TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2007 *(HK$M)*	2006 *(HK$M)*	Change
Turnover	**21,294**	29,187	(27%)
Gross profit	**3,567**	4,496	(21%)
Loss before fair value changes on the derivatives and tax	**(443)**	(2,374)	(81%)
Fair value gain/(loss) on the derivatives	**241**	(37)	N/A
Loss before tax	**(201)**	(2,411)	(92%)
Loss attributable to equity holders of the parent	**(262)**	(2,497)	(90%)
Basic loss per share (HK cents)	**(5.13)**	(55.99)	(91%)

Highlights

- Maintain leadership in the PRC TV market
- Raise gross profit margin from 15.4% in 2006 to 16.7% in 2007, indicating improved operating efficiency
- Stabilize cash flow through Rights Issue and launched Convertible Bonds
- Drastically reduce loss before fair value changes on the derivatives and tax by 81% year-on-year
- Record strong LCD sales growth in the PRC and North America respectively; secure a major LCD OEM supply contract
- Re-launch European operations with new business model; achieve operating profit by 4Q 2007
- Achieve global leadership in DVD market as an OEM supplier; secure leading A-brand customers and grow revenues by 35% year-on-year
- Recruit international executives in key management functions such as supply chain, R&D and quality control

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 2007 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**12 months ended 31 December 2007** *HK$'000*	12 months ended 31 December 2006 *HK$'000*	**3 months ended 31 December 2007** *HK$'000*	3 months ended 31 December 2006 *HK$'000*
CONTINUING OPERATIONS					
TURNOVER	3	**21,294,104**	29,186,823	**6,327,296**	7,764,726
Cost of sales		**(17,727,588)**	(24,690,655)	**(5,351,296)**	(6,611,559)
Gross profit		**3,566,516**	4,496,168	**976,000**	1,153,167
Other revenue and gains		**229,333**	170,405	**129,894**	25,007
Selling and distribution costs		**(2,857,109)**	(4,338,220)	**(863,225)**	(1,526,706)
Administrative expenses		**(889,789)**	(1,135,545)	**(293,074)**	(385,906)
Research and development costs		**(139,046)**	(383,567)	**(39,780)**	(71,305)
Other operating expenses		**(98,728)**	(245,928)	**(33,091)**	(32,228)
		(188,823)	(1,436,687)	**(123,276)**	(837,971)
Costs in connection with the restructuring and winding-down of the EU Business, net	4	**17,974**	(694,868)	**17,974**	(76,734)
Finance costs		**(269,613)**	(245,622)	**(108,601)**	(62,773)
Share of profits and losses of:					
Jointly-controlled entities		**(3,925)**	3,589	**(3,018)**	2,566
Associates		**1,707**	(70)	**580**	(70)
		(442,680)	(2,373,658)	**(216,341)**	(974,982)

	Notes	**12 months ended 31 December 2007** ***HK$'000***	12 months ended 31 December 2006 *HK$'000*	**3 months ended 31 December 2007** ***HK$'000***	3 months ended 31 December 2006 *HK$'000*
Fair value gain/(loss) on the derivative component of convertible bonds	12	**241,417**	–	**(46,052)**	–
Fair value loss of financial assets at fair value through profit or loss		**–**	(37,653)	**–**	–
LOSS BEFORE TAX	5	**(201,263)**	(2,411,311)	**(262,393)**	(974,982)
Tax	6	**(51,916)**	(96,523)	**6,864**	(12,015)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(253,179)**	(2,507,834)	**(255,529)**	(986,997)
DISCONTINUED OPERATION					
Profit for the period from a discontinued operation		**–**	7,362	**–**	–
LOSS FOR THE PERIOD		**(253,179)**	(2,500,472)	**(255,529)**	(986,997)
ATTRIBUTABLE TO:					
Equity holders of the parent		**(262,016)**	(2,497,314)	**(259,979)**	(978,506)
Minority interests		**8,837**	(3,158)	**4,450**	(8,491)
		(253,179)	(2,500,472)	**(255,529)**	(986,997)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic					
– For loss for the year		**HK(5.13)cents**	HK(55.99)cents		
– For loss from continuing operations		**HK(5.13)cents**	HK(56.15)cents		
Diluted					
– For loss for the year		**HK(5.94)cents**	N/A		
– For loss from continuing operations		**HK(5.94)cents**	N/A		

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2007 *HK$'000***	31 December 2006 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,667,073**	1,993,791
Prepaid land lease payments		**75,539**	86,318
Goodwill		**119,638**	119,638
Other intangible assets		**42,532**	67,784
Interests in jointly-controlled entities		**115,571**	110,444
Interests in associates		**78,595**	69,566
Available-for-sale investments		**1,008**	2,325
Prepaid royalty		**189,235**	269,596
Deferred tax assets		**16,852**	20,678
Total non-current assets		**2,306,043**	2,740,140
CURRENT ASSETS			
Inventories		**3,229,362**	3,206,919
Trade receivables	9	**2,734,187**	3,098,375
Bills receivable		**613,408**	496,755
Other receivables		**786,336**	926,925
Tax recoverable		**15,196**	23,257
Pledged deposits		**–**	10,000
Cash and bank balances		**1,095,341**	1,894,633
Total current assets		**8,473,830**	9,656,864
CURRENT LIABILITIES			
Trade payables	10	**4,136,749**	4,238,563
Bills payable		**272,988**	403,752
Tax payable		**95,963**	111,124
Other payables and accruals		**1,483,901**	2,099,535
Provisions		**349,914**	805,328
Interest-bearing bank and other borrowings		**913,525**	2,660,582
Due to TCL Corporation	11	**220,359**	347,999
Total current liabilities		**7,473,399**	10,666,883
NET CURRENT ASSETS/(LIABILITIES)		**1,000,431**	(1,010,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,306,474**	1,730,121

	Notes	**31 December 2007 HK$'000**	31 December 2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,306,474**	1,730,121
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**131,041**	–
Liability component of convertible bonds	12	**506,698**	–
Derivative component of convertible bonds	12	**374,514**	–
Deferred tax liabilities		**13,772**	21,908
Pensions and other post-employment benefits		**16,875**	18,171
Total non-current liabilities		**1,042,900**	40,079
Net assets		**2,263,574**	1,690,042
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	**583,772**	390,295
Reserves		**1,575,284**	1,210,871
		2,159,056	1,601,166
Minority interests		**104,518**	88,876
Total equity		**2,263,574**	1,690,042

Notes:

1. **BASIS OF PRESENTATION**

Wind-down and liquidation of TTE Europe SAS (‘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 loss-making European operation (the “EU Business”) 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 period from 1 January to 29 May 2007 and 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 as at 31 December 2006.

Further details of the costs relating to the wind-down and liquidation of the EU Group are set out in note 4.

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.

Upon the filing of the declaration of insolvency to the French court on 24 May 2007 by TTE Europe, 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 deconsolidated the EU Group on 29 May 2007 from the Group's financial statements for the year ended 31 December 2007.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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 the derivative financial instruments, 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 2007. 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.

The acquisition of a subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions 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 interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
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*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if these is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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 (Revised)	*Presentation of Financial Statements*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award credits, HK(IFRIC)-Int 13 is not applicable to the Group and therefore unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group's defined benefit schemes are unfunded, the interpretation is unlikely to have any financial impact on the Group.

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 2007 and 2006.

	Continuing operations										Discontinued operation			
	Television		Home Networking		Others		Eliminations		Total		Computer		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**17,867,130**	26,368,102	**3,000,836**	2,224,068	**426,138**	594,653	**–**	–	**21,294,104**	29,186,823	**–**	1,568,162	**21,294,104**	30,754,985
Intersegment sales	**1,283,250**	1,234,744	**38,217**	417,992	**10,894**	4,705	**(1,332,361)**	(1,657,441)	**–**	–	**–**	–	**–**	–
Total	**19,150,380**	27,602,846	**3,039,053**	2,642,060	**437,032**	599,358	**(1,332,361)**	(1,657,441)	**21,294,104**	29,186,823	**–**	1,568,162	**21,294,104**	30,754,985
Segment results	**(60,273)**	(1,220,459)	**95,722**	17,589	**(63,977)**	(87,516)	**–**	–	**(28,528)**	(1,290,386)	**–**	5,501	**(28,528)**	(1,284,885)
Bank interest income									**19,759**	22,719	**–**	2,626	**19,759**	25,345
Corporate expenses									**(180,054)**	(169,020)	**–**	–	**(180,054)**	(169,020)
Finance costs									**(269,613)**	(245,622)	**–**	(765)	**(269,613)**	(246,387)
Share of profits and losses of:														
Jointly-controlled entities	**(3,925)**	3,016	**–**	–	**–**	573	**–**	–	**(3,925)**	3,589	**–**	–	**(3,925)**	3,589
Associates	**(635)**	–	**–**	–	**2,342**	(70)	**–**	–	**1,707**	(70)	**–**	–	**1,707**	(70)
Costs in connection with the restructuring and winding-down of the EU Business, net	**17,974**	(694,868)	**–**	–	**–**	–	**–**	–	**17,974**	(694,868)	**–**	–	**17,974**	(694,868)
									(442,680)	(2,373,658)	**–**	7,362	**(442,680)**	(2,366,296)
Fair value gain on the derivative component of convertible bonds	–	–	–	–	**241,417**	–	–	–	**241,417**	–	**–**	–	**241,417**	–
Fair value loss of financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	(37,653)	**–**	–	**–**	(37,653)	**–**	–	**–**	(37,653)
Profit/(loss) before tax									**(201,263)**	(2,411,311)	**–**	7,362	**(201,263)**	(2,403,949)
Tax									**(51,916)**	(96,523)	**–**	–	**(51,916)**	(96,523)
Profit/(loss) for the year									**(253,179)**	(2,507,834)	**–**	7,362	**(253,179)**	(2,500,472)

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

In 2006, the Group had implemented a number of measures in restructuring the EU Business and finally, 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 and the gains arose in connection with the restructuring and winding-down of the EU Business for the two years ended 31 December 2007 were summarised below:

	2007	2006
	HK$'000	*HK$'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 subsidiaries	**(1,350)**	(12,126)
Gain on disposal of other intangible assets	**(16,624)**	–
	(17,974)	694,868

5. LOSS BEFORE TAX

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

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**17,713,329**	26,117,573
Depreciation	**245,746**	408,091
Research and development costs	**245,542**	392,424
Less: Government grants released*	**(106,496)**	(7,579)
Net research and development costs	**139,046**	384,845
Amortisation of other intangible assets**	**4,183**	6,464
Minimum lease payments under operating leases in respect of land and buildings	**98,698**	66,033
Amortisation of prepaid land lease payments	**2,842**	2,543
Auditors' remuneration	**17,704**	20,494
Employee benefits expense (including directors' remuneration):		
Wages and salaries	**1,109,918**	1,529,690
Defined contribution expense	**79,752**	91,166
Defined benefit expense	**7,151**	28,070
Equity-settled share option expense	**19,743**	22,295
	1,216,564	1,671,221
Loss/(gain) on disposal of items of property, plant and equipment and prepaid land lease payments, net	**(18,672)**	11,562
Gain on disposal of financial assets at fair value through profit or loss	**–**	(3,179)
Impairment of items of property, plant and equipment***	**7,851**	37,315
Impairment of other intangible assets***	**36,640**	–
Impairment of available-for-sale investments	**–**	2,550
Impairment of trade receivables***	**20,787**	191,365
Foreign exchange gains, net	**(87,812)**	(26,580)
Net rental income	**(5,095)**	(11,860)
Bank interest income	**(19,759)**	(25,345)
Restructuring costs	**33,450**	22,284
Provision for warranties	**381,634**	698,334
Reversal of write-down of inventories to net realisable value	**(24,036)**	(954)
Excess over the cost of a business combination****	**(981)**	–

\# 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 People's Republic of China (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, the impairment of other intangible assets and the impairment of trade receivables are included in "Other operating expenses" on the face of the consolidated income statement.

**** The excess over the cost of a business combination is included in "Other revenue and gains" on the face of the consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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:

	2007	2006
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**14,909**	16,662
Overprovision in prior years	**–**	(1,712)
Current – Elsewhere		
Charge for the year	**60,790**	80,333
Underprovision/(overprovision) in prior years	**(20,577)**	2,437
Deferred	**(3,206)**	(1,197)
Total tax charge for the year	**51,916**	96,523

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 amounts are based on:

	2007	2006
	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	**(262,016)**	(2,504,676)
From a discontinued operation	**–**	7,362
	(262,016)	(2,497,314)
Interest on convertible bonds	**68,456**	–
Transaction costs related to the derivative component of convertible bonds	**19,482**	–
Less: Fair value gain on the derivative component of convertible bonds	**(241,417)**	–
Loss for the purpose of diluted loss per share calculation	**(415,495)**	(2,497,314)
Attributable to:		
Continuing operations	**(415,495)**	(2,504,676)
Discontinued operation	**–**	7,362
	(415,495)	(2,497,314)

	Number of shares	
	2007	2006 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**5,108,197,980**	4,460,516,259*
Effect of dilution – weighted average number of ordinary shares:		
Deemed conversion of all convertible bonds	**1,889,437,059**	–
Weighted average number of ordinary shares used in diluted loss per share calculation	**6,997,635,039**	4,460,516,259*

* Restated by taking into account the retrospective adjustment to the number of shares outstanding before the rights issue completed on 12 July 2007 (note 13) to reflect the bonus element inherent in the rights issue.

The share options outstanding during the two years ended 31 December 2007 had an anti-dilutive effect on the basic loss per share and were therefore, ignored in the calculation of diluted loss per share.

Diluted loss per share amount for the year ended 31 December 2006 has not been disclosed, as the share options outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

9. TRADE RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Due from third parties	**3,010,920**	3,465,665
Impairment	**(317,774)**	(411,842)
	2,693,146	3,053,823
Due from related parties:		
TCL Corporation	**–**	1,987
Companies controlled by TCL Corporation	**25,822**	12,291
Thomson and companies controlled by Thomson (collectively the "Thomson Group")*	**–**	10,565
Jointly-controlled entities	**15,219**	19,709
	41,041	44,552
Total	**2,734,187**	3,098,375

* Thomson ceased to be a related party of the Group on 20 March 2007 and all balances with the Thomson Group as at 31 December 2007 were classified as balances due from third parties.

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 pursuant to the related agreements, the trade receivables of certain major customers were factored to the relevant banks.

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 receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**2,663,295**	2,777,622
91 to 180 days	**41,570**	163,770
181 to 365 days	**15,744**	119,421
Over 365 days	**13,578**	37,562
	2,734,187	3,098,375

At 31 December 2007, the Group's trade receivables of HK$610,306,000 (2006: HK$764,384,000) (the "Factored Receivables") were factored to certain banks 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.

Accordingly, the advances from the relevant banks of HK$610,306,000 (2006: HK$764,384,000) received by the Group as consideration for the Factored Receivables were recognised as liabilites and included in "interest-bearing bank and other borrowings".

10. TRADE PAYABLES

	2007	2006
	HK$'000	*HK$'000*
Due to third parties	**3,732,873**	3,810,491
Due to related parties:		
Companies controlled by TCL Corporation	**278,672**	225,066
The Thomson Group*	**–**	58,391
Jointly-controlled entities	**125,204**	144,615
	403,876	428,072
	4,136,749	4,238,563

* Thomson ceased to be a related party of the Group on 20 March 2007 and all balances with the Thomson Group as at 31 December 2007 were classified as balances due to third parties.

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

	2007	2006
	HK$'000	*HK$'000*
Current to 90 days	**3,970,131**	4,176,852
91 to 180 days	**91,154**	35,744
181 to 365 days	**48,477**	25,967
Over 365 days	**26,987**	–
	4,136,749	4,238,563

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

11. DUE TO TCL CORPORATION

T.C.L. Industries Holdings (H.K.) Ltd. ("T.C.L. Industries") is the shareholder of the Company and TCL Corporation is the holding company of T.C.L. Industries.

12. CONVERTIBLE BONDS

On 18 May 2007, the Company entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, London (the "Purchaser"), in relation to the issue of secured convertible bonds due 2012 (the "Bonds") with an aggregate principal amount of US$140 million (equivalent to approximately HK$1,095 million). The Bonds were issued and completion of the Purchase Agreement took place on 12 July 2007.

The principal terms of the Bonds are summarised below:

(a) The obligations of the Company under the Bonds are secured by the pledge of the shares of certain wholly-owned subsidiaries of the Company.

(b) The Bonds bear interest at the rate of 4.5% per annum of the principal amount of the Bonds. Interest is payable quarterly in arrear commencing on 30 September 2007.

(c) The Bonds are convertible at the option (the "Conversion Option") of the bondholders into fully paid ordinary shares of the Company at any time on or after 23 August 2007 and up to the close of business on 12 July 2012 at an initial conversion price of HK$0.40 (the "Initial Conversion Price") per share, subject to adjustments, including an initial price reset and three annual price resets, as provided under the terms and conditions of the Bonds.

(d) At any time when the delivery of ordinary shares of the Company deliverable upon conversion of the Bonds is required, the Company shall have the option to pay the relevant bondholders in cash in full or in part in order to satisfy such conversion right.

(e) On or at any time after 12 July 2009 and prior to 12 July 2012, the Company may redeem the Bonds at a redemption price equal to the aggregate of (i) the issue price of the Bonds; (ii) a premium of 37.5% per annum of the principal amount accrued up to the redemption date; and (iii) accrued interest. The redemption can be undertaken on all of the bonds only.

(f) On the maturity date, i.e. 12 July 2012, the Bonds will be redeemed by the Company at 137.5% of the principal amount.

The Initial Conversion Price of HK$0.40 per share was adjusted to HK$0.65 per share with effect from 16 August 2007 in accordance with the terms and conditions of the Bonds.

The proceeds from the issue of the Bonds on 12 July 2007 of US$140 million (equivalent to approximately HK$1,095 million) were split into the liability and the derivative components. On issuance of the Bonds, the fair value of the derivative components i.e. the Conversion Option, is determined using an option pricing model and this amount is carried as a derivative component of the Bonds until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component of the Bonds, net of transaction costs, and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The fair value of the derivative component is remeasured at each balance sheet date and any gains or losses arising from changes in fair value are recognised in the income statement.

The fair values of the derivative component at the issuance date and at 31 December 2007 are determined based on the valuations performed by BMI Appraisals Limited, independent professionally qualified valuer, using the applicable option pricing model. Changes in fair value of the derivative component between the issuance date and the balance sheet date is recognised in the income statement.

The net proceeds received from the issue of the Bonds that have been split into the derivative and the liability components are analysed as follows:

	2007
	HK$'000
Nominal value of convertible bonds issued during the year (US$140 million)	1,095,346
Transaction costs allocated to the liability component	(15,079)
Derivative component at the issuance date	(617,742)
Liability component at the issuance date	462,525
Interest expense	68,456
Interest paid	(23,030)
Foreign exchange differences	(1,253)
Liability component at 31 December 2007	506,698
Derivative component at the issuance date	617,742
Fair value adjustment	(241,417)
Foreign exchange differences	(1,811)
Derivative component at 31 December 2007	374,514

13. SHARE CAPITAL

	2007	2006
	HK'000	*HK'000*
Authorised:		
22,000,000,000 (2006: 8,000,000,000) shares of HK$0.10 each	**2,200,000**	800,000
Issued and fully paid:		
5,837,715,590 (2006: 3,902,951,727) shares of HK$0.10 each	**583,772**	390,295

During the year, the movements in share capital were as follows:

(a) Pursuant to the resolution passed on 21 June 2007, the authorised share capital of the Company was increased from HK$800,000,000 to HK$2,200,000,000 by the creation of 14,000,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing shares of the Company.

(b) A rights issue (the "Rights Issue") of one rights share for every two existing shares held by members on the register of members of the Company on 21 June 2007 was made, at an issue price of HK$0.40 per rights share, resulting in the issue of 1,951,475,863 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$780,591,000.

(c) During the year, the Company repurchased its own shares on the Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate cost paid	Transaction costs	Total consideration
		HK$	*HK$*	*HK$'000*	*HK$'000*	*HK$'000*
December 2007	16,712,000	0.455	0.43	7,423	58	7,481

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

A summary of the movements in the Company's issued share capital and share premium account during the year are as follows:

	Notes	Numbers of shares in issue	Issued share capital	Share premium account	Total
			HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006, 31 December 2006 and 1 January 2007		3,902,951,727	390,295	1,560,215	1,950,510
Rights Issue	(b)	1,951,475,863	195,148	585,443	780,591
Shares repurchased	(c)	(16,712,000)	(1,671)	(5,810)	(7,481)
		5,837,715,590	583,772	2,139,848	2,723,620
Share issuance expenses		–	–	(7,521)	(7,521)
At 31 December 2007		5,837,715,590	583,772	2,132,327	2,716,099

BUSINESS REVIEW

During the year under review, the Group's operating environment remained challenging as major global markets continued their transition from CRT to flat panel TVs and from analog to digital technology. Price and feature competition continued to put pressure on costs and to challenge manufacturers to continually seek ways to define their edge. In light of the changing market the Group maintained tight control over its product mix and managed to increase sales of LCD TVs. In this year of business re-focusing, the Group's turnover decreased to HK$21,294 million.

Despite the challenging market conditions, the Group accelerated restructuring and achieved marked gains in its supply chain, sales, and distribution efficiency, resulting in an increase in gross margin from 15.4% in 2006 to 16.7% in 2007. The Group recorded a loss before fair value changes on the derivatives and tax amounting to HK$443 million for the year ended 31 December 2007 (31 December 2006: HK$2,374 million).

The Group's strong global market presence and its leading position in the PRC market in the TV industry were recognised by investors. The Group successfully launched Convertible Bonds and completed a Rights Issue during 2007. These fundraising exercises generated approximately HK$1,876 million before expenses, which helped to strengthen the Group's financial position and to provide necessary capital to enhance its competitiveness.

Sales Volume by region for the twelve months ended 31 December are indicated below

	2007	2006	Change
	('000)	*('000)*	
TV Unit Sales (TOTAL)	**15,011**	22,160	(32.3%)
The PRC	7,136	7,976	(10.5%)
Europe	852	1,726	(50.6%)
North America	1,673	3,049	(45.1%)
Emerging Markets	3,007	3,920	(23.3%)
Strategic OEM	2,343	5,489	(57.3%)
Home Networking (Unit Sales)	**19,589**	16,501	18.7%

TV Sales

During the year under review, the Group sold a total of approximately 15 million TV sets. Although this represents a decline when compared to 2006, the Group improved its product mix, selling proportionately more high-end flat panel products compared to traditional CRT TVs. Revenues from TV sales amounted to HK$17,867 million, accounting for 84% of the Group's total revenue.

During the year under review, the global TV market was characterised by rapid phasing out of CRT TV and intense price competition in LCD TV. The Group therefore adjusted its production lines to substantially increase its LCD TV output to satisfy strong market demand. The securing of a major LCD OEM supply contract at year end demonstrates the significant advances made by the Group in revamping its manufacturing operations so as to become a dominant LCD TV player.

The PRC Market

The Group sold 7,136,000 TV sets to the PRC Market during the year under review, underlining its position as the market leader in the PRC in terms of sales volume.

The Group's gross profit in the PRC increased to HK$2,413 million showing increased operational efficiencies and good management of the market transition towards flat panel products. The change in consumer preference had led to a 15% decline in sales volume of CRT TV. However the strong performance of LCD TV in the PRC—indicated by a 63% rise compared to last year – enabled the Group to maintain its leadership.

Overall, the Group intends to continue to compete fiercely in its home market, with the aim of using the upward trend in LCD sales to further consolidate the Group's dominant position in the market.

European Markets

During the year under review, the Group completed the restructuring and closure of loss-making business lines and successfully launched the Borderless Centralized Business Model (BCBM) to sell a total 852,000 TV sets.

During the year under review, the new European business unit achieved a sales revenue of HK$874 million with 75% of the sales attributable to the top 15 customers, exhibiting a high degree of sales efficiency. The unit continued to strengthen its performance and began to generate operating profit in the second half of the year.

In line with market changes, the Group launched LCD TV in the second half of 2007, and will continue to promote sales of flat panel TVs as a way to build position in this market.

North American Markets

The Group's realignment of its North America unit continued in 2007. Overall, the RCA brand under which all the Group's products are sold, was ranked third with 7% market share among the top players in the North America.

The demand for LCD TV products rose sharply, with the North American market transitioning to digital broadcasting. The Group's LCD sales volume increased on the basis of strong demand from consumers, and recorded a more rapid rise than most industry competitors.

Emerging Markets

Business restructuring and re-positioning of the Group to allocate more resources to profitable markets and product segments achieved good results in 2007. In addition, the re-engineering of internal processes and more stringent risk management also contributed to reduced operating cost. During the year under review, the Emerging Markets significantly reduced its operating loss compared to 2006 and improved operating efficiency.

As the developing world lags advanced industrial markets in the global shift towards flat panel products, CRT TVs continue to represent good value and therefore maintain their selling power. During the year, the Group sold 3,007,000 TV sets to the Emerging Markets to earn revenue of HK$1,778 million.

Strategic OEM

The Group's OEM sales declined in the first half of the year, due to a contraction in the global demand for CRT TVs. However, the Group astutely used this expected slowdown in demand to invest in its LCD production capability, which paid off in December 2007 with the signing of a major LCD supply agreement with a leading international customer. The agreement signals a major breakthrough for the Group, and will raise the Group's LCD OEM ability.

Home Networking Products

During the year under review, the Group's DVD OEM operations secured several international A-brand customers to record growth in volume to 19,589,000 sets and a 35% rise in sales revenue. As a result, the unit emerged as a new global leader in this category, with an estimated 10% market share.

The Group also launched its set top box business in 2007, and the product generated a sales revenue of HK$132 million during the year. The Group has stepped up efforts to broaden its sales in the PRC. The Group's set top boxes succeeded in penetrating into Inner Mongolia, Jilin and Chengdu.

R&D

To maintain its profitability and its international competitiveness in the international market, the Group continued to strengthen its staff's technical skills and promote a results-oriented culture. Substantial R&D efforts have been placed on digital TV production, and enhancement of product design and quality. To meet the digital broadcast schedules, more resources will be devoted to developing technologies for LCD TVs with integrated intelligence and broadband compatible features to meet various national broadcasting standards.

Outlook

The PRC is moving swiftly towards digitalization in television broadcasting. The government has already set the timetable for the conversion to digital broadcasting, which is a key project during the 11th Five-Year Plan period (2006~2010). Together with the 2008 Summer Olympics in Beijing, sales of consumer electronics goods and LCD TVs in particular, are expected to see good support. The Group sees good opportunities to promote its TV products in the PRC.

The Group's strategy in the PRC Market is to continually increase the proportion of high-end TVs, which are priced close to comparable items of top tier competitors, while maintaining a steady hold on the faster moving mass-market TV segment. The Group's high brand recognition and leadership position in the PRC gives it a strong foothold to continue to advance in the flat panel TV segment and in major cities.

Likewise in Europe, the world's largest LCD TV market, the momentum of demand growth of LCD is expected to continue as Europe's high definition TV transition is also well underway. The European TV market is expected to grow in quantity by 2% to 3% in 2008 and the European Football Cup is expected to further boost the sales of large screen and full HD flat TV. Responding to the market demand, the Group plans to significantly increased its LCD TV shipments for 2008.

In North America, the Group expects flat market conditions as the poor economic environment offsets growth in demand for digital products. Gross margins will remain tight and operating costs may rise due to new directives on electronic product treatment and disposal.

With the approach of the Beijing 2008 Olympics, more demand for TVs in the Emerging Markets is expected. Competition from the Korean and Japanese counterparts will be keen, especially in the LCD TV market. Moving forward, the Group remained optimistic about the future growth and development of the new markets in South America and the Middle East.

With high demand for flat panel TVs in major markets, the Group will expand its production capacity and sales volume of LCD in the coming years. The Group's global market share of LCD is expected to increase in 2008 while maintaining its competitive advantages in traditional CRT market. The Group will also introduce new products such as high-definition camcorder and digital photo frames in order to address more customer needs and develop a wider revenue base.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

As part of the Group's restructuring and cost-cutting measures, the amicable winding-down of the loss-making Europe Business unit ("EU Business") ended on 24 May 2007 when the legal entity housing that unit – TTE Europe filed a declaration of insolvency to the French Commercial Court. Subsequently, on 29 May 2007, the Court appointed a judicial liquidator to take control of TTE Europe. The liquidation of TTE Europe is not expected to have a material adverse financial impact to the Group.

On 27 September 2007, TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King"), a wholly owned subsidiary of the Company entered into two separate equity transfer agreements with TCL Corporation and T.C.L. Industries respectively to acquire 75% and 25% equity interest in Shenzhen Asic Microelectronics Ltd ("Asic Microelectronics"). Upon completion of the Acquisition on the same date, Asic Microelectronics has become a wholly-owned subsidiary of the Company. The total consideration paid for Asic Microelectronics was approximately HK$25.75 million. The reason for the purchase is to derive greater synergies based on Asic Microelectronics's capabilities in design, technology and production.

On 28 September 2007, Huizhou Land Reserve Centre (惠州市土地儲備中心), a governmental department of Huizhou, PRC ("Huizhou Land Reserve Centre") and TCL King Electrical Appliances (Huizhou) Co. Ltd ("TCL King"), a wholly-owned subsidiary of the Company, entered into a land use right transfer agreement (the "Agreement"), pursuant to which TCL King agreed to dispose of the land use right of the several parcels of land located at Section 12 and Section 13 Zhongkai District, Huizhou, PRC together with the buildings situated thereon (the "Land") to Huizhou Land Reserve Centre for a total consideration of RMB162,281,752 (equivalent to approximately HK$167,150,205). The proceeds of the disposal will be used as general working capital of the Group. The disposal was mainly due to the change in town planning policies adopted by the local government. Considering the disposal would not have any adverse impact on the business of the Group, but would rather generate profit for the Group, the Director viewed the disposal was in the interests of the Company and shareholders of the Company.

Liquidity and Financial Resources

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

The cash and bank balance as at the year end amounted to HK$1,095 million, of which 4% was maintained in Hong Kong dollars, 22% in US Dollars, 59% in Renminbi, 4% in Euro and 11% 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 2006 and there was no asset held under finance lease at the year end.

At the year end, the Group's gearing ratio was 45.2% which is calculated based on the Group's net borrowing of approximately HK$976 million (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the Company of approximately HK$2,159 million.

Pledge of Assets

At 31 December 2007, none of the Group's assets were pledged to secure general banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

At 31 December 2007, the Group had capital commitments contracted but not provided for and authorized but not contracted for of approximately HK$1.1 million and HK$1.8 million respectively. Guarantees given in lieu of utility and rental deposits amounted to approximately HK$1.4 million.

In December 2007, the Group received a summons to appear in a court hearing on claims (the "Claims") made by a group of former employees of TTE Europe against the Company, TTE Europe and TTE Belgium S.A. ("TTE Belgium"), an indirect wholly-owned subsidiary of the Company, for breach of certain regulations of the French labor laws, nullity of the redundancy plan and unfair dismissal during the wind-down of TTE Europe in 2006 and claiming for a total compensation of approximately Euro17 million (equivalent to approximately HK$196 million).

The directors, based on the advice from the Group's legal counsels, believe that the Company and TTE Belgium have a valid defence against the Claims and, accordingly, have not provided for any liability arising from the Claims.

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 29,749 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 370,540,085 shares remained outstanding at the year end.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year under review, the Company repurchased 16,712,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate price of HK$7,422,840. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

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 2007, 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 of the Stock Exchange ("Listing Rules"), save for the deviation from 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. Mr. Leong Yue Wing's appointment as chief executive officer and executive director of the Company with effect from 1 October 2007 means that Mr. Li Dongsheng will no longer be the managing director of the Company, but will remain as the chairman of the Board, there-by bringing the Company fully in compliance with the CG code.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, 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 of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 13 March, 2008

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