, the Board declared a conditional special interim dividend which was to be satisfied by way of a distribution in specie of the entire interest in the issued share capital of Tonly Holdings to qualifying shareholders of the Company (the "Distribution"), which was subject to certain conditions (the "Conditions") as mentioned in the announcement of the Company dated 15 July 2013. Under the Distribution, each qualifying shareholder of the Company would be entitled to receive one share of Tonly Holdings for every whole multiple of ten shares of the Company held by the qualifying shareholders. As at the date of this report, all Conditions have been satisfied.

Following the approval by the Stock Exchange, the spin-off and separate listing of the Tonly Holdings on the Stock Exchange was completed on 15 August 2013, details of which are set out in the listing document of Tonly Holdings dated 17 July 2013. Upon the spin-off of the Tonly Group, the Company's entire interest in Tonly Holdings was distributed as special interim dividend to the Company's qualifying shareholders and Tonly Holdings ceased to be a subsidiary of the Company thereafter.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

The Group had a total of 32,069 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing a total of 36,916,651 shares remained outstanding at the end of the reporting period.

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

OTHER INFORMATION

CHANGES OF PARTICULARS OF THE DIRECTORS

Certain particulars of the Directors have been changed in the following respects since the published date of annual report 2012 of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Effective date	Changes
22 April 2013	Mr. BO Lianming ceased to be an executive director of the Company and was re-designated as a non-executive director of the Company and retired as a non-executive director of TCL Communication
24 April 2013	Mr. YAN Xiaolin was appointed as a non-executive director of the Company and TCL Communication
24 April 2013	Ms. XU Fang resigned as an executive director of the Company
24 May 2013	Mr. LI Dongsheng was appointed as an independent director of Legrand, shares of which are listed on NYSE Euronext
4 June 2013	Mr. HAO Yi was appointed as an acting chief executive officer and an alternate director of the Company
12 July 2013	Mr. YU Guanghui was appointed as an executive director of Tonly Holdings
12 July 2013	Mr. HUANG Xubin was elected as a director of TCL Corporation
13 August 2013	Mr. ZHAO Zhongyao resigned as an executive director and the Chief Executive Officer of the Company and also ceased to be a member of the Executive Committee of the Company
13 August 2013	Mr. YU Guanghui resigned as an executive director of the Company and also ceased to be a member of the Executive Committee of the Company
13 August 2013	Mr. HAO Yi was appointed as an executive director and the Chief Executive Officer of the Company and also a member of the Executive Committee of the Company
13 August 2013	Mr. YAN Xiaolin was re-designated as an executive director of the Company and appointed as a member of the Executive Committee of the Company
13 August 2013	Mr. SHI Wanwen was appointed as a non-executive director of the Company

OTHER INFORMATION

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

As at 30 June 2013, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules ("Model Code"), were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held Personal interests	 Family interests	 Other interests *(Note 1)*	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
LI Dongsheng	32,067,888	2,538,000	1,100,932	3,977,200	39,684,020	2.981%
ZHAO Zhongyao	6,911,714	–	633,017	7,395,900	14,940,631	1.122%
Albert Thomas DA ROSA, Junior	21,429	–	8,571	300,000	330,000	0.025%
BO Lianming	71,036	–	27,691	1,275,700	1,374,427	0.103%
HUANG Xubin	43,257	–	17,303	708,711	769,271	0.058%
YAN Xiaolin	–	–	34,600	283,467	318,067	0.024%
TANG Guiliang	21,429	–	8,571	300,000	330,000	0.025%
Robert Maarten WESTERHOF	21,429	–	8,571	300,000	330,000	0.025%
WU Shihong	21,429	–	8,571	300,000	330,000	0.025%
HAO Yi	1,163	–	622,776	1,649,778	2,273,717	0.171%

OTHER INFORMATION

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

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

TCL Corporation *(Note 2)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Corporation
LI Dongsheng	511,570,300	–	–	511,570,300	6.019%
ZHAO Zhongyao	4,788,598	–	1,846,680	6,635,278	0.078%
YU Guanghui	–	–	1,026,000	1,026,000	0.012%
BO Lianming	3,550,900	–	4,122,840	7,673,740	0.090%
HUANG Xubin	1,933,360	–	2,900,040	4,833,400	0.057%
YAN Xiaolin	531,500	–	4,310,400	4,841,900	0.057%
HAO Yi	–	201,600	–	201,600	0.002%

OTHER INFORMATION

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

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

TCL Communication *(Note 3)*

Name of Director	Number of ordinary shares held Personal interests	 Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of TCL Communication
LI Dongsheng	38,356,756	1,920,000	12,416,165	52,692,921	4.613%
ZHAO Zhongyao	443,000	–	–	443,000	0.039%
YU Guanghui	740	–	–	740	0.00006%
BO Lianming	65,700	–	3,388,987	3,454,687	0.302%
HUANG Xubin	–	–	2,767,906	2,767,906	0.242%
YAN Xiaolin	–	–	212,200	212,200	0.019%
HAO Yi	201,133	–	–	201,133	0.018%

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

Huizhou Techne *(Note 4)*

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

OTHER INFORMATION

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

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

Tonly Electronics *(Note 5)*

Name of Director	Number of ordinary shares held Personal interests	Family interests	Interests in controlled corporation	Number underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of Tonly Electronics
YU Guanghui *(Note 6)*	–	–	11,426,400	–	11,426,400	10.80%

Notes:

1. The shares are restricted shares granted to the relevant directors under the Award Scheme of the Company and were not vested as at 30 June 2013.

2. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

3. TCL Communication is a subsidiary of TCL Corporation.

4. Huizhou Techne Corporation ("Huizhou Techne") is a subsidiary of TCL Corporation.

5. As at 30 June 2013, Tonly Electronics Limited ("Tonly Electronics") was a non-wholly owned subsidiary of the Company. After the separate listing of Tonly Holdings on 15 August 2013, Tonly Electronics ceases to be a subsidiary of the Company and becomes a non-wholly owned subsidiary of Tonly Holdings, which is a subsidiary of TCL Corporation.

6. As at 30 June 2013, Run Fu Holdings Limited held 11,426,400 shares in Tonly Electronics and Mr. YU Guanghui was deemed to be interested in such shares in Tonly Electronics since he and his wife owned Huizhou Yinhuiyu Investment Partnership Enterprise (Limited Partnership) (惠州市銀輝宇投資合資企業（有限合夥）) as to approximately 99% and 1% respectively and Huizhou Yinhuiyu Investment Partnership Enterprise (Limited Partnership) in turn holds 44.44% of the total issued share capital of Run Fu Holdings Limited.

OTHER INFORMATION

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

Save as disclosed above, as at 30 June 2013, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long position in shares of the Company

Shareholder	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	816,094,475 *(Note)*	61.31%

Note:

TCL Corporation was deemed to be interested in 816,094,475 shares held by T.C.L. Industries, its direct wholly-owned subsidiary, for the purpose of the SFO.

Save as disclosed above, as at 30 June 2013, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

SHARE OPTIONS SCHEMES

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

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

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

Name or category of participant	Number of share options						Date of grant of share options	Exercise price of share options	Exercise period of share options	Price of Company's shares	
	At 1 January 2013	Reclassification	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2013		*HK$*		At grant date *HK$*	At exercise date *HK$*
Directors											
Executive directors											
LI Dongsheng	1,395,754	–	–	(1,395,754)	–	–	25-Aug-08	2.45	Note 1	2.33	6.02
	3,977,200	–	–	–	–	3,977,200	5-Jul-11	3.17	Note 3	3.17	N/A
	5,372,954	–	–	(1,395,754)	–	3,977,200					
BO Lianming @	158,354	–	–	(158,354)	–	–	25-Aug-08	2.45	Note 1	2.33	N/A
	1,275,700	(1,275,700)	–	–	–	–	5-Jul-11	3.17	Note 3	3.17	N/A
	1,434,054	(1,275,700)	–	(158,354)	–	–					
ZHAO Zhongyao	158,354	–	–	(158,354)	–	–	25-Aug-08	2.45	Note 1	2.33	6.25
	2,341,800	–	–	(514,000)	–	1,827,800	8-Nov-10	3.60	Note 2	3.60	6.11
	5,568,100	–	–	–	–	5,568,100	5-Jul-11	3.17	Note 3	3.17	N/A
	8,068,254	–	–	(672,354)	–	7,395,900					
YU Guanghui	359,211	–	–	(359,211)	–	–	25-Aug-08	2.45	Note 1	2.33	6.46
XU Fang *	123,610	–	–	(123,610)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	183,000	(183,000)	–	–	–	–	8-Nov-10	3.60	Note 2	3.60	N/A
	951,900	(951,900)	–	–	–	–	5-Jul-11	3.17	Note 3	3.17	N/A
	1,258,510	(1,134,900)	–	(123,610)	–	–					
HAO Yi #	–	74,912	–	(74,912)	–	–	25-Aug-08	2.45	Note 1	2.33	5.90
	–	256,100	–	(256,100)	–	–	8-Nov-10	3.60	Note 2	3.60	5.89
	–	1,856,000	–	(206,222)	–	1,649,778	5-Jul-11	3.17	Note 3	3.17	6.00
	–	2,187,012	–	(537,234)	–	1,649,778					
	16,492,983	(223,588)	–	(3,246,517)	–	13,022,878					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

Name or category of participant	Number of share options: At 1 January 2013	Reclass-ication	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2013	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Non-Executive directors											
Albert Thomas DA ROSA, Junior	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.20
	300,000	–	–	–	–	300,000	5-Jul-11	3.17	Note 3	3.17	N/A
	330,000	–	–	(30,000)	–	300,000					
BO Lianming @	–	1,275,700	–	–	–	1,275,700	5-Jul-11	3.17	Note 3	3.17	N/A
HUANG Xubin	222,980	–	–	(222,980)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	797,300	–	–	(88,589)	–	708,711	5-Jul-11	3.17	Note 3	3.17	6.13
	1,020,280	–	–	(311,569)	–	708,711					
YAN Xiaolin ^	–	283,467	–	–	–	283,467	5-Jul-11	3.17	Note 3	3.17	N/A
TANG Guliang	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	5.91
	300,000	–	–	–	–	300,000	5-Jul-11	3.17	Note 3	3.17	N/A
	330,000	–	–	(30,000)	–	300,000					
Robert Maarten WESTERHOF	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	300,000	–	–	–	–	300,000	5-Jul-11	3.17	Note 3	3.17	N/A
	330,000	–	–	(30,000)	–	300,000					
WU Shihong	30,000	–	–	(30,000)	–	–	25-Aug-08	2.45	Note 1	2.33	6.13
	300,000	–	–	–	–	300,000	5-Jul-11	3.17	Note 3	3.17	N/A
	330,000	–	–	(30,000)	–	300,000					
	2,340,280	1,559,167	–	(431,569)	–	3,467,878					
Other employees and those who have contributed or may contribute to the Group	6,085,109	(74,912)	–	(4,574,847)	–	1,435,350	25-Aug-08	2.45	Note 1	2.33	6.06
	530,600	(73,100)	–	(156,500)	–	301,000	8-Nov-10	3.60	Note 2	3.60	6.42
	21,549,300	(1,187,567)	–	(1,672,188)	–	18,689,545	5-Jul-11	3.17	Note 3	3.17	6.25
	28,165,009	(1,335,579)	–	(6,403,535)	–	20,425,895					
	46,998,272	–	–	(10,081,621)	–	36,916,651					

OTHER INFORMATION

SHARE OPTIONS SCHEMES (continued)

Note 1 One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013.

Note 2 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 3 One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninth is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

@ Mr. BO Lianming ceased to be an executive director of the Company and was re-designated as a non-executive director of the Company on 22 April 2013.

* Ms. XU Fang resigned as an executive director of the Company on 24 April 2013.

Mr. HAO Yi was appointed as an acting chief executive officer and an alternate director of the Company on 4 June 2013.

^ Mr. YAN Xiaolin was appointed as a non-executive director of the Company on 24 April 2013.

PURCHASES, SALE OR REDEMPTION OF SHARES

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 1,500,000 shares being the awarded shares during the period. The total amount paid to acquire such shares was approximately HK$9,260,000.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the period ended 30 June 2013, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1. The reasons for the deviation from the Code Provision F.1.1 remain the same as those stated in the Company's 2012 annual report.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, both of whom being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the annual general meeting of the Company held on 22 April 2013. However, Mr. TANG Guliang and Ms. WU Shihong, both of whom being independent non-executive directors of the Company were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for all directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the company on 24 April 2013) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended to by him, Mr. LI Dongsheng, the chairman of the Board, was not present at the annual general meeting held on 22 April 2013. However, as mentioned above, two independent non-executive directors of the Company were present at the annual general meeting and Mr. ZHAO Zhongyao, being an executive director and chief executive officer of the Company, was elected the chairman thereof pursuant to the articles of association of the Company to ensure an effective communication with the shareholders thereat.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Ms. WU Shihong and Dr. TSENG Shieng-chang Carter, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code. Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 15 August 2013

As at the date of this report, the Board comprises LI Dongsheng, HAO Yi and YAN Xiaolin as executive directors, Albert Thomas DA ROSA, Junior, BO Lianming, HUANG Xubin and SHI Wanwen as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.