GWT

長城科技股份有限公司

Great Wall Technology Company Limited

Stock Code : 0074

2013 Interim Report

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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) 2663 3904
Postal Code	:	518057
Executive Directors	:	Liu Liehong (Chairman) Yang Jun Fu Qiang Xu Haihe Du Heping Tam Man Chi
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	:	Zhong Yan
Authorized Representative	:	Xu Haihe Zhong Yan
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
Website	:	www.greatwalltech.com

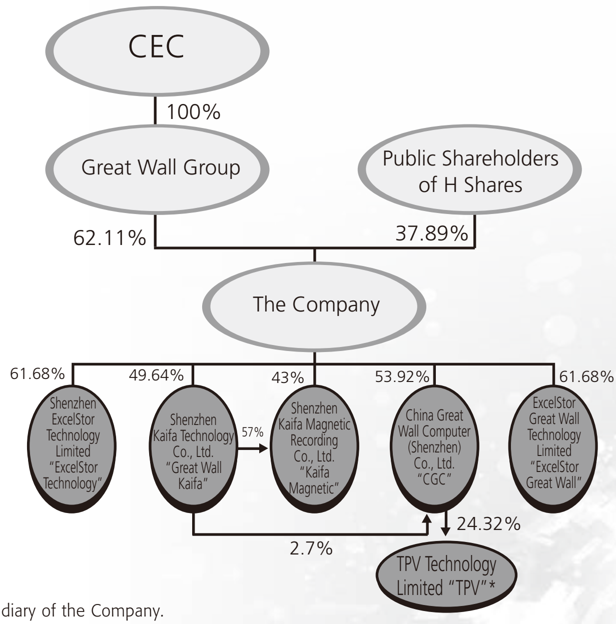
GROUP STRUCTURE

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 STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover		43,714,035	42,755,637
Cost of sales		(40,595,910)	(40,068,121)
Gross profit		3,118,125	2,687,516
Other income and gains	4	724,605	701,992
Net realised and unrealised gain on foreign exchange forward contracts		470,503	540,861
Selling and distribution costs		(1,772,588)	(1,424,794)
Administrative expenses		(1,355,212)	(1,238,138)
Research and development expenses		(921,468)	(822,760)
Finance costs	5	(343,684)	(201,271)
Share of results of associates		(4,811)	34,939
Share of results of joint ventures		(1,985)	(9,997)
(Loss) profit before tax	6	(86,515)	268,348
Income tax expense	7	(72,053)	(92,297)
(Loss) profit for the period		(158,568)	176,051
(Loss) profit for the period attributable to:			
Owners of the Company		15,336	20,430
Non-controlling interests		(173,904)	155,621
		(158,568)	176,051
Earnings per share			
– Basic and diluted (RMB per share)	9	1.28 cents	1.71 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
	(Unaudited)	(Restated)
(Loss) profit for the period	(158,568)	176,051
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss:		
Available-for-sale investments:		
– Fair value gain arising during the period	513	730
– Reclassification adjustment upon disposal	(17,294)	–
Deferred tax on change in fair value of available-for-sale investments	(128)	–
Share of other comprehensive income of associates and joint ventures	6,068	2,991
Exchange differences arising on translation	(255,463)	(163,592)
Items that may not be reclassified to profit or loss:		
Actuarial gains on pension obligations	1,017	–
Other comprehensive expense for the period	(265,287)	(159,871)
Total comprehensive (expense) income for the period	(423,855)	16,180
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(48,449)	5,380
Non-controlling interests	(375,406)	10,800
	(423,855)	16,180

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	10	6,395,260	6,790,547
Prepaid land lease payments	11	649,489	666,629
Investment properties	12	1,454,374	1,458,451
Intangible assets		1,326,790	1,386,605
Interests in associates		836,832	807,526
Interests in joint ventures		8,504	11,194
Available-for-sale investments		389,199	393,587
Prepayment, deposits and other receivables		718,866	375,120
Term deposits		173,452	110,000
Pledged deposits		10,000	10,000
Derivative financial instruments		14,254	17,845
Deferred tax assets		629,629	701,441
		12,606,649	12,728,945
Current assets			
Inventories		12,935,114	10,279,397
Trade and bills receivables	13	14,371,237	16,560,802
Prepaid land lease payments	11	18,416	18,792
Prepayments, deposits and other receivables		3,560,796	3,932,341
Financial assets at fair value through profit or loss		18,592	26,104
Tax recoverable		130,742	112,994
Derivative financial instruments		381,045	203,727
Amounts due from fellow subsidiaries		10,790	27,686
Amounts due from associates		10,506	41,607
Amount due from ultimate holding company		8,000	–
Term deposits		247,000	243,000
Pledged deposits		4,157,430	3,116,683
Bank balances and cash		4,471,822	5,386,054
		40,321,490	39,949,187
Assets classified as held for sale	14	127,094	–
		40,448,584	39,949,187

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Restated)
Current liabilities			
Trade and bills payables	15	15,839,319	16,320,590
Other payables and accruals		8,025,983	8,661,680
Bank and other loans	16	9,787,373	6,705,430
Derivative financial instruments		63,571	408,605
Tax payable		368,645	305,057
Warranty and other provisions	17	806,742	854,713
Amounts due to fellow subsidiaries		1,661	1,676
Amounts due to associates		37,914	16,025
Amount due to ultimate holding company		147,236	101,622
		35,078,444	33,375,398
Liabilities associated with assets classified as held for sale	14	137,128	–
		35,215,572	33,375,398
Net current assets		5,233,012	6,573,789
Total assets less current liabilities		17,839,661	19,302,734
Capital and reserves			
Share capital	18	1,197,742	1,197,742
Reserves		3,087,856	3,136,305
Equity attributable to owners of the Company		4,285,598	4,334,047
Non-controlling interests		10,467,029	11,030,590
Total equity		14,752,627	15,364,637
Non-current liabilities			
Bank and other loans	16	1,228,820	1,756,709
Other payables		1,138,454	1,327,991
Pension obligations		122,394	120,745
Contingent consideration payable and redemption liability		128,115	117,502
Deferred tax liabilities		385,342	533,594
Government grants		69,580	59,488
Derivative financial instruments		5,493	176
Other provision	17	8,836	21,892
		3,087,034	3,938,097
		17,839,661	19,302,734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	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 2013 (audited)	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,262)	(185,508)	1,469,559	4,335,756	11,041,597	15,377,353
Adoption of HKAS 19 (revised)	–	–	–	–	–	–	–	–	–	(1,709)	(1,709)	(11,007)	(12,716)
At 1 January 2013 (restated)	1,197,742	997,498	272	(28,155)	136,959	7,036	1,042,615	(302,262)	(185,508)	1,467,850	4,334,047	11,030,590	15,364,637
Loss for the period	–	–	–	–	–	–	–	–	–	15,336	15,336	(173,904)	(158,568)
Other comprehensive income (expense) for the period													
Available-for-sale investments:													
– Fair value gain arising during the period	–	–	–	–	–	572	–	–	–	–	572	(59)	513
– Reclassification adjustment upon disposal	–	–	–	–	–	(8,532)	–	–	–	–	(8,532)	(8,762)	(17,294)
Deferred tax on change in fair value of available-for-sale investments	–	–	–	–	–	(113)	–	–	–	–	(113)	(15)	(128)
Actuarial gains on pension obligations	–	–	–	–	–	–	–	–	–	137	137	880	1,017
Share of other comprehensive income of associates and joint venture	–	–	–	–	–	–	–	2,338	–	–	2,338	3,730	6,068
Exchange differences arising on translation	–	–	–	–	–	–	–	(58,187)	–	–	(58,187)	(197,276)	(255,463)
Total other comprehensive (expense) income	–	–	–	–	–	(8,073)	–	(55,849)	–	137	(63,785)	(201,502)	(265,287)
Total comprehensive (expense) income for the period	–	–	–	–	–	(8,073)	–	(55,849)	–	15,473	(48,449)	(375,406)	(423,855)
Employee share-based compensation benefit	–	–	–	–	–	–	–	–	–	–	–	4,369	4,369
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	22,711	22,711
Dividends attributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(215,235)	(215,235)
At 30 June 2013 (unaudited)	1,197,742	997,498	272	(28,155)	136,959	(1,037)	1,042,615	(358,111)	(185,508)	1,483,323	4,285,598	10,467,029	14,752,627

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	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
Adoption of HKAS 19 (revised)	–	–	–	–	–	–	–	–	–	(1,154)	(1,154)	(7,434)	(8,588)
At 1 January 2012 (restated)	1,197,742	997,498	272	(28,155)	136,959	5,190	1,032,139	(269,120)	(181,020)	1,678,569	4,570,074	10,842,602	15,412,676
Profit for the period	–	–	–	–	–	–	–	–	–	20,430	20,430	155,621	176,051
Other comprehensive expense for the period (restated)													
Fair value gain on available-for-sale investments	–	–	–	–	–	541	–	–	–	–	541	189	730
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	1,089	–	–	1,089	1,902	2,991
Exchange differences arising on translation	–	–	–	–	–	–	–	(16,680)	–	–	(16,680)	(146,912)	(163,592)
Total other comprehensive (expense) income	–	–	–	–	–	541	–	(15,591)	–	–	(15,050)	(144,821)	(159,871)
Total comprehensive (expense) income for the period	–	–	–	–	–	541	–	(15,591)	–	20,430	5,380	10,800	16,180
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	(284,711)	(181,020)	1,663,067	4,539,522	11,026,318	15,565,840

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 (i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not results in the loss of control which are accounted for as equity transactions; (ii) actuarial gain/loss of certain defined benefit plans; and (iii) redemption liability recognised upon acquisition of a subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net cash (used in) generated from operations	(1,780,339)	2,732,888
PRC Enterprise Income Tax and overseas income tax paid	(96,362)	(174,669)
Hong Kong Profits Tax paid	(6,695)	(6,403)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,883,396)	2,551,816
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	130,164	45,195
Dividends received from associates	–	17,192
Purchase of property, plant and equipment	(446,796)	(507,455)
Purchase of intangible assets	–	(2,748)
Additions to prepaid lease payments	–	(341,200)
Purchases of available-for-sale investments	(54,409)	–
Capital injection to an associate	–	(22,984)
Net cash (outflow) inflow from the acquisition of subsidiaries	(25,333)	43,699
Dividends received from unlisted available-for-sale-investments	10,247	1,970
Proceeds from disposal of available-for-sale-investments	57,874	–
Proceeds from disposal of prepaid land lease payments	24,185	111,268
Proceeds from disposal of financial assets at fair value through profit and loss	–	492
Other investing activities cash flows	(985,892)	2,146,651
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,289,960)	1,492,080
FINANCING ACTIVITIES		
Repayment of bank and other loans	(2,681,734)	(7,473,835)
Contribution from non-controlling interest	–	243,131
Dividend paid to non-controlling interest	(215,235)	(167,448)
Interest paid	(171,410)	(139,218)
New bank and other loans raised	5,299,075	6,125,420
Inception of loans from non-controlling interest in subsidiaries	–	1,097,876
Net repayment of payables under discounting arrangements	–	(213,022)
Other financing activities cash flows	140,046	70,248
NET CASH FROM (USED IN) FINANCING ACTIVITIES	2,370,742	(456,848)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(802,614)	3,587,048
CASH AND CASH EQUIVALENTS AT 1 JANUARY	5,386,054	3,457,887
Effect of foreign exchange rate changes	(8,489)	3,384
	4,574,951	7,048,319
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by:		
Bank balances and cash	4,471,822	7,048,319
Bank balances and cash included in assets held for sale	103,129	–
	4,574,951	7,048,319

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. GENERAL

Great Wall Technology Company Limited (the "Company") is a company incorporated in the PRC with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address 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, 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 (the "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.

Except as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")	Annual Improvements 2009 – 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Hong Kong (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above new or revised standards, amendments and interpretations 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.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

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

HKFRS 13 Fair Value Measurement (continued)

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosure of fair value information are set out in note 22.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKAS 19 Employee Benefits (as revised in 2011)

In the current interim period, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have not had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years.

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

HKAS 19 Employee Benefits (as revised in 2011) (continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2012, is as follows:

	As at 31 December 2012 (originally stated)	Adjustments	As at 31 December 2012 (restated)
	RMB'000	RMB'000	RMB'000
Pension obligations	108,029	12,716	120,745

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2012, is as follows:

	As at 1 January 2012 (originally stated)	Adjustments	As at 1 January 2012 (restated)
	RMB'000	RMB'000	RMB'000
Pension obligations	37,913	8,588	46,501

The effects of the change in accounting policy described above on the other comprehensive income, statement of cash flows and on earnings per share were insignificant.

Amendments to HKAS 34 Interim Financial Reporting *(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)*

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the "CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The directors of the Company considered that there has been no material change from total assets and liabilities disclosed in the last annual financial statements for any reportable segments and accordingly such information is not presented.

3. SEGMENT INFORMATION

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

(a) the TV segment produces televisions;

(b) TP Vision – TV business produces televisions under the brand "Philips";

(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.

The sales of computer monitors and flat TVs are subject to seasonal fluctuations, with peak demand in the third and fourth 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 2013 and 2012.

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2013

	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	5,330,718	8,719,873	16,387,108	7,466,997	1,703,713	109,400	3,996,226	–	43,714,035
Intersegment sales	4,479,113	–	–	18,845	1,068	7,932	–	(4,506,958)	–
Total	9,809,831	8,719,873	16,387,108	7,485,842	1,704,781	117,332	3,996,226	(4,506,958)	43,714,035
Segment results	21,632	(239,550)	(21,758)	(76,671)	7,760	15,545	13,909	–	(279,133)
Unallocated gains									221,312
Net realised and unrealised gain on foreign exchange forward contracts									470,503
Corporate and other unallocated expenses									(148,717)
Finance costs									(343,684)
Share of profits and losses of associates and joint venture									(6,796)
Loss before tax									(86,515)

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
Intersegment sales	2,307,499	–	–	2,944	81,071	6,879	–	(2,398,393)	–
Total	8,600,940	4,546,560	17,673,724	8,692,547	1,486,278	112,734	4,041,247	(2,398,393)	42,755,637
Segment results	(87,011)	21,868	(162,345)	20,941	(13,685)	27,967	(104,350)	–	(296,615)
Unallocated gains									357,581
Net realised and unrealised gain on foreign exchange forward contracts									540,861
Corporate and other unallocated expenses									(157,150)
Finance costs									(201,271)
Share of profits and losses of associates and joint ventures									24,942
Profit before tax									268,348

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 joint ventures, change in fair value of financial assets at fair value through profit or loss, gain on disposal of available-for-sale investments, net realised and unrealised gain on foreign exchange forward contracts, cross currency swaps and interest rate swaps, gain on deemed acquisition of additional interests of an associate, gain from a bargain purchase of subsidiaries, dividend income and government grants.

4. OTHER INCOME AND GAINS

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Net realised and unrealised gain on cross currency swaps and interest rate swaps	–	46,060
Bank interest income	95,010	124,303
Government grants	78,961	80,632
Reversal of impairment of trade receivables	44,682	31,275
Brand promotion fee (note)	439,537	120,056
Compensation for product launch delay	–	141,981
Gain on disposal of available-for-sale investments	17,294	–
Gain from a bargain purchase of subsidiaries	–	130,561
Dividend income from unlisted available-for-sale investments	10,247	1,970
Gain on deemed acquisition of additional interests of an associate	–	12,129
Gain on disposal of property, plant and equipment	19,800	–
Gain on disposal of prepaid land lease payments	7,715	–
Fair value gain on financial assets at fair value through profit or loss	–	9,644
Others	11,359	3,381
	724,605	701,992

Note:

TP Vision Holding B.V., a non-wholly owned subsidiary of the Company, and its subsidiaries (collectively referred to as the "TP Vision Group") is entitled to charge Koninklijke Philips Electronics N.V. ("Philips") a brand promotion fee up to approximately US$226,000,000 (equivalent to approximately RMB1,410,443,000) for brand promotion and/or enhancement activities. Such activities can include advertising and promotion, sales and marketing, research and development and other activities that incentivise the distribution channels and reduce the cost of non-quality.

5. FINANCE COSTS

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Interest on bank and other loans, wholly repayable within five years	149,748	121,608
Interest on loans from a non-controlling interest in subsidiaries	21,662	17,610
Unwinding of interests on license fee payable, subordinated loans, contingent consideration payable and redemption liability	172,274	62,053
	343,684	201,271

Borrowing costs of approximately RMB3,988,000 were capitalised during the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

6. (LOSS) PROFIT BEFORE TAX

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

	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Staff costs, including directors' emoluments	2,266,496	2,051,158
Depreciation of property, plant and equipment	651,652	648,210
Amortisation of prepaid land lease payments (included in administrative expenses)	7,966	7,144
Amortisation of intangible assets (included in cost of sales and administrative expenses)	137,680	142,575
Foreign exchange differences, net	231,504	330,727
Net realised and unrealised loss (gain) on cross currency swaps and interest rate swaps	51,609	(46,060)
Loss on change in fair value of financial assets at fair value through profit or loss	7,512	–
Charge for warranty and other provisions	564,701	543,564
Allowance for (reversal of) inventories (included in cost of sales)	60,761	(22,721)
Loss on disposal of property, plant and equipment	–	5,754
Acquisition-related costs	81	24,807
Impairment losses on property, plant and equipment	85,816	7,443
Impairment on trade receivables	15,504	14,690

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	**2012**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	516	9,431
– PRC Enterprise Income Tax ("EIT") and overseas income tax	148,707	177,217
	149,223	186,648
Deferred tax	(77,170)	(94,351)
Total tax charge for the period	72,053	92,297

(a) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2012: 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 period. 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.

The relevant tax rates for the Group's subsidiaries in the PRC for the six months ended 30 June 2013 are 25% (six months ended 30 June 2012: 25%).

(c) Overseas Income Tax

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

8. DIVIDENDS

No dividend (2012: a final dividend of RMB3 cents per share in respect of the year ended 31 December 2011) were paid, declared or proposed during the current interim period.

The board of directors of the Company has determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2012: 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 RMB15,336,000 (six months ended 30 June 2012: RMB20,430,000) and on the weighted average number of 1,197,742,000 (six months ended 30 June 2012: 1,197,742,000) ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of approximately RMB446,796,000 (six months ended 30 June 2012: RMB507,455,000).

Property, plant and equipment with net book value of approximately RMB110,364,000 were disposed of by the Group during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB50,949,000), resulting in a net gain on disposal of approximately RMB19,800,000 (six months ended 30 June 2012: net loss on disposal of approximately RMB5,754,000).

An impairment loss of approximately RMB85,816,000 (2012: RMB7,443,000) was recognised during the current interim period due to early termination of the lease of a production plant with the landlord of a subsidiary.

11. PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2013, the Group did not acquire any prepaid land lease payments (six months ended 30 June 2012: RMB341,200,000).

Prepaid land lease payments with net book value of approximately RMB16,470,000 were disposed of by the Group during the six months ended 30 June 2013 (six months ended 30 June 2012: nil), resulting in a net gain on disposal of approximately RMB7,715,000 (six months ended 30 June 2012: nil).

12. INVESTMENT PROPERTIES

At 30 June 2013 and 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 2013 and 2012. The fair value measurement information for these investment properties as at 30 June 2013 in accordance with HKFRS 13 are given below:

Recurring fair value measurements	**Significant other observable inputs (Level 2)** RMB'000
Investment properties	1,454,374

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 which approximated the revenue recognition date:

	30 June 2013 RMB'000 (Unaudited)	**31 December 2012** RMB'000 (Audited)
0 to 90 days	13,197,962	15,678,364
91 to 180 days	676,560	617,448
181 to 365 days	367,070	177,491
Over 365 days	129,645	87,499
	14,371,237	16,560,802

14. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 27 March 2013, CEC, the ultimate holding company of the Company, has agreed to inject RMB100 million as registered capital into one of the subsidiaries of the Company which would constitute a deemed disposal of the subsidiary. The assets and liabilities attributable to the subsidiary that are expected to be sold within twelve months from the end of the current interim reporting period have been classified as assets held for sale and are separately presented in the condensed consolidated statement of financial position. The operations are included in the Group's computer segment for segment reporting purposes (see note 3).

The sale proceeds are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised. Major classes of assets and liabilities of the subsidiary as at the end of the current interim period are as follows:

	RMB'000
Property, plant and equipment	4,723
Intangible assets	13,874
Deferred tax assets	139
Inventories	3,700
Trade and bills receivables	455
Prepayments, deposits and other receivables	1,074
Bank balances and cash	103,129
Total assets classified as held for sale	127,094
Trade and bills payables	(1,214)
Other payables and accruals	(135,914)
Total liabilities associated with assets classified as held for sale	(137,128)

15. 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
0 to 90 days	13,575,994	11,529,581
91 to 180 days	1,576,175	3,748,461
181 to 365 days	644,648	973,853
Over 365 days	42,502	68,695
	15,839,319	16,320,590

16. BANK AND OTHER LOANS

During the current interim period, the Group obtained new bank loans and other loans amounting to approximately RMB5,299,075,000 (30 June 2012: RMB7,223,296,000) and repaid the bank loans amounting to approximately RMB2,681,734,000 (30 June 2012: RMB7,473,835,000).

Included in bank and other loans was unsecured RMB denominated note payable with carrying value of RMB499,789,000 (31 December 2012: RMB500,005,000) 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 non-controlling interest in subsidiaries with carrying values of approximately RMB1,133,415,000 (31 December 2012: RMB1,138,601,000) which bear interest at floating rates.

17. WARRANTY AND OTHER PROVISIONS

For the six months ended 30 June 2013

	Warranty provision RMB'000 (Unaudited)	Restructuring Provision RMB'000 (Unaudited)	Warranty and other provisions total RMB'000 (Unaudited)
At 1 January 2013	622,243	254,362	876,605
Additional provision recognised	457,258	107,443	564,701
Amounts utilised during the period	(475,561)	(131,671)	(607,232)
Exchange realignment	(11,778)	(6,718)	(18,496)
At 30 June 2013	592,162	223,416	815,578

17. WARRANTY AND OTHER PROVISIONS (continued)

For the six months ended 30 June 2012

	Warranty provision RMB'000 (Unaudited)	**Restructuring Provision** RMB'000 (Unaudited)	**Warranty and other provisions total** RMB'000 (Unaudited)
At 1 January 2012	480,691	–	480,691
Additional provision recognised	374,835	168,729	543,564
Amounts utilised during the period	(305,487)	–	(305,487)
Exchange realignment	(4,550)	(5,129)	(9,679)
At 30 June 2012	545,489	163,600	709,089

Analysis of warranty and other provisions:

	As at 30 June 2013 (Unaudited)	**As at 31 December 2012** (Audited)
– Non-current liabilities	8,836	21,892
– Current liabilities	806,742	854,713
Total	815,578	876,605

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 2013 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.

Restructuring provision of approximately US$17,216,000, which equivalent to approximately RMB107,443,000 (six months ended 30 June 2012: US$26,677,000, which equivalent to approximately RMB168,729,000) have been charged to the income statement in respect of the restructuring of TV business of TP Vision group and merger of two subsidiaries of the Company in Brazil.

It is expected that the majority of these provisions will be utilised in the next twelve months, and all will be utilised in the next thirty-six months.

18. SHARE CAPITAL

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 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

19. BUSINESS COMBINATIONS

For the six months ended 30 June 2013

Acquisition of TV business from Qingdao Haier Electronic Limited ("Haier")

In May 2013, TPV Technology (Qingdao) Company Limited, a wholly-owned subsidiary of TPV and indirect subsidiary of the Company, agreed to purchase the TV business from Haier, with a consideration of RMB25,333,000. The TV business includes machinery, equipments, workforce and contracts for production and sales of flat TV products. The acquisition of business can lead to increasing market shares of TV market. The acquisition was completed in June 2013.

Consideration transferred:

	RMB'000
Cash	25,333

The acquisition-related costs included in administrative expense in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013 amounted to approximately RMB81,000.

19. BUSINESS COMBINATIONS (Continued)

Acquisition of TV business from Qingdao Haier Electronic Limited ("Haier") (Continued)

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

	RMB'000
Property, plant and equipment	12,690
Intangible assets – customer relationship	3,309
Fair values of net assets acquired	15,999

Goodwill arising on acquisition

	RMB'000
Consideration transferred	25,333
Less: net assets acquired	(15,999)
Goodwill arising on acquisition	9,334

Goodwill arose on the acquisition of Haier is attributable to synergies from combining the TV business of Haier and the Group. It 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	(25,333)

The acquired business did not contribute revenues from external customers but contributed operating loss of approximately RMB836,000 to the Group for the period from its acquisition to 30 June 2013.

As the operations of TV business were integral to Haier's other businesses before the acquisition, it is impracticable to estimate the net contribution of the acquired company to the Group should the acquisition had occurred on the 1 January 2013. On this basis, no disclosure was made to this effect within the condensed consolidated interim financial information.

19. BUSINESS COMBINATIONS (Continued)

For the six months ended 30 June 2012

Acquisition of TP Vision

On 1 April 2012, Coöperatie MMD Meridian U.A. ("MMD"), the wholly-owned subsidiary of TPV and indirect subsidiary of the Company, completed the acquisition of 70% equity in TP Vision Group from 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.

As at the date of interim report for the six months ended 30 June 2012, the valuation assessments on the fair value of the net assets of TP Vision had not yet been completed and the Group had 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 were stated on a provisional basis and the gain from a bargain purchase of TP Vision of approximately RMB130,561,000 was recognised in the condensed consolidated statement of profit or loss of the Group for the six months ended 30 June 2012, attributable to the recognition of fair values of net assets acquired at higher values than the contingent consideration payable.

Subsequently, the Group retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect the final fair value of the net assets of TP Vision and the gain from the bargain purchase of TP Vision was adjusted to approximately RMB155,898,000 during the year ended 31 December 2012. Details of the final fair values of the net assets acquired and the contingent consideration were stated in the annual report of the Group for the year ended 31 December 2012.

Consideration transferred:

	RMB'000
Contingent consideration arrangement (Note)	74,351

19. BUSINESS COMBINATIONS (Continued)

Acquisition of TP Vision (Continued)

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 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 EUR28,476,000 (equivalent to approximately RMB239,501,000).

The present value of the contingent consideration of approximately RMB74,351,000 was recognised on date of acquisition and the carrying value of approximately of RMB90,586,000 was classified as non-current liabilities in the condensed consolidated statement of financial position as at 30 June 2013 (31 December 2012: RMB85,567,000).

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 statement of profit or loss in accordance with HKFRS 3 (Revised).

Pursuant to SPA in relation to acquisition of 70% equity interest in TP Vision Group, Philips is granted an option pursuant to which Philips shall have the right to sell and transfer all (i.e. 30% equity interest), and not less than all, of its shares in TP Vision to the Group, as from expiry of a period of 6 years commencing on the date of SPA. The consideration to be paid by the Group for the 30% equity interest in TP Vision owned by Philips pursuant to the exercise of the written put option shall be the higher of nil and an amount calculated based on TP Vision Group's average consolidated EBIT in each financial year commencing from (and including) financial year 2012 to (and including) the later of 2018 or the last completed financial year prior to the date which Philips gives notice in writing to the Group of its election to exercise the written put option, times a multiple of four.

19. BUSINESS COMBINATIONS (Continued)

Acquisition of TP Vision (Continued)

The Group's written put option to Philips over the 30% equity interest of TP Vision Group has been valued as no value. As a result, no related financial instrument has been recognised.

The valuation of contingent consideration payable and the redemption liability upon Philips' exercise of the put option are based on the projected EBIT forecasted by TP Vision Group's management. The key assumptions adopted in projecting the future EBIT including 8% sales growth for the first year and a terminal growth beyond the second year period using the estimated growth rates not exceeding the long-term average growth rates of 3% for similar business operates. Other key assumptions applied in the valuation include the expected improvement in gross profit margin (ranged from 13.5% to 14.5%) and reduction in costs. Management determined these key assumptions based on their experience in the industry and expectations on market development. A discount rate of 21.5% that reflects specific risks related to TP Vision Group was adopted.

The fair value of the redemption liability of approximately RMB31,935,000 was recognised as at date of acquisition, and the carrying value of approximately RMB37,529,000 was classified as non-current liabilities in the condensed consolidated statement of financial position as at 30 June 2013 (31 December 2012: RMB31,935,000).

The provisional fair values 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

19. BUSINESS COMBINATIONS (Continued)
Acquisition of TP Vision (Continued)
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, favourable service coverage meets.

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)

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

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 30 June 2012 was approximately RMB99,072,000 contributed by TP Vision. Revenue for the period includes approximately RMB4,546,560,000 was attributable to TP Vision.

As the TV operations of Philips were integral to its other businesses until the end of March 2012, it is impracticable to estimate, on a like-for-like basis, the net contribution of TP Vision Group to the Group should the acquisition had occurred on the 1 January 2012. Accordingly, no disclosure was made to this effect within these condensed consolidated financial statements.

20. 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	117,770	101,837
In the second to fifth years, inclusive	20,772	98,149
After five years	3,108	1,346
	141,650	201,332

(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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Within one year	151,317	169,622
In the second to fifth years, inclusive	322,956	249,504
After five years	126,280	43,137
	600,553	462,263

21. CAPITAL COMMITMENTS

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

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Capital commitments for plant, machinery and equipment – Contracted, but not provided for:	426,931	905,273

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	Assets – RMB343,011,000; and Liabilities – RMB69,064,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Cross currency swaps classified as derivative financial instruments in the statement of financial position	Assets – RMB27,359,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at 30 June 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Interest rate swaps classified as derivative financial instruments in the statement of financial position	Assets – RMB24,929,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
4) Held-for-trading non-derivative financial assets classified as financial assets at fair value through profit or loss in the statement of financial position	Listed equity securities in Taiwan – electronic manufacturing industry – RMB18,592,000	Level 1	Quoted bid prices in an active market	N/A	N/A
5) Listed equity securities classified as financial assets at available-for-sale investments in the statement of financial position	3.11 percent equity investment in K-Bridge Electronics Co., Ltd engaged in electronic manufacturing industry in Taiwan – RMB3,701,000	Level 1	Quoted bid prices in an active market	N/A	N/A
6) Listed debt securities classified as financial assets at available-for-sale investments in the statement of financial position	Listed debt securities in Germany – RMB18,349,000	Level 1	Quoted bid prices in an active market	N/A	N/A

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at 30 June 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Unlisted equity securities classified as available-for-sale investments in the statement of financial position	Less than 5 percent equity investment in PRC – RMB2,682,000	Level 3	Discounted cash flow. The key inputs are: long-term revenue growth rate, weighted average cost of capital and a discount for lack of marketability.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the revenue growth rate, the higher the fair value.
				Weighted average cost of capital ("WACC"), determined using a Capital Asset Pricing Model.	The higher the WACC, the lower the fair value.
				Discount for lack of marketability, determined by reference to the share price of listed entities in similar industries.	The higher the discount, the lower the fair value.
8) Contingent consideration payable and redemption liability in the statement of financial position	RMB128,115,000	Level 3	Discounted cash flow. The key inputs are: long-term revenue growth rate, gross profit margin and discount rate.	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the revenue growth rate, the higher the fair value.
				Gross profit margin taking into account management's experience and knowledge of market conditions.	The higher the gross profit margin, the higher the fair value.
				A specific discount rate taking into account specific risks.	The higher the discount, the lower the fair value.

There were no transfers between Level 1 and 2 in the current period.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

The reconciliation of level 3 fair value measurements of financial assets and/or financial liabilities is as follows:

	Redemption liability	Contingent consideration	Available-for-sale investments
	RMB'000	RMB'000	RMB'000
At 1 January 2013	(31,935)	(85,567)	2,828
Total gain or loss	(6,272)	(6,734)	(100)
Exchange realignment	678	1,715	(46)
At 30 June 2013	(37,529)	(90,586)	2,682

Included in other comprehensive expense is an amount of RMB100,000 loss relate to unlisted equity securities classified as available-for-sale investments at fair value held at the end of the current reporting period and is reported as changes of available-for-sale investments revaluation reserve.

Fair value measurements and valuation processes

The Group's finance department reviews the valuations of financial derivative instruments for financial reporting purposes, including Level 3 fair values. These valuation results are then reported to the Directors and Group senior management for discussions in relation to the valuation processes and results.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance department works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department reports the findings to the directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

23. 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	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Ultimate holding company:			
Sales of products	(i)	–	118
Purchase of raw materials	(ii)	442,617	–
License fees	(iii)	950	–
Associates:			
Sales of products	(i)	1,120,779	931,240
Rental income	(iv)	9,051	18,408
Purchases of components and parts	(ii)	260,243	181,576
Joint ventures:			
Sales of finished goods	(i)	–	170
Rental income	(iv)	318	2,845
Purchases of raw materials	(ii)	–	110,973
Fellow subsidiaries:			
Sales of products	(i)	13,887	12,410
Rental income	(iv)	702	177
Purchases of components and parts	(ii)	2,200	917
Subsidiaries' substantial shareholders and their subsidiaries:			
Sales of finished goods	(v)	256	1,325
Purchases of raw materials	(v)	2,858,538	2,122,343
Interests paid	(vi)	–	17,610
Brand promotion fee	(vii)	439,534	120,056
Compensation for product launch delay	(vii)	–	141,981

23. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

(ii) The purchases from associates, joint ventures and fellow subsidiaries were made according to published prices and conditions offered by associates, joint ventures and fellow subsidiaries to their major customers.

(iii) The license fees paid to the ultimate holding company was based on a rate of 0.39% (2012: 0.39%) of the revenue from the products under the "Great Wall" brand.

(iv) The rental income from the property leased to associates, joint ventures and fellow subsidiaries were made according to the market rate offered to third parties.

(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.

23. RELATED PARTY TRANSACTIONS (continued)

(b) In addition 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 of approximately RMB886,304,000 (31 December 2012: RMB607,846,000), which was presented in the condensed consolidated statement of financial position within trade receivables and prepayments, deposits and other receivables.

The Group had outstanding payables to TPV's associates of approximately RMB222,816,000 (31 December 2012: RMB188,798,000) and no outstanding payables to TPV's joint ventures (31 December 2012: RMB138,000) 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 RMB28,959,000 (31 December 2012: RMB2,200,000) were presented in the condensed consolidated statement of financial position within trade receivables.

Payables to subsidiaries' substantial shareholders and their subsidiaries of approximately RMB551,912,000 (31 December 2012: RMB303,872,000) were presented in the condensed consolidated statement of financial position within trade payables and other payables and accruals respectively.

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

(ii) License fee payable of RMB643,196,000 (31 December 2012: RMB1,576,831,000) 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 RMB1,056,453,000 (31 December 2012: RMB1,429,369,000) were classified under non-current liabilities.

(iii) The Group had a bank deposit of approximately RMB603,690,000 (31 December 2012: RMB608,604,000) 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.

23. RELATED PARTY TRANSACTIONS (continued)

(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.

(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) for brand promotion and/or enhancement activities. Such activities can include advertising and promotion, sales and marketing, research and development and other activities which incentivise the distribution channels and reduce the cost of non-quality. The fee is charged based on 5% of TP Vision revenue and recognized upon approval by Philips. Total income for the period was EUR53 million (equivalent to approximately RMB440 million) (2012: RMB120 million). As at 31 December 2012, there is a balance of EUR16 million (equivalent to approximately RMB126 million) deferred income included within "other payables and accruals" (2013: nil).

TV Vision also charged Philips a compensation of EUR15 million (equivalent to approximately RMB120 million) due to the delay in the launch of certain products for the six months ended 30 June 2012 (six months ended 30 June 2013: nil).

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

23. RELATED PARTY TRANSACTIONS (continued)

(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	
	2013	**2012**
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	8,916	8,872
Share-based payments	131	120
	9,047	8,992

24. CONTINGENT LIABILITIES

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

(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").

On 2 April 2013, a final award was given by the arbitrator after the course of arbitration which does not have significant adverse financial impact on the consolidated statement of financial position or liquidity of the Group.

24. 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; and

(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.

On 12 April 2013, a verdict was made by the jury to the trial. The directors consider that although the final judgement is not given as yet, the verdict would not give rise to a significant financial impact on the Group as a whole.

24. CONTINGENT LIABILITIES (continued)

(e) In June 2012, 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 claims of damages related to alleged infringement of a United States patent in respect of technology of the manufacture of certain monitors and televisions ("Patent IV").

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 IV, and contributing to and actively inducing the infringement of Patent IV by others in the United States of America; and

(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 IV.

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

(f) In 2011, a claim was made by a third party seeking repossession of a relatively small piece of land now owned by TP Vision Group. The matter is currently under consideration by the legal authorities. Under the terms of the Share Purchase Agreement ("SPA") with Philips, any damages arising from this claim will be fully indemnified by Philips.

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

(g) In 2012, in one specific country, the compensation payments to customers accrued and/or paid by the Group and have been treated as fully tax deductible. There is a possibility that the tax deductibility of such payments may be challenged by the local tax authorities in that country following the submission of the relevant tax returns in 2013.

The directors do not consider any liability arising being probable.

24. CONTINGENT LIABILITIES (continued)

(h) In January 2013, a third party company filed an amended complaint to consolidate two underlying related complaints in the United States of America against the Group, one of its associated companies and other third party companies. The complaint concerns claims of damages related to alleged infringement of certain patents in respect of technology of the manufacture of certain televisions ("Patent V").

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

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

(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 V.

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

(i) In 2003, a third party company filed various patent infringement cases relating to the use of SmartTV and Net TV in Germany. The cases are still ongoing with the German Courts ("Patent VI").

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

(j) In 2003, the Civil Code of one specific country requires that all companies producing or importing goods with an audio/video replication functionality must pay 1% of turnover (either import or production value) fees to copyrights owners (unnamed list of authors) through the local union of copyright owners.

The directors of the Company are of the opinion that while their discussion with the union of copyright owners is ongoing, it is not probable to assess the outcome of the case for the time being.

25. EVENTS AFTER THE REPORTING PERIOD

(a) Non-public offering of Shenzhen Kaifa Technology Co., Ltd. ("S. Kaifa")

On 18 December 2012, the board of S. Kaifa, a joint stock limited company incorporated in the PRC with limited liability, whose A shares are listed on the Shenzhen Stock Exchange in the PRC, and a subsidiary of the Company, approved to issue not more than 175,000,000 A shares of S. Kaifa of RMB1.00 each, to not more than 10 investors at the propose issue price of not less than RMB3.97 per share. Upon the completion of the above non-public offer, the Group's interests in S. Kaifa will be diluted from approximately 49.64% to 43.82%. In the opinion of directors, the Company will continue to be the single largest shareholder of S. Kaifa and control the majority of the board of S. Kaifa, accordingly, S. Kaifa will continue to be a subsidiary of the Group. The above non-public offer was approved by the shareholders of S. Kaifa and China Securities Regulatory Commission on 1 February 2013 and 30 July 2013. Up to the date of this report, the above non-public offer has not been completed. Details are set out, inter alia, in the announcement of the Company dated 18 December 2012, and the circular dated 25 January 2013.

(b) Proposed construction of office complex by China Great Wall Computer (Shenzhen) Co., Ltd. ("CGC")

On 6 August 2013, CGC, a non-wholly owned subsidiary of the Company, resolved to proceed with the proposed construction of the office complex on the land owned by the Group situated in Shenzhen, the PRC. The proposed construction project involves the land premium of approximately RMB600 million to be paid by the Group to the government of the PRC. The details are set out, inter alia, in the announcement of the Company dated 6 August 2013.

CHAIRMAN'S STATEMENT

Operation Review

In the first half of 2013, the Company further developed the guiding role of its planned strategies. Targeted at creating a "scientific Great Wall", it worked on management upgrade seriously and focused on undergoing a transformation to international standard. Under the leadership of the board of directors of the Company (the "Board"), the Group actively expanded its business in overseas markets. TPV, one of the Group members, determined to become a top enterprise in the industry and maintained a leading position in the world for its monitor products. Regarding TV business, it cooperated with TP Vision Holdings B.V. ("TP Vision"), a joint venture established by TPV and Koninklijke Philips Electronics N.V. ("Philips"), to achieve "lowered cost but better effect" by making Gent, Belgium as its innovation headquarter in Europe in the future, expanding the research and development ("R&D") team at Bangalore, India and setting up R&D centers in Xiamen and Fuqing, which could significantly reduce operating cost. Besides, two new factories in Beihai, Guangxi and Qingdao, Shan dong had put in operation, which helped a lot in reducing cost on human resources. TPV and TP Vision jointly developed and recorded an increase in the sales volume of LCD TV, contributing an additional increase in the sales revenue to the Group. Great Wall Kaifa, a member of the Group, achieved a smooth progress in the expansion in emerging markets, such as Africa, Southeast Asia and South America for its electric meter business. CGC, a member of the Group, overwhelmed the difficulties in high efficiency and high power density for its switch power supplies products, which successfully helped to improve the standard of local products. CGC also established a complementary cooperation with P.I. International Inc. ("PI International") and successfully broadened its major customer base locally and internationally. Regarding capital operation, the non-public issue by Great Wall Kaifa was approved by China Securities Regulatory Commission in July. The issue of medium-term note by CGC was approved. Regarding construction of industry base, the construction of China Electronic Great Wall Building underwent favorably. Regarding management upgrade, the Group had commenced their deployment of strategy planning for the future three to five years, together with the establishment of internal control system and the further promotion of informatization construction of the Company. The Group successfully held the "CEC's First Session of Electronic SMT Function Competition" in the first half of the year. Under various measures, despite the stringent conditions of local and overseas economy where the Group operated, the Group recorded a steady development in all of its businesses. In the first half of 2013, the Group achieved an operating revenue of RMB43,714 million, representing an increase of 2% as compared to last year. Meanwhile, we also noticed that, due to the expansion of distribution network and the provision on receivables and inventories, a decrease in profit was recorded for the first half of the year and the net profit attributable to the parent company was RMB15.3 million, representing a comparative decrease of 25%. Yet, the fundamentals of the Company continued to develop positively. Under the adverse conditions of significant adjustments to global economy and continuous slowdown in growth, core businesses of the Company still remained a steady development.

1. **Put more efforts in market expansion, and kept stable growth in the sales of main products.**

   Market share in monitors business sector remained the largest in the world. As the overall economy has not yet recovered and the use of IT products has changed, the demand for LCD monitors has kept decreasing in the world. Under the unfavorable economic condition, TPV has put more resources on the research on high-end products with multiple functions through streamlined management and efficient integration of panel resources. In the first half of the year, 24.9 million monitors were produced, which made the market share of our monitors to remain as the largest in the world.

   LCD TV business achieved a relatively significant comparative growth. After the merger with TP Vision, TPV enhanced strategic planning on products and resource sharing and put in place clear sales strategies for retail channels, which facilitated a gradual increase in the sales of products and market presence. From January to June, TPV produced 6.2 million LCD TVs, representing an increase of 18.2% as compared to the corresponding period of last year.

   Power supply business recorded a steady growth. Integration between the Business Department of Great Wall Power Supplies Factory and PI International was further strengthened with complementary benefits. They worked together to put more efforts on the expansion of local and overseas markets. PI International made great achievement in broadening its major customer base in the Mainland. Great Wall Power Supplies Factory recorded a rapid growth for its overseas business, especially the substantial increase in high-end power supply business compared to other businesses. In the first half of the year, sales revenue from power supply business recorded a comparative increase of 4.75%.

   Computer business maintained a steady growth. In light of the decreasing quantities of computer for five consecutive quarters and the pressure from mobile phones and tablet computers, which resulted in the decrease in demand from customers, the Company actively developed new driver for business growth. Benefited from the rapid expansion of all-in-one computer market, the Company recorded a comparative increase of 5.2% in aggregate sales revenue for computer business from January to June.

   Electric meter business made a new breakthrough in overseas sales. Great Wall Kaifa continued to expand its business in overseas markets while maintaining its market position in Italy. Currently, it achieved better sales in the European Union, Africa, Southeast Asia, South America, etc. In the first half of the year, electric meter business recorded a comparative increase of 8.03% in aggregate sales revenue.

2. Strengthened innovative technology and made a new breakthrough in brand business and research on high-end products.

TPV extended its product lines to help increasing the overall value of AOC brand. In the first half of the year, TPV launched AOC "LUVIA", its high-end subsidiary brand, and the brand new 21:9 "悦影 (Yueying)" LV291HQM monitor characterized by amazingly super wide display screen of theatre standard, being a hot and concerned topic on the market. Besides, on top of putting great efforts in monitor business to build a high-end brand, and leveraging on the competitive edge of resource integration within the industry chain, it regarded video technology as its core task and put in-depth efforts in monitor industry with profession, concentration and expertise and proactively developed emerging video products, such as large screen for business use, smart board, TV for hotel and mini projector in order to provide a complete set of video resolution and hence achieving an advancement in overall value of AOC brand. The large screen business launched in 2012 not only won the bid of key projects in Suzhou and Hanzhou, it also won the bid of Outdoor Public Display Project for Beijing Garden Show in the first half of the year.

The high technology of AOC's smart TV featured by signs, voices, smart system and 4K beat other competitors in the market. TPV caught up with the trend of new technology on intelligence, network and extra high-definition and put more sources on the research on technology, which made its LCD TVs led the trend by its good image quality and attractive outlook, as well as the advance technology and smart application. Among all LCD TV products, USB port that supports blue-ray H.264 had become a standard item for users to enjoy the strong visual and sound effect of a blue-ray theatre by using U disk or portable disk. Key product series like 5530, 6530, 6730 and 7830 were well equipped with smart processor and Linux/Android operation system, installed with Internet browser and Movie, News, Sports and Entertainment Channel of Wasu Media and Hailiang, etc. and functioned with Wi-Fi wireless connection, which allowed TV to wirelessly connect to computers, tablets, smart phones, etc. by directly connected to the Wi-Fi network of a household so as to share audio and visual contents. Moreover, wireless keyboard and mouse can be installed for input.

Great Wall Power Supplies Factory overwhelmed the difficulties in the technology on power supply for supercomputers. The requirements for supercomputer were rather high that not only need a high power density, conversion efficiency and reliability but also smart control. Researchers at Great Wall Power Supplies Factory produced a qualified sample within only six months by tackling problems on the technology and great efforts day and night. One year later, the difficulties in advance technology were solved. The research team successfully developed a supercomputer with power supply of 3000W during the first half of 2013 and the technology standard (eg. conversion efficiency) was far beyond the expectation from its customers; for instance, traditional loading rate was 94.5%, which was above the 50% requirement, and power factory was above 0.99, which helped to improve the standard of local products by owing advance technology at international level.

3. Actively promoted capital operation, and further enhanced the booster for corporate development.

Approval was obtained for the issue of medium-term note by CGC. CGC passed the "Resolution on the issue of medium-term note by the company" at its fifth extraordinary general meeting in 2012 to agree the application by CGC to issue medium-term note of a total amount of not more than RMB1 billion to institutional investors of Inter-bank Bond Market in the country. In the first half of the year, the application was approved by relevant governmental authorities.

Approval was obtained for the non-public issue by Great Wall Kaifa. To cater for the development trend of the industry, further expand product market, increase profitability, upgrade comprehensive strength, implement development strategies, Great Wall Kaifa intended to raise fund through the non-public issue of shares to finance the relevant projects. In July 2013, the non-public issue of A shares made by Great Wall Kaifa was approved by China Securities Regulatory Commission. It was anticipated to raise not more than RMB691,516,200 and the proceeds will be used in four projects, namely the relocation, expansion and construction of the smart mobile communication terminal project, the international electric meter measurement terminal and management system project, the high-end medical electric equipment and components production project and to supplement Great Wall Kaifa's working capital.

4. Started to promote management upgrade to improve the Company's ability for sustainable development.

Strategic plans for the next 3-5 years were ready to launch. To take good use of the strategic leading role of planning, improve top-level design, keep foothold on high-end market, broaden horizon, and speed up high-end industrialization, product diversification and market internationalization, in the first half of 2013, the Group has started preparing strategic plans for the next 3-5 years. The Company's development plan for 2013-2015 was considered and approved by the Board on 18 June 2013; TPV held a development strategy seminar in Xiamen on 13-14 June 2013, which further defined the strategic direction for the next 3 years; CGC engaged a professional consulting firm as a consultant for its strategic planning consulting project in March 2013, which has completed the preliminary drafts of "Diagnostic Report on Strategic and Operational Management", "Strategic Planning Report" and "Organization and Control Improvement Plan" by the end of June, and submitted the same to CGC's management for discussion and consideration; in the first half of the year, Great Wall Kaifa made amendments to its "Twelfth Five Year Plan", and updated the preliminary revised draft of Great Wall Kaifa's "Twelfth Five-Year Plan" for 2013, as well as planned to hold a corporate strategic planning seminar for discussion of the same in early or mid August.

The construction of internal control system was carried out in full. In December 2012, the Company officially commenced the internal control system construction, and engaged a professional consulting firm as its consultant, which was carried out in full in 2013. In the first half of the year, through interviews and questionnaires, process streamlining, walk-through test, design effectiveness judgment, operation effectiveness test and judgment, aggregation of differences and defects identification, a risk control matrix was formed and flowcharts of critical control points were prepared. By which, a total of 113 systems were streamlined, of which 7 systems were modified and 5 new systems were added; a total of 220 processes were streamlined, of which 58 processes were modified and 2 new processes were added; 75 defects were aggregated in total. All of these formed the preliminary draft of "Internal Control Manual" of the Group.

The informatization construction was further promoted. In the first half of the year, the Company and its members, CGC and Great Wall Kaifa, completed their respective corporate information development plans for 2013-2015. For the implementation of information construction projects, CGC has completed the introduction of comprehensive budget for the Property Business Unit; established a cloud platform for private cloud, which is in the process of migration plan test; for PLM project, CGC has completed IPD consultancy, and the project is in the process of implementation; completed the construction and team building for Business Intelligence ("BI") research laboratories. Great Wall Kaifa also launched the development of BI projects, and identified BI solutions based on Microsoft technologies. In the first half of the year, it has completed the demand analysis on financial subjects and business process restoration and risk identification, some of which have been introduced.

Self-improvement of the staff promoted management upgrade to make achievements. Great Wall Kaifa determined 2013 as its "Management Upgrade Year". In the first half of the year, 5,984 proposals were received from the employees under the self-improvement plan, of which 1,596 rapid-improvement projects were implemented. Great Wall Kaifa also introduced Knowledge Centre Act (KCA) management model, which integrates various quality control technologies and tools such as industrial engineering, theory of constraints and IT, to effectively acquire knowledge and use the same in the organization, processes and products of Great Wall Kaifa, thus constantly upgrading products and operation quality. In the first half of the year, it completed 19 KCA projects, which delivered a rigid income of RMB2.7 million and a flexible income of RMB5 million. In the first half of the year, Great Wall Kaifa also introduced a new Social Responsibility Management certification (SA8000, EICC), Information Security Management certification (ISO27001), Business Continuity Management (BCM) certification (ISO22301) and Product Safety Management certification (ISO28000), all of which are scheduled to complete during the year.

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 continues to face many uncertainties. The peripheral economic environment in China remains tough and complicated. The Company will continue to enhance its management level and intensify industry transformation, as well as to make every effort to maintain growth and promote development.

Firstly, to focus on intensifying product innovation. By taking the opportunities of "multi-screen interaction", we will focus on the development of Smart TVs and Smart terminals in line with the age of the Internet, and dedicate to making breakthroughs for new display technologies, in order to highlight the innovative product design of human-computer interaction, smart experience and Ambilight, as well as aggressively develop transboundary and intelligent display terminals and digital TV products that are networking, intelligent, energy-saving and of high-definition.

Secondly, to put more resources on market expansion. We will continue to expand and intensify the cooperation with both international and domestic large companies to a more extensive degree, at multi-levels and in all-round respects, consolidate and strengthen our existing partnerships to improve the level of cooperation, and expand the market size. By making good use of the government policies which encourage enterprises to "go abroad", we will put more resources on international market expansion. By seizing the favorable government policies which increase domestic demand, we will put more efforts in expanding the China market for intelligent terminal products in China.

Thirdly, to accelerate the investment and financing progress. We intend to complete the non-public issue by Great Wall Kaifa and the issue of medium-term note by CGC. In addition, we will actively promote project investment and continue to make healthy investment to ensure return on project investment by strictly following the approved scope, adjusting direction on the basis of corporate layout and structure, complying with company strategies and plans, and focusing on the main businesses.

Fourthly, to intensify cost control and increase efficiency. We will aggressively introduce standardised management to continue to refine cost control; increase capital turnover rate and reduce capital deposit to lower financial costs; optimize regional industry resources, strengthen internal resources consolidation and vigorously streamline organization to further reduce the costs of production, operation and labor and raise our profitability; and actively improve operation of loss-making businesses to minimize loss.

Fifthly, to improve the construction of internal control system. We will implement the results from the internal control system construction commenced in the first half of the year, and integrate and consolidate the same, especially the defect rectification results, into corporate governance, business processes, rules and regulations, and authorisation and management, through which, we will effectively improve operations and promote evaluation to achieve routing management, process systematism and system informatization.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2013 (the "Reporting Period") the Group realised a turnover of approximately RMB43,714 million, representing an increase of 2% as compared to the corresponding period of last year. Profit after tax attributable to the shareholders of the Company amounted to approximately RMB15 million during the Reporting Period as compared to the profit of approximately RMB20 million for the corresponding period last year. As global economic condition was complicated and full of uncertainties, along with excess production capacity and insufficiency of effective demand, especially demand from overseas, as well as the deterioration of growth in Europe and the U.S. markets, the Group's results were negatively impacted.

Liquidity and Financial Resources

As at 30 June 2013, the Group's total cash and cash equivalent amounted to approximately RMB4,472 million and the Group's total bank and other borrowings amounted to approximately RMB11,016 million.

Gearing Ratio

As at 30 June 2013, the Group's total bank and other borrowings and total equity were approximately RMB11,016 million and RMB14,753 million respectively, as compared to approximately RMB8,462 million and RMB15,365 million respectively as at 31 December 2012.

The gearing ratio as at 30 June 2013 was 75%. The gearing ratio as at 31 December 2012 was 55%. The gearing ratio is defined as the ratio between total bank borrowings and total equity.

Current Ratio and Working Capital

As at 30 June 2013, the Group's current assets and current liabilities were approximately RMB40,449 million and RMB35,216 million respectively, while the Group's working capital was approximately RMB5,233 million. The current ratio was 1.15.

As at 31 December 2012, the Group's current assets and current liabilities were approximately RMB39,949 million and RMB33,375 million respectively, while the Group's working capital was RMB6,574 million. The current ratio was 1.20.

Charge of Group Assets

As at 30 June 2013, certain of the Group's term deposits with a carrying value of approximately RMB4,167 million were pledged to banks to secure general banking facilities and performance bonds for the Group.

As at 31 December 2012, the Group had pledged to banks its bank savings of approximately RMB3,127 million as a pledge for 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 2013 (six months ended 30 June 2012: nil).

Employees

As at 30 June 2013, the number of employees of the Group was approximately 61,000 (as at 31 December 2012: approximately 60,000). 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 2013, 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. These shares are held by Broadata (H.K.) Limited which in turn is held as to 69.08% by Flash Bright International Limited. Mr. Tam Man Chi and his spouse hold 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 2013, 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 2013, 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 2013, 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.

Share Options

The Company and its subsidiaries have not offered any share options except TPV.

TPV adopted a share option scheme ("New Scheme") on 15 May 2003, which expired on 14 May 2013.

During the six months ended 30 June 2013, no share options have been granted or cancelled.

Particulars of outstanding options under the New Scheme at the beginning and at the end of the financial period for the six months ended 30 June 2013 and options exercised and lapsed during the period were as follows:

				Number of options			
	Date of grant	Exercise Price HK$	Exercisable Period	As at 1 January 2013	Exercised	Lapsed	As at 30 June 2013
Directors							
Dr Hsuan, Jason	18/01/2011	5.008	18/01/2012-17/01/2021	150,000	0	0	150,000
		(Note 1)	18/01/2013-17/01/2021	150,000	0	0	150,000
			18/01/2014-17/01/2021	150,000	0	0	150,000
			18/01/2015-17/01/2021	150,000	0	0	150,000
Employees	18/01/2011	5.008	18/01/2012-17/01/2021	9,870,000	0	(200,000)	9,670,000
		(Note 1)	18/01/2013-17/01/2021	9,870,000	0	(200,000)	9,670,000
			18/01/2014-17/01/2021	9,870,000	0	(200,000)	9,670,000
			18/01/2015-17/01/2021	9,870,000	0	(200,000)	9,670,000
				40,080,000	0	(800,000)	39,280,000

Note:

(1) These options are exercisable at HK$5.008 (US$0.64) per share in four tranches: the maximum percentage of share options exercisable within the periods commencing from 18 January 2012 to 17 January 2021, from 18 January 2013 to 17 January 2021, from 18 January 2014 to 17 January 2021 and from 18 January 2015 to 17 January 2021 are 25%, 50%, 75% and 100% respectively.

Corporate Governance

The Company, currently and within the Reporting Period, has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") 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 have 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 procedures adopted by the Group and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 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 (retired on 18 June 2013) and Mr. Fu Qiang (appointed on 18 June 2013).

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 contained 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 contained in the Model Code throughout the six months ended 30 June 2013.

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 2013.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank Messrs. Lu Ming and Su Duan, who had retired as executive directors of the Company, for their valuable contributions over the years. I would also like to extend my sincere gratitude to all staff and business partners for their strong support to the Group during the past year.

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

Shenzhen, PRC, 29 August 2013