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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

FINANCIAL HIGHLIGHTS

	2005	2004	Change
	HK$ Million	*HK$ Million*	
Turnover	**34,556**	25,600	35%
Profit/(loss) before tax	**(584)**	417	N/A
Profit/(loss) for the year attributable to equity holders of the parent	**(599)**	309	N/A
Basic earnings/(loss) per share (HK cents)	**(18.66)**	11.29	N/A

OPERATIONAL HIGHLIGHTS

Corporate Development

1. TTE became a wholly-owned subsidiary of the Company
2. Thomson became a shareholder of the Company and appointed two directors to the Board

Business Operations

1. Gained full control of sales and marketing activities in Europe and North America to have a more integrated business model
2. Consolidated manufacturing facilities in Mexico to create a more competitive cost structure
3. Rationalized the R&D platform and defined a clear division of work to have a more efficient team globally
4. Set up flat panel TV division to capture the new opportunity in the market

The Board of Directors ("the Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the audited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2005 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2005

	Notes	**2005** **HK$'000**	2004 HK$'000 (Restated)
TURNOVER	*4*	**34,556,330**	25,599,840
Cost of sales		**(28,922,981)**	(21,225,303)
Gross profit		**5,633,349**	4,374,537
Other revenue and gains		**252,214**	162,203
Selling and distribution costs		**(4,289,591)**	(2,825,919)
Administrative expenses		**(1,241,008)**	(874,133)
Research and development costs		**(506,402)**	(264,403)
Other operating expenses		**(183,243)**	(83,232)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	*5*	**(334,681)**	489,053
Fair value losses of equity investments at fair value through profit or loss/ impairment of short term investments		**(95,083)**	(29,026)
Amortisation of goodwill on acquisition of jointly-controlled entities		**–**	(57,321)
Finance costs		**(163,546)**	(65,715)
Share of profits and losses of jointly-controlled entities		**9,212**	80,464
PROFIT/(LOSS) BEFORE TAX		**(584,098)**	417,455
Tax	*6*	**(119,169)**	(129,511)
PROFIT/(LOSS) FOR THE YEAR		**(703,267)**	287,944
Attributable to:			
Equity holders of the parent		**(598,893)**	308,985
Minority interests		**(104,374)**	(21,041)
		(703,267)	287,944
DIVIDENDS	*7*		
Interim		**–**	110,316
Distribution in specie		**–**	1,351,585
Proposed final		**–**	110,346
		–	1,572,247
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**HK(18.66) cents**	HK11.29 cents
Diluted		**N/A**	HK8.85 cents

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,722,422**	2,389,683
Prepaid land lease payments		**62,623**	54,914
Goodwill		**206,639**	206,639
Negative goodwill		**–**	(548,016)
Other intangible assets		**91,993**	26,506
Interests in jointly-controlled entities		**157,088**	146,375
Available-for-sale equity investments/long term investments		**14,773**	42,301
Long term receivables		**358,774**	424,583
Prepaid royalty		**563,674**	620,368
Deferred tax assets		**27,690**	18,583
Total non-current assets		**4,205,676**	3,381,936
CURRENT ASSETS			
Inventories		**4,599,339**	4,565,500
Trade and bills receivables	*9*	**6,036,973**	5,671,774
Other receivables		**1,270,343**	1,322,259
Tax recoverable		**39,089**	11,266
Equity investments at fair value through profit or loss/short term investments		**47,594**	116,894
Pledged deposits		**90,165**	–
Cash and bank balances		**1,861,957**	1,833,272
Total current assets		**13,945,460**	13,520,965
CURRENT LIABILITIES			
Trade and bills payables	*10*	**6,867,142**	6,649,213
Tax payable		**145,985**	110,838
Other payables and accruals		**1,916,671**	1,656,962
Provisions		**197,402**	239,877
Interest-bearing bank and other borrowings		**3,481,045**	570,119
Due to a shareholder/minority shareholder		**536,364**	430,748
Due to the ultimate holding company		**717,863**	246,965
Convertible notes		**–**	256,000
Total current liabilities		**13,862,472**	10,160,722
NET CURRENT ASSETS		**82,988**	3,360,243
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,288,664**	6,742,179
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	1,622,134
Due to a shareholder/minority shareholder		**–**	603,048
Deferred tax liabilities		**24,057**	33,989
Pensions and other post-employment benefits		**165,615**	130,050
Total non-current liabilities		**189,672**	2,389,221
Net assets		**4,098,992**	4,352,958

EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	**390,295**	275,796
Reserves	**3,600,221**	2,544,734
Proposed final dividend	**–**	110,346
	3,990,516	2,930,876
Minority interests	**108,476**	1,422,082
Total equity	**4,098,992**	4,352,958

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. IMPACT OF NEW AND REVISED HKFRSs

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 27, 31, 33, 37 and 38, HKFRS 5 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected certain presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to jointly-controlled entities was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of jointly-controlled entities is presented net of the Group's share of tax attributable to jointly-controlled entities.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 - Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

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

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 - Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost on an individual basis with impairment losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$42,301,000 were designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at cost with impairment losses being recognised in the income statement.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$116,894,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

(ii) Call option

Pursuant to the Common Stock Call Option Agreement dated 30 July 2004 (the "Call Option Agreement"), Thomson S.A. ("Thomson") granted to the Company an option to purchase from Thomson 2.5 million shares of common stock of Thomson at an exercise price of Euro 18.12 per share (the "Call Option"). The Call Option is exercisable during the period from 1 November 2004 to 31 October 2006.

In prior year, fair value of this Call Option was not recognised. Upon the adoption of HKAS 39, the fair value of this Call Option is recognised prospectively as an asset in the balance sheet with a corresponding adjustment to the opening balance of retained profits at 1 January 2005.

(iii) Discounted bills with recourse

In prior years, the Group accounted for bills discounted with recourse as a contingent liability. Upon the adoption of HKAS 39, bills discounted with recourse are no longer derecognised since the derecognition criteria for financial assets are not met. Accordingly, the related bank advances received as consideration for the bills discounted are recognised as a liability prospectively on or after 1 January 2005.

(iv) Convertible notes

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The adoption of HKAS 32 has not resulted in any change in the classification of these convertible notes since the interest rate of these convertible notes was higher than the market rate for an equivalent non-convertible note at the time of issuance of these convertible notes and therefore, the convertible notes did not have any equity component.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group has certain employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of HKFRS 2 has resulted in a prior year adjustment to account for the equity-settled transactions retrospectively.

(d) HKFRS 3 – Business Combinations and HKAS 36 - Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the consolidated balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the consolidated income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained profits. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES ON THE CONSOLIDATED INCOME STATEMENT

	Effect of adopting				
	HKAS 1	**HKAS 39**	**HKFRS 2**	**HKFRS 3**	
Effect of new policies	**Share of post-tax profits and losses of jointly-controlled entities**	**Call option**	**Equity-settled share option arrangements**	**Discontinuation of amortisation of goodwill and negative goodwill**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005					
Decrease in other revenue and gains	–	–	–	(5,954)	(5,954)
Increase in administrative expenses	–	–	(28,661)	–	(28,661)
Decrease in other operating expenses	–	–	–	33,136	33,136
Increase in fair value losses of equity investments at fair value through profit or loss	–	(72,223)	–	–	(72,223)
Decrease in share of profits and losses of jointly-controlled entities	(1,130)	–	–	–	(1,130)
Decrease in tax	1,130	–	–	–	1,130
Total decrease (increase) in loss	–	(72,223)	(28,661)	27,182	(73,702)
Decrease (increase) in basic loss per share	–	HK(2.25) cents	HK(0.89) cents	HK0.85 cents	HK(2.29) cents
Increase in diluted loss per share	N/A	N/A	N/A	N/A	N/A
Year ended 31 December 2004					
Increase in administrative expenses	–	–	(7,729)	–	(7,729)
Decrease in share of profits and losses of jointly-controlled entities	(14,052)	–	–	–	(14,052)
Decrease in tax	14,052	–	–	–	14,052
Total decrease in profit	–	–	(7,729)	–	(7,729)
Decrease in basic earnings per share	–	–	HK(0.28) cents	–	HK(0.28) cents
Decrease in diluted earnings per share	–	–	HK(0.23) cents	–	HK(0.23) cents

4. SEGMENT INFORMATION

An analysis of the Group's turnover and segment results by principal activities for the year ended 31 December 2005 is as follows:

	Turnover		**Segment results**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (restated)
Television	**29,937,575**	21,794,739	**(236,647)**	553,012
Computer	**2,092,796**	1,976,507	**22,637**	36,560
Audio-visual	**1,986,323**	1,304,379	**(13,242)**	30,948
Others	**539,636**	524,215	**(18,617)**	(33,061)
	34,556,330	25,599,840	**(245,869)**	587,459
Interest income			**30,664**	13,811
Corporate expenses			**(119,476)**	(112,217)
Finance costs			**(163,546)**	(65,715)
Share of profits and losses of jointly-controlled entities			**9,212**	80,464
Amortisation of goodwill on acquisition of jointly-controlled entities			**–**	(57,321)
Fair value losses of equity investments at fair value through profit or loss/ impairment of short term investments			**(95,083)**	(29,026)
Profit/(loss) before tax			**(584,098)**	417,455
Tax			**(119,169)**	(129,511)
Profit/(loss) for the year			**(703,267)**	287,944

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2005 HK$'000	2004 HK$'000 (Restated)
Cost of inventories sold	**28,910,462**	21,160,532
Depreciation	**334,290**	245,801
Amortisation of other intangible assets	**4,791**	3,155
Amortisation of goodwill	**–**	33,227
Negative goodwill recognised as income	**–**	(49,820)
Minimum lease payments under operating leases in respect of land and buildings	**63,701**	72,081
Amortisation of prepaid land lease payments	**5,908**	2,633
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments	**(26,517)**	(1,331)
Loss on disposal of a subsidiary	**–**	2,075
Loss on liquidation of an available-for-sale equity investment	**4,280**	–
Impairment of available-for-sale equity investments/long term investments	**1,058**	13,011
Impairment of trade receivables	**120,196**	18,890
Foreign exchange differences, net	**72,693**	(19,569)
Bank interest income	**(30,664)**	(13,811)
Write-down/(reversal of write-down) of inventories to net realisable value	**(23,435)**	51,516

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2005 HK$'000	2004 HK$'000 (Restated)
Group:		
Current – Hong Kong		
Charge for the year	**11,403**	29,751
Current – Elsewhere		
Charge for the year	**131,279**	99,858
Over provision in prior years	**(3,466)**	–
Deferred	**(20,047)**	(98)
Total tax charge for the year	**119,169**	129,511

7. DIVIDENDS

	2005 HK$'000	2004 HK$'000
Interim – Nil (2004: HK4 cents per share)	**–**	110,316
Distribution in specie	**–**	1,351,585
Proposed final – Nil (2004: HK4 cents per share)	**–**	110,346
	–	1,572,247

The directors do not recommend the payment of any dividend in respect of the year.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2005 HK$'000	2004 HK$'000 (Restated)
Earnings/(loss)		
Net profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(598,893)**	308,985
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**6,400**	7,541
Adjustment to minority interest upon exercise of the Exchange Option@	**(100,372)**	(20,597)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**(692,865)**	295,929

	Number of shares 2005	2004
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	**3,210,011,179**	2,736,752,618
Effect of dilution – Weighted average number of ordinary shares:		
Assumed issued at no consideration on deemed exercise of all outstanding share options	**6,240,721**	14,089,054
Assumed deemed conversion of all convertible notes	**105,886,421**	112,381,287
Assumed deemed exercise of the Exchange Option[@] outstanding during the year	**692,778,748**	480,378,535
Weighted average number of ordinary shares used in diluted earnings/(loss) per share calculation	**4,014,917,069**	3,343,601,494

@ *On 10 August 2005, pursuant to the Exchange Option Agreement dated 30 July 2004, Thomson, the then minority shareholder of TTE Corporation ("TTE"), a subsidiary of the Company, exercised the Exchange Option to exchange its 33% equity interest in TTE for shares in the Company (the "Share Exchange"). As a result, a total of 1,144,182,095 new shares of HK$0.10 each were issued to Thomson. Further details of the Share Exchange are set out in the announcement of the Company dated 10 August 2005.*

A diluted loss per share amount for the year has not been disclosed, as the share options, convertible notes and Exchange Option outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

9. TRADE AND BILLS RECEIVABLES

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Due from third parties:		
Trade receivables	**5,191,517**	4,842,183
Bills receivable	**785,466**	907,848
	5,976,983	5,750,031
Due from related parties:		
The ultimate holding company (TCL Corporation)	**30,004**	–
Companies controlled by TCL Corporation	**34,707**	19,633
Thomson and companies controlled by Thomson (collectively the "Thomson Group")	**41,765**	7,832
Jointly-controlled entities	**29,645**	35,047
	136,121	62,512
Total	**6,113,104**	5,812,543
Less: Portion classified as non-current assets	**(76,131)**	(140,769)
Current portion	**6,036,973**	5,671,774

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2005 *HK$'000*	2004 *HK$'000*
Current to 90 days	**5,593,526**	5,191,272
91 to 180 days	**124,902**	552,555
181 to 365 days	**247,726**	65,602
Over 365 days	**146,950**	3,114
	6,113,104	5,812,543

The majority of the Group's sales in the PRC were 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. Certain customers are allowed to settle the contract sum by instalments semi-annually.

10. TRADE AND BILLS PAYABLES

	2005 *HK$'000*	2004 *HK$'000*
Due to third parties:		
Trade payables	**5,300,868**	3,938,055
Bills payable	**978,540**	974,717
	6,279,408	4,912,772
Due to related parties:		
Companies controlled by TCL Corporation	**226,011**	245,864
Thomson Group	**242,159**	1,430,065
Jointly-controlled entities	**119,564**	60,512
	587,734	1,736,441
	6,867,142	6,649,213

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	2005 HK$'000	2004 HK$'000
Current to 90 days	**6,547,730**	6,123,466
91 to 180 days	**77,039**	479,123
181 to 365 days	**197,155**	15,610
Over 365 days	**45,218**	31,014
	6,867,142	6,649,213

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

BUSINESS REVIEW

Year 2005 is a year of integration, re-engineering and consolidation for TCL Multimedia Technology Holdings Limited. A range of enhancement programmes were carried out during the year. In addition to the ongoing re-engineering efforts, in July 2005, the Group reached a definitive agreement with Thomson to finalize the transfer of sales and marketing activities in Europe and North America from Thomson to TTE. Consequently, TTE gained full control of its sales and marketing activities in these 2 major markets. This move entails a better business model with closer ties between functions of sales and marketing, supply chain, production and after-sale services, substantially enhancing efficiency and reducing the overall operating costs of the Group.

After more than one year's operation, TTE has achieved considerable progress, enabling the Group to realize synergies in operational efficiencies and cost effectiveness, with respect to product R&D, procurement as well as sales and marketing, to enhance its competitiveness in the TV industry worldwide.

Nevertheless, the financial performance of the Group's operations in Europe was below expectation as the synergies and cost savings generated since the establishment of TTE Corporation were eroded due to tough market conditions. The Group recorded a loss in 2005.

TV Business

The TV business is the Group's major source of revenue, accounting for over 87% of the Group's total turnover. For the year ended 31 December 2005, a total of 23 million sets of TVs were sold worldwide, representing a growth of 38% over the same period last year and generating sales revenue of HK$29,938 million, a growth of 37% as compared to the previous year. The growth in shipment and revenue was mainly contributed by sales from European and North American markets, sales of which were not consolidated into the Group's financial statement on a full year basis in 2004 during which it was operated by the Thomson Group until August 2004.

The Group offers a diverse range of TVs under a number of reputable brand names that are present in all the major markets. Some of these major brands included the TCL brand for the PRC market, Thomson brand for the European market and RCA brand for the North American markets.

Our products could be broadly classified into general CRT TVs and high-end TVs (which comprised of flat panel TVs and projection TVs). General CRT TVs accounted for approximately 70% of the Group's total turnover, against 81% in 2004, while high-end TVs accounted for 30%, as compared to 19% in 2004.

The Group sees immense growth potentials in flat panel TVs and has been placing more emphasis on product design and development, supply chain management as well as sales and marketing of flat panel TVs. Products are available in a full array of different sizes. The Flat Panel TV Division, a new business unit, was established in the second half of 2005 with the aim of exploring the full potential of this fast-growing market.

TV Unit Sales by Division	FY2005 *('000)*	FY2004 *('000)*	Change
PRC	**9,236**	8,877	+4%
Europe and North America	**6,129**	3,091	+98%
Emerging Markets and Strategic OEM	**7,639**	4,751	+61%
Total	**23,004**	16,719	+38%

The PRC Market

China continued to be the Group's largest market in terms of unit sales and revenue. A total of 9.24 million sets of TVs were sold in the PRC in 2005, up from 8.88 million sets in the previous year. This was comprised by 7.82 million sets of TCL-branded TVs and 1.42 million sets of Rowa-branded TVs. Sales revenue from the PRC TV market reached HK$11,026 million, representing an increase of 5% as compared to 2004 and accounting for 37% of the turnover from the TV business. This division contributed an operating profit of HK$452 million in the year under review.

Competition in the high-end TVs was relatively more intense than that in the general CRT segment. The Group witnessed a visible change in consumer appetite, shifting from general CRT TVs to flat panel TVs, and further from small flat panel TVs to large display ones.

In capturing the emerging opportunities, the Group enriched and upgraded its product offering with the introduction of new products adopting DDHD chipsets and large display LCD TV models up to 42 inches. The enriched product portfolio enhanced the product mix and gave a boost to the average product selling prices by over 1%. As such, sales of high-end TVs accounted for a higher percentage in the region's product mix, increasing from 12% in 2004 to 19% in 2005.

A total of 116 new models were launched during year 2005, of which 50 were high-end models. However, as flat panel TVs commanded a lower gross margin as compared to general CRT TVs, the change in product mix led to a marginal decrease in the gross margin of the PRC market.

The Group continued to enjoy a dominant share of 21% in the domestic TV market, which is slightly higher than the 20% share in 2004. In the fast growing LCD TV segment, the Group has also established a leading position. It took up a 10% share and was ranked amongst the top five players during 2005. (Source for market share: Ministry of Information Industry, January to November 2005)

The development and promotion of new LCD TV series resulted in increased R&D and marketing expenses, which exerted a temporary impact on the operating margin. As the Group further strengthens its position in the LCD TV market segment, the related expenses are expected to go down.

European and North American Markets
The Group has greatly enhanced its profile in the European and North American markets through the acquisition of the ex-Thomson TV business. In 2005, being TTE's first full year operation, the Group sold a total of 6.13 million sets of TVs in these two markets, and in aggregate, generating a sales revenue of HK$14,480 million and accounting for 48% of the total TV turnover. As fierce market competition drove down product prices and eroded the synergies arising from enhanced efficiencies and higher economies of scales, the Group recorded operational losses of HK$779 million in these two markets during the year under review.

European Market
Operating environment in the European market was tough in 2005. While the fast growing flat panel TV market was characterized by a continual price reduction, the CRT TV posted a contraction in demand. TV manufacturers and brand owners were challenged with their ability to stay in the market under a thinning margin.

During the year under review, the Group made a number of strategic strides. Some of these included the repositioning of the R&D centre in Europe and the rationalization of global manufacturing platform. Despite these initiatives, there was a disruption in product introduction plan resulting from the timing mismatch between the R&D centres and the late delivery of certain components for production. These negative factors had significant impact on the financial performance of this division. Cost savings and synergies realized in the year were hardly visible. The overall performance in European market was below management's expectation.

A total of 18 new product models were launched during the year under review, of which 16 were high-end models. In line with market development, the Group continued to make improvement in product mix. Sales value of high-end TVs accounted for 49% of the sales in the second half of the year, up from 44% in the first half of the year.

The Thomson brand remained to be a key brand in the European market with a 5% market share. (Source: GfK, Feb 2005 - Jan 2006).

North American Market
The migration from analogue to digital TVs and the emergence of the trends towards flat panel TVs were two major trends in the TV industry in North America in 2005.

During the year under review, the Group adopted an "affordable TV" strategy that aimed at offering a compelling combination of good picture quality and styling at affordable price. In line with this strategy, the Group commenced a cost reduction programme to ensure efficient use of manpower and resources. In addition, the termination of the sales agency agreement with Thomson also contributed to cost saving.

To optimize resources deployment, the Group focused on strengthening relationship with key customers through various initiatives, such as shortening the order-to-delivery cycle and providing stronger customer support. These customers are mainly national and regional chain operators which offer higher turnover rate and truckload quantities. The overall performance in the North American market met the management's expectation.

A total of 44 new product models were launched, of which 29 were high-end models. Sales value of high-end TVs accounted for 47% of the sales in the second half of the year, down from 49% in the first half of the year.

The RCA brand was ranked Number 4, with a market share of 9% (Source: Synovate Jan-Nov 2005).

Emerging Markets and Strategic OEM Business
The Emerging Markets and Strategic OEM business continued to post strong volume growth. Still in an expansion mode, the two markets in aggregate sold 7.64 million units of TVs in 2005, representing a robust growth of 61%. Sales revenue grew by 42% to HK$4,432 million and accounted for 15% of the total TV sales in 2005. These two divisions contributed an operating profit of HK$91 million.

For the Emerging Market division, the operating environment was getting tougher than before as a rising number of international players started to enter these markets.

The Group added 7 new overseas branch offices during the year under review, bringing the total number to 18. Branded business experienced remarkable growth in year 2005. The Group is pleased to see that TCL brand has gained increasing market acceptance in these fast developing markets. However, the establishment of new overseas offices incurred additional operating expenses and the promotional activities in new markets also burdened the overall operations to a certain extent. Profit margin was therefore under short-term pressure.

For Strategic OEM division, the Group benefited from the increasing outsourcing trend globally. On top of the existing customers, the Group also proactively developed new accounts and started to work with acclaimed international customers to enrich their product offering with theme decorated TVs. Geographically, the Group is exploring business opportunities in the ASEAN countries, Africa and Latin America.

PC Business

While the sales revenue from the TV business increased considerably, the importance of the PC business in the Group's total turnover decreased visibly. The PC business accounted for 6.1% of the Group's total turnover in the year under review. For the year ended 31 December 2005, the Group sold a total of 700,000 sets of PCs, an increase of 13% as compared to the previous year. Sales revenue amounted to HK$2,093 million, representing an increase of 6% as compared to 2004. The division contributed an operating profit of HK$23 million to the Group for the year under review.

The Group re-engineered the sales and distribution network to a leaner structure that facilitated faster response to market needs and deployed resources for the development of notebook PCs which demonstrated strong market potential. Unit shipment of desktop and notebook PCs accounted for 95% and 5% respectively. The growth was mainly attributable to increased home PCs sales on increased promotional resources to uplift the image of TCL products.

The increased sales of high-end products such as PCs with LCD monitors widened the gross margin of this business. However, owing to the overdue receivables related to the education projects, a bad debt provision of approximately HK$43 million was made, lowering the operating margin of this division in 2005.

OUTLOOK

The dynamic and highly competitive global TV industry will continue to emerge with new opportunities and challenges. The flat panel TV segment has swiftly emerged as the growth engine of the industry globally. Its unique operating model of requiring constant technological innovation, global manufacturing facilities, low costs structure, strong supply chain management and efficient inventory management capabilities puts the Group in a perfect position to stay ahead of its peers in this highly battled market segment. In parallel with its determination to gain its share in the flat panel TVs segment, the Group will continue to maintain its competitive advantage in the CRT segment to achieve sustainable growth.

The Group is committed to offering high quality products with innovative features and designs. It will continue to invest in the design and development to meet market needs. Its plan is to launch more than 250 new models in aggregate in 2006. Over 40% of them fall into the high-end area.

The Group aspires to be the world leader in the TV industry. It is dedicated to managing its worldwide operations more efficiently, responding quicker to ever-changing market needs, applying innovative ideas in product R&D, and ultimately, bringing us back on track to be a global TV player with competitive advantage.

The Group will continue to improve the overall business performance, in particular in the European and North American markets. Strong emphasis will be placed on improving profitability in the two markets. In Europe, comprehensive project plans will be put in place. Review and reforms will be conducted on all levels from customer, product planning to human resources. . The ultimate goal of all these projects is to turnaround the business within the shortest period of time and to turn the European division into a profitable one by 2007. In North America, the strategies developed in 2005 will be continued and more visible results are expected to come in 2006.

FINANCIAL REVIEW

The Group's consolidated turnover for the year ended 31 December 2005 reached HK$34,556 million, an increase of 35% as compared to 2004, driven by strong TV sales across key markets. Gross profit also increased by 29% to HK$5,633 million. However, due to keen competition, product price reduction was seen across markets. The Group's overall gross margin was down from 17.1% in 2004 to 16.3% this year. The Group recorded operating losses in the European and North American markets. Although synergies were generated from higher economies of scale, improved cost structure and enhanced operating efficiencies, the positive results derived from these initiatives were not sufficient to cover the losses incurred in the European and North American markets. Aggravated by a number of non-operating factors as mentioned below, the Group reported a net loss attributable to equity holders of the parent of HK$599 million for the year ended 31 December 2005.

Costs of the Group were driven up significantly by non-operating factors including (i) higher finance costs due to higher debt level, (ii) impairment of shares in TCL Communication Technology Holdings Limited, (iii) fair value loss of Thomson's Call Option held by the Company, and (iv) expenses charged for the grant of employee share options under new accounting standard. The combined effect of these factors for the year amounted to HK$287 million.

Significant Investments and Acquisitions

For its long-term benefit, the Group implemented a series of strategic moves to gain full control of sales and marketing activities, broaden its revenue base, and further grow its intellectual property portfolio. Major acquisitions or movements during the year are listed out as follows:

(1) On 4 July 2005, the Group entered into an acquisition agreement with TCL Corporation, the ultimate controlling shareholder of the Company, for the acquisition of 49% equity interest in TCL Electrical Appliance Sales Co., Ltd ("Sales Co.") which controls and operates a distribution and after-sales services network in the PRC. Upon completion of the acquisition, the Group will own the entire equity interest of the Sales Co.. Further details of the acquisition are set out in the Company's announcement dated 5 July 2005.

(2) On 12 July 2005, the Group and Thomson Group entered into the North America Transfer Agreement and European Master Transfer Agreement for the transfer of the sales and marketing activities in North America and Europe respectively from Thomson to TTE. In connection therewith, among other things, TTE and Thomson are required to execute a number of related agreements to modify the former operational arrangement of the Angers factory in France, and to revise certain sales and marketing and service arrangements between the two groups. Closing of all transactions contemplated under the North America Transfer Agreement and the European Master Transfer Agreement took place on 1 February 2006. The agreements enable TTE to directly manage its sales and marketing activities, and provide the basis for improving the Company's ability to serve customers and coordinate product planning, pricing marketing and business strategy. For further details, please refer to the Company's announcements dated 12 July 2005 and dated 2 September 2005 and the Company's circular dated 2 August 2005.

(3) On 26 July 2005, the Company acquired from Opta Systems, LLC, a company controlled by TCL Corporation, certain intellectual property rights including trademarks, service marks, patents applications and copyrights. Further details of the transaction are set out in the Company's announcement dated 29 July 2005.

(4) On 10 August 2005, pursuant to the Exchange Option Agreement dated 30 July 2004, Thomson exercised the exchange option to exchange its 33% interest in TTE for shares of the Company. TTE became a wholly-owned subsidiary after the share exchange. For further details, please refer to the Company's announcement dated 10 August 2005.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factoring, 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 balances as at the year end amounted to HK$1,952 million, of which 3% was maintained in Hong Kong dollars, 33% in US Dollars, 48% in Renminbi, 4% in Euro and 12% held in other currencies for the overseas operations.

There was no material change in available credit facilities when compared with the year ended 31 December 2004 and there was no asset held under finance lease at the year end.

At the year end, the Group's gearing ratio was 69.7% which is calculated based on the Group's net borrowings of HK$2,783 million (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the parent of HK$3,991 million. The Group's net borrowings included advances from banks and a factoring company as consideration for factored receivables and discounted bills amounting to HK$1,131 million in aggregate, which were recognized as liabilities on the balance sheet upon adoption of Hong Kong Accounting Standard 39. Were the net borrowings calculated under the old accounting standards, the amount would have been HK$1,652 million and the Group's gearing ratio would then be 41.4%.

For the year under review, the Company breached certain financial covenants of bank loans with an aggregate carrying amount of HK$1,538 million, under which the lenders were entitled to demand the Company for immediate payment of the entire outstanding amount. Subsequent to the balance sheet date of 31 December 2005, the Company obtained from the lenders waivers of the said breaches under the relevant loan agreements on 31 March 2006. Paragraph 65 of HKAS 1 requires that the entire outstanding amount under the bank loans should be treated as a current liability of the Company, even if the lenders have agreed, after the balance sheet date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. As a result of the re-classification of the liability, the balance sheet for the year under review may show a relatively high level of current liabilities as well as short-term borrowings. However, since the Company has obtained waivers in respect of the said breaches and the lenders have effectively waived their rights to demand payment, and the Group has retained considerable cash and bank balances, the directors of the Company consider that the Group still maintains a healthy liquidity position.

Pledge of Assets

At 31 December 2005, certain of the Group's buildings with a net book value of approximately HK$90 million and certain time deposits of HK$90 million were pledged to secure general banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31 December 2005, the Group had capital commitments contracted but not provided for of approximately HK$10 million. Guarantees given in lieu of utility and rental deposits amounted to approximately HK$4 million.

Foreign Exchange Exposure

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

It is the Group's policy to centralize 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 the importance of trading, investing and borrowing in functional currency to achieve natural hedging.

Employee and Remuneration Policy

The Group had a total of 28,296 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 individual and company performance. 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. During the year, options for subscribing a total of 152,920,000 shares were granted to directors and employee at an exercise price of HK$1.40. Including those granted previously, options for subscribing a total of 183,342,861 shares remained outstanding at the year end. Total staff costs for the year under review were approximately HK$2,000 million, of which HK$29 million were employee share option expenses recognized upon adoption of Hong Kong Financial Reporting Standard 2.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Save as disclosed below, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for the year ended 31 December 2005, complied with the code provisions of the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules"), which became effective from 1 January 2005.

Under the Code provision A4.2, every director should be subject to retirement by rotation at least once every three years. Under the previous Articles of Association of the Company, apart from the managing director, one third of the Directors shall retire from office by rotation at each annual general meeting of the Company. To ensure compliance with such Code provision, relevant amendments to the Articles of Association were proposed and approved by the shareholders at the annual general meeting held on 22 June 2005 so that now all directors are subject to retirement by rotation at least once every three years.

For the purpose of compliance with the Code provision B.1.1 of the CG Code, the Board resolved on 16 April 2004 to establish a remuneration committee and adopted terms of reference for such committee on 16 April 2004 in compliance with the Code provision B.1.3 of the CG Code. On 30 August 2005, Wang Bing, Tang Guliang and Hon Fong Ming, Perry, the independent non-executive directors, Albert Thomas da Rosa, Junior, the non-executive director and Lu Zhong Li, an executive director of the Company were appointed as the members of the remuneration committee with Wang Bing being the chairman of the committee.

POST BALANCE SHEET EVENTS

(a) Pursuant to the resolution passed on 27 February 2006, the authorised share capital of the Company was increased from HK$500,000,000 to HK$800,000,000 by the creation of 3,000,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

(b) On 9 March 2006, TCL King Electrical Appliances (Huhehaote) Company Limited ("TCL King Huhehaote"), an indirect wholly-owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement") with TCL Corporation in relation to the setting up of a finance company in the PRC (the "Finance Company"). Pursuant to the Investment Agreement, TCL King Huhehaote is required to contribute RMB70 million (the "Capital Contribution") as capital contribution to the Finance Company, representing 14% of the registered capital of the Finance Company.

    The Capital Contribution was made by the Group on 9 March 2006 and the establishment of the Finance Company is subject to the obtaining of the approval from the relevant PRC authorities, including but not limited to the China Banking Regulatory Commission.

    Further details of this transaction were set out in the Company's announcement dated 9 March 2006.

(c) At 31 December 2005, the Company breached certain financial covenants of bank loans with carrying amount of HK$1,538 million in aggregate, under which the lenders were entitled to demand the Company for immediate payment of the entire outstanding amount. Subsequently, the Company obtained from the majority of lenders waivers of the said breaches under the relevant loan agreements on 31 March 2006, which means that the lenders have effectively waived their rights to demand immediate payment.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2005, including the accounting principles adopted by the Group, in conjunction with the Company's external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code regarding securities transactions by directors of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

On behalf of the Board
Li Dong Sheng
Chairman

Hong Kong, 27 April 2006

As at the date of this announcement, the Board comprises, Li Dong Sheng, Lu Zhong Li, Hu Qiu Sheng, Zhao Zhong Yao, Yan Yong, Alastair Kenneth Ruskin Campbell and Didier Trutt as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Wang Bing and Hon Fong Ming as independent non-executive directors.

"Please also refer to the published version of this announcement in South China Morning Post."