# TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
# TCL 多媒體科技控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 01070)

## RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

**FINANCIAL HIGHLIGHTS**

*Unaudited results for the six months ended 30 June*

| | **2013** | 2012 | **Change** |
|---|---|---|---|
| | ***(HK$M)*** | *(HK$M)* | |
| | | *(Restated)* | |
| Turnover | **18,077** | 14,763 | +22.4% |
| Gross profit | **2,840** | 2,613 | +8.7% |
| Operating profit | **331** | 627 | (47.2%) |
| Net profit after tax | | | |
| – for the period | **271** | 441 | (38.5%) |
| – from continuing operations | **195** | 392 | (50.3%) |
| Profit attributable to owners of the parent | | | |
| – for the period | **254** | 435 | (41.6%) |
| – from continuing operations | **193** | 387 | (50.1%) |
| Basic earnings per share *(HK cents)* | | | |
| – for the period | **19.11** | 33.58 | (43.1%) |
| – from continuing operations | **14.51** | 29.84 | (51.4%) |
| Interim cash dividend per share *(HK cents)* | **–** | 10.00 | N/A |

**HIGHLIGHTS**

- For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK$18,077 million, up by 22.4% year-on-year. Gross profit amounted to approximately HK$2,840 million, up by 8.7% year-on-year. Operating profit was approximately HK$331 million, down by 47.2% year-on-year. Net profit after tax from continuing operations was approximately HK$195 million, down by 50.3% year-on-year, net profit margin was 1.1%. If the one-off gain ("One-off Gain") of approximately HK$144 million from acquisition of the entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% equity interest in Huizhou TCL Coretronic Co., Ltd. in the same period of last year was excluded, operating profit and net profit after tax from continuing operations would have declined by 31.5% and 21.4% year-on-year, respectively. Profit attributable to owners of the parent from continuing operations was approximately HK$193 million, representing a decrease of 20.6% year-on-year if the One-off Gain in the same period of last year was excluded.

- The overall sales volume of LCD TVs reached 7.82 million sets, representing an increase of 20.7% year-on-year. The sales volume of LCD TVs in the PRC Market rose by 36.1% year-on-year, while the sales volume of LCD TVs in the Overseas Markets rose by 4.4% year-on-year, of which, sales volume of LCD TVs in the Emerging Markets recorded a year-on-year increase of 13.7%. The product mix has continuously been optimized, with a higher proportion of sales volume of high-end products. Sales volume of smart TVs and 3D TVs in June 2013 accounted for 31.5% and 31.3% of the LCD TV sales volume in the PRC Market, respectively.

- According to the latest DisplaySearch report, the Group's market share in the global LCD TV market increased from 5.8% in 2012 to 7.3% in the first quarter of 2013, up 1.5 percentage points, thereby lifting its global ranking to No.3. Meanwhile, the Group remained the No.1 position in the PRC LCD TV market with a market share of 20.2%.

- On 15 July 2013, the Board of Directors declared a conditional special interim dividend, which will be made and satisfied by the distribution in specie by the Company of the entire issued share capital of Tonly Electronics Holdings Limited ("Tonly Holdings") for every ten shares of the Company to one share of Tonly Holdings. On 13 August 2013, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granted the listing of, and permission to deal in the shares of Tonly Holdings on the Main Board of the Stock Exchange under the stock code 01249. Through the spin-off of Tonly Holdings for a separate listing, the Group has delineated clearly its TV and audio-visual ("AV") businesses through establishing for each of them a separate business platform. The Group will continue to focus on development of its core business and enhance its decision making efficiency and ability to accommodate changes in the market.

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Six months ended 30 June | | Three months ended 30 June | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | | *(Restated)* | | *(Restated)* |
| CONTINUING OPERATIONS | | | | | |
| TURNOVER | 4 | **18,077,295** | 14,762,864 | **8,692,606** | 7,246,302 |
| Cost of sales | | **(15,236,969)** | (12,150,286) | **(7,399,519)** | (6,046,911) |
| Gross profit | | **2,840,326** | 2,612,578 | **1,293,087** | 1,199,391 |
| Other revenue and gains | | **280,527** | 322,310 | **196,283** | 70,422 |
| Selling and distribution expenses | | **(2,121,320)** | (1,747,352) | **(989,255)** | (718,889) |
| Administrative expenses | | **(510,219)** | (432,448) | **(302,948)** | (279,966) |
| Research and development costs | | **(154,316)** | (114,604) | **(143,666)** | (73,166) |
| Other operating expenses | | **(3,617)** | (13,824) | **(3,415)** | (10,744) |
| | | **331,381** | 626,660 | **50,086** | 187,048 |
| Finance costs | 5 | **(69,578)** | (170,050) | **(37,103)** | (62,932) |
| Share of profits and losses of: | | | | | |
| A joint venture | | **(1,398)** | 54 | **(503)** | (158) |
| Associates | | **11,336** | (30,932) | **8,675** | (7,725) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | | **271,741** | 425,732 | **21,155** | 116,233 |
| Income tax expense | 6 | **(77,105)** | (33,491) | **192** | (3,245) |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | | **194,636** | 392,241 | **21,347** | 112,988 |
| DISCONTINUED OPERATION | | | | | |
| Profit for the period from a discontinued operation | 8 | **76,449** | 48,355 | **41,896** | 14,927 |
| PROFIT FOR THE PERIOD | | **271,085** | 440,596 | **63,243** | 127,915 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | | | | |
| Cash flow hedge: | | | | | |
| Effective portion of change in fair value of the hedging instruments arising during the period | | **94** | – | **(21,130)** | – |
| Exchange fluctuation reserve: | | | | | |
| Translation of foreign operations | | **84,790** | (18,011) | **66,182** | (15,921) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | **84,884** | (18,011) | **45,052** | (15,921) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **355,969** | 422,585 | **108,295** | 111,994 |

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

Details of the dividends are disclosed in note 9.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

*Notes:*

## 1. BASIS OF PREPARATION

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

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

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

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

[1] Effective for annual periods beginning on or after 1 January 2014

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

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

## 4. OPERATING SEGMENT INFORMATION

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

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

– the People's Republic of China ("PRC") market

– the Overseas markets

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

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

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

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

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

## 5. FINANCE COSTS

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

## 6. INCOME TAX EXPENSE

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

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

## 7. DEPRECIATION AND AMORTIZATION

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

## 8. DISCONTINUED OPERATION

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

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

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

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

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

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

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

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

## 9. DIVIDENDS

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

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

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

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

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

## 11. TRADE RECEIVABLES

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

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

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

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

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

## 12. TRADE PAYABLES

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

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

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

## 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

*Notes:*

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

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

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

## 14. DUE TO T.C.L. INDUSTRIES

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

## 15. SHARE CAPITAL

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

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

## 16. COMPARATIVE AMOUNTS

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

## BUSINESS REVIEW

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

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

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

**TV Business**

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

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

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

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

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

### The PRC Market

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

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

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

### Overseas Markets

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

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

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

**R&D**

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

**Outlook**

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

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

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

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

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

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

## FINANCIAL REVIEW

### Significant Investments, Acquisitions and Disposals

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

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

**Liquidity and Financial Resources**

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

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

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

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

**Pledge of Assets**

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

**Capital Commitments and Contingent Liabilities**

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

**Events After The Reporting Period**

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

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

**Foreign Exchange Exposure**

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

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

**Employee and Remuneration Policy**

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

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

## PURCHASES, SALE OR REDEMPTION OF SHARES

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

## CORPORATE GOVERNANCE

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

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

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

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

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

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

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

## AUDIT COMMITTEE

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

On behalf of the Board
**LI Dongsheng**
*Chairman*

Hong Kong, 15 August 2013

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