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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01070)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2008	2007	Change
	(HK$M)	*(HK$M)*	
Turnover	**25,773**	21,294	+21.0%
Gross profit	**4,107**	3,567	+15.1%
EBITDA	**593**	63	+841.3%
Operating profit/(loss)	**331**	(189)	N/A
Loss for the year	**(251)**	(253)	(0.8%)
Loss attributable to equity holders of the parent	**(268)**	(262)	+2.3%
Effects of convertible bonds	**(309)**	153	N/A
Profit/(loss) before the effects of convertible bonds attributable to equity holders of the parent	**41**	(415)	N/A

HIGHLIGHTS

- Operating results (EBIT) continued to improve and achieved a turnaround from HK$189 million loss in 2007 to HK$331 million profit in 2008, and turnover increased by 21.0% year-on-year to HK$25,773 million. Loss for the year (including the effects of fair value adjustment of convertible bonds) was HK$251,461,000

- Profit before the effects of convertible bonds attributable to equity holders of the parent achieved a turnaround from HK$415 million loss in 2007 to HK$41 million profit in 2008

- LCD TV sales volume increased by 233.1% year-on-year, combining data from Displaysearch on LCD TV shipment and our Strategic OEM shipment, LCD TV market share ranking of the Group has moved up from No.13 last year to No.8 in 2008 and LCD TV market share in the PRC market increased from about 9% in the first three quarters to 15% in the fourth quarter

- Continued to be a prestigious TV brand and the market leader of the PRC market, with 17.1% market share (Source: Displaysearch)

- Early redemption of the convertible bonds released the Group from various financial covenants, reduced finance costs and enhanced the financial position of the Group

- Achieved healthy financial position with current ratio of 1.2, gearing ratio of 0.8%, HK$2,158 million cash on hand and a positive operating cashflow

- 3D TV successfully launched and the X9 Series LCD won the Global Innovative Flat Panel TV Award in 2008 Consumer Electronic Show

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 2008 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**12 months ended 31 December 2008** *HK$'000*	12 months ended 31 December 2007 *HK$'000*	**3 months ended 31 December 2008** *HK$'000*	3 months ended 31 December 2007 *HK$'000*
TURNOVER	4	**25,773,322**	21,294,104	**6,668,237**	6,327,296
Cost of sales		**(21,666,105)**	(17,727,588)	**(5,548,470)**	(5,351,296)
Gross profit		**4,107,217**	3,566,516	**1,119,767**	976,000
Other revenue and gains		**197,231**	229,333	**82,557**	129,894
Selling and distribution costs		**(2,823,614)**	(2,857,109)	**(749,994)**	(863,225)
Administrative expenses		**(931,362)**	(889,789)	**(312,076)**	(293,074)
Research and development costs		**(155,716)**	(139,046)	**(34,740)**	(39,780)
Other operating expenses		**(62,340)**	(98,728)	**(60,358)**	(33,091)
		331,416	(188,823)	**45,156**	(123,276)
Cost in connection with the restructuring and winding-down of the old European business, net		**–**	17,974	**–**	17,974
Finance costs (excluding finance costs on convertible bonds)		**(152,593)**	(181,675)	**(36,898)**	(52,032)
Share of profits and losses of:					
Jointly-controlled entities		**(4,859)**	(3,925)	**(2,814)**	(3,018)
Associates		**2,235**	1,707	**859**	580
		176,199	(354,742)	**6,303**	(159,772)

	Notes	**12 months ended 31 December 2008** *HK$'000*	12 months ended 31 December 2007 *HK$'000*	**3 months ended 31 December 2008** *HK$'000*	3 months ended 31 December 2007 *HK$'000*
Fair value gain/(loss) on the derivative component of convertible bonds	13	**374,514**	241,417	**–**	(46,052)
Loss on early redemption of convertible bonds	13	**(610,883)**	–	**–**	–
Finance costs on convertible bonds	13	**(72,246)**	(87,938)	**–**	(56,569)
PROFIT/(LOSS) BEFORE TAX	5	**(132,416)**	(201,263)	**6,303**	(262,393)
Tax	6	**(119,045)**	(51,916)	**(15,186)**	6,864
LOSS FOR THE PERIOD		**(251,461)**	(253,179)	**(8,883)**	(255,529)
Attributable to:					
Equity holders of the parent		**(268,245)**	(262,016)	**(12,886)**	(259,979)
Minority interests		**16,784**	8,837	**4,003**	4,450
		(251,461)	(253,179)	**(8,883)**	(255,529)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic		**HK(36.15) cents**	HK(51.29) cents		
Diluted		**N/A**	HK(59.38) cents		

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**31 December 2008** **HK$'000**	31 December 2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,390,786**	1,667,073
Prepaid land lease payments		**49,977**	75,539
Deposit paid for the acquisition of prepaid land lease payments		**3,407**	–
Goodwill		**119,638**	119,638
Other intangible assets		**16,988**	42,532
Interests in jointly-controlled entities		**116,048**	115,571
Interests in associates		**85,834**	78,595
Available-for-sale investments		**1,008**	1,008
Prepaid royalty		**82,328**	189,235
Deferred tax assets		**17,213**	16,852
Total non-current assets		**1,883,227**	2,306,043
CURRENT ASSETS			
Inventories		**3,061,568**	3,229,362
Trade receivables	9	**2,111,306**	2,123,881
Factored trade receivables	10	**1,835,241**	610,306
Bills receivable		**674,688**	613,408
Other receivables		**675,113**	786,336
Tax recoverable		**12,529**	15,196
Cash and bank balances		**2,157,768**	1,095,341
		10,528,213	8,473,830
Non-current assets classified as held for sale	11	**205,528**	–
Total current assets		**10,733,741**	8,473,830
CURRENT LIABILITIES			
Trade payables	12	**4,384,363**	4,136,749
Bills payable		**820,067**	272,988
Tax payable		**161,124**	95,963
Other payables and accruals		**1,399,208**	1,483,901
Provisions		**128,019**	349,914
Bank advances as consideration for factored trade receivables	10	**1,665,749**	610,306
Interest-bearing bank and other borrowings		**488,180**	303,219
Due to TCL Corporation		**4,694**	220,359
Due to T.C.L. Industries		**117,525**	–
Total current liabilities		**9,168,929**	7,473,399
NET CURRENT ASSETS		**1,564,812**	1,000,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,448,039**	3,306,474

	Notes	31 December 2008 HK$'000	31 December 2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,448,039**	3,306,474
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	131,041
Liability component of convertible bonds	13	**–**	506,698
Derivative component of convertible bonds	13	**–**	374,514
Deferred tax liabilities		**11,572**	13,772
Pensions and other post-employment benefits		**23,361**	16,875
Total non-current liabilities		**34,933**	1,042,900
Net assets		**3,413,106**	2,263,574
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	**1,021,827**	583,772
Reserves		**2,266,595**	1,575,284
		3,288,422	2,159,056
Minority interests		**124,684**	104,518
Total equity		**3,413,106**	2,263,574

Notes:

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. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2008. 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 income, expenses, unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of a subsidiary in prior year had 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. An acquisition of minority interests is 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. IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 – *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. 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 2008 and 2007.

	Television		Home Networking		Others		Eliminations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**22,361,029**	17,867,130	**2,843,053**	3,000,836	**569,240**	426,138	**–**	–	**25,773,322**	21,294,104
Intersegment sales	**977,673**	1,283,250	**67,427**	38,217	**13,083**	10,894	**(1,058,183)**	(1,332,361)	**–**	–
Total	**23,338,702**	19,150,380	**2,910,480**	3,039,053	**582,323**	437,032	**(1,058,183)**	(1,332,361)	**25,773,322**	21,294,104
Segment results	**422,353**	(60,273)	**108,555**	95,722	**(56,161)**	(63,977)	**–**	–	**474,747**	(28,528)
Bank interest income									**13,760**	19,759
Corporate expenses									**(157,091)**	(180,054)
Costs in connection with the restructuring and winding-down of the old European business, net	**–**	17,974	**–**	–	**–**	–	**–**	–	**–**	17,974
Finance costs (excluding finance costs on convertible bonds)									**(152,593)**	(181,675)
Share of profits and losses of:										
Jointly-controlled entities	**(4,859)**	(3,925)	**–**	–	**–**	–	**–**	–	**(4,859)**	(3,925)
Associates	**54**	(635)	**–**	–	**2,181**	2,342	**–**	–	**2,235**	1,707
									176,199	(354,742)
Fair value gain on the derivative component of convertible bonds	**–**	–	**–**	–	**374,514**	241,417	**–**	–	**374,514**	241,417
Loss on early redemption of convertible bonds	**–**	–	**–**	–	**(610,883)**	–	**–**	–	**(610,883)**	–
Finance costs on convertible bonds	**–**	–	**–**	–	**(72,246)**	(87,938)	**–**	–	**(72,246)**	(87,938)
Loss before tax									**(132,416)**	(201,263)
Tax									**(119,045)**	(51,916)
Loss for the year									**(251,461)**	(253,179)

5. LOSS BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**21,648,590**	17,713,329
Depreciation	**252,646**	245,746
Research and development costs	**231,491**	245,542
Less: Government grants released*	**(75,775)**	(106,496)
Net research and development costs	**155,716**	139,046
Amortisation of other intangible assets	**6,597**	4,183
Minimum lease payments under operating leases in respect of land and buildings	**109,721**	98,698
Amortisation of prepaid land lease payments	**2,434**	2,842
Auditors' remuneration	**19,622**	17,704
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**1,289,959**	1,109,918
Defined contribution expense	**105,499**	79,752
Defined benefit expense	**7,316**	7,151
Equity-settled share option expense	**25,887**	19,743
	1,428,661	1,216,564
Loss/(gain) on disposal of items of property, plant and equipment and associated prepaid land lease payments, net**	**39,146**	(18,672)
Impairment of items of property, plant and equipment**	**1,680**	7,851
Impairment of other intangible assets**	**19,958**	36,640
Impairment of trade receivables**	**1,556**	20,787
Foreign exchange differences, net	**110,272**	(87,812)
Net rental income	**(6,773)**	(5,095)
Bank interest income	**(13,760)**	(19,759)
Restructuring costs**	**–**	33,450
Product warranty provision:		
Additional provision	**212,677**	381,634
Reversals of unutilised provision	**(65,702)**	(72,868)
	146,975	308,766
Write-down/(reversal of write-down) of inventories to net realisable value	**31,529**	(24,036)
Excess over the cost of a business combination***	**–**	(981)

* 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 loss on disposal of items of property, plant and equipment and associated prepaid land lease payments, net, the impairment of items of property, plant and equipment, the impairment of other intangible assets, the impairment of trade receivables and restructuring costs 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 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower of Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

	2008	2007
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**16,653**	14,909
Overprovision in prior years	**(13,452)**	–
Current – Elsewhere		
Charge for the year	**106,404**	60,790
Underprovision/(overprovision) in prior years	**6,600**	(20,577)
Deferred	**2,840**	(3,206)
Total tax charge for the year	**119,045**	51,916

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:

	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(268,245)**	(262,016)
Add: Interest on convertible bonds	**72,246**	68,456
Transaction costs related to the derivative component of convertible bonds	**–**	19,482
Loss on early redemption of convertible bonds	**610,883**	–
Less: Fair value gain on the derivative component of convertible bonds	**(374,514)**	(241,417)
Profit/(loss) for the purpose of diluted loss per share calculation	**40,370**	(415,495)

	Number of shares	
	2008	2007
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation*	**742,134,870**	510,819,798
Effect of dilution- weighted average number of ordinary shares:		
Deemed conversion of all convertible bonds		188,943,706
Weighted average number of ordinary shares used in diluted loss per share calculation		699,763,504

* The weighted average number of ordinary shares in 2008 and 2007 for the purposes of calculating the basic and diluted loss per share has been retrospectively adjusted for the ten-to-one share consolidation which took place on 22 January 2009.

A diluted loss per share amount for the year ended 31 December 2008 has not been disclosed, as both the share options and the convertible bonds outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

For the year ended 31 December 2007, the share options outstanding had an anti-dilutive effect on the basic loss per share and therefore, ignored in the calculation of diluted loss per share.

9. TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Due from third parties	**2,261,341**	2,400,614
Impairment	**(200,819)**	(317,774)
	2,060,522	2,082,840
Due from related parties:		
Companies controlled by TCL Corporation	**36,075**	25,822
Jointly-controlled entities	**14,709**	15,219
	50,784	41,041
Total	**2,111,306**	2,123,881

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 (note 10).

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:

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**1,944,217**	2,052,989
91 to 180 days	**64,263**	41,570
181 to 365 days	**53,383**	15,744
Over 365 days	**49,443**	13,578
	2,111,306	2,123,881

10. FACTORED TRADE RECEIVABLES AND BANK ADVANCES AS CONSIDERATION FOR FACTORED TRADE RECEIVABLES

At 31 December 2008, the Group's trade receivables of HK$1,835,241,000 (2007: HK$610,306,000) (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$1,665,749,000 (2007: HK$610,306,000) received by the Group as consideration for the Factored Receivables were recognised as liabilities in the consolidated balance sheet.

The entire balance of the Factored Receivables is aged within 90 days. None of the Factored Receivables is either past due or impaired and the Factored Receivables are related to customers with no recent history of default.

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 7 January 2009, the Group entered into a framework agreement (the "Disposal Agreement") with Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd. ("Tianjin Vantone"), an associate of TCL Corporation, to dispose of its entire interests in TCL Digital Science and Technology (Wuxi) Company Limited ("TCL Wuxi"), a 70%-owned subsidiary of the Group, for an aggregate consideration of RMB159,000,000 (equivalent to HK$180,211,000).

As at 31 December 2008, TCL Wuxi owned a parcel of land with several buildings in Wuxi of the PRC with an aggregate carrying value of HK$205,528,000 (the "Property"). The Disposal Agreement is expected to be completed in mid-2009 upon the completion of certain regulatory approval procedures.

As the Group has committed to the disposal plan before 31 December 2008, the Property was classified as non-current assets held for sale and included as current assets on the consolidated balance sheet as at 31 December 2008.

12. TRADE PAYABLES

	2008 ***HK$'000***	2007 *HK$'000*
Due to third parties	**4,006,184**	3,732,873
Due to related parties:		
Companies controlled by TCL Corporation	**206,370**	278,672
Jointly-controlled entities	**171,809**	125,204
	378,179	403,876
	4,384,363	4,136,749

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

	2008	2007
	HK$'000	*HK$'000*
Current to 90 days	**4,180,605**	3,970,131
91 to 180 days	**111,857**	91,154
181 to 365 days	**38,991**	48,477
Over 365 days	**52,910**	26,987
	4,384,363	4,136,749

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

13. 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 in 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.

Principal terms of the Bonds are as follows:

(a) Bondholders may convert at any time from 30 trading days after the closing date up to the closing of business on the maturity date at the initial conversion price of HK$0.40. As set out in the Company's announcement dated 16 August 2007, the conversion price had been adjusted from the initial conversion price of HK$0.40 per share to HK$0.65 per share with effect from 16 August 2007 pursuant to the terms and conditions of the Bonds;

(b) On or at any time after the 2nd anniversary date of the closing date and prior to the maturity date, the Company may redeem the Bonds in whole at the principal together with 37.5% of redemption interest and the 4.5% coupon interest (the "Early Redemption Amount") provided the closing price for each of any 20 trading days falling within a period of 30 consecutive trading days is at least 130% of the conversion price in effect on such trading day, or at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled;

(c) Bondholders shall have the right to require the Company to redeem all or some of their Bonds at the Early Redemption Amount in the event that the closing price for each of any 20 trading days falling within a period of 30 consecutive trading days is at least 30 % below the conversion price in effect on such trading day;

(d) Unless previously redeemed, converted or purchased and cancelled, each Bond shall be redeemed at 137.50% of its principal amount on the fifth anniversary of the issue date;

(e) The Bonds bear interest at the rate of 4.5% per annum on the principal amount outstanding. The interest will be payable by the Company quarterly in arrears; and

(f) The Bonds will be redeemed on maturity at a value equal to the aggregate of (1) its principal amount outstanding and (2) the interest accrued.

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 component, 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 Bonds that have been split into the derivative and the liability components are analysed as follows:

	Liability component	**Derivative component**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Proceeds from the issuance of convertible bonds	477,604	617,742	1,095,346
Less: Transaction costs allocated to the liability component	(15,079)	–	(15,079)
As at the issuance date on 12 July 2007	462,525	617,742	1,080,267
Fair value loss on the derivative component of convertible bonds	–	(241,417)	(241,417)
Interest expense	68,456	–	68,456
Interest paid	(23,030)	–	(23,030)
Foreign exchange difference	(1,253)	(1,811)	(3,064)
As at 31 December 2007 and 1 January 2008	506,698	374,514	881,212
Fair value gain on the derivative component of convertible bonds	–	(374,514)	(374,514)
Loss on early redemption of convertible bonds	610,883	–	610,883
Interest expenses	72,246	–	72,246
Interest paid	(22,122)	–	(22,122)
Foreign exchange difference	244	–	244
Redemption during the year	(1,167,949)	–	(1,167,949)
As at 31 December 2008	–	–	–

During the year, the Company early redeemed the Bonds in full by cash upon the occurrence of an early redemption event and at the requests of the bondholders.

An analysis on the finance costs on convertible bonds are as follow:

	2008	2007
	HK$'000	*HK$'000*
Finance cost on convertible bonds:		
Interest on liability component of convertible bonds	**72,246**	68,456
Transaction costs related to the derivative component of convertible bonds	**–**	19,482
Total	**72,246**	87,938

14. SHARE CAPITAL

	2008	2007
	HK$'000	*HK$'000*
Authorised:		
22,000,000,000 (2007: 22,000,000,000) shares of HK$0.10 each	**2,200,000**	2,200,000
Issued and fully paid:		
10,218,266,345 (2007: 5,837,715,590) shares of HK$0.10 each	**1,021,827**	583,772

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

(a) On 30 May 2008, the Company entered into the share subscription agreements (the "Subscription Agreements") with T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), certain senior management of the Company and individual investors (i.e. the "Subscribers") for the subscription of new shares of the Company with an aggregate amount of approximately HK$1,206 million (the "Subscription").

Completion of the Subscription Agreements took place on 21 August 2008 and 4,386,432,755 new ordinary shares of the Company were issued to the Subscribers at HK$0.275 each.

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

Transaction Dates	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate cost paid *HK$'000*	Transaction cost *HK$'000*	Total consideration *HK$'000*
January 2008	1,372,000	0.455	0.390	614	5	619
March 2008	1,102,000	0.340	0.335	370	5	375
October 2008	1,476,000	0.088	0.078	118	–	118
November 2008	1,932,000	0.110	0.100	201	6	207
	5,882,000			1,303	16	1,319

The repurchased shares were cancelled and 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:

	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2007	3,902,951,727	390,295	1,560,215	1,950,510
Rights issue	1,951,475,863	195,148	585,443	780,591
Shares repurchased	(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 and 1 January2008	5,837,715,590	583,772	2,132,327	2,716,099
Issue of shares	4,386,432,755	438,643	767,626	1,206,269
Shares repurchased	(5,882,000)	(588)	(731)	(1,319)
	10,218,266,345	1,021,827	2,899,222	3,921,049
Share issuance expenses	–	–	(13,628)	(13,628)
At 31 December 2008	10,218,266,345	1,021,827	2,885,594	3,907,421

(c) Restricted Share Award Scheme

On 6 February 2008 (the "Adoption Date"), the Board approved the Restricted Share Award Scheme (the "Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (the "Selected Employees") in accordance with the provisions of the Award Scheme and the maximum number of Awarded Shares awarded to a Selected Employee under the Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Pursuant to the Award Scheme, the Board shall select the Selected Employees and determine the number of shares to be awarded. The Board shall pay BOCI-Prudential Trustee Limited (the "Trustee"), the trustee engaged by the Company for the purpose of administrating the Award Scheme, the purchase price and the related expenses from the Company's resources for the shares to be purchased by the Trustee. The Trustee shall purchase from the market such a number of shares awarded as specified by the Board and shall hold such shares until they are vested in accordance with the rules of the Award Scheme.

Upon adoption of the Award Scheme, the Board also resolved to provide a total amount not exceeding HK$50 million to the Trustee for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contribution to the Group and an incentive to retain them for the continual operation and development of the Group.

Moreover, a proposal will be put to the shareholders allowing the Board to implement the Award Scheme to its full extent (i.e., to provide further funds to the Trustee in accordance with the terms of the Award Scheme for purchase of the Awarded Shares up to 10% of the issued share capital of the Company as at the Adoption Date).

The Award Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of five years and shall be automatically renewed for one successive five-year term unless sooner terminated as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Employee under the scheme.

During the year, the Trustee purchased 35,816,000 Awarded Shares at a total cost (including related transaction costs) of HK$7,808,000.

At the date of approval of these financial statements, no Awarded Shares were awarded to any Selected Employees under the Award Scheme.

BUSINESS REVIEW

2008 marked an important milestone for the Group. With concerted efforts of the management and staff, the Group restructured its operation and financial position. From these breakthroughs, the Group reported favorable results and achieved operational profitability for the year under review. Amidst the global financial tsunami and overall challenging economic conditions, these results demonstrated the Group's commitment to long term growth and shareholder value.

During the year under review, the Group remained strategically focused on streamlining its operation while enhancing its financial position. Through the management's pursuit their efforts on innovation, product design, accelerated business restructuring and cost-reduction, the Group successfully enhanced its overall operational efficiency. The Group's LCD business consolidated its abilities in products comparative benchmarks, cost audit, product planning, project planning and supply chain control to strengthen sales and marketing capabilities. As the Group considered that CRT products were still profitable, the management consolidated its CRT TVs resources into one business unit and established a more sophisticated and efficient team. With these strategic actions and competitive products, the Group continued to best utilise its investment in the CRT business during the year under review.

As a result, the Group achieved an operating profit of HK$331 million for the year ended 31 December 2008, as compared with a loss of HK$189 million in 2007. EBITDA also increased from HK$63 million in 2007 to HK$593 million in 2008, representing a substantial improvement of 841.3%.

In June 2008, the Bonds (originally due in 2012) were early redeemed. The redemption of the Bonds released the Group from obligations under various financial covenants, reduced financial costs and enhanced the financial position, giving the Group greater flexibility to maximise its resources to drive business expansion. Moreover, the uncertainty resulting from the impacts of fair value adjustments from the Bonds on the Group's earnings has been eliminated, which provides the investors and shareholders with a clearer picture of financial results of the Group. Upon completion of the Subscription during the year, T.C.L. Industries' shareholding in the Company has increased to over 50%. At the same time, shareholder base of the Company was strengthened due to the subscription by the senior management and long-term independent investors.

TV Sales

During the year under review, the Group sold 4,184,000 sets LCD TVs, recording an increase of 233.1% as compared to the previous year. With the global trend of greater reception of LCD products, the Group decisively shifted its product mix and production lines towards LCDs and the move has been proven a success. LCD TVs represented 29.1% of the total TV shipments in 2008, increasing substantially from 8.4% in 2007. At the same time, the Group maintained its CRT TVs global market share and sold 10,182,000 sets during the year.

Demands for large-screen, high-definition TVs increased in line with ongoing advancement in digital broadcasting and high-definition content. More and more households began to own more than one TV set which further drove the demand for TV sets. In response to such demand, the Group sought to strengthen its range of LCD TVs through the release of new products ranges such as X9, E9, M9 and N9 series. With the Group's independently developed and patented "Natural Light" technology, E9 is able to automatically adjust the backlight according to the brightness of the particular image signal, allowing saving of 50% on conventional flatscreen energy consumption, which far exceeds the industry standards. Furthermore, the X9 series LCD TV won the Global Innovative Flat Panel TV Award for 2008 in the Consumer Electronics Show. In 2008, the Group also released the innovative 3D autostereoscopic LCD TVs, taking one step ahead of satisfying the diversifying demand. The Group aims to roll out highly-advanced and cost-competitive LCD TVs to the market in a timely manner to boost its position as one of the world's top brands.

Sales volume by region is indicated below:

	2008	2007	Change
	('000 sets)	*('000 sets)*	
LCD TVs	**4,184**	1,256	+233.1%
– PRC	**1,466**	794	+84.6%
– Overseas & Strategic OEM	**2,718**	462	+488.3%
CRT TVs	**10,182**	13,755	(26.0%)
– PRC	**5,382**	6,342	(15.1%)
– Overseas & Strategic OEM	**4,800**	7,413	(35.2%)
Total TV shipments	**14,366**	15,011	(4.3%)
AV products	**16,893**	19,135	(11.7%)

The PRC Market: Maintained overall market leadership for the fifth consecutive year with increasing sales and profitability

Despite intense competition, the Group maintained its leadership in the PRC market for the fifth consecutive year, with a market share of 17.1% according to Displaysearch. Dual brands (TCL and ROWA) strategy has been implemented and ROWA brand LCD TV has been launched in the PRC market since 2008. A total of 6,848,000 sets of TVs were sold in the PRC market achieving steady growth of 84.6% in LCD TV sales volume year-on-year. According to Displaysearch, Winter Sales initiative propelled the Group's LCD TV market share from about 9% in the first three quarters to about 15% in the fourth quarter. Sales revenue in the PRC amounted to approximately HK$11,619 million achieving a year-on-year growth in sales revenue of 14.2%. The PRC market continued to be the largest contributor to the Group, accounting for 52.0% of total TV sales revenue.

During 2008, the Group launched an impressive lineup of 19" to 52" TV products in the PRC market, including X9, E9, M9, all-in-one digital models and smaller sized N series targeted for bedrooms. X9 series quickly became hit products with their full high-definition+120HZ+digital recording functionality, innovative digital entertainment platform, built-in high-definition camera system and stylish design. The stylish and narrow design makes M9 series both attractive and compact. E9 series has features of full high-definition LCD, full high-definition core processing unit and hi-gloss injection moulding technology. E9 series is also the first all-in-one model that is compatible to terrestrial high-definition/standard-definition, cable high-definition/standard-definition and analogue signals. The Group's LCD TV products integrate the state of the art technologies including self-developed and patented "Natural Light", "Circularly Polarized Light" and "Dynamic Backlight". The innovative green energy-saving and eye-protection functions of the products significantly increase their competitiveness.

During the year under review, the PRC market continued to be the Group's fastest growing market. The Group has taken steps to further increase sales and cut cost so as to ensure its leadership and competitiveness in the PRC market. In addition, as an official sponsor of the Guangzhou Asian Games, the Group will take advantage of the brand awareness in Asian countries.

The economy stimulus plan promulgated by the PRC government such as "Household Appliance Subsidy Scheme" created enormous opportunities to the Group, and 46 models of the Group's TV products were selected in this scheme. In attempt to further enhance the production capacity and cost structure, the Group is taking a vertical integration of LCD TV production.

European Markets: Continued growth and profitability in first three quarters but hampered by the economic turmoil in the fourth quarter

During the year under review, although the sales volume in the fourth quarter was adversely affected by the financial tsunami, the sales volume from the first to third quarter increased sharply and the Group recorded significant growth for its LCD sales as compared to that of last year. The market share of the Group's LCD TV products by sales volume ranked No. 8 in France (source: GFK) and outperformed that of many international brands.

The Group launched products with most advanced video compression technology and slim product feature which set solid footsteps to improve its position in France. The Group also successfully improved the trade relations and expanded sales channel over the region in order to introduce TCL brands to more countries and increase sales in East Europe and Russia.

There was a clear sign of economic slowdown and financial turmoil in the fourth quarter. To cope with the worsening economic environment, the Group installed stringent business control covering credit worthiness assessment, strict trade receivables control, tightened inventory pipeline and foreign exchange management and decided to stop doing business with some accounts. It is believed that business transactions will only be made with manageable risks. The Group has been implementing weekly inventory and margin management so as to achieve cost reduction.

North American Markets: Increase sales and margin while reducing cost of operation. Another step towards profitability

Demand for LCD TV products slowed down significantly in the fourth quarter of 2008 as a result of the weak U.S. economy. However, due to gains in the first three quarters, fast growing demand for LCD TVs driven by pricing adjustments in larger screen size models and working closely with Wal-Mart, the Group's major customer whose performance is the best among retailers in U.S., LCD TVs sales volume in 2008 increased significantly as compared to that of last year.

All RCA brand LCD TV models have attained Energy Star 3.0 compliance by 1 November 2008. In addition, seven RCA brand LCD TV models achieved Tier 2 status with the Consortium for Energy Efficiency which requires power efficiency of 15% above the Energy Star 3.0 requirement. The Group has proven its commitment to provide environmentally "green" products.

During the year under review, the Group maintained its focus on its supply chain optimisation initiatives and streamlined its operation processes. Improvements in supply chain lead-time reduced risk associated with high storage cost of inventories. In addition, local panel hub delivery helped to lower cash working capital requirement. Operating loss was materially reduced in 2008 which was attributed mainly to the implementation of initiatives on reducing warranty expenses and distribution costs. The Group will maintain its policy of strigent working capital, cost and margin management.

Emerging Markets: Continue to focus on selected markets while de-risking others. Initiated transition plan from CRT TV portfolio to LCD TV portfolio in line with market trends

The U.S. credit crisis adversely affected demands in Emerging Markets, therefore TVs sales volume decreased overall by 10.7% during the year under review. Business results were hampered by economic turmoil and impacts from foreign exchange fluctuations, changes in taxations and duties.

The Group increased LCD TV sales in focused markets like Australia and several ASEAN countries. The Group will continue to maintain rapid growth of LCD TV sales in the selected countries. The Group had progress in the sale of TCL brands in several countries with its structured approach to Branded business through sales brands company, agencies and OEM partners. In addition, the Group implemented stringent risk management, and continued to improve ways of business management.

Strategic OEM: Breakthrough in LCD TV business in the OEM sector in 2008 and evaluating further opportunities for 2009 and beyond

As a result of the Group's effort in improving its LCD TV production capability, the Group's Strategic OEM operation attracted several leading international customers during the year under review. Sales revenue for Strategic OEM TV products increased by 173.2% and operating profit by 260.8% in 2008. The business environment for this segment was increasingly challenging as demand shrank in the deteriorating global economy. The Group enhanced its competitiveness through shorter order lead time, improvement on product quality and other cost saving activities. Pressure from economic turmoil is driving many top tier consumer electronics companies to rethink their business strategy, but the management sees increasing opportunities in the OEM business sector. The Group completed the transition from CRT TV to LCD TV for OEM business, which helped the LCD TV portfolio grow by over 1.5 million units in 2008.

Audio-visual ("AV") Products: Improved operating results in 2008 while steering towards a better product and customer portfolio

Despite 5.3% decline in sales revenue driven mainly by price erosion in the desk top DVD system, the Group adopted cost control and margin management which enabled 12.5% improvement in operating results. The Group also managed to increase product range and customer combinations. New products included portable DVD player, digital photo frame and high definition optical disc players. The Group also added one significant top tier Japanese customer, as well as developed and secured a number of patents for the core technology of China blue laser disc players. In addition, the Group continued the current strategy to further improve Customer-Product combinations to sustain its profitability.

R&D: Expanded product offering, developed 3D LCD TV and internet TV ("i-TV")

Technology, design, functionality and environmental friendliness are integral parts of product competitiveness in the TV industry. In view of this, the Group has placed substantial research and development efforts in these areas to enhance product quality. The Group's latest innovative product – 3D autostereoscopic LCD TV was exhibited during the Consumer Electronics Show 2009 in Las Vegas, USA. The advanced 3D LCD TV which requires no special glasses for light signal splitting has drawn extensive attention in the industry.

As TVs have shifted from being mere devices that display broadcasting signals to the more important "windows of information" in the household, the Group entered into a strategic co-operation agreement with Intel to co-develop the next-generation i-TV in December 2008. The two parties will also join together to promote the integration of Internet and TV to bring a more comprehensive television experience to domestic consumers. From natural light technology, 3D display to i-TV, the Group is reaffirming its efforts and capabilities in LCD TV technology development and strives to lead the industry.

OUTLOOK

Confidence in outlook

In spite of the worsening global economic environment, a weaker market provides opportunities for corporations like the Company that has a healthy balance sheet, a global brand, good customer relationship and strong cash-flow. The management believes the difficult operating environment could speed up industry consolidation and offer the Group opportunities to capture market share. Worldwide implementation of digital broadcasting provides another catalyst for greater demand for high-definition TV. The transition has already begun in most mature markets, while the PRC television authorities have already set the timetable for the conversion. Under the current business environment, the Group's business targets are clear: to become one of the global top 3 TV manufacturers, to maintain our CRT TV market share above 11% and to retain the growth momentum of LCD TV business and achieve the market share target of 6% in 2010.

After the early redemption of the Bonds, the Group continued paying efforts in streamlining its asset structure. The transactions for sale and lease back certain of the Property at Wuxi, PRC were duly approved by the independent shareholders at an extraordinary general meeting on 16 February 2009. The Group's entire interests in TCL Wuxi will be disposed of for a consideration of RMB159 million (approximately HK$180 million). The Group will recognise gain on its disposal, which will further enhance the Group's cash flow. Details of the transactions are set out in the Company's announcements dated 31 December 2008 and 7 January 2009 and circular dated 23 January 2009.

LCD production integration

The Group is well positioned to capture these new opportunities and more resources will be added to the Group's LCD TV business. In particular, the Group initiated a blueprint for production vertical integration and intends to expand its LCD TV production capacity. The Group has recently acquired a piece of land in Huizhou, PRC, with 53,704.8 square meters for building a LCD TV production plant with annual production capacity of 3 million sets of LCD TVs and 2 million sets of semi-finished LCD kits. The said LCD TV production plant will be adjacent to the LCD module plant to be set up by the Group's ultimate holding company TCL Corporation, in co-operation with Samsung. As TCL Corporation is expected to be a major LCD modules supplier of the Group, having a LCD TV production plant located close to the Group's major supplier, will significantly reduce the production costs while assuring quality, thus enhancing the price competitiveness of LCD TVs manufactured by the Group.

Household Appliance Subsidy Scheme

Although facing keen competition from overseas and local competitors in the PRC market, the management is confident that the Group will maintain its position as a market leader. In the first stage of "Household Appliance Subsidy Scheme" result, the Group won the greatest number of bids among the TV manufacturers and 46 TV products of the Group were selected. Benefiting from the "Household Appliance Subsidy Scheme", TV sales of the Group in third and fourth tier cities are expected to grow rapidly. The Group will continue to promote its high-end TVs and at the same time refine its marketing plans and increasing industry partnerships to ensure its competitiveness in the market.

New industry standards legally compulsory in Europe

There is a general consumer slowdown in Europe and some markets will be heavily impacted by currency depreciation. The Group expects sales for its European Markets will face pressure in terms of both volume and revenue. Despite this, new industry standards, including the most advanced video compression technology, will be legally compulsory in some European markets which will help offset the slowdown in demand. The Group will continue to enhance its product range competitiveness while monitoring its operating costs and overall efficiency.

U.S. to go digital for all television broadcast in 2009

As the U.S. economic downturn remains the major concern for the Group's North American business unit, the Group will implement stringent cost control measures and ensure efficient management of its inventories during the upcoming period. U.S. will stop delivering analog channels and convert them to digital standards by 2009. The Group is well prepared to capture the opportunity to accelerate sales growth when the U.S. digital television broadcast is to be implemented in 2009. Targeting to become one of the top 10 manufacturers through providing consumers price competitive products with the latest technologies.

Further enhance cost structure

For Emerging Markets and the Strategic OEM segment, the Group's basic strategies of clear segment, target, and positioning insights will continue to improve its position in these markets. The management remains optimistic about the growth of these business units with the vertical integration of LCD TV production in Huizhou, PRC which will further enhance its cost structure as well as product competitiveness. The Group's digital technology division will be consolidated into its Home Networking Business to create synergy in cost, efficiency and customer service between the two business units. This will help the new team to achieve growth in both customers and products.

Against the background of keen competition, the Group has kept abreast of changes and global market developments. The Group remains strategically focused on profitable business areas while imposing tight cost controls at the same time. Looking forward, the Group will continue to secure profit levels and shareholder value through the effective management of expenses, a streamlined operation, improved supply networks and inventory control.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 5 December 2008, TCL King Electrical Appliances Huizhou Co., Ltd. entered into a transfer agreement with TCL Optoelectronics Technology (Huizhou) Co., Ltd., a direct wholly owned subsidiary of TCL Corporation, to acquire certain land use rights for a land in Huizhou, PRC at a consideration of RMB21,569,459 (equivalent to approximately HK$24,373,489). The transfer of land use rights had been completed on 11 February 2009.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, bank advances as consideration for factored trade receivables, 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$2,158 million, of which 0.3% was maintained in Hong Kong dollars, 27.2% in US Dollars, 64.9% in Renminbi, 4.5% in Euro and 3.1% 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 2007 and there was no asset held under finance lease at the year end.

At the year end, the Group's gearing ratio was 0.8% which is calculated based on the Group's net borrowing of approximately HK$25.8 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$3,288 million.

Pledge of Assets

At 31 December 2008, 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 2008, the Group had capital commitments contracted but not provided for and authorised but not contracted for of approximately HK$33 million and HK$4 million respectively.

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 SAS ("TTE Europe", a subsidiary of the group had been deconsolidated in 2007) against the Company, TTE Europe and TCL Belgium S.A. (formerly known as TTE Belgium S.A. and being 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 Euro 8.7 million (equivalent to approximately HK$94.9 million). During the last hearing, the former employees had failed to disclose any document in support of their claim. The hearing was postponed until future notice and the case is removed from the list of current cases.

The directors, based on the advice from the Group's legal counsels, believe that the Group has valid defence against the Claims and, accordingly, has 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 centralise foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasizes the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employee and Remuneration Policy

The Group had a total of 28,408 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 417,624,010 shares remained outstanding at the year end. The Company has also adopted the Award Scheme, details of which are set out in note 14(c) to the financial statement contained in this announcement.

Post balance sheet events

On 23 January 2009, the share consolidation on the basis that every 10 issued and unissued shares of HK$0.10 each consolidated into one consolidated share of HK$1.00 ("Consolidated Share(s)") of the Company became effective. On the basis that there being no other changes in the share capital structure of the Company prior thereto, the authorised ordinary share capital of the Company became HK$2,200,000,000 divided into 2,200,000,000 Consolidated Shares, of which 1,021,826,634 Consolidated Shares were in issue. The Consolidated Share ranked pari passu in all respects with each other in accordance with the articles of association of the Company. Other than the expenses to be incurred in relation to the share consolidation, the implementation of the share consolidation will not alter the underlying assets, business operations, management of financial position of the Company or the interests or rights of the shareholders, save for any fractional consolidation shares to which shareholders may be entitled.

The board lot size for trading in the ordinary shares of the Company has become 2,000 Consolidated Shares after the share consolidation becoming effective.

On 7 January 2009, the Group entered into the Disposal Agreement with Tianjin Vantone to dispose of its entire interests in TCL Wuxi, a 70%-owned subsidiary of the Group which owned the Property in Wuxi of the PRC. For details, please refer to note 11 to the financial statement contained in this announcement.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year under review, the Company repurchased 5,882,000 shares on the Stock Exchange at an aggregate price of HK$1,303,000. 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.

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company has through the trustee purchased from the market a total of 35,816,000 shares as Awarded Shares for the benefit of its employees. The total amount paid to acquire such shares during the year was about HK$7,808,000.

SUBSCRIPTION OF NEW SHARES

The Group raised fund through the Subscription in August 2008 for redemption of the Bonds more particular described in note 13 to the financial statement contained in this announcement.

Details of the shares of the Company subscribed by the Subscribers on 21 August 2008 are as follows:

Name of Subscribers	**Number of Shares subscribed**	**Classes of shares issued**	**Subscription monies received** *HK$*
T.C.L. Industries	3,259,810,909	Ordinary	896,448,000
Creative Honor Overseas Limited	290,909,090	Ordinary	80,000,000
Advance Data Services Limited	141,730,909	Ordinary	38,976,000
Top Scale Company Limited	131,566,545	Ordinary	36,180,800
Info Express Services Limited	28,346,181	Ordinary	7,795,200
Mr. CHEN Hong	141,730,909	Ordinary	38,976,000
Mr. LI Dongsheng	72,727,272	Ordinary	20,000,000
Mr. LEONG Yue Wing	7,272,727	Ordinary	2,000,000
Mr. YUAN Bing	3,636,363	Ordinary	1,000,000
Ms. LU Zhongli	1,090,909	Ordinary	300,000
Mr. BO Lianming	5,178,072	Ordinary	1,423,970
Mr. ZHAO Zhongyao	8,174,363	Ordinary	2,247,950
Ms. LIAO Shaoyao	158,296,472	Ordinary	43,531,530
Mr. WANG Hui	16,293,563	Ordinary	4,480,730
Mr. SONG Yu	65,341,381	Ordinary	17,968,880
Mr. CHAN King Yin Colin	1,163,636	Ordinary	320,000
Ms. HUANG Kaili	26,924,109	Ordinary	7,404,130
Ms. SHAO Wei	26,239,345	Ordinary	7,215,820
	4,386,432,755		1,206,269,010

The payment related to the early redemption of the convertible bonds was financed by the Subscription monies received from the Subscribers pursuant to the Subscription Agreements. Details of the Subscription are set out in note 14 (a) to the financial statement contained in this announcement.

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 2008, complied with the code provisions of the "Code of Corporate Governance Practices" as set out in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules").

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2008, 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, 25 March 2009

As at the date of this announcement, the Board comprises LI Dongsheng, LEONG Yue Wing, YU Guanghui, SHI Wanwen, HUANG Xubin and WANG Kangping 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.