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 2010

FINANCIAL HIGHLIGHTS
Results for the year ended 31 December

	2010 *(HK$M)*	2009 *(HK$M)*	**Change**
Turnover	**26,949**	30,343	(11.2%)
Gross profit	**3,765**	4,924	(23.5%)
Operating profit/(loss)	**(591)**	702	N/A
Profit/(loss) attributable to owners of the parent	**(983)**	397	N/A
Basic earnings/(loss) per share *(HK cents)*	**(92.05)**	39.15	N/A

HIGHLIGHTS

- For the year ended 31 December 2010, the Group recorded HK$26,949 million in turnover, representing a 11.2% drop from the same period last year. Gross profit was down 23.5% year-on-year. Operating loss amounted to HK$591 million while loss attributable to owners of the parent company totalled HK$983 million.

- Operational and financial performance was improved in the fourth quarter. HK$143 million in operating profit was recorded in the fourth quarter, which mitigated the operating loss for the whole year.

- In 2010, the Group's LCD TV sales volume dropped 10.9% year-on-year to 7.46 million sets. However, LCD TV sales volume in the PRC Market was up 10.7% year-on-year.

- Maintained leading position in the PRC Internet TV market with market share of 23.5%. Stepped up efforts to promote LED backlight LCD TV products in the second half of the year, the sales volume of LED backlight LCD TVs in proportion to total LCD TV sales volume was 27.6% in December.

- The Group's LCD TV sales volume in Emerging Markets made a breakthrough with a significant year-on-year growth of 194.2%.

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 2010 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	
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**26,948,627**	30,342,550	**7,853,673**	9,245,016
Cost of sales		**(23,183,562)**	(25,418,948)	**(6,523,327)**	(7,937,990)
Gross profit		**3,765,065**	4,923,602	**1,330,346**	1,307,026
Other revenue and gains		**561,632**	244,569	**215,518**	62,029
Selling and distribution costs		**(3,769,186)**	(3,261,763)	**(997,085)**	(756,523)
Administrative expenses		**(710,695)**	(897,374)	**(190,926)**	(259,682)
Research and development costs		**(205,745)**	(222,755)	**(49,753)**	(66,706)
Other operating expenses		**(231,798)**	(84,133)	**(165,369)**	(21,361)
		(590,727)	702,146	**142,731**	264,783
Finance costs	5	**(233,185)**	(127,323)	**(85,570)**	(51,539)
Share of profits and losses of:					
Jointly-controlled entities		**(5,860)**	(6,507)	**8,713**	412
Associates		**(5,472)**	3,103	**5,446**	643
PROFIT/(LOSS) BEFORE TAX	6	**(835,244)**	571,419	**71,320**	214,299
Income tax expense	7	**(138,169)**	(167,359)	**(59,926)**	(47,095)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**(973,413)**	404,060	**11,394**	167,204
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**109,475**	(44,410)	**56,798**	25,777
Release upon disposal and liquidation of subsidiaries		**(10,074)**	(17,043)	**(10,074)**	5,364
Release upon disposal of an associate		**(21)**	–	**–**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**99,380**	(61,453)	**46,724**	31,141
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**(874,033)**	342,607	**58,118**	198,345

	Notes	Twelve months ended 31 December 2010 HK$'000	2009 HK$'000	Three months ended 31 December 2010 HK$'000	2009 HK$'000
Profit/(loss) attributable to:					
Owners of the parent		**(983,161)**	396,523	**7,990**	166,410
Non-controlling interests		**9,748**	7,537	**3,404**	794
		(973,413)	404,060	**11,394**	167,204
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**(887,458)**	335,151	**53,012**	197,504
Non-controlling interests		**13,425**	7,456	**5,106**	841
		(874,033)	342,607	**58,118**	198,345
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK(92.05) cents**	HK39.15 cents		
Diluted		**HK(92.05) cents**	HK39.13 cents		

Details of the dividends are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2010** *HK$'000*	31 December 2009 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,497,821**	1,603,372
Prepaid land lease payments		**106,207**	70,944
Goodwill		**119,638**	119,638
Other intangible assets		**965**	2,492
Investments in jointly-controlled entities		**9,268**	109,772
Investments in associates		**165,027**	99,183
Available-for-sale investments		**6,677**	1,182
Deferred tax assets		**25,736**	19,504
Total non-current assets		**1,931,339**	2,026,087
CURRENT ASSETS			
Inventories		**4,925,369**	4,917,896
Trade receivables	10	**3,236,589**	4,078,239
Bills receivable		**2,180,665**	822,115
Other receivables		**1,537,322**	832,630
Tax recoverable		**3,326**	13,530
Pledged deposits		**2,374,328**	86,725
Cash and bank balances		**2,132,619**	2,078,724
		16,390,218	12,829,859
Non-current assets classified as held for sale	11	**179,096**	65,215
Total current assets		**16,569,314**	12,895,074
CURRENT LIABILITIES			
Trade payables	12	**5,289,926**	6,022,703
Bills payable		**1,310,418**	683,076
Other payables and accruals		**2,371,266**	1,784,480
Interest-bearing bank and other borrowings	13	**4,863,517**	1,761,048
Due to TCL Corporation	14	**590,059**	129,457
Due to T.C.L. Industries	14	**–**	38,146
Tax payable		**173,591**	163,458
Provisions		**367,284**	221,796
Total current liabilities		**14,966,061**	10,804,164
NET CURRENT ASSETS		**1,603,253**	2,090,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,534,592**	4,116,997

	Notes	**31 December 2010** *HK$'000*	31 December 2009 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,534,592**	4,116,997
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**265,143**	369,192
Deferred tax liabilities		**12,994**	11,818
Pensions and other post-employment benefits		**6,798**	23,522
Total non-current liabilities		**284,935**	404,532
Net assets		**3,249,657**	3,712,465
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**1,086,425**	1,011,840
Reserves		**2,058,021**	2,487,418
Proposed final dividends		**–**	121,421
		3,144,446	3,620,679
Non-controlling interests		**105,211**	91,786
Total equity		**3,249,657**	3,712,465

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 Standard ("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

Basis of consolidation from 1 January 2010

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were 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 were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2. CHANGES IN ACCOUNTING POLICIES 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of future acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009*

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in the PRC, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in the PRC remained as operating leases. As the Group's current accounting policy for leases in Hong Kong aligns with the requirements of HKAS 17 and HK Interpretation 4, the amendments have no financial impact on the Group.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions"). The changes resulting from the Amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

    In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

    The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their geographical television segments and other product types and has three reportable operating segments 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 markets

(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 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.

	Television – PRC market		**Television – Overseas markets**		**AV**		**Others**		**Eliminations**		**Consolidation**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**15,790,369**	15,864,796	**6,878,761**	10,424,690	**3,573,778**	3,819,373	**705,719**	233,691	**–**	–	**26,948,627**	30,342,550
Intersegment sales	**2,528,666**	2,984,484	**5,621**	1,030	**29,238**	47,692	**26,426**	10,667	**(2,589,951)**	(3,043,873)	**–**	–
Total	**18,319,035**	18,849,280	**6,884,382**	10,425,720	**3,603,016**	3,867,065	**732,145**	244,358	**(2,589,951)**	(3,043,873)	**26,948,627**	30,342,550
Segment results	**(492,021)**	506,224	**(344,994)**	96,032	**203,765**	192,207	**131,600**	1,510	**–**	–	**(501,650)**	795,973
Bank interest income											**41,783**	14,566
Corporate expenses											**(130,860)**	(108,393)
Finance costs											**(233,185)**	(127,323)
Share of profits and losses of:												
Jointly- controlled entities	**(7,822)**	(6,418)	**1,962**	(89)	**–**	–	**–**	–	**–**	–	**(5,860)**	(6,507)
Associates	**(9,849)**	53	**–**	–	**–**	–	**4,377**	3,050	**–**	–	**(5,472)**	3,103
Profit/(loss) before tax											**(835,244)**	571,419
Income tax expense											**(138,169)**	(167,359)
Profit/(loss) for the year											**(973,413)**	404,060

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**178,324**	108,418
Loans from TCL Corporation	**45,478**	13,884
Loan from T.C.L. Industries	**–**	640
Loans from an associate	**9,383**	10,195
Loan from an associate of TCL Corporation	**–**	1,630
Less: interests capitalised	**–**	(7,444)
Total	**233,185**	127,323

6. PROFIT/(LOSS) BEFORE TAX

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

	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**23,160,888**	25,400,661
Depreciation	**234,480**	236,165
Research and development costs	**251,706**	285,073
Less: Government grants released*	**(45,961)**	(62,318)
	205,745	222,755
Amortisation of other intangible assets	**1,579**	4,161
Minimum lease payments under operating leases in respect of land and buildings	**94,065**	116,328
Amortisation of prepaid land lease payments	**2,490**	2,339
Auditors' remuneration	**19,464**	19,612
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**1,375,760**	1,325,391
Equity-settled share option expense	**5,840**	15,146
Defined contribution expense	**109,456**	113,676
Defined benefit expense	**149**	2,424
	1,491,205	1,456,637

	2010	2009
	HK$'000	*HK$'000*
Foreign exchange differences, net	**(52,106)**	(46,330)
Impairment of items of property, plant and equipment	**14,740**	9,830
Impairment of other intangible assets	**–**	10,327
Impairment of trade receivables	**41,478**	30,156
Write-down of inventories to net realisable value	**78,352**	29,370
Fair value losses on derivative instruments, net – transactions not qualifying as hedges	**16,508**	7,323
Realised gains on settlement of derivative financial instruments	**(78,601)**	–
Net rental income	**(7,722)**	(10,446)
Bank interest income	**(41,783)**	(14,566)
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	**(6,971)**	7,884
Gain on disposal of subsidiaries	**(108,330)**	(45,333)
Gain on liquidation of subsidiaries	**(1,168)**	(20,390)
Gain on disposal of an associate	**(2,474)**	–
Provision for warranty, restructuring costs and legal claims, net	**271,412**	330,286

Note:

* 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.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**14,440**	1,914
Underprovision in prior years	**406**	1,291
Current – Elsewhere		
Charge for the year	**138,251**	167,201
Overprovision in prior years	**(11,011)**	(997)
Deferred	**(3,917)**	(2,050)
Total tax charge for the year	**138,169**	167,359

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year. For the year ended 31 December 2009, the final dividend proposed was HK12.00 cents per ordinary share and the total amounts proposed and paid are HK$121,421,000 and HK$129,360,000 respectively.

9. 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:

	2010	2009
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	**(983,161)**	396,523

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	**1,068,067,572**	1,012,951,810
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	**–**	373,745
Weighted average number of ordinary shares in issue during the year used in diluted earnings/(loss) per share calculation	**1,068,067,572**	1,013,325,555

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2010 in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented.

10. TRADE RECEIVABLES

	2010 *HK$'000*	2009 *HK$'000*
Due from third parties	**2,763,117**	4,230,901
Provision for impairment	**(242,455)**	(234,330)
	2,520,662	3,996,571
Due from related parties:		
Companies controlled by TCL Corporation	**399,598**	29,827
Associates of TCL Corporation	**3,400**	15,608
Jointly-controlled entities	**42,541**	36,233
Associates	**270,388**	–
	715,927	81,668
	3,236,589	4,078,239

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.

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:

	2010 *HK$'000*	2009 *HK$'000*
Current to 90 days	**2,958,042**	3,844,734
91 to 180 days	**233,942**	151,073
181 to 365 days	**28,278**	68,688
Over 365 days	**16,327**	13,744
	3,236,589	4,078,239

Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2010, trade receivables factored to banks aggregated to HK$150,509,000 (2009: HK$1,275,582,000) and of which HK$150,509,000 (2009: HK$1,144,740,000) were derecognised 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 relevant factored receivables to banks as at 31 December 2010.

11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		2010	2009
		HK$'000	*HK$'000*
An available-for-sale investment	(a)	**65,215**	65,215
Property, plant and equipment	(b)	**15,137**	–
Investment in a jointly-controlled entity	(c)	**98,744**	–
		179,096	65,215

Notes:

(a) The balance represents the Group's 25% equity interest (the "Pledged Interest") in TCL Digital Science and Technology (Wuxi) Company Limited ("TCL Wuxi") which was pledged in favour of Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd. ("Tianjin Vantone"), an associate of TCL Corporation ("TCL Corporation"), as a security for a loan of HK$65,319,000 (the "Trust Loan") advanced to the Group as at 31 December 2009.

On 27 October 2010, the Trust Loan was fully repaid by the Group and the legal charge over the Pledged Interest was released on 14 December 2010. The Group and Tianjin Vantone further entered into a transfer agreement on 12 December 2010 and pursuant to which, the Group will transfer the Pledged Interest to Tianjin Vantone at a consideration of RMB57,500,000 (equivalent to approximately HK$67,759,000) (the "Share Transfer"). As the completion of the Share Transfer was subject to certain legal procedures as at 31 December 2010, the Pledged Interest was classified as non-current assets held for sale and included as current asset in the condensed consolidated statement of financial position as at 31 December 2010.

(b) On 30 November 2010, TCL-Thomson Electronics (Thailand) Co., Ltd., a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party for the disposal of certain items of property, plant and equipment (the "Disposal Assets") at an aggregate consideration of US$8,300,000 (equivalent to approximately HK$64,600,000).

Pursuant to the S&P Agreement, the disposal will be completed after the completion of the necessary legal procedures in respect of the change in ownership of the Disposal Assets.

As at 31 December 2010, the Disposal Assets with an aggregate carrying amount of HK$15,137,000, which will be transferred to the independent third party upon the completion of the S&P Agreement, were 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 2010.

(c) Pursuant to the board resolution of a jointly-controlled entity of the Company – Henan TCL-Melody Electronics Co., Ltd. ("Henan TCL-Melody") on 18 May 2010, it was resolved that Henan TCL-Melody should be dissolved by way of voluntary liquidation. Completion of the liquidation took place on 21 January 2011. As the liquidation plan was approved before 31 December 2010, the Group's investment in Henan TCL-Melody, with a carrying amount of HK$98,744,000, was classified as non-current assets held for sale and included as current asset in the condensed consolidated statement of financial position as at 31 December 2010.

12. TRADE PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Due to third parties	**3,606,434**	4,867,728
Due to related parties:		
Companies controlled by TCL Corporation	**1,017,110**	850,878
Associates of TCL Corporation	**5,297**	124,804
Jointly-controlled entities	**130,204**	179,293
Associates	**530,881**	–
	1,683,492	1,154,975
	5,289,926	6,022,703

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

	2010	2009
	HK$'000	*HK$'000*
Current to 90 days	**5,153,743**	5,901,881
91 to 180 days	**84,745**	48,316
181 to 365 days	**7,748**	13,466
Over 365 days	**43,690**	59,040
	5,289,926	6,022,703

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010	2009
	HK$'000	*HK$'000*
Current		
Bank loans – secured	**2,387,130**	172,353
Bank loans – unsecured	**1,719,415**	1,182,479
Advances from banks as consideration for discounted bills – secured	**79,232**	–
Trust receipt loans – unsecured	**519,299**	99,888
Loans from an associate – unsecured	**158,441**	241,009
Loan from an associate of TCL Corporation – secured	**–**	65,319
	4,863,517	1,761,048
Non-current		
Bank loans – secured	**265,143**	369,192
	5,128,660	2,130,240
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,705,076**	1,454,720
In the second year	**117,842**	113,598
In the third to fifth year, inclusive	**147,301**	255,594
	4,970,219	1,823,912
Loans from an associate repayable:		
Within one year	**158,441**	241,009
Loan from an associate of TCL Corporation repayable:		
Within one year	**–**	65,319
	5,128,660	2,130,240

Notes:

(a) As at 31 December 2010, 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 amounts at the end of the reporting period of approximately HK$23,853,000 (2009: HK$24,277,000), HK$251,086,000 (2009: HK$248,507,000) and HK$108,379,000 (2009: HK$116,279,000), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$2,374,328,000 (2009: HK$86,725,000).

(c) As at 31 December 2009, the loan due to the associate of TCL Corporation was secured by the Pledged Interest (note 11(a)).

(d) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$1,333,364,000 (2009: HK$1,702,188,000) as at the end of the reporting period.

Breach of loan covenants

As at 31 December 2010, in respect of the bank loans with an aggregate carrying amount of HK$615,181,000 (the "Syndicated Loans"), the Group breached certain of the financial covenants of the relevant loan agreement which are primarily related to the value of the Group's consolidated tangible net worth and the Group's interest coverage ratio. On discovery of the breach, the directors of the Company informed the lenders and commenced negotiation with the relevant banks for a waiver to demand immediate repayment of the outstanding Syndicated Loans as a result of the breach. However, no conclusion was reached up to 31 December 2010.

Since the lenders have not agreed to waive their right to demand immediate payment as at the end of reporting period, the Syndicated Loans have been classified as current liabilities in the condensed consolidated statement of financial position as at 31 December 2010.

Subsequent to the reporting period, on 23 February 2011, the Group successfully obtained the necessary consent from the majority of the lenders for the Group's waiver request.

14. 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$88,381,000 (2009: HK$85,198,000) due to TCL Corporation which was secured by certain of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately HK$83,387,000 and HK$12,341,000, respectively (2009: HK$88,386,000 and HK$14,264,000, respectively). The amounts are interest-free, except for the amounts of HK$501,678,000 and HK$88,381,000 due to TCL Corporation which bear interest at fixed rates of 5.87% to 6.05% per annum and 5.31% per annum, respectively (2009: amounts of HK$44,259,000 and HK$85,198,000 due to TCL Corporation which bore interest at fixed rates of 5.97% per annum and 5.31% per annum, respectively).

15. SHARE CAPITAL

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 (2009: 2,200,000,000) shares of HK$1.00 each (2009: HK$1.00 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,086,424,827 (2009: 1,011,840,056) shares of HK$1.00 each (2009: HK$1.00 each)	**1,086,425**	1,011,840

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

(a) The subscription rights attaching to 1,138,083 share options and 1,446,688 share options were exercised at the subscription prices of HK$2.45 and HK$6.30 per share, respectively, resulting in the issue of 2,584,771 shares of HK$1.00 each for a total cash consideration of HK$11,903,000 (before expenses).

(b) On 22 March 2010, the Company, T.C.L. Industries and certain placing agents entered into a placing and subscription agreement (the "Shares Agreement") and pursuant to which, T.C.L. Industries placed 72 million existing shares of the Company through the placing agents at a price of HK$7.43 each (the "Placing") and subscribed for 72 million new shares of the Company at the same price of HK$7.43 each (the "Subscription"). Completion of the Placing and the Subscription took place on 25 March 2010 and 1 April 2010, respectively, and the Company raised a total of HK$534,960,000 (before expenses).

BUSINESS REVIEW

The year 2010 was a year fraught with challenges for the Group. Intense market competition, restructuring of the Group's business in North America, and adjustment to the customer base of its strategic OEM business have contributed to a decline in its total TV sales volume. At the same time, the sales in the PRC Market were below target due to the overly optimistic forecast of the PRC's TV industry, resulting in a high inventory level at the beginning of the year. In addition, during the first half of the year, the Group failed to seize the opportunity brought by the market transition from CCFL LCD TVs to LED backlight LCD TVs. Therefore, it lowered the selling prices of obsolete TV models to clear the inventory and increased the proportion of LED backlight LCD TV products, which caused tremendous pressure on gross margin and operating loss in 2010. For the year ended 31 December 2010, the Group recorded HK$26,949 million in turnover, down by 11.2% year-on-year. Gross profit decreased by 23.5% year-on-year to HK$3,765 million. For the whole year, the Group recorded HK$591 million in operating loss and HK$983 million in loss attributable to owners of the parent company. Basic loss per share amounted to HK92.05 cents (2009: basic earnings per share of HK39.15 cents).

Nonetheless, the Group adopted a proactive and pragmatic approach to respond to the challenges. In September, it appointed a new chief executive officer and decisively implemented a number of strategic measures to boost operational efficiency. By the end of the third quarter, the Group had substantially completed the inventory clearance of obsolete TV models, paving the way for adjustment to its product mix and strategy. Moreover, the Group's joint venture with Taiwan's AU Optronics Corporation ("AU Optronics") commenced mass production of LED backlight modules in August 2010. As a result of its successful product transition and implementation of customer-focused and market-oriented marketing strategy, the sales volume of LED backlight LCD TVs rose from 1.5% of total LCD TV sales in the first half of 2010 to 27.6% in December, the PRC Market performed exceptionally well. With the prompt adjustment to the Group's business strategy, its operational and financial performance in the forth quarter improved gradually and therefore the operating loss for the whole year was reduced.

As Internet TVs will be the future trend for the TV industry, the Group successfully launched the world's first 3D Internet TV during the period under review, further consolidating its leading position in the PRC Internet TV market. Meanwhile, the main plant of 8.5 generation LCD panel production line of Shenzhen Huaxing Photoelectrics Technology Company, Limited ("Huaxing Photoelectrics"), a joint venture between TCL Corporation (the Group's ultimate holding company) and the Shenzhen Municipal Government, was completed ahead of schedule. Together with the backlight modules production line of Shenzhen TCL Optoelectronics Technology Co., Ltd. ("TCL Optoelectronics"), a subsidiary of TCL Corporation, it marks a major step forward in the Group's effort to achieve integration of its upstream and downstream industry value chain as well as transformation and upgrade of the industry, which helps achieve synergy, enhances the Group's competitiveness, and lays a solid foundation for its healthy and sustainable development.

TV Sales

During the period under review, the total sales volume of the Group's LCD TVs decreased by 10.9% compared with last year to 7.46 million sets. This accounted for 57.4% of the total TV sales volume in 2010, a 1.4% drop from 58.8% in 2009. The decline was mainly due to the Group's failure to seize the opportunity brought by the market transition from CCFL LCD TVs to LED backlight LCD TVs in the first half of the year, the restructuring of its North American Markets and adjustment to its strategic OEM customer base. Nevertheless, the Group's sales of LCD TVs rebounded in the fourth quarter, reflecting the success of aggressive implementation of product mix strategy. Coupled with the advantages of the PRC government's economic stimulus policies, such as the "Household Appliances Subsidy Scheme" and the "Home Appliances Replacement Scheme", the LCD TV sales volume in the PRC Market rose by 10.7% year-on-year.

Meanwhile, the Group has stepped up efforts to promote its LED backlight LCD TV products. This resulted in a dramatic increase in the sales volume of LED backlight LCD TVs in proportion to the total sales volume of LCD TV products for the second half of the year. In December, approximately 270,000 sets of LED backlight LCD TVs were sold, accounting for 27.6% of the total sales volume of LCD TVs. The Group has also made relentless efforts to improve product quality, strengthen its research and development, and optimize its product mix to fulfil customers' needs. During the year, 66 new TV models were launched, including three 3D TV series, eight LED backlight LCD TV series, the innovative CCFL V10 model, and the Super-slim LCD TV P60 and P50 series.

The Group is continuously striving for innovation to lift its brand equity and fortify its leading position in the PRC and international markets. In the 44th International Consumer Electronics Show, TCL ranked 25th among the "Top 50 Global Consumer Electronics Brands" and No.6 on the list of "Global TV Brands". At the same time, the brand was awarded "Top 10 Chinese Consumer Electronics Brands" and "Top 20 Global TV Brands" for the fifth consecutive years. It was also named "The World's Quality Flat TV of the Year" and the "Best Functional 3D TV Award of the Year". All these awards demonstrated TCL's strength in the consumer electronics industry. The Group's market share ranked No. 2 in the PRC TV market. Its LCD TV market share in the PRC market was 13.6% and was ranked No. 3 in the PRC market (DisplaySearch, 2010).

Sales volumes by region are indicated below:

	2010 *('000 sets)*	2009 *('000 sets)*	**Change**
LCD TVs	**7,464**	8,373	(10.9%)
Of which: LED backlight LCD TVs	**843**	–	N/A
– PRC	**5,124**	4,629	+10.7%
– Overseas	**2,340**	3,744	(37.5%)
CRT TVs	**5,548**	5,865	(5.4%)
– PRC	**1,947**	2,968	(34.4%)
– Overseas	**3,601**	2,897	+24.3%
Total TV Sales Volume	**13,012**	14,238	(8.6%)
Total AV Products Sales Volume	**15,893**	21,291	(25.4%)

The PRC Market

In response to the inventory issue, the Group started clearance of its inventory of obsolete TV models in the second quarter and substantially completed the inventory clearance in the third quarter. The Group also proactively adjusted its product mix and strategy in view of the market transition to LED backlight LCD TVs and stepped up efforts to promote its LED backlight LCD TVs, which resulted in a gradual improvement in the sales volume of its LED backlight LCD TVs in the PRC Market in the second half of the year, the sales volume accounted for 26.5% of the total LCD TV sales volume of products in December. In the fourth quarter, the gross profit margin for LCD TVs in the PRC Market was also improved. In addition, during the period under review, the Group grasped the opportunity brought by the TV transition in the PRC Market and it benefited from stimulus policies such as the "Household Appliances Subsidy Scheme", the "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances Scheme". As a result, the Group managed to record sales growth in the PRC Market in 2010 in spite of intensifying market competition. The total sales volume of LCD TVs for the year rose by 10.7% year-on-year to 5.12 million sets, accounting for 68.6% of the total sales volume of the Group's LCD TVs in 2010, up from 55.3% in 2009.

The Group launched three brand new Internet TV series in the fourth quarter, namely 3D Digital Internet TV P6100 series, Dark Crystal Internet TV V6200 series, and Super-slim LED Internet TV E5200 series. Market response has been very positive. With a market share of 23.5% (China Market Monitor 2010), the Group continued to maintain its leading position in the Internet TV market. The Group believes the proportion of its Internet TV sales to the total LCD TV sales volume will continue to rise and make an encouraging revenue contribution to the Group.

Overseas Markets

Emerging Markets

Emerging Markets have become a key growth driver and revenue source for the Group's overseas business, the LCD TV sales volume of the year 2010 rose sharply by 194.2% year-on-year with record-breaking sales growth in Asian Markets, African Markets and Latin American Markets. With strong demand for LCD TVs in the Emerging Markets and the rapid transition from LCD TVs to LED backlight LCD TVs in certain markets, the Group saw notable increase in its LED backlight LCD TV sales. During the period under review, the Group also successfully developed customer bases in India, Brazil and Australia. In addition, the success of its marketing and promotional strategies targeting major international sport events, including the "Asian Games" and the "World Cup", has not only boosted sales, but also strengthened its brand reputation.

European Markets

During the period under review, the Group actively promoted TCL-branded TV products and introduced its LED backlight LCD TV products to keep pace with the market trend by focusing on expansion strategies for key markets and customers. This led to a significant increase in its market share in France, Spain and Switzerland and the sales of TCL-branded products. Therefore, the LCD TV sales volume for the whole year in Europe rose by 27.5%. Meanwhile, the Group's aggressive inventory clearance for obsolete TV models had been substantially completed while the inventory was maintained at a healthy level. In addition, in light of the foreign exchange volatility in the Euro zone during the period, the Group adopted measures to hedge against the Euro dollars to reduce the impact of currency exchange risks to the Group. The Group continued to implement cost control measures and adopt stringent risk control management to sustain business growth in European Markets.

North American Markets

The Group ceased the sale of RCA-branded TVs in line with its brand strategy alignment in the second quarter. TV sales volume in the North American Markets, therefore, remained at relatively low level. In addition, the Group has focused on restructuring of its operation and has adopted stringent cost control measures in order to reduce costs, laying a robust foundation for long-term development of TCL-branded TV products.

Strategic OEM

During the period under review, the Group collaborated with a variety of international brands and adjusted its client structure, with a view to diversifying its strategic OEM business customer base. The Group has started collaborating with Toshiba by setting up a joint venture in the PRC to sell Toshiba-branded TV products. Meanwhile, the Group has successfully developed a new online sales channel in partnership with Amazon, the largest Internet-based retailer in the United States.

AV Products

The Group launched 30 new product series in 2010, including DVD, BD, AV and portable products. The sales volume of AV products in 2010 was down by 25.4% year-on-year to approximately 15.89 million sets. The decline was attributable to the shrinking of the traditional DVD player market. During the period under review, the Group took the initiative to enhance product design and improve production efficiency. It also forged strategic alliances with suppliers to work together towards reducing the impact of rising costs while cooperating on new product and customer base development. Thus, the impact on its gross profit margin was minimal.

R&D

In the face of an ever-changing market, the Group strives to engage in R&D to upgrade its product design, functionality and technology in order to offer innovative products that meet the needs of consumers. During the period, the Group launched the polarized, shutter and naked-eye 3D TVs and applied for about 20 patents for its cutting-edge 3D technologies, of which the proprietary intellectual property rights technology for switching 2D & 3D mode has enhanced its competitiveness in 3D products. Additionally, the Group has increased its R&D efforts in LED backlight LCD TV products by launching a wide range of such products in a timely manner to complement further its product portfolio. As a result, the market share of the Group's LED backlight LCD TV products increased significantly. At the same time, the Group has launched the pioneering Super-slim CCFL LCD TV, which was well received by the market but was still inadequate to meet with the growing demand.

Outlook

Going forward, the global TV industry still faces tremendous challenges. The Group will proactively take advantages of the gradual recovery of the world economy and the opportunities brought by the TV replacement cycle in the PRC Market and Emerging Markets. The Group will make full use of its internal and external resources in order to make faster response and enhance operational efficiency. By promoting industry value chain integration and adapting the strategy of migrating to high-end TV products through innovation and research and development, the Group will continue to increase the proportion of LED backlight LCD TVs in its product mix, while further invest in Internet TV and 3D TV businesses to consolidate its leading position in the PRC Market. Additionally, the Group will focus on expanding its overseas businesses in Emerging Markets, make continuous efforts to enhance the brand equity of TCL-branded products, and strive to become a leading TV and consumer electronics brand in the world.

The PRC Market remains the Group's main growth driver. The Group will continue to benefit from market opportunities arising from the PRC government's stimulus policies, such as the "Household Appliances Subsidy Scheme" and the "Home Appliances Replacement Scheme". It will leverage on further promotion of its LED backlight LCD TV business to expand its product portfolio with the aim of enhancing sales and profitability. The Group will also strive to make greater headways to the markets of third- and fourth-tier cities as well as towns and villages. It will further expand its sales network in rural villages and create market-oriented sales channels, so as to capture the growing demand brought by the product migration to high-end TV products in the PRC Market.

While fortifying its business foundation in the PRC Market, the Group will also strive to enhance its overseas business by consolidating supply chains as well as reinforcing localized production and procurement in order to optimize the cost structure for the sake of steady and sustainable growth in business development.

Emerging Markets including Asian Markets, African Markets and Latin American Markets are set to become major contributors to the revenue and growth for the Group's overseas markets. The Group will take full advantage of the opportunities brought by the product migration in these markets and devote more resources to increase its LCD TV market share. In Europe, the Group will continue to move ahead with its prudent business development plans and create a more diversified product portfolio on top of an enhanced business model. In North America, the Group will seek to raise the profile of the TCL brand in line with its brand strategy adjustment. At the same time, it will focus on exploring business opportunities through partnership with established international brands to diversify the customer bases of its strategic OEM business.

In terms of AV products, the Group will expand its BD business and AV business and launch mid-to-high end products to enhance its leading position in the market.

The Group's joint venture with AU Optronics has commenced mass production of LED backlight modules while Huaxing Photoelectrics, a joint venture between TCL Corporation (the Group's ultimate holding company) and the Shenzhen Municipal Government will begin production of the 8.5 generation LCD panels, together with the backlight modules production line of TCL Optoelectronics which will be beneficial to the smooth management of inventories and cost control, as well as further extend its industry value chain to the realm of core components. This vertical integration of the upstream and downstream of the industry value chain will significantly enhance the Group's competitive edge in the industry. The Group will remain vigilant about changes in the market, and will work on comprehensive improvement for its marketing strategies, sales channels, product offerings and cost control. The Group will strive to make faster response and enhance operational efficiency for its core competitiveness and create greater value for shareholders in the long term.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

Please refer to note 11.

Liquidity and Financial Resources

The Group's principal financial instruments comprise of 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$2,132,619,000, of which 4.8% was maintained in Hong Kong dollars, 47.4% in US dollars, 40.9% in Renminbi, 2.6% in Euro and 4.3% 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 2009 and there was no asset held under finance lease as at year end.

As at year end, the Group's gearing ratio was 38.5% which is calculated based on the Group's net borrowing of approximately HK$1,211,772,000 (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$3,144,446,000. The maturity profile of the borrowings ranged from one to four years.

Pledge of Assets

Please refer to notes 13 and 14.

Capital Commitments and Contingent Liabilities

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

	2010	2009
	HK$'000	*HK$'000*
Contracted, but not provided for	**119**	89,172
Authorised, but not contracted for	**4,800**	275,631
	4,919	364,803

Pending Litigation

(a) In December 2007, a claim (the "Labour Claim") was made by a group of former employees of TTE Europe SAS ("TTE Europe") 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 for a total compensation of approximately Euro 27 million (equivalent to approximately HK$279.6 million). The Industrial Tribunal of Boulogne-Billancourt of France has heard the case and the judgment will be released on 4 May 2011.

(b) On 8 November 2010, the official liquidator of TTE Europe (the "Receiver") issued a writ in the Commercial Court of Nanterre against TCL Corporation, the Company and certain other subsidiaries of the Company in respect of an alleged misappropriation or transfer of customers of TTE Europe and the alleged TTE Europe's unjustified assumption of the cost of the employment preservation plan, claiming a total of Euro 38.4 million (equivalent to approximately HK$397.6 million) and relevant interest and expenses. The court has heard the case and is expected to deliver the judgment on 10 March 2011.

(c) On 8 November 2010, the Receiver issued another writ in the Commercial Court of Nanterre against TTE Corporation, a wholly owned subsidiary of the Company, in respect of an alleged inappropriate transfer of shares in TTE Technology Inc. by TTE Europe to TTE Corporation, claiming the payment of Euro 34 million (equivalent to approximately HK$352.1 million) and relevant interest and expenses. The case is now in adjournment and the court will hear the case on 31 March 2011.

    (b) and (c) above are collectively referred to as the Alleged Claims.

At the request of the presiding judge for the Alleged Claims, the Company, together with other co-defendants, has entered into settlement discussions with the Receiver.

It is the general policy of the Group to make appropriate provision based upon the merit and likely outcome of each individual case as it develops.

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 Group'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 27,033 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 performance of individual and the Company. 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 25,364,352 shares remained outstanding at the end of reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 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

There was no purchase, sale or redemption of shares for the year ended 31 December 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 2010, 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 2010, 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, 25 February 2011

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