TCL Multimedia Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

	2006	2005	Change
	(HK$M)	*(HK$M)*	
Turnover	**29,187**	32,500	(10)%
Loss before tax	**(2,411)**	(579)	N/A
Loss for the year attributable to equity holders of the parent	**(2,497)**	(599)	N/A
Basic loss per share (HK cents)	**(63.99)**	(18.66)	N/A

OPERATIONAL HIGHLIGHTS

Corporate Development

(1) Disposal of non-core PC business to focus on TV business development in September 2006.

(2) Formation of a finance JV with TCL Group and The Bank of East Asia to improve Company's cost efficiency in finance and treasury activities.

(3) Announcement of the restructuring plan for the European operation and its subsequent new business model in October 2006.

Business Operations

1. Maintained a leading position in the PRC market, with a share of 18%.
2. Implemented a wide-ranging restructuring plan in Europe to effectively address the continued poor operating results.
3. The Emerging Market and Strategic OEM business achieved the Group's targets, posting stable and satisfactory sales volume growth in the year under review.

The Board of Directors ("the Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006 with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CONTINUING OPERATIONS			
TURNOVER	3	**29,186,823**	32,499,945
Cost of sales		**(24,690,655)**	(27,040,234)
Gross profit		**4,496,168**	5,459,711
Other revenue and gains		**170,405**	233,189
Selling and distribution costs		**(4,338,220)**	(4,206,082)
Administrative expenses		**(1,135,545)**	(1,182,981)
Research and development costs		**(383,567)**	(504,808)
Other operating expenses		**(245,928)**	(129,493)
		(1,436,687)	(330,464)
Fair value losses of equity investments at fair value through profit or loss		**(37,653)**	(95,083)
Costs in connection with the restructuring and winding-down of the EU Business, net	4	**(694,868)**	–
Finance costs		**(245,622)**	(162,239)
Share of profits and losses of:			
Jointly-controlled entities		**3,589**	9,212
An associate		**(70)**	–
LOSS BEFORE TAX	5	**(2,411,311)**	(578,574)
Tax	6	**(96,523)**	(107,311)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,507,834)**	(685,885)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation		**7,362**	(17,382)
LOSS FOR THE YEAR		**(2,500,472)**	(703,267)
Attributable to:			
Equity holders of the parent		**(2,497,314)**	(598,893)
Minority interests		**(3,158)**	(104,374)
		(2,500,472)	(703,267)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For loss for the year		**HK(63.99) cents**	HK(18.66) cents
– For loss from continuing operations		**HK(64.17) cents**	HK(18.12) cents
Diluted			
– For loss for the year		**N/A**	N/A
– For loss from continuing operations		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,993,791**	2,722,422
Prepaid land lease payments		**86,318**	62,623
Goodwill		**119,638**	206,639
Other intangible assets		**67,784**	91,993
Interests in jointly-controlled entities		**110,444**	157,088
Interests in an associate		**69,566**	–
Available-for-sale investments		**2,325**	14,773
Long term receivables		**–**	358,774
Prepaid royalty		**269,596**	563,674
Deferred tax assets		**20,678**	27,690
Total non-current assets		**2,740,140**	4,205,676
CURRENT ASSETS			
Inventories		**3,206,919**	4,599,339
Trade and bills receivables	9	**3,595,130**	6,036,973
Other receivables		**926,925**	1,270,343
Tax recoverable		**23,257**	39,089
Equity investments at fair value through profit or loss		**–**	47,594
Pledged deposits		**10,000**	90,165
Cash and bank balances		**1,894,633**	1,861,957
Total current assets		**9,656,864**	13,945,460
CURRENT LIABILITIES			
Trade and bills payables	10	**4,642,315**	6,867,142
Tax payable		**111,124**	145,985
Other payables and accruals		**2,099,535**	1,916,671
Provisions		**805,328**	197,402
Interest-bearing bank and other borrowings		**2,660,582**	3,481,045
Due to a shareholder		**–**	536,364
Due to the ultimate holding company		**347,999**	717,863
Total current liabilities		**10,666,883**	13,862,472
NET CURRENT ASSETS/(LIABILITIES)		**(1,010,019)**	82,988
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,730,121**	4,288,664
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**21,908**	24,057
Pensions and other post-employment benefits		**18,171**	165,615
Total non-current liabilities		**40,079**	189,672
Net assets		**1,690,042**	4,098,992

	Notes	2006 HK$'000	2005 HK$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**390,295**	390,295
Reserves		**1,210,871**	3,600,221
		1,601,166	3,990,516
Minority interests		**88,876**	108,476
Total equity		**1,690,042**	4,098,992

Notes:

1. BASIS OF PRESENTATION

(a) Going concern

As at 31 December 2006, the Group had net current liabilities of approximately HK$1,010 million that included bank loans of approximately HK$1,115 million (the "Syndication Loans") which were repayable on demand due to the breach of certain financial covenants of the relevant bank loan agreements. The Group also incurred a loss attributable to equity holders of the parent of approximately HK$2,497 million for the year ended 31 December 2006.

In order to strengthen the capital base of the Group and to improve the Group's financial position, immediate liquidity and cash flows, or otherwise to sustain the Group as a going concern, the directors of the Company have taken the following measures:

(i) On 12 October 2006, the Company, TTE Corporation ("TTE"), a wholly-owned subsidiary of the Company, and TTE Europe SAS ("TTE Europe"), a wholly-owned subsidiary of TTE, (collectively the "TCL Parties") entered into the term sheet (the "Settlement Term Sheet") with Thomson S.A. ("Thomson") and certain of its subsidiaries (collectively the "Thomson Parties") regarding the resolution of the Group's loss-making European operation (the "EU Business"), which was mainly conducted by TTE Europe, whereby the TCL Parties and the Thomson Parties have agreed to certain reciprocal concessions to alleviate the financial difficulties of the EU Business and pave the way for an amicable winding-down of this loss-making EU Business.

Details of the precise undertakings of each of the relevant parties in respect of the terms of the Settlement Term Sheet were further formalised and set forth in the Master Resolving and Settlement Agreement (the "Master Agreement") dated 13 February 2007 entered into between the TCL Parties and the Thomson Parties.

(ii) On 15 May 2007, the Company proposed to raise not less than approximately HK$781 million (before expenses) by issuing not less than approximately 1,951 million new ordinary shares of the Company and to raise not more than approximately HK$808 million by issuing not more than approximately 2,019 million new ordinary shares of the Company at a subscription price of HK$0.4 per share (the "Rights Share") on the basis of one Rights Share for every two existing shares (the "Rights Issue"). Any Rights Share not taken up by the existing shareholders will be fully underwritten by T.C.L. Industries pursuant to the terms and conditions of the Underwriting Agreement dated 15 May 2007.

Further details of the Rights Issue are set out in the Company's announcement dated 15 May 2007.

(iii) On 17 May 2007, the Company obtained an undertaking from TCL Corporation which undertakes that TCL Corporation together with T.C.L. Industries Holdings (H.K.) Ltd ("T.C.L. Industries") and TCL Finance Co., Ltd ("TCL Finance"), will make available to the Group loans of not less than HK$469 million, in aggregate, at each month end for the period from 17 May 2007 to 30 June 2008 or the date on which the issuance of convertible bonds discussed in (iv) below is completed, whichever is earlier.

(iv) On 18 May 2007, the Company entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, London (the "Purchaser"), whereby the Company agreed to issue and the Purchaser, subject to the satisfaction of the conditions precedent of the Purchase Agreement, agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the secured convertible bonds due 2012 (the "Bonds") with an aggregate principal amount of US$140 million (equivalent to approximately HK$1,095 million).

Further details of the issue of the Bonds are set out in the Company's announcement dated 21 May 2007.

In the opinion of the directors of the Company, in light of the measures taken to date, together with the expected results of the fund raising exercises in progress, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to return to a commercially viable going concern. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity position at 31 December 2006.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these financial statements.

(b) Winding-down and liquidation of TTE Europe and its subsidiaries (collectively the "EU Group")

Liquidation basis of accounting

As a result of the Company's decision to significantly wind down the EU Group in October 2006 and the filing of a declaration of insolvency to the French court by TTE Europe on 24 May 2007, the liquidation basis of accounting has been adopted for the financial statements of the EU Group for the year ended 31 December 2006.

Under the liquidation basis of accounting, assets are stated at their estimated net realisable value, and liabilities are stated at their estimated settlement amounts, and the relevant estimates will be periodically reviewed and adjusted as appropriate. Assets and liabilities included in the financial statements of the EU Group are stated on the following bases:

- Items of property, plant and equipment and inventories are reflected at net realisable values which are based on the expected net sales proceeds to be received from the scrap sales of these assets;

- Trade receivables and other receivables are stated at their recoverable amounts, which are the estimated net cash proceeds to be received from the debtors;

- Cash and bank balances are presented at face value; and

- Trade payables, other payables, accruals and provisions are stated at estimated settlement amounts.

Adjustments to the liquidation basis of accounting

The EU Group accrued approximately HK$147 million as at 31 December 2006 in respect of costs and expenses expected to be incurred for the remaining wind-down activities. These costs and expenses include salaries and benefits for employees retained to assist with the wind-down activities, legal, accounting and professional fees, as well as other administrative expenses anticipated to be incurred during the wind-down period of the EU Group before liquidation.

In accordance with the liquidation basis of accounting, the Group recorded an adjustment of approximately HK$181 million to adjust liabilities of the EU Group to estimated settlement amounts.

The preparation of the financial statements of the EU Group using the liquidation basis of accounting requires the Group to make assumptions, judgements and estimates that can have a significant impact on the assets and liabilities of the EU Group. Management bases its assumptions, judgements and estimates on the most recent information available and various other factors believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. On a regular basis, management evaluates its assumptions, judgements and estimates and makes changes accordingly.

2.1 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 certain equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as at fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

(d) HK(IFRIC)-Int 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union's Directive on Waste Electrical and Electronic Equipment in respect of sales of historical household equipment. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Continuing operations										Discontinued operation			
	Television		Audio-visual		Others		Eliminations		Total		Computer		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**26,368,102**	29,937,575	**2,224,068**	1,986,323	**594,653**	576,047	**–**	–	**29,186,823**	32,499,945	**1,568,162**	2,056,385	**30,754,985**	34,556,330
Intersegment sales	**1,234,744**	1,085,755	**417,992**	369,878	**4,705**	6,952	**(1,657,441)**	(1,467,622)	**–**	(5,037)	**–**	5,037	**–**	–
Total	**27,602,846**	31,023,330	**2,642,060**	2,356,201	**599,358**	582,999	**(1,657,441)**	(1,467,622)	**29,186,823**	32,494,908	**1,568,162**	2,061,422	**30,754,985**	34,556,330
Segment results	**(1,220,459)**	(236,647)	**17,589**	(13,242)	**(87,516)**	11,096	**–**	–	**(1,290,386)**	(238,793)	**5,501**	(7,076)	**(1,284,885)**	(245,869)
Interest income									**22,719**	27,805	**2,626**	2,859	**25,345**	30,664
Corporate expenses									**(169,020)**	(119,476)	**–**	–	**(169,020)**	(119,476)
Finance costs									**(245,622)**	(162,239)	**(765)**	(1,307)	**(246,387)**	(163,546)
Share of profits and losses of:														
Jointly-controlled entities	**3,016**	4,494	**–**	–	**573**	4,718	**–**	–	**3,589**	9,212	**–**	–	**3,589**	9,212
An associate	**–**	–	**–**	–	**(70)**	–	**–**	–	**(70)**	–	**–**	–	**(70)**	–
Fair value losses of equity investments at fair value through profit or loss	**–**	–	**–**	–	**(37,653)**	(95,083)	**–**	–	**(37,653)**	(95,083)	**–**	–	**(37,653)**	(95,083)
Costs in connection with the restructuring and winding-down of the EU Business, net	**(694,868)**	–	**–**	–	**–**	–	**–**	–	**(694,868)**	–	**–**	–	**(694,868)**	–
Profit/(loss) before tax									**(2,411,311)**	(578,574)	**7,362**	(5,524)	**(2,403,949)**	(584,098)
Tax									**(96,523)**	(107,311)	**–**	(11,858)	**(96,523)**	(119,169)
Profit/(loss) for the year									**(2,507,834)**	(685,885)	**7,362**	(17,382)	**(2,500,472)**	(703,267)

4. COSTS IN CONNECTION WITH THE RESTRUCTURING AND WINDING-DOWN OF THE EU BUSINESS, NET

During the year, the Group had implemented a number of measures in restructuring the EU Business and finally, after the conclusion of the Settlement Term Sheet, the Group decided to restructure and reposition its presence in Europe by significantly winding down the EU Business and building up a new business model. The costs incurred and accrued as at 31 December 2006 in connection with the restructuring and winding-down of the EU Business, net of related gains, were summarised below:

	HK$'000
Redundancy costs and severance payments	339,011
Estimated costs for the winding-down of TTE Europe	146,541
Impairment of items of property, plant and equipment	96,050
Impairment of other intangible assets	19,137
Impairment of trade and other receivables	124,853
Write-down of inventories to net realisable value	249,627
Adjustment to adjust liabilities of the EU Group to their estimated settlement amounts	(181,014)
Net gain arising from the Settlement Term Sheet	(87,211)
Gain on deconsolidation of a subsidiary	(12,126)
	694,868

5. LOSS BEFORE TAX

In addition to the amounts disclosed in note 4 above, the Group's loss before tax is arrived at after charging/(crediting):[#]

	2006	2005
	HK$'000	*HK$'000*
Cost of inventories sold	**26,117,573**	28,910,462
Depreciation	**408,091**	334,290
Research and development costs	**392,424**	521,041
Less: Government grants released*	**(7,579)**	(14,639)
Net research and development costs	**384,845**	506,402
Amortisation of other intangible assets**	**6,464**	4,791
Minimum lease payments under operating leases in respect of land and buildings	**66,033**	63,701
Amortisation of prepaid land lease payments	**2,543**	5,908
Auditors' remuneration	**20,494**	21,802
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**1,529,690**	1,865,072
Defined contribution expense	**91,166**	84,148
Defined benefit expense	**28,070**	23,879
Equity-settled share option expense	**22,295**	28,661
	1,671,221	2,001,760
Loss/(gain) on disposal of items of property, plant and equipment, and prepaid land lease payments	**11,562**	(26,517)
Gain on disposal of equity investments at fair value through profit or loss	**(3,179)**	–
Loss on liquidation of an available-for-sale investment	**–**	4,280
Impairment of items of property, plant and equipment***	**37,315**	–
Impairment of available-for-sale investments	**2,550**	1,058
Impairment of trade receivables***	**191,365**	120,196
Foreign exchange differences, net	**(26,580)**	72,693
Net rental income	**(11,860)**	(10,712)
Bank interest income	**(25,345)**	(30,664)
Restructuring costs, net of reimbursement	**22,284**	(194)
Provision for warranties	**698,334**	248,112
Reversal of write-down of inventories to net realisable value	**(954)**	(23,435)

\# The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

* Certain government grants have been received for research activities within the Guangdong Province, the PRC. The government grants released have been deducted from the research and development costs to which they relate. There are no unfulfilled conditions or contingencies relating to these grants.

** The amortisation of other intangible assets is included in "Selling and distribution costs" on the face of the consolidated income statement.

*** The impairment of items of property, plant and equipment and the impairment of trade receivables are included in "Other operating expenses" on the face of the consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**16,662**	11,403
Overprovision in prior years	**(1,712)**	–
Current – Elsewhere		
Charge for the year	**80,333**	119,421
Under/(over) provision in prior years	**2,437**	(3,466)
Deferred	**(1,197)**	(20,047)
Total tax charge for the year	**96,523**	107,311

7. DIVIDENDS

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

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2006	2005
	HK$'000	*HK$'000*
Loss		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:		
From continuing operations	**(2,504,676)**	(581,511)
From a discontinued operation	**7,362**	(17,382)
	(2,497,314)	(598,893)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**–**	6,400
Adjustment to minority interests upon exercise of the Exchange Option	**–**	(100,372)
Loss for the purpose of diluted loss per share	**(2,497,314)**	(692,865)
Attributable to:		
Continuing operations	**(2,504,676)**	(675,483)
Discontinued operation	**7,362**	(17,382)
	(2,497,314)	(692,865)

	Number of shares 2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**3,902,951,727**	3,210,011,179
Effect of dilution – weighted average number of ordinary shares:		
Assumed to have been issued at no consideration on deemed exercise of all outstanding share options	**–**	6,240,721
Deemed conversion of all convertible notes	**–**	105,886,421
Deemed exercise of the Exchange Option during the year	**–**	692,778,748
Weighted average number of ordinary shares used in diluted loss per share calculation	**3,902,951,727**	4,014,917,069

Diluted loss per share amounts for the year ended 31 December 2006 and 31 December 2005 have not been disclosed, as the share options outstanding during these years and the convertible notes and Exchange Option outstanding during the prior year had an anti-dilutive effect on the basic loss per share for these years.

9. TRADE AND BILLS RECEIVABLES

	2006 *HK$'000*	2005 *HK$'000*
Due from third parties:		
Trade receivables	**3,053,823**	5,191,517
Bills receivable	**496,755**	785,466
	3,550,578	5,976,983
Due from related parties:		
The ultimate holding company	**1,987**	30,004
Companies controlled by TCL Corporation	**12,291**	34,707
Thomson and companies controlled by Thomson (collectively the "Thomson Group")	**10,565**	41,765
Jointly-controlled entities	**19,709**	29,645
	44,552	136,121
Total	**3,595,130**	6,113,104
Less: Portion classified as non-current assets	**–**	(76,131)
Current portion	**3,595,130**	6,036,973

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 made on the open-account basis with credit terms of no more than 180 days. The Group also entered into certain receivables purchase agreements with its banks and a factoring company. Pursuant to the related agreements, the trade receivables of certain major customers were factored to the relevant banks and the factoring company.

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. Trade receivables are non-interest-bearing.

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:

	2006	2005
	HK$'000	*HK$'000*
Current to 90 days	**3,274,377**	5,593,526
91 to 180 days	**163,770**	124,902
181 to 365 days	**119,421**	247,726
Over 365 days	**37,562**	146,950
	3,595,130	6,113,104

At 31 December 2006, the Group's trade receivables of HK$764,384,000 (2005: HK$1,110,972,000) (the "Factored Receivables") were factored to certain banks and a factoring company under certain receivables purchase agreements. The Group continued to recognise the Factored Receivables in the balance sheet because, in the opinion of the directors, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money, as at the balance sheet date.

Moreover, at 31 December 2005, the Group discounted bills receivables of HK$20,082,000 to a bank with recourse (the "Discounted Bills"). The Discounted Bills were included in the above balance of bills receivables at 31 December 2005 because the derecognition criteria for financial assets were not met.

Accordingly, the advances from the relevant banks of HK$764,384,000 (2005: HK$828,433,000) received by the Group as consideration for the Factored Receivables and the Discounted Bills at the balance sheet dates and the advances of HK$302,621,000 from a factoring company as consideration for the Factored Receivables at 31 December 2005 were recognised as liabilities, and they are included in "Interest-bearing bank and other borrowings".

10. TRADE AND BILLS PAYABLES

	2006	2005
	HK$'000	*HK$'000*
Due to third parties:		
Trade payables	**3,810,491**	5,300,868
Bills payable	**403,752**	978,540
	4,214,243	6,279,408
Due to related parties:		
Companies controlled by TCL Corporation	**225,066**	226,011
The Thomson Group	**58,391**	242,159
Jointly-controlled entities	**144,615**	119,564
	428,072	587,734
	4,642,315	6,867,142

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

	2006	2005
	HK$'000	*HK$'000*
Current to 90 days	**4,580,604**	6,547,730
91 to 180 days	**35,744**	77,039
181 to 365 days	**25,967**	197,155
Over 365 days	**–**	45,218
	4,642,315	6,867,142

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

BUSINESS REVIEW

The year under review was a challenging one for the Group as well as for the TV industry globally. The rapid transition from CRT to flat panel TVs and from analogue to digital technology across different markets tested all manufacturers. During the year under review, the Group had to develop the right strategies to master these market changes and to complete the integration of the international TV business acquired from Thomson in 2004. These efforts put pressure on the Group's operations and greatly impacted its profitability.

Restoring profitability has been the Group's primary target. Strategies were implemented by the Group to deal with market changes and to strengthen the Group's international competitiveness. However, the management was disappointed to see the operating loss in the European market widen.

Separately, the Group continued to rationalize its operations and resources along its core global TV global business. Thus, the Group disposed of its PC business in August 2006 to TCL Corporation, its parent company. In addition, to effectively address the continued poor results in Europe, the Group implemented a wide-ranging restructuring plan beginning in October 2006, and incurred and accrued HK$695 million costs, net of related gains, in connection with the restructuring and winding-down of the EU Business. The operating loss in this market together with the restructuring costs depleted the Group's profits from other markets, leading to a loss of HK$2,500 million for the year ended 31 December 2006.

REVIEW OF OPERATIONS

The Group is a world leading TV manufacturer by sales volume. It is ranked amongst the top three players in the global TV market, according to statistics from iSuppli in December 2006.

Revenue from TV sales decreased by 12% to HK$26,368 million during the year under review. The Group sold a total of approximately 22 million TV sets, representing a decrease of 4% as compared to the previous year. High-end TV models, including DLP, flat panel LCD and plasma TVs, accounted for 36% of the Group's TV revenue, as compared to 30% in the previous year. Unit sales of such high-end TVs outpaced overall sales by far, posting a surge of 27% in 2006.

TV Unit Sales	**FY2006**	FY2005	**Change**
	('000)	*('000)*	
The PRC	**7,976**	9,236	(14)%
Europe and North America	**4,775**	6,129	(22)%
Emerging Markets and Strategic OEM	**9,409**	7,639	23%
Total	**22,160**	23,004	(4)%

Seeing enormous potential from flat panel TVs, the Group placed strong focus on, and committed significant resources to, product design and development, supply chain management and sales and marketing in order to capture opportunities in this high-growth market segment. More than 174 models were launched during the reviewing year, of which 84 were high-end models. The Group's market share in the flat panel TV segment rose with its extended product offering.

The PRC Market

Competition in the PRC continued to be fierce as domestic and foreign TV manufacturers flooded the market, quickening the pace of new product introduction and intensifying competition in pricing. This led to rapid price declines in all product categories, in particular for LCD TVs. Seeing this, some consumers delayed their purchases in the hopes of further price reductions.

According to the China Market Monitor report, the PRC TV market experienced a contraction of approximately 7% by volume. This was primarily due to the shrinkage of the CRT TV market, which was larger than the increase in demand for LCD TVs .

Despite the intense competition, the Group maintained its position as the market leader in 2006. Sales revenue from the PRC market amounted to HK$10,459 million, representing a decrease of 5% and accounting for 40% of the total TV revenue. The Group sold a total of 7,976,000 TV sets in the PRC. Although this was a 14% decline compared with 2005, it was within the overall trend of the market. Thus, the Group maintained its leading position in the PRC market, with a share of 18% (source: Ministry of Information Industry (Jan – Dec 2006).

The Group also achieved good performance in terms of the overall product mix, with high-end TV sales accounting for 35% of total TV sales revenue, as compared to 19% for 2005. In terms of unit sales, the Group grew LCD TV sales by 174% year-on-year. Thus, according to the China Market Monitor report of November 2006, the Group achieved a 10% share of the LCD segment in the PRC.

Although the increase in high-end TV sales helped to boost the average product selling price by 10%, the overall profit margin for the PRC market decreased. This was due to the fact that the gross margin for high-end goods such as LCD TVs was and remains lower than that of CRT TVs.

In view of the rapid shift in consumer preference from CRT TVs to flat panel TVs, the Group invested further in the development of high-end TVs and introduced more high-end products, such as its 47" large display LCD TV model, to capture the significant opportunity represented by this growing market.

European and North American Markets

The European and North American markets continue to challenge the Group. Although performance in North American market was in line with expectation, performance in Europe continued to be well below management expectations. Thus, the Company recorded a significant operating loss and provision for the business restructuring.

Sales revenue generated from these two markets in aggregate amounted to HK$10,421 million, representing a year-on-year decrease of 28% and accounting for 39% of the Group's total TV revenue, as compared to 48% in the previous year. A total of 4,775,000 TV sets were sold in these markets during the year under review.

European Market

The European market is one of the world's most dynamic markets in that consumers are migrating at an unprecedented pace towards flat panel LCD TVs. In this highly competitive operating environment, the Group experienced an extremely difficult year. The Group's cost advantages, which had helped it to become a global leader in the CRT market, did not translate into the same market leadership in the high-end flat panel TV market.

Due to the heavy losses in the first part of the year, the Group decided to implement a wide-ranging restructuring plan to close certain loss-making business lines and re-launch the operation under a new, smaller, leaner business model. Going forward, the Group plans to work only with a limited number of key customers, major accounts and markets with the greatest potential, which will enable it to rationalize product lines and its supply chain. The restructuring process began in October 2006 and completion is expected in the first half of 2007.

North American Market

In the North American market, price pressure continued to prevail in mature segments, such as CRT TV and CRT-based PTV. In the DLP segment, brand image became another crucial competitive factor, though pricing still remained as the primary consideration. In the flat panel segment, product price and brand recognition were of equal importance.

Following the year's reform and hard work in 2005, the Group recorded sales and operating performance were in line with management's expectation for the full year results of 2006. This attests to the Group's capability of managing development efficiently in key aspects such as product development, sales and marketing and cost management.

Both sales volume and sales value exceeded the Group's targets. Remarkable growth was seen in the LCD and CRT PTV segments. According to Synovate data on consumer purchases of TVs in October, the Group's RCA brand ranked the third in the U.S. market with a market share of 9%.

The Group expanded its offering of LCD models in North America and introduced its first model in the plasma segment in 2006. A total of 49 new product models were launched, of which 21 were high-end models. Sales of high-end TVs accounted for 58% of the sales revenue, compared to 47% in 2005.

During the year under review, the Group maintained its focus on key products that are well-received by the market and served key customers that generated higher margin purchases. Meanwhile, the Group continued to communicate and reinforce its product positioning as "Affordable Digital Television for Every Room and Budget", with the aim of offering a compelling combination of good picture quality at an affordable price through its marketing activities.

In addition, the Group put emphasis on enhancing profitability by adopting effective cost control measures, such as reduced inventory, better supply chain management and an enhanced product mix. During the year, the Group enjoyed an overall reduction in R&D expenses on a company-wide basis with better manpower and resources allocation.

Emerging Markets and Strategic OEM Business

The Emerging Market and Strategic OEM business achieved the Group's targets, posting stable and satisfactory sales volume growth in the year under review. Total TV unit sales of these two markets rose by 23% to 9,409,000 sets as compared with last year. Sales revenue of these two segments grew by 24% to HK$5,488 million, accounting for 21% of the Group's total TV sales revenue. However, during the year the Emerging Market business recognized provisions for bad debts and assets write-down of appropriately HK$132 million in total arising from restructuring of operations in certain regions including Russia, India, Thailand and Indonesia. These two divisions, in aggregate, therefore incurred an operating loss of HK$70 million.

An increasing number of new international market entrants made competition in the Emerging Markets keener than in the past. Prices for both CRT TVs and flat panel TVs decreased, thereby leading to declines in the overall average selling price despite the fact that sales of higher-priced LCD grew as a percentage of total sales.

In line with its strategy and market trends, the Group focused on key markets such as India, Russia and Brazil, and was one of the top-tier players in Vietnam, Philippines and Australia.

In the Strategic OEM business, the Group recorded sustainable growth for the year under review. The Group extended the business scope to its major international clients with a mixed ODM and OEM approach, using TCL-designed chassis. Strong sales growth was seen in the Latin American as well as ASEAN countries. The Group continued to maintain amicable strategic relationships with its existing clients. On top of that, the Group will seek every possible opportunity to develop new accounts and explore the potential to work with internationally renowned customers to produce theme-designed TVs to broaden its product variety.

PC Business

In line with its strategy of focusing resources on its core TV business, the Group disposed of its PC and other non-core businesses to TCL Corporation in early September 2006. As a result, only eight months' results of this business unit were consolidated into the full year results of the Group in 2006 as a discontinued operation. Sales from the PC business amounted to HK$1,568 million, accounting for 5% of the Group's total revenue in 2006.

OUTLOOK

While competition will remain keen in the consumer electronics industry, the outlook of the Group for 2007 is positive. Most regions except Europe are expected to be profitable. Following the restructuring, the new Europe business will be able to reduce significantly the operating losses while strengthening towards an eventual profit in the years to come.

To capture new opportunities arising from the migration to flat panel TV and digital TV, the Group is focusing additional resources on these two areas, in particular on LCD TV. It is determined to improve its product development capability and develop itself into a competitive ODM organization. The creation of an Innovation Centre to lead product development is just one of the initiatives demonstrating the Group's commitment.

The Group is moving towards its goal of establishing global cost advantage in small-size products (products of 26 inches or less), while achieving feature and industrial design differentiation in mid-range and high-end products. Cost reductions in manufacturing have been achieved through component and software standardization, together with a relentless effort to improve overall product and supply chain quality. The Group is also implementing plans to enhance the flexibility and efficiency of its supply chain. Some of the key areas of focus include improving information flow from sales to raw material inventory, thereby increasing organizational transparency, together with re-aligning production workflows, stepping up the accountability of each factory and shortening the overall product turnaround time.

Although the PRC market experienced a contraction in demand in 2006, current signs indicate that it will return to a pattern of growth. It is expected that consumer desire to purchase higher quality TVs, whether higher end CRT TV or flat panel TV, will increase in the lead-up to the 2008 Olympics Games. This grand event is expected to produce a positive consumer sentiment which will largely offset the current slowdown in consumption.

As a result of the restructuring of the Group's Europe business, sales for Europe in 2007 will decrease in terms of both volume and revenue. Despite this, the new business model is expected to drastically reduce the loss attributable to Europe, as operating costs will be significantly reduced after the business restructuring. The Group expects Europe to start to report positive financial results in 2008 as sales are expected to grow considerably versus 2007. The Group's confidence in this operation's future comes from its proven record in its OEM business unit.

The Group expects to see continued improvements in the North American operation. The target in 2007 is to achieve a full year breakeven, and in 2008 a reasonable level of profitability. Currently, projection TVs (including MD RPTVs and CRT-based TVs) account for a large proportion of the sales mix in this market. Sales of LCD TVs are still in early days. The Group will improve its position in the LCD TV segment in the next few years with more marketing campaigns as well as further improvements in cost structure.

Emerging Markets and the Strategic OEM business offer ample room for growth, though they are expected to grow at a relatively slower pace. As competition continues to be mainly on pricing, profit margins will be squeezed further in 2007. That notwithstanding, increased unit shipments and revenue growth will boost earnings in the next few years.

Although there was shrinkage in the market for CRT TVs, it remains a sizable business by volume, as market demand is forecasted to stay at 122 million sets per annum. There has been a trend for global TV manufacturers with sizeable scale to reduce or stop production of CRT TVs. This business has always contributed a stable revenue and profit stream for the Group and, as the demand for CRT TVs still represents a substantial market, the Group is poised for brisk growth in the OEM business at a global level. Its largest manufacturing facilities are in the PRC, where a complete CRT manufacturing industry chain, including key raw materials, components and TV sets, is present.

With its competitive cost advantages, strong research and development capability, effective sales and marketing strategies, and strong brand positions, with the right strategies, the Group will be well placed to regain profitability, maintain a steady global market share and enhance its competitiveness.

FINANCIAL REVIEW

The Group recorded a consolidated turnover from continuing operations of HK$29,187 million for the year ended 31 December 2006, representing a decrease of 10% over the previous year. Gross profit dropped by 18% to HK$4,496 million and overall gross profit margin was down from 17% in 2005 to 15% this year. The decline in turnover and gross profit was mainly due to the winding down of the Group's legacy Europe business implemented since October 2006. Although the Group managed to achieve satisfactory performance in other key markets, the profits could not compensate for the substantial operating loss and the costs and impairment provisions for restructuring incurred by the Europe business, resulting in a net loss attributable to equity holders of the parent of HK$2,497 million for the year under review.

Significant Investment and Disposal

Major investment and disposal during the year are listed out as follows:

(1) 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 – TCL Finance. Pursuant to the Investment Agreement, TCL King Huhehaote contributed RMB70 million as capital contribution to TCL Finance, representing 14% of the registered capital of TCL Finance. TCL Finance was established on 17 October 2006 and further details of this transaction were set out in the Company's announcement dated 9 March 2006 and 27 October 2006.

(2) On 4 July 2005, the Company and TCL International Electronics (BVI) Limited ("TCLIE"), a direct wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with TCL Corporation for the acquisition of the remaining 49% equity interest in the Sales Company owned by TCL Corporation at a consideration of Euro6.5 million (equivalent to approximately HK$63 million). This acquisition was completed on 10 May 2006 and the Sales Company became a wholly-owned subsidiary of the Group. Further details of this acquisition were set out in the Company's announcement dated 5 July 2005.

(3) On 21 June 2006, the Company and T.C.L. Industries, a controlling shareholder of the Company, entered into a sale and purchase agreement pursuant to which the Company agreed to sell, and to procure its relevant subsidiaries to sell, and T.C.L. Industries agreed to purchase (i) the entire issued share capital of TCL Computer Technology (BVI) Co., Ltd., (ii) the entire issued share capital of TCL Education Web Limited and (iii) the 65% equity interest in Shenzhen TCL Central R&D Co., Ltd. for a consideration of HK$374 million. The resolution for approving the disposal was passed at the extraordinary general meeting of the Company on 7 August 2006 and the disposal was completed on 8 September 2006. Further details of the disposal were set out in the Company's announcements dated 23 June 2006 and 9 November 2006 respectively.

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$1,905 million, of which 20% in US Dollars, 59% in Renminbi, 11% in Euro and 10% 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 2005 and there was no asset held under finance lease at the year end.

At the year end, the Group's gearing ratio was 64.83% which is calculated based on the Group's net borrowings of HK$1,038 million (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the parent of HK$1,601 million.

Pledge of Assets

At 31 December 2006, certain of the Group's buildings with a net book value of approximately HK$93 million, inventory of HK$53 million and certain time deposits of HK$10 million were pledged to secure general banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31 December 2006, the Group had capital commitments contracted but not provided for and authorized but not contracted for of approximately HK$0.2 million and HK$2.5 million respectively. Guarantees given in lieu of utility and rental deposits amounted to approximately HK$1.5 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 25,146 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. Options for subscribing a total of 135,420,000 shares remained outstanding at the year end.

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

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, throughout the year ended 31 December 2006, complied with the code provisions of the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, save for (i) the deviation from code provision B.1.1 of the CG Code as disclosed in the Company's interim report for the 6 months ended 30 June 2006 dated 30 August 2006, which has been ratified since 12 October 2006 after Ms. Lu Zhongli's resignation from the remuneration committee of the Company and thereafter the committee consists of Mr. Albert Thomas da Rosa, Junior, Mr. Tang Guliang and Mr. Wang Bing as members, and thus over half of the members of the committee are independent non-executive directors; (ii) the deviation from code provision A.2.1 of the CG Code because

Mr. Li Dongsheng has taken up the roles of both the Chairman and the Managing Director of the Company since 20 July 2006 after the resignation of Mr. Yan Yong from being the Managing Director of the Company, and (iii) the deviation from code provision A.4.2 of the CG Code since Mr. Shi Wanwen, who was elected as an executive director of the Company on 30 June 2006, was not subject to election by shareholders at the extraordinary general meeting of the Company held on 7 August 2006, i.e. the first general meeting held after his appointment. Mr. Shi was elected by shareholders at the general meeting of the Company held on 15 February 2007.

POST BALANCE SHEET EVENTS

(i) On 13 February 2007, the TCL Parties and the Thomson Parties entered into the Master Agreement which further formalised and set forth the precise undertakings of each of the relevant parties in respect of the terms of the Settlement Term Sheet.

(ii) Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 15 February 2007, a new share option scheme was approved and adopted. Further details of the new share option scheme was set out in the Company's circular dated 29 January 2007.

(iii) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New Corporate Income Tax Law to the Group cannot be reasonably estimated at this stage.

(iv) On 15 May 2007, the Company proposed to raise not less than approximately HK$781 million (before expenses) by issuing not less than approximately 1,951 million new ordinary shares of the Company and to raise not more than approximately HK$808 million by issuing not more than approximately 2,019 million new ordinary shares of the Company at a subscription price of HK$0.4 per share (the "Rights Share") on the basis of one Rights Share for every two existing shares (the "Rights Issue"). Any Rights Share not taken up by the existing shareholders will be fully underwritten by T.C.L. Industries pursuant to the terms and conditions of the Underwriting Agreement dated 15 May 2007. Further details of the Rights Issue are set out in the Company's announcement dated 15 May 2007.

(v) On 18 May 2007, the Company entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, London (the "Purchaser"), whereby the Company agreed to issue and the Purchaser, subject to the satisfaction of the conditions precedent of the Purchase Agreement, agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the secured convertible bonds due 2012 (the "Bonds") with an aggregate principal amount of US$140 million (equivalent to approximately HK$1,095 million). Further details of the issue of the Bonds are set out in the Company's announcement dated 21 May 2007.

(vi) On 24 May 2007, TTE Europe filed a declaration of insolvency to the French court and the French court appointed a judicial liquidator (the "Liquidator") to take control over TTE Europe on 29 May 2007. Formal insolvency proceedings then commenced on 29 May 2007 and the Liquidator is now the sole person responsible for winding-up TTE Europe by liquidating its assets and making payment to its creditors. The Group will deconsolidate the EU Group on 29 May 2007 from the Group's financial statements for the year ending 31 December 2007. The financial statements of the EU Group for the year ended 31 December 2006 have been prepared under the liquidation basis of accounting.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2006, including the accounting principles adopted by the Group, with the Company's management.

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 Dongsheng
Chairman

Hong Kong, 31 May 2007

As at the date of this announcement, the Board comprises Li Dongsheng, Lu Zhongli, Wang Kangping, Shi Wanwen and Yuan Bing as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Wang Bing and Robert Maarten Westerhof as independent non-executive directors.

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