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 2009

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2009 *(HK$M)*	2008 *(HK$M)*	**Change**
Turnover	**30,343**	25,773	+17.7%
Gross profit	**4,924**	4,107	+19.9%
Operating profit	**702**	331	+112.1%
Effects of convertible bonds	**–**	(309)	N/A
Profit/(loss) attributable to owners of the parent	**397**	(268)	N/A
Basic earnings/(loss) per share *(HK cents)*	**39.15**	(36.15)	N/A
Proposed final dividends per share *(HK cents)*	**12.00**	–	N/A

HIGHLIGHTS

- Results achieved a turnaround and continued to improve steadily; recorded HK$397 million profit in 2009 as compared with HK$268 million loss in 2008, while turnover increased by 17.7% year-on-year to HK$30,343 million.

- The Group's total TV sales volume reached 14.24 million sets in 2009. According to statistics from DisplaySearch, the Group's TV market share in 2009 was ranked No.5 globally and has held the largest market share in the PRC for six consecutive years. LCD TV sales volume maintained rapid growth. The Group's LCD TV sales volume in 2009 significantly increased 100.1% to 8.37 million sets compared to the previous year. LCD TV sales volume in the PRC Market reached 4.63 million sets, market share increased from 11.0% in 2008 to 15.8% in 2009.

- AV business maintained stable growth and became the Group's new profit growth momentum. Sales volume in 2009 increased 26.0% to 21.29 million sets. Segment operating profit increased 76.1% to HK$192 million.

- The Group maintained a healthy financial position; cash and bank balances as at 31 December 2009 were HK$2,079 million with a low gearing ratio of 2.6%.

- Adjacent to TCL Corporation's module plant, the Group's LCD TV Integration Plant located in Huizhou, the PRC commenced operation in September 2009, it enhances efficiency, expands production capacity and cuts costs through vertical integration which further improves the industry structure in TCL's LCD industrial park.

- The PRC government continued to expand favorable stimulus plans on the Consumer Electronics industry, including "Household Appliances Subsidy Scheme", "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances" policies. The Group is well positioned to seize these opportunities leveraging its "TCL" and "ROWA" dual brand advantages in the PRC Market.

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 2009 with comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Twelve months ended 31 December		**Three months ended 31 December**	
		2009	2008	**2009**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**30,342,550**	25,773,322	**9,245,016**	6,668,237
Cost of sales		**(25,418,948)**	(21,666,105)	**(7,937,990)**	(5,548,470)
Gross profit		**4,923,602**	4,107,217	**1,307,026**	1,119,767
Other revenue and gains		**244,569**	197,231	**62,029**	82,557
Selling and distribution costs		**(3,261,763)**	(2,823,614)	**(756,523)**	(749,994)
Administrative expenses		**(897,374)**	(931,362)	**(259,682)**	(312,076)
Research and development costs		**(222,755)**	(155,716)	**(66,706)**	(34,740)
Other operating expenses		**(84,133)**	(62,340)	**(21,361)**	(60,358)
		702,146	331,416	**264,783**	45,156
Finance costs (excluding finance costs on convertible bonds)		**(127,323)**	(152,593)	**(51,539)**	(36,898)
Share of profits and losses of:					
Jointly-controlled entities		**(6,507)**	(4,859)	**412**	(2,814)
Associates		**3,103**	2,235	**643**	859
		571,419	176,199	**214,299**	6,303
Fair value gain on the derivative component of convertible bonds		**–**	374,514	**–**	–
Loss on early redemption of convertible bonds		**–**	(610,883)	**–**	–
Finance costs on convertible bonds		**–**	(72,246)	**–**	–
PROFIT/(LOSS) BEFORE TAX	5	**571,419**	(132,416)	**214,299**	6,303
Income tax expense	6	**(167,359)**	(119,045)	**(47,095)**	(15,186)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**404,060**	(251,461)	**167,204**	(8,883)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**(44,410)**	194,926	**25,777**	76,414
Release upon disposal and liquidation of subsidiaries		**(17,043)**	–	**5,364**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**(61,453)**	194,926	**31,141**	76,414
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**342,607**	(56,535)	**198,345**	67,531

	Notes	Twelve months ended 31 December **2009** HK$'000	2008 HK$'000	Three months ended 31 December **2009** HK$'000	2008 HK$'000
Profit/(loss) attributable to:					
Owners of the parent		**396,523**	(268,245)	**166,410**	(12,886)
Minority interests		**7,537**	16,784	**794**	4,003
		404,060	(251,461)	**167,204**	(8,883)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**335,151**	(80,035)	**197,504**	63,580
Minority interests		**7,456**	23,500	**841**	3,951
		342,607	(56,535)	**198,345**	67,531
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8				
Basic		**HK39.15 cents**	HK(36.15) cents		
Diluted		**HK39.13 cents**	HK(36.15) cents		

Details of the dividends payable and proposed for the year are disclosed in note 7.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2009** ***HK$'000***	31 December 2008 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,603,372**	1,390,786
Prepaid land lease payments		**70,944**	49,977
Deposit paid for the acquisition of prepaid land lease payments		**–**	3,407
Goodwill		**119,638**	119,638
Other intangible assets		**2,492**	16,988
Interests in jointly-controlled entities		**109,772**	116,048
Interests in associates		**99,183**	85,834
Available-for-sale investments		**1,182**	1,008
Prepaid royalty		**–**	82,328
Deferred tax assets		**19,504**	17,213
Total non-current assets		**2,026,087**	1,883,227
CURRENT ASSETS			
Inventories		**4,917,896**	3,061,568
Trade receivables	9	**4,078,239**	3,946,547
Bills receivable		**822,115**	674,688
Other receivables		**832,630**	675,113
Tax recoverable		**13,530**	12,529
Pledged deposits		**86,725**	–
Cash and bank balances		**2,078,724**	2,157,768
		12,829,859	10,528,213
Non-current assets classified as held for sale	10	**65,215**	205,528
Total current assets		**12,895,074**	10,733,741

	Notes	**31 December 2009 HK$'000**	31 December 2008 HK$'000
CURRENT LIABILITIES			
Trade payables	11	**6,022,703**	4,384,363
Bills payable		**683,076**	820,067
Other payables and accruals		**1,784,480**	1,399,208
Interest-bearing bank and other borrowings	12	**1,761,048**	2,153,929
Due to TCL Corporation	13	**129,457**	4,694
Due to T.C.L. Industries	13	**38,146**	117,525
Tax payable		**163,458**	161,124
Provisions		**221,796**	128,019
Total current liabilities		**10,804,164**	9,168,929
NET CURRENT ASSETS		**2,090,910**	1,564,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,116,997**	3,448,039
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**369,192**	–
Deferred tax liabilities		**11,818**	11,572
Pensions and other post-employment benefits		**23,522**	23,361
Total non-current liabilities		**404,532**	34,933
Net assets		**3,712,465**	3,413,106
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**1,011,840**	1,021,827
Reserves		**2,487,418**	2,266,595
Proposed final dividends	7	**121,421**	–
		3,620,679	3,288,422
Minority interests		**91,786**	124,684
Total equity		**3,712,465**	3,413,106

Notes:

1. BASIS OF PREPARATION

These condensed 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 (the "HKICPA"), 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 condensed 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 condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. 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.

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. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's condensed 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or an agent*
HKAS 23 (Revised)	*Borrowing Costs*

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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008) **	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 8 and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed financial statements and there have been no significant changes to the accounting policies applied in these condensed financial statements.

The principal effects of adopting HKFRS 8 and HKAS 1 (Revised) are as follows:

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces 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 adoption of HKFRS 8 did not have any effect on the financial position or performance of the Group. However, it has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's senior management and has resulted in changes in identification and presentation of reportable segments. These revised disclosures, including the related revised comparative information, are shown in note 4.

The Group has early adopted in these condensed financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

3. 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 condensed financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendment	Amendment to HKFRS 1 *Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Right Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK (IFRIC)-Int14 Amendments	Amendments to HK(IFRIC)-Int14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009, while the amendments to HKFRS 5, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for 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. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker, who is the Chief Executive Officer ("CEO") of the Group, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting for the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of product types. However, information reported to the Group's CEO for the purpose of resource allocation and assessment of performance focuses more specifically on geographical television segments and other product types. The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) Television segment manufactures and sells television sets and trades related components in:

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

- the Overseas market

(b) AV segment manufactures and sells audio-visual products; and

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

	Television – PRC market		Television – Overseas market		AV		Others		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	15,864,796	11,619,265	10,424,690	10,741,764	3,819,373	2,843,053	233,691	569,240	–	–	30,342,550	25,773,322
Intersegment sales	2,984,484	4,268,002	1,030	2,408	47,692	67,427	10,667	13,083	(3,043,873)	(4,350,920)	–	–
Total	18,849,280	15,887,267	10,425,720	10,744,172	3,867,065	2,910,480	244,358	582,323	(3,043,873)	(4,350,920)	30,342,550	25,773,322
Segment results	506,224	639,456	96,032	(217,103)	192,207	108,555	1,510	(56,161)	–	–	795,973	474,747
Bank interest income											14,566	13,760
Corporate expenses											(108,393)	(157,091)
Finance costs (excluding finance costs on convertible bonds)											(127,323)	(152,593)
Share of profits and losses of:												
Jointly-controlled entities	(6,418)	(2,302)	(89)	(2,557)	–	–	–	–	–	–	(6,507)	(4,859)
Associates	53	54	–	–	–	–	3,050	2,181	–	–	3,103	2,235
											571,419	176,199
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)
Finance costs on convertible bonds	–	–	–	–	–	–	–	(72,246)	–	–	–	(72,246)
Profit/(loss) before tax											571,419	(132,416)
Income tax expense											(167,359)	(119,045)
Profit/(loss) for the year											404,060	(251,461)

5. PROFIT/(LOSS) BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**25,400,661**	21,648,590
Depreciation	**236,165**	252,646
Research and development costs	**285,073**	231,491
Less: Government grants released*	**(62,318)**	(75,775)
	222,755	155,716
Amortisation of other intangible assets	**4,161**	6,597
Minimum lease payments under operating leases in respect of land and buildings	**116,328**	109,721
Amortisation of prepaid land lease payments	**2,339**	2,434
Auditors' remuneration	**19,612**	19,622
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**1,325,391**	1,289,959
Equity-settled share option expense	**15,146**	25,887
Defined contribution expense	**113,676**	105,499
Defined benefit expense	**2,424**	7,316
	1,456,637	1,428,661
Foreign exchange differences, net	**(46,330)**	110,272
Impairment of items of property, plant and equipment**	**9,830**	1,680
Impairment of other intangible assets**	**10,327**	19,958
Impairment of trade receivables**	**30,156**	1,556
Write-down of inventories to net realisable value	**29,370**	31,529
Product warranty provision:		
Additional provision	**321,286**	212,677
Reversal of unutilised provision	**(16,936)**	(65,702)
	304,350	146,975
Net rental income	**(10,446)**	(6,773)
Bank interest income	**(14,566)**	(13,760)
Loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net**	**7,884**	39,146
Gain on disposal of a subsidiary	**(45,333)**	–
Gain on liquidation of subsidiaries	**(20,390)**	–
Restructuring costs**	**25,936**	–

Notes:

* Certain government grants have been received for research activities in 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 net loss on disposal of items of property, plant and equipment and the associated prepaid land lease payments, impairment of items of property, plant and equipment, impairment of other intangible assets, impairment of trade receivables and restructuring costs are included in "Other operating expenses" on the face of the condensed consolidated statement of comprehensive income.

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009	2008
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,914**	16,653
Underprovision/(overprovision) in prior years	**1,291**	(13,452)
Current – Elsewhere		
Charge for the year	**167,201**	112,084
Underprovision/(overprovision) in prior years	**(997)**	6,600
Deferred	**(2,050)**	(2,840)
Total tax charge for the year	**167,359**	119,045

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Proposed final dividends HK12.00 cents (2008: Nil) per ordinary share	**121,421**	–

The proposed final dividends for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

	2009	2008
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**396,523**	(268,245)
Add: Finance costs on convertible bonds	**–**	72,246
Loss on early redemption of convertible bonds	**–**	610,883
Less: Fair value gain on the derivative component of convertible bonds	**–**	(374,514)
Profit for the purpose of diluted earnings/(loss) per share calculation	**396,523**	40,370

	Number of shares	
	2009	2008*
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	**1,012,951,810**	742,134,870
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options during the year	**373,745**	–
Deemed conversion of all convertible bonds	**–**	75,021,108
Weighted average number of ordinary shares in issue during the year used in diluted earnings/(loss) per share calculation	**1,013,325,555**	817,155,978

* The weighted average number of ordinary shares in 2008 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 23 January 2009.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2008 in respect of a dilution as the impact of the share options and the convertible bonds outstanding during the prior year had an anti-dilutive effect on the basic loss per share amount presented.

9. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Due from third parties	**4,230,901**	4,096,582
Impairment	**(234,330)**	(200,819)
	3,996,571	3,895,763
Due from related parties:		
Companies controlled by TCL Corporation	**29,827**	22,135
Associates of TCL Corporation	**15,608**	13,940
Jointly-controlled entities	**36,233**	14,709
	81,668	50,784
	4,078,239	3,946,547

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

At 31 December 2009, the Group's trade receivables due from certain major customers of HK$1,275,582,000 (2008: HK$1,835,241,000) (the "Factored Receivables") were factored to certain banks under certain receivables purchase agreements. At 31 December 2009, the Group has derecognised the Factored Receivables and the corresponding advances from banks of HK$1,144,740,000 (2008: Nil) from the condensed consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the Factored Receivables as at 31 December 2009.

At 31 December 2008, the advances from the relevant banks of HK$1,665,749,000 received by the Group as consideration for the Factored Receivables were recognised as liabilities in the condensed consolidated statement of financial position.

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

	2009	2008
	HK$'000	*HK$'000*
Current to 90 days	**3,844,734**	3,779,458
91 to 180 days	**151,073**	64,263
181 to 365 days	**68,688**	53,383
Over 365 days	**13,744**	49,443
	4,078,239	3,946,547

10. 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 initial consideration of RMB159,000,000 (equivalent to HK$181,065,000) (the "Consideration").

The Consideration was further adjusted to RMB142,761,000 (equivalent to HK$161,916,000) after taking into account the receipts/payments of certain assets/liabilities of TCL Wuxi by the Group before the completion of the Disposal Agreement (the "Working Capital Adjustment").

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"). As the Group has committed to the disposal plan before year ended 31 December 2008, the Property was classified as non-current assets held for sale and included as current assets in the condensed consolidated statement of financial position as at 31 December 2008.

Pursuant to the Disposal Agreement and taking into account the Working Capital Adjustment, the disposal will be completed by the following steps:

(i) The Group to transfer 45% interest in TCL Wuxi (the "Disposal Interest") to Tianjin Vantone for a cash consideration of RMB85,261,000 (equivalent to HK$96,701,000) in June 2009;

(ii) Tianjin Vantone to provide the Group a loan (the "Trust Loan") of RMB57,500,000 (equivalent to HK$65,215,000) for a period up to 26 October 2010;

(iii) The Group to pledge the remaining 25% interest in TCL Wuxi (the "Pledged Interest") in favour of Tianjin Vantone as a security for the Trust Loan; and

(iv) The Group to transfer the Pledged Interest to Tianjin Vantone as settlement of the Trust Loan within 15 days after the maturity of the Trust Loan.

Completion of the Disposal Agreement took place in June 2009 when steps (i) to (iii) above were completed as the Group is no longer entitled to any economic benefits of TCL Wuxi even though it still holds the legal title of the Pledged Interest.

As at 31 December 2009, the Pledged Interest, which will be transferred to Tianjin Vantone as settlement of the Trust Loan, was classified as a non-current asset held for sale and included as a current asset on the condensed consolidated statement of financial position.

11. TRADE PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Due to third parties	**4,867,728**	4,006,184
Due to related parties:		
Companies controlled by TCL Corporation	**850,878**	206,370
Associates of TCL Corporation	**124,804**	–
Jointly-controlled entities	**179,293**	171,809
	1,154,975	378,179
	6,022,703	4,384,363

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

	2009	2008
	HK$'000	*HK$'000*
Current to 90 days	**5,901,881**	4,180,605
91 to 180 days	**48,316**	111,857
181 to 365 days	**13,466**	38,991
Over 365 days	**59,040**	52,910
	6,022,703	4,384,363

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2009	2008
	HK$'000	HK$'000
Current		
Bank loans – secured	**172,353**	–
Bank loans – unsecured	**1,182,479**	113,572
Advances from banks as consideration for Factored Receivables	**–**	1,665,749
Trust receipt loans – unsecured	**99,888**	125,628
Loans from an associate – unsecured	**241,009**	248,980
Loan from an associate of TCL Corporation – secured	**65,319**	–
	1,761,048	2,153,929
Non-current		
Bank loans – secured	**369,192**	–
	2,130,240	2,153,929
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,454,720**	1,904,949
In the second year	**113,598**	–
In the third to fifth year, inclusive	**255,594**	–
	1,823,912	1,904,949
Loans from an associate repayable:		
Within one year	**241,009**	248,980
Loan from an associate of TCL Corporation repayable:		
Within one year	**65,319**	–
	2,130,240	2,153,929

Notes:

(a) As at 31 December 2009, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) Certain of the Group's bank loans are secured by:

(i) pledge of the Group's prepaid land lease payments, buildings and plant and machinery situated in the PRC, which had aggregate carrying values at the end of the reporting period of approximately HK$24,277,000 (2008: Nil), HK$248,507,000 (2008: Nil) and HK$116,279,000 (2008: Nil), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$86,725,000 (2008: Nil).

(c) The loan due to the associate of TCL Corporation is secured by the Pledged Interest.

(d) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$1,702,188,000 (2008: HK$113,572,000) as at the end of the reporting period.

13. DUE TO TCL CORPORATION/T.C.L. INDUSTRIES

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

The amounts are unsecured and are repayable within one year except for an amount of HK$85,198,000 (2008: Nil) due to TCL Corporation which was secured by certain of the Group's buildings and prepaid land lease payments with net book values of approximately HK$88,386,000 and HK$14,264,000, respectively. The amounts are interest-free, except for the amounts of HK$44,259,000 and HK$85,198,000 due to TCL Corporation which bear interest at fixed rates of 5.97% per annum and 5.31% per annum, respectively (2008: an amount of HK$4,694,000 due to TCL Corporation which bore interest at 5.40% per annum, being the loan interest rate offered by the Export-Import Bank of China, and an amount of HK$24,920,000 due to T.C.L. Industries which bore interest at 3.08% per annum).

14. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 (2008: 22,000,000,000) shares of HK$1.00 each (2008: HK$0.10 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,011,840,056 (2008: 10,218,266,345) shares of HK$1.00 each (2008: HK$0.10 each)	**1,011,840**	1,021,827

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

(a) On 23 January 2009, 10 ordinary shares of HK$0.10 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$1.00 each. The authorised share capital of the Company remained at HK$2,200,000,000 but was divided into 2,200,000,000 shares of HK$1.00 each.

(b) During the year, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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*
June 2009	15,454,000	3.08	2.25	42,190	152	42,342
July 2009	4,040,000	3.30	3.09	13,183	81	13,264
	19,494,000			55,373	233	55,606

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

(c) The subscription rights attaching to 4,266,884 share options and 5,240,538 share options were exercised at the subscription prices of HK$2.45 and HK$6.30 per share, respectively, resulting in the issue of 9,507,422 shares of HK$1.00 each for a total cash consideration, before expenses, of HK$43,469,000.

(d) On 6 February 2008 (the "Adoption Date"), the Board of the Company approved a 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 the Selected Employees 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.

The following Awarded Shares were outstanding under the Award Scheme during the year:

	2009 **Number of Awarded Shares** *'000*
At 1 January	35,816
Adjustment arising from the share consolidation	(32,234)
Purchased during the year *(Note i)*	9,224
Awarded and Vested *(Note ii)*	(4,847)
At 31 December	7,959

Notes:

(i) During the year, the Trustee purchased 9,224,000 Awarded Shares (2008: 35,816,000) at a total cost (including related transaction costs) of HK$19,201,000 (2008: HK$7,808,000).

(ii) During the year, 4,847,023 Awarded Shares (2008: Nil) were granted to certain Selected Employees as settlement of their performance bonuses for the year ended 31 December 2008. The fair value of the Awarded Shares on the date of grant was HK$2.744 per share.

BUSINESS REVIEW

2009 was a crucial year for the development of the TV industry. The rising popularity of LCD TVs led the market to transit rapidly from CRT TVs to LCD TVs. Although the global economy was volatile due to the financial tsunami, the Group succeeded in turning crises into opportunities and achieved sound results. The Group implemented highly efficient operational strategies to strengthen its business foundation and seize opportunities to increase market share. The Group also reached its target for steady growth amidst intense market competition through continuous efforts in enhancing product competitiveness. For the year ended 31 December 2009, the Group's turnover increased by 17.7% year-on-year to HK$30,343 million. The Group achieved a turnaround in 2009 to HK$397 million profit, as compared with HK$268 million loss in 2008. Basic earnings per share was HK39.15 cents (2008: basic loss per share HK36.15 cents).

Confronted with intense industry competition, the Group continued to improve product quality and research and development capability to meet consumers' demand with an optimized product mix. Together with stringent cost control and risk management measures, the Group maintained its leadership in the TV market. Meanwhile, the Group also implemented prudent financial strategies to strengthen its working capital management and to reduce financial expenses and risks, which laid a solid financial foundation for the business development.

Moreover, the Group is committed to further reducing production costs and increasing overall operational capacity through vertical integration. The LCD TV Integration Plant located in Huizhou, the PRC, commenced operation in September, 2009. With this additional production annual capacity of 5 million sets, the Group's overall LCD TV production capacity has been greatly enhanced. It is the one of the largest, independent invested LCD TV integration projects in the PRC equipped with the most advanced and comprehensive technologies, representing a key step forward in the Group's industry competitiveness.

TV Sales

During the year under review, the Group's LCD TV sales volume reached 8.37 million sets, a remarkable increase of 100.1% over last year. It achieved record high annual sales volume and the growth rate substantially exceeded the market average. LCD TV sales volume accounted for 58.8% of the total TV sales in 2009, versus 29.1% in 2008. Moreover, LCD TV sales volume in the PRC Market for 2009 soared by 215.8% to 4.63 million sets compared to last year. This demonstrated the gradual success of the Group's product mix strategy and decisive shift to the LCD product line.

With the popularity of digital signal broadcasting, the Group launched 117 new TV models according to market trend and demand, including flagship products – blue ray TV and Internet TV. The Group's blue ray TV supports USB multi-format and 1080P Full HD display, while Internet TV integrates film, entertainment, education and information experiences all in one TV set that meet the diversified demand of users. The Group continued to enhance its in-house developed "Natural Light" technology, together with "Circularly Polarized Light" and "Dynamic Backlight", these cutting-edge technologies can upgrade picture quality, save energy and protect viewers' eyesight, thus dramatically enhancing the competitiveness of the Group's products.

Over the years, the Group has strived to enhance its innovative capability to increase its brand value and further fortify its leading position in the PRC Market. Numerous breakthroughs in TV core technologies were achieved, including "Natural Light", 3D display and Internet TV technology. According to a joint research study by RREEF, Global Billboard and Beijing Famous-Brand Evaluation Co. Ltd., TCL maintained the No.1 TV brand position among the "Most Valuable Brand in the PRC" in 2009 with a brand value of RMB41.7 billion. At the same time, the Group not only maintained its No.1 position in the PRC TV market for six consecutive years, but also its LCD TV market share in the PRC Market increased from 11.0% in 2008 to 15.8% in 2009 and was ranked No.3 (DisplaySearch 2009 Data).

Sales volumes by region are indicated below:

	2009 ***('000 sets)***	2008 *('000 sets)*	**Change**
LCD TVs	**8,373**	4,184	+100.1%
– PRC	**4,629**	1,466	+215.8%
– Overseas	**3,744**	2,718	+37.7%
CRT TVs	**5,865**	10,182	(42.4%)
– PRC	**2,968**	5,382	(44.9%)
– Overseas	**2,897**	4,800	(39.6%)
Total TV sales volume	**14,238**	14,366	(0.9%)
AV products	**21,291**	16,893	+26.0%

The PRC Market

Benefiting from the market transition from CRT TVs to LCD TVs and continuous expansion of the "Household Appliances Subsidy Scheme", "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances" supporting policies, the Group continued to maintain strong growth in the PRC Market for the year under review. A total of 176 TV products of the Group were approved as the subsidized items during the four phases of "Household Appliances Subsidy Scheme" bidding, driving up the sales of third and fourth tier cities in the PRC. Meanwhile, "Home Appliances Replacement Scheme" would help facilitate the replacement of appliances in first and second tier cities. LCD TV sales volume from the PRC Market in 2009 account for 55.3% of the Group's total LCD TV sales volume this year compared to 35.0% last year, indicating the PRC Market remained the main driver of the Group's business growth in the year.

The Group launched an Internet TV lineup including P10、C10、X10、E9、F19、S10 and V10 models and LED back-light TV in the PRC Market during the fourth quarter of 2009. Both have received enthusiastic responses from the market. As a result, Internet TV sales volume became a significant part of the total LCD TV sales volume in the PRC Market and contributed to the Group's income.

Overseas Market

European Markets

The Group's LCD TV sales volume in Western Europe doubled compared with last year, driven mainly by successful marketing of Internet TV in France and continuous sales growth of the TCL brand LCD TVs. Meanwhile, sales in many Eastern European countries, such as Poland and Norway, recorded satisfactory growth. In 2009, total sales volume of LCD TVs in European Markets increased by 77.5% over the previous year, attributable to the growing popularity of Digital Video Broadcasting – Terrestrial ("DVB-T") (MPEG-4) technology in this region. The Group continued to implement cost control measures and exercised stringent risk control while striving for business growth.

North American Markets

Despite North American economy was slowly recovering, high unemployment rate and flat consumer personal expenditures contributed to a challenging environment for the Group's operations in the region. In 2009, however, sales to major retail chains continued to increase with the Group's enhanced marketing efforts and its brand power. Despite supply shortages of 32", 40" and 42" LCD TV panels in the second and third quarters, LCD TV sales volume in 2009 still advanced by 58.4% over the previous year. The Group's 32" LCD TV production lines in Mexico were relocated to Huizhou, the PRC so as to enhance the efficiency of the supply chain and to improve product quality. Moreover, manufacturing costs can be reduced, offsetting the impact of rising panel costs on profit margin. Execution of after-sales support service was transferred to a leading American after-sales solutions provider. The move not only optimized the delivery of these services and lowered costs, but also raised customers' satisfaction levels.

Emerging Markets

In order to promote its brand image, the Group has set up flagship stores and image shops in key areas of the Emerging Markets. It participated in the "Road of Asia" marketing campaign across 16 countries and regions to increase its brand and product awareness. Through an online torch relay program and sponsorship of major sporting events, the Group successfully generated greater exposure of its brand and adopted sports marketing strategies which helped boost sales. During the review period, LCD TV sales volume recorded a phenomenal growth rate of 316.5% over the previous year. CRT TV business also achieved healthy growth and maintained within the top three position in the CRT TV market (DisplaySearch Data). Gross margin increased to 12.3% from 11.5% in the previous year due to supply chain optimization and vigorous cost control measures.

Strategic OEM

The Group dedicated itself to providing Strategic OEM customers with competitively priced and highly vertically integrated product supply solutions and to actively develop new customers. In addition, to meet rigid energy-savings requirements for appliances in different regions, the Group has adopted the Energy Using Products ("EuP") Code and Electronic Industry Code of Conduct ("EICC"). Further, it continued to optimize its supply chain and streamline production in order to improve product quality and lower manufacturing costs.

AV Products

During the year under review, both sales volume and turnover of the AV business hit record highs. The Group enhanced R&D efforts on AV products, which resulted in making a significant breakthrough in its technology and design. Sales volume of AV products increased 26.0% to 21.29 million sets from 16.89 million sets in the previous year and turnover increased 34.3%. The Group's AV business unit introduced a total of 408 AV product models during the year, including DVD, PDVD, BD and AUDIO. According to Techno Systems Research Co., Ltd., sales volume of the Group's DVD products has remained the highest in the world since 2007. Furthermore, the operation efficiency of AV business unit had been significantly enhanced. Operating profit for AV Products jumped 76.1% and became another major contributor to the Group's overall business.

R&D

As a leading TV manufacturer in the PRC, the Group has relentlessly dedicated resources to research and development and has striven hard to improve the design, features and technology of its products to meet customers' needs. At the same time, it established an in-depth cooperation and carried out joint design concept with major parts suppliers to improve the efficiency in product development and to reduce the product development cycle. The core competencies of its product development and R&D capabilities are best exemplified by the launch of DVB-T high-definition TV in Europe, the introduction of products in North America complying with CEE2.0 energy specifications, the overwhelming response to Internet TV in the PRC Market and the introduction of 3D TV which does not require special glasses to enjoy 3D effects.

Outlook

Although uncertainty still pervades the global TV industry, opportunities lie ahead in tandem with challenges. The gradually recovering global economy and the replacement cycle in the PRC TV Market create a golden growth age for TV manufacturers. Moreover, the PRC government will step up its efforts on the "Household Appliances Subsidy Scheme" which will accelerate sales growth of high-end TV products and become a catalyst for the Group's TV sales growth. Meanwhile, supporting policies like the "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances" will accelerate the transformation towards LCD TV and boost demand in the first and second tier cities. The PRC government plans to connect the telecommunications network, broadcasting network and the Internet before 2015 which will create ample business opportunities for the TV industry. With the Group's leading position in the Internet TV sector, the Group is set to retain its prominent position in the market.

The Group will focus on enhancing its competitiveness through highly efficient operation. Additionally, the Group will also strives to seek improvements in its marketing strategies, channels, production capacity, products and costs with an aim to enhance its operating results and create greater value for its shareholders. In addition, the Group will also enhance the integration of LCD, LED supply chain and LCD module technics. The new LCD TV Integration Plant had commenced operation in September 2009. The Group can expand production capacity, lower costs, increase efficiency and enhance core competitiveness through vertical integration. The Group will also strengthen its efforts in LED TV and 3D products and continue to launch innovative products that meet consumers' demand.

In the PRC Market, the Group will leverage its brand power and channel advantages to further enhance products differentiation and industry competitiveness. Moreover, the Group will continue to solidify its leading position in the PRC Market amid the golden growth age of the TV replacement cycle. Meanwhile, with its "TCL" and "ROWA" dual brand advantages, the Group is well positioned to seize business opportunities with mainstream products including Internet TV and LED TV.

While strengthening its business foundation in the PRC Market, the Group is taking initiatives to further enhance its cost structure and efficiency in overseas markets with the target to maintain a stable business growth in long term.

In European Market, the Group will strengthen its efforts in high value-added products including LED TV and fully exploit its local resources from overseas factories. The Group will allocate resources to important markets through its product and regional focused marketing strategies and target to achieve breakthroughs in sales and TCL brand coverage in these markets. The Group will adopt prudent business development plan and launch a new branding strategy in North American Markets. The Group will also diversify its distribution channels to lower costs and increase product competitiveness. In Emerging Markets, the Group will lower business risks through diversified product mix and sales models including channels, original equipment manufacturers (OEM) and agencies. The Group will also continue its business transition from CRT TVs to LCD TVs with its CRT TV market leadership in the Emerging Markets. Furthermore, in order to cater to the market trend in the Emerging Markets, the Group will focus on marketing smaller sized LCD TVs to exploit the customer base. Meanwhile, it will take advantage of opportunities arising from the "2010 Asian Games" and "The World Cup" to generate more sales in South Eastern Asia, Africa and Latin America.

For AV products, the Group will put more resources on the development of blue ray and portable products to meet market needs through a diversified product mix.

Looking ahead, the Group will pursue a proactive approach to its business development. While staying alert to changes in market conditions, it will strive hard to maintain its leading edge in R&D, enhance supply chain management and optimise the distribution network. The Group will create greater value and long-term returns for shareholders by further enhancing its competitive advantages.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

Please refer to note 10.

Liquidity and Financial Resources

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

The cash and bank balance as at the year end amounted to HK$2,078,724,000, of which 5.8% was maintained in Hong Kong dollars, 40.2% in US dollars, 44.5% in Renminbi, 2.8% in Euro and 6.7% 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 2008 and there was no asset held under finance lease at the year end.

At the year end, the Group's gearing ratio was 2.6% which is calculated based on the Group's net borrowing of approximately HK$94,248,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$3,620,679,000. The maturity profile of the borrowings is from one to five years.

Pledge of Assets

Please refer to notes 12 and 13.

Capital Commitments and Contingent Liabilities

At the end of the reporting period, the Group had the following capital commitments:

	2009	2008
	HK$'000	*HK$'000*
Contracted, but not provided for	**89,172**	33,083
Authorised, but not contracted for	**275,631**	4,299
	364,803	37,382

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. (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$96.7 million). During the latest hearing, the former employees had failed to disclose any document in support of their claims. The hearing was postponed to 1 July 2010.

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 emphasises 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 31,063 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 the Company's 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 26,682,222 shares remained outstanding at the end of the reporting year.

Award Scheme was also adopted by the Company pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the year under review, the Company repurchased 19,494,000 shares on the Stock Exchange at an aggregate price of HK$55,373,000. 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 12,805,600 shares as Awarded Shares for the benefit of its employees, out of which 9,224,000 shares at an aggregate amount of about HK$19,201,000 were purchased by the Company during the year under review. During the reporting period, 4,847,023 Awarded Shares at purchase price and the related expenses of about HK$9,859,000 were awarded and vested.

FINAL DIVIDENDS

The Board has declared a final dividends, for the year ended 2009, of HK 12.00 cents (2008: Nil) in cash per share.

Subject to approval at the forthcoming annual general meeting, the said final dividends will be payable on or about Thursday, 20 May 2010 to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on Monday, 10 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, 6 May 2010 to Monday, 10 May 2010 (both dates inclusive), during the said period no transfer of shares will be registered. In order to qualify for the aforesaid final dividends, all transfers of shares with relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for shares registration not later than 4:30 p.m. on Wednesday, 5 May 2010.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2009, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009, 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 by directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 10 March 2010

As at the date of this announcement, the Board comprises LI Dongsheng, YU Guanghui, LEONG Yue Wing, SHI Wanwen, HUANG Xubin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior as a non-executive director and TANG Guliang, Robert Maarten WESTERHOF and WU Shihong as independent non-executive directors.