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 2011

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2011	2010	**Change**
	(HK$M)	*(HK$M)*	
Turnover	**32,932**	26,949	+22.2%
Gross profit	**5,289**	3,765	+40.5%
Operating profit/(loss)	**883**	(591)	N/A
Profit/(loss) attributable to owners of the parent	**453**	(983)	N/A
Basic earnings/(loss) per share (HK cents)	**41.80**	(92.05)	N/A
Proposed final dividend per share (HK cents)	**16.00**	–	N/A

HIGHLIGHTS

- For the year ended 31 December 2011, the Group recorded turnover of approximately HK$32,932 million, up by 22.2% year-on-year. Gross profit amounted to approximately HK$5,289 million, up by 40.5% year-on-year. Gross profit margin increased from 14.0% in the same period of last year to 16.1% this year. Operating profit reached approximately HK$883 million. The Group successfully turned around its business with profit attributable to owners of the parent of approximately HK$453 million. The board of directors proposed a final dividend of HK16.00 cents per share.

- The Group sold 10.86 million LCD TV sets, an increase of 45.5% year-on-year, became the first Chinese TV manufacturer to exceed 10 million sets in annual global LCD TV sales volume. The sales volume of LCD TVs in the PRC Market and Overseas Markets rose by 28.9% and 81.8% year-on-year, respectively, while the sales volume of LCD TVs in Emerging Markets alone soared 144.3% year-on-year.

- According to the latest DisplaySearch report, the Group's global LCD TV market share in 2011 was 4.9%, ranking up to No.7 from No.10 last year. TV market share in the PRC Market was 15.6%, ranking No.2, while its LCD TV market share in the PRC Market was 14.9%, ranking No.3.

- The Group continued to optimize its product mix. Sales volume of LED backlight LCD TVs accounted for 43.1% and 45.7%, respectively, of overall LCD TV sales volume and LCD TV sales volume in the PRC Market. In December 2011, sales volume of the LED backlight LCD TVs accounted for 60.6% of overall LCD TV sales volume and 62.1% of LCD TV sales volume in the PRC Market, respectively.

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 2011 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	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**32,932,363**	26,948,627	**10,415,814**	7,853,673
Cost of sales		**(27,643,428)**	(23,183,562)	**(8,640,462)**	(6,523,327)
Gross profit		**5,288,935**	3,765,065	**1,775,352**	1,330,346
Other revenue and gains		**583,031**	561,632	**(41,796)**	215,518
Selling and distribution costs		**(3,792,109)**	(3,769,186)	**(1,178,109)**	(997,085)
Administrative expenses		**(859,535)**	(710,695)	**(242,411)**	(190,926)
Research and development costs		**(280,930)**	(205,745)	**(98,080)**	(49,753)
Other operating expenses		**(56,537)**	(231,798)	**(23,349)**	(165,369)
		882,855	(590,727)	**191,607**	142,731
Finance costs	5	**(289,411)**	(233,185)	**(80,015)**	(85,570)
Share of profits and losses of:					
Jointly-controlled entities		**(2,884)**	(5,860)	**(1,387)**	8,713
Associates		**22,329**	(5,472)	**10,591**	5,446
PROFIT/(LOSS) BEFORE TAX	6	**612,889**	(835,244)	**120,796**	71,320
Income tax expense	7	**(151,448)**	(138,169)	**(57,675)**	(59,926)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**461,441**	(973,413)	**63,121**	11,394
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**143,283**	109,475	**20,237**	56,798
Release upon disposal and liquidation of subsidiaries		**(50,313)**	(10,074)	**–**	(10,074)
Release upon liquidation of a jointly-controlled entity		**(23,828)**	–	**–**	–
Release upon disposal of an associate		**–**	(21)	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**69,142**	99,380	**20,237**	46,724
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		**530,583**	(874,033)	**83,358**	58,118

	Notes	Twelve months ended 31 December 2011 HK$'000	Twelve months ended 31 December 2010 HK$'000	Three months ended 31 December 2011 HK$'000	Three months ended 31 December 2010 HK$'000
Profit/(loss) attributable to:					
Owners of the parent		**452,600**	(983,161)	**61,631**	7,990
Non-controlling interests		**8,841**	9,748	**1,490**	3,404
		461,441	(973,413)	**63,121**	11,394
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**516,761**	(887,458)	**81,321**	53,012
Non-controlling interests		**13,822**	13,425	**2,037**	5,106
		530,583	(874,033)	**83,358**	58,118
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK41.80 cents**	HK(92.05) cents		
Diluted		**HK41.75 cents**	HK(92.05) cents		

Details of the dividends proposed for the year are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2011** *HK$'000*	31 December 2010 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,342,461**	1,497,821
Prepaid land lease payments		**87,076**	106,207
Goodwill		**119,638**	119,638
Other intangible assets		**594**	965
Investment in a jointly-controlled entity		**6,840**	9,268
Investments in associates		**190,478**	165,027
Available-for-sale investments		**6,677**	6,677
Deferred tax assets		**42,967**	25,736
Total non-current assets		**1,796,731**	1,931,339
CURRENT ASSETS			
Inventories		**4,298,384**	4,925,369
Trade receivables	10	**3,795,014**	3,236,589
Bills receivable		**7,575,284**	2,180,665
Other receivables		**1,930,424**	1,537,322
Tax recoverable		**28,253**	3,326
Pledged deposits		**255,770**	2,374,328
Cash and bank balances		**4,452,001**	2,132,619
		22,335,130	16,390,218
Non-current assets classified as held for sale		**–**	179,096
Total current assets		**22,335,130**	16,569,314
CURRENT LIABILITIES			
Trade payables	11	**6,725,368**	5,289,926
Bills payable		**5,268,877**	1,310,418
Other payables and accruals		**3,608,742**	2,371,266
Interest-bearing bank and other borrowings	12	**2,623,940**	4,863,517
Due to TCL Corporation	13	**131,978**	590,059
Due to T.C.L. Industries	13	**971,163**	–
Tax payable		**169,690**	173,591
Provisions		**248,783**	367,284
Total current liabilities		**19,748,541**	14,966,061
NET CURRENT ASSETS		**2,586,589**	1,603,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,383,320**	3,534,592

	Notes	**31 December 2011** **HK$'000**	31 December 2010 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,383,320**	3,534,592
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**710,928**	265,143
Deferred tax liabilities		**13,790**	12,994
Pensions and other post-employment benefits		**5,917**	6,798
Total non-current liabilities		**730,635**	284,935
Net assets		**3,652,685**	3,249,657
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**1,072,276**	1,086,425
Reserves		**2,461,376**	2,058,021
		3,533,652	3,144,446
Non-controlling interests		**119,033**	105,211
Total equity		**3,652,685**	3,249,657

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 2011. 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.

Total comprehensive income within a subsidiary is 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.

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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the 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) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment 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 amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment 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.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes: Deferred Tax – Recovery of Underlying Assets* [2]

HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g., securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

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") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to 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. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the 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 and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-lnt 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-lnt 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-lnt 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

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 (the "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 resources 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 income and 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**19,615,224**	15,790,369	**8,743,034**	6,878,761	**4,112,728**	3,573,778	**461,377**	705,719	**–**	–	**32,932,363**	26,948,627
Intersegment sales	**3,483,098**	2,528,666	**–**	5,621	**14,417**	29,238	**36,316**	26,426	**(3,533,831)**	(2,589,951)	**–**	–
Total	**23,098,322**	18,319,035	**8,743,034**	6,884,382	**4,127,145**	3,603,016	**497,693**	732,145	**(3,533,831)**	(2,589,951)	**32,932,363**	26,948,627
Segment results	**565,249**	(492,021)	**(72,167)**	(344,994)	**123,066**	203,765	**5,635**	131,600	**–**	–	**621,783**	(501,650)
Bank interest income											**79,247**	41,783
Corporate income/ (expenses), net											**181,825**	(130,860)
Finance costs											**(289,411)**	(233,185)
Share of profits and losses of:												
Jointly- controlled entities	**(446)**	(7,822)	**(2,438)**	1,962	**–**	–	**–**	–	**–**	–	**(2,884)**	(5,860)
Associates	**13,296**	(9,849)	**–**	–	**–**	–	**9,033**	4,377	**–**	–	**22,329**	(5,472)
Profit/(loss) before tax											**612,889**	(835,244)
Income tax expense											**(151,448)**	(138,169)
Profit/(loss) for the year											**461,441**	(973,413)

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**227,158**	178,324
Loans from TCL Corporation	**36,494**	45,478
Loans from T.C.L. Industries	**15,496**	–
Loans from an associate	**10,263**	9,383
Total	**289,411**	233,185

6. PROFIT/(LOSS) BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of inventories sold	**27,522,923**	23,160,888
Depreciation	**203,617**	234,480
Research and development costs	**328,660**	251,706
Less: Government grants released*	**(47,730)**	(45,961)
	280,930	205,745
Amortisation of other intangible assets	**408**	1,579
Amortisation of prepaid land lease payments	**2,660**	2,490
Minimum lease payments under operating leases in respect of land and buildings	**100,481**	94,065
Auditors' remuneration	**17,831**	19,464
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**1,627,825**	1,375,760
Equity-settled share option expense	**14,351**	5,840
Equity-settled Award Scheme expense	**–**	122
Defined contribution expense	**134,798**	109,456
Defined benefit expense	**232**	149
	1,777,206	1,491,327
Foreign exchange differences, net	**(21,299)**	(52,106)
Impairment of items of property, plant and equipment**	**3,746**	14,740
Impairment of trade receivables**	**21,194**	41,478
Write-down of inventories to net realisable value	**51,504**	78,352
Product warranty provision, net	**55,349**	95,832
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	**(10,728)**	16,508
Realised gains on settlement of derivative financial instruments	**(253)**	(78,601)
Rental income, net	**(3,518)**	(7,722)
Bank interest income	**(79,247)**	(41,783)
Government grants***	**(40,548)**	(56,214)
Gain on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	**(42,444)**	(6,971)
Gain on disposal of subsidiaries	**(231,696)**	(108,330)
Gain on liquidation of subsidiaries	**(12,434)**	(1,168)
Gain on liquidation of a jointly-controlled entity	**(23,828)**	–
Gain on disposal of an associate	**–**	(2,474)
Provision for litigation**	**31,563**	103,554
Restructuring costs, net**	**34**	72,026

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 impairment of items of property, plant and equipment, impairment of trade receivables, provision for litigation and restructuring costs, net are included in "Other operating expenses" on the face of the condensed consolidated statement of comprehensive income.

*** Certain government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. 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% (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**10,438**	14,440
Underprovision in prior years	**2,174**	406
Current – Elsewhere		
Charge for the year	**153,033**	138,251
Underprovision/(overprovision) in prior years	**2,323**	(11,011)
Deferred	**(16,520)**	(3,917)
Total tax charge for the year	**151,448**	138,169

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Proposed final dividend – HK16.00 cents (2010: Nil) per ordinary share	**211,004**	–

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

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:

	2011	2010
	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 calculations	**452,600**	(983,161)

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings/(loss) per share calculation	**1,082,760,047**	1,068,067,572
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	**1,279,496**	–
Weighted average number of ordinary shares in issue during the year used in diluted earnings/(loss) per share calculation	**1,084,039,543**	1,068,067,572

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 prior year had an anti-dilutive effect on the basic loss per share amount presented.

10. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Due from third parties	**2,813,373**	2,763,117
Provision for impairment	**(215,042)**	(242,455)
	2,598,331	2,520,662
Due from related parties:		
Companies controlled by TCL Corporation	**431,929**	399,598
Associates of TCL Corporation	**2,943**	3,400
Jointly-controlled entity	**47,327**	42,541
Associates	**714,484**	270,388
	1,196,683	715,927
	3,795,014	3,236,589

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	2011	2010
	HK$'000	*HK$'000*
Current to 90 days	**3,681,453**	2,958,042
91 to 180 days	**65,611**	233,942
181 to 365 days	**25,846**	28,278
Over 365 days	**22,104**	16,327
	3,795,014	3,236,589

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 2011, trade receivables factored to banks aggregated to HK$307,570,000 (2010: HK$150,509,000) and of which HK$233,523,000 (2010: HK$150,509,000) 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 2011.

The remaining balance of HK$74,047,000 (2010: Nil) as at 31 December 2011 was included in the balance of trade receivables (the "Recognised Factored Receivables") because the derecognition criteria for financial assets were not met. Accordingly, the advances from a bank of approximately HK$74,047,000 received by the Group as consideration for the Recognised Factored Receivables at 31 December 2011 were recognised as liabilities and included in "interest-bearing bank and other borrowings" (note 12).

11. TRADE PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Due to third parties	**4,894,918**	3,606,434
Due to related parties:		
Companies controlled by TCL Corporation	**1,725,606**	1,017,110
Associates of TCL Corporation	**3,934**	5,297
Jointly-controlled entity	**–**	130,204
Associates	**100,910**	530,881
	1,830,450	1,683,492
	6,725,368	5,289,926

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

	2011	2010
	HK$'000	*HK$'000*
Current to 90 days	**6,604,675**	5,153,743
91 to 180 days	**54,870**	84,745
181 to 365 days	**7,354**	7,748
Over 365 days	**58,469**	43,690
	6,725,368	5,289,926

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

	2011	2010
	HK$'000	*HK$'000*
Current		
Bank loans – secured	**606,404**	2,387,130
Bank loans – unsecured	**1,701,537**	1,719,415
Advances from banks as consideration for discounted bills – unsecured	**–**	79,232
Advances from banks as consideration for the Recognised Factored Receivables – unsecured	**74,047**	–
Trust receipt loans – unsecured	**201,352**	519,299
Loans from an associate – unsecured	**40,600**	158,441
	2,623,940	4,863,517
Non-current		
Bank loans – secured	**154,131**	265,143
Bank loans – unsecured	**556,797**	–
	710,928	265,143
	3,334,868	5,128,660
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,583,340**	4,705,076
In the second year	**276,837**	117,842
In the third to fifth year, inclusive	**434,091**	147,301
	3,294,268	4,970,219
Loans from an associate repayable:		
Within one year	**40,600**	158,441
	3,334,868	5,128,660

Notes:

(a) As at 31 December 2011, 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$23,566,000 (2010: HK$23,853,000), HK$249,162,000 (2010: HK$251,086,000) and HK$100,917,000 (2010: HK$108,379,000), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$255,770,000 (2010: HK$2,374,328,000).

(iii) pledge of certain of the Group's bills receivable amounting to HK$246,609,000 (2010: Nil).

(c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$1,799,996,000 (2010: HK$1,333,364,000) 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 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. Since the lenders had not agreed to waive their right to demand immediate payment as at 31 December 2010, the Syndicated Loans were classified as current liabilities in the condensed consolidated statement of financial position as at 31 December 2010. On 23 February 2011, the Group successfully obtained the necessary consent from the majority of the lenders following the Group's waiver request and certain financial covenants have been amended.

As at 31 December 2011, the Group complied with all the financial covenants and the Syndicated Loans have been classified as current and non-current liabilities in the condensed consolidated statement of financial position according to their maturity profile.

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$88,381,000 due to TCL Corporation at 31 December 2010 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.

An aggregate amount of HK$131,978,000 due to TCL Corporation and an aggregate amount of HK$971,163,000 due to T.C.L. Industries bear interest at a fixed rate of 7.63% per annum and fixed rates ranging from 2.28% to 6.00% per annum, respectively (2010: amounts of HK$501,678,000 and HK$88,381,000 due to TCL Corporation bore interest at fixed rates ranging from 5.87% to 6.05% per annum and 5.31% per annum, respectively).

14. SHARE CAPITAL

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 (2010: 2,200,000,000) shares of HK$1.00 each (2010: HK$1.00 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,072,275,768 (2010: 1,086,424,827) shares of HK$1.00 each (2010: HK$1.00 each)	**1,072,276**	1,086,425

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

(a) The subscription rights attaching to 338,941 share options were exercised at the subscription price of HK$2.45 per share, resulting in the issue of 338,941 shares of HK$1.00 each for a total cash consideration of HK$830,000 before expenses.

(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*
September 2011	14,488,000	2.46	2.09	33,373	145	33,518

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

BUSINESS REVIEW

The Group realized overall strategic breakthroughs in 2011. Demand in the global TV market slowed down due to the influence brought by the European debt crisis, a slowdown in economic recovery in the United States, inflationary pressure and the tightening measures in the PRC property market. Despite a challenging operating environment, the Group enhanced "speed and efficiency" in its operational and marketing strategies firmly and focused on strengthening product competitiveness as well as continuously optimizing sales channels, resulting in breakthroughs in sales volume and profitability, and successfully turned around its business during the year. For the year ended 31 December 2011, the Group recorded turnover of approximately HK$32,932 million, up 22.2% compared with the same period of 2010. Gross profit was approximately HK$5,289 million, up 40.5% year-on-year. Profit attributable to owners of the parent reached approximately HK$453 million, successfully turning around from last year's net loss to net profit. Basic earnings per share was HK41.80 cents (2010: basic loss per share of HK92.05 cents). The board of directors proposed a final dividend of HK16.00 cents per share.

During 2011, the Group was dedicated to the optimization of its products, marketing strategies, sales channels, costs and brand awareness. Sales volume of LCD TVs and AV products recorded sustained growth, with sales volume of LCD TVs in particular increasing by 45.5% year-on-year to 10.86 million sets. The Group not only achieved its annual sales target of 10.20 million sets and exceeded the industry average, but also became the first Chinese TV manufacturer to exceed 10 million sets in annual global LCD TV sales volume. The Group recorded excellent sales performance in the PRC Market and Emerging Markets, which saw year-on-year growth in sales volume of LCD TVs of 28.9% and 144.3%, respectively. According to the latest DisplaySearch report, the Group's global LCD TV market share in 2011 was 4.9%, ranking up to No.7 from No.10 last year. In addition, sales volume of AV products also increased by 25.8% year-on-year to 20.00 million sets.

The Group remained dedicated to strengthening its supply chain management, to lowering costs through resource integration, and to actively promoting its high-end products, including 3D TVs and smart "cloud" TVs. Gross profit margin therefore improved to 16.1% this year from 14.0% last year. Expense ratio also decreased from 16.6% last year to 14.1% this year, a decrease of 2.5 percentage points, attributable to an improvement in operation efficiency. In addition, the Group actively captured opportunities in its AV business during the transition period, stepping up its efforts in R&D, diversifying its products and customers and relieving pressure on rising production costs by optimizing supply chains.

TV Business

For the year ended 31 December 2011, the Group sold 10.86 million sets of LCD TVs, up 45.5% from the same period of last year. Sales volume of LCD TVs in the PRC Market increased by 28.9% year-on-year, well above the industry average of 17.4%. In December 2011, the Group's sales volume of LCD TVs increased by 57.1% year-on-year to 1.56 million sets, achieving a record high in monthly sales volume after September 2011. Meanwhile, sales volume of the Group's LED backlight LCD TVs increased significantly from 0.84 million sets in 2010 to 4.68 million sets in 2011, accounting for 43.1% of the total LCD TV sales volume. Sales volume of LED backlight LCD TVs accounted for 60.6% of the monthly LCD TV sales volume in December 2011.

In 2011, the Group focused its R&D efforts on super slim edge TVs, 3D TVs and smart "cloud" TVs. In the PRC Market, the Group launched 23 product series featuring 73 new products, of which four series of super smart "cloud" TVs – namely, V8200, V7300, E5300 and Z11 gained much attention, while other 12 series of 37 3D TV products received overwhelming market responses since their launches.

By continuously striving for innovation and strengthening its R&D capabilities, the Group received numerous awards. Its smart "cloud" TV was awarded the "Annual Innovation Prize for Smart Cloud TV" in the 45th International Consumer Electronics Show held in Las Vegas, the United States. In addition, TCL brand also continued to be listed in "TOP 50 Global Consumer Electronics Brands" and ranked the sixth in global TV brands, as well as being listed in "TOP 10 China's Leading Consumer Electronics Brands" for the fourth consecutive year. All of the above prestigious awards and rankings demonstrate the industry's recognition of the Group's achievements in R&D.

The Group's sales volume of TVs and AV products by region are shown as below:

	2011	2010	**Change**
	('000 sets)	*('000 sets)*	
LCD TVs	**10,860**	7,464	+45.5%
of which: LED backlight LCD TVs	**4,682**	843	+455.4%
– PRC	**6,606**	5,124	+28.9%
– Overseas	**4,254**	2,340	+81.8%
CRT TVs	**4,185**	5,548	(24.6%)
– PRC	**1,006**	1,947	(48.3%)
– Overseas	**3,179**	3,601	(11.7%)
Total TV sales volume	**15,045**	13,012	+15.6%
Total AV products sales volume	**20,000**	15,893	+25.8%

The PRC Market

In 2011, the Group's sales volume and turnover in the PRC Market recorded satisfactory growth. Sales volume of LCD TVs reached 6.61 million sets, up 28.9% from the same period of last year. Sales volume of LED backlight LCD TVs increased from 0.59 million sets last year to 3.02 million sets this year, a significant increase of 411.9%, well above the industry average. Sales volume of LED backlight LCD TVs as a percentage of total LCD TV sales volume also increased to 45.7%. In December 2011, sales volume of LED backlight LCD TVs as a percentage of total LCD TV sales volume increased to 62.1%. Turnover increased by 24.2% year-on-year to HK$19,615 million. The PRC Market remains the Group's major source of income.

The Group actively responded to the trend of product transitions from "Standard Definition to High Definition, 2D to 3D and one-way to interactive", by devoting more resources to 3D TVs and launching the market-leading smart "cloud" series TVs, which received overwhelming market response and enhanced its product competitiveness greatly. At the same time, the Group focused on the optimization of its sales channels. In order to meet the demand for the replacement of older TV models in the PRC's third-tier and fourth-tier cities as well as rural markets, the Group continued to improve sales coverage and store efficiency in its rural sales channels. It established approximately 26,000 points of sales in the PRC up to the end of 2011, an increase of approximately 5,000 points of sales year-on-year. In order to realize sustainable sales volume and profit growth, the Group actively leveraged on its dual brand strategy and channel advantages to offer value-for-money products to its customers. In addition, the Group remained committed to enhancing "speed and efficiency", streamlined its product portfolio and focused on producing and promoting flagship products in order to shorten production cycles and increase production efficiency. Along with lowering costs through the resources integration, the Group's cost competitiveness was also further strengthened. At the same time, by taking "Celebration for the 30th Anniversary of TCL" as an opportunity for growth, as well as becoming an international joint promotion partner of movie "Transformers III", the Group carried out a series of promotional activities among which promotional activities for TCL super smart "cloud" TVs attracted the most attention.

Overseas Markets

The Group is committed to adopting a stable and healthy operational strategy in the Overseas Markets and enhancing "speed and efficiency" to improve profitability. In 2011, the Group's turnover in the Overseas Markets reached HK$8,743 million, up 27.1% year-on-year. Sales volume of LCD TVs reached 4.25 million sets, up 81.8% from the same period of last year. Sales volume of LED backlight LCD TVs increased from 0.25 million sets last year to 1.66 million sets this year. Sales volume of LED backlight LCD TVs as a percentage of total sales volume of LCD TVs also increased to 39.1%. In December 2011 alone, sales volume of LED backlight LCD TVs as a percentage of the sales volume of LCD TVs grew to 57.5%.

Emerging Markets have been the Group's major overseas market and have become a new growth driver to its business apart from the PRC Market. The Group leveraged on its well-shaped operations platform, seized opportunities brought by TV products upgrades in the Emerging Markets, proactively expanded its LCD TV and LED backlight LCD TV business, swiftly adjusted its product mix to meet market demand and improved its sales channel management. In order to improve its brand image and boost its sales volume growth, the Group stepped up its efforts in promotion and carried out a series of overseas brand advertising and promotional events under the theme of movie "Transformers III", including online advertisement in cinemas, cinema displays and point-of-sales promotion. It also focused on upgrading store image in selected markets and stores. In 2011, sales volume of LCD TVs in Emerging Markets amounted to 2.37 million sets, up 144.3% from the same period of last year. Latin America, the Middle East and Southeast Asia markets achieved rapid growth, in which Thailand, the Philippines, Argentina and Dubai saw the best performance.

In addition, the Group's strategic OEM business showed results after the improvement of the customer base, leading to continuous growth in LCD TV sales. The performance of different European markets was affected by their local economic environment. In France, North Europe and Germany, where the economy performed steadily, the Group recorded relatively stable growth. Together with the Group's endeavor of adjusting its product mix and enhancing inventory management, business in the said markets continued to improve. In the North American Market, the Group continued to deepen its strategic cooperation with Amazon while actively exploring cooperation with other channel suppliers to boost sales volume and to promote the TCL brand.

AV Products

In 2011, under the negative impacts brought by the unstable global economy, rising production costs and the appreciation of Renminbi, the environment for competition deteriorated and exerted pressure on the price competitiveness of the Group's products. Nevertheless, the Group continued to carry out product and market diversification, striving not only to extend its customer base, but also to promote new products with existing clients. It had initially established its overseas supply chains to reduce cost, strengthened its R&D capabilities and further improved product competitiveness. As a result, sales volume of AV products rose 25.8% year-on-year to 20.00 million sets. During the year, the Group launched 97 new product series, in which included DVD players, blue ray DVD players, video and digital multimedia broadcasting products and Super DVD (SDVD) player products, etc.

R&D

The Group is committed to strengthening its innovation and R&D capabilities and increasing its investment in R&D. R&D costs increased by 36.5% in 2011 compared with 2010. In 2011, the Group applied for 247 patents and focused on developing super slim edge TVs, 3D TVs and smart "cloud" TV series. The four super smart "cloud" TV series – namely, Cloud.Yi Z11, Cloud.Bo V8200, Cloud.Zhuo V7300 and Cloud.Shang E5300 incorporated the most advanced cloud calculation and cloud storage technologies, and embedded dual-core based CPU and Android+ systems, which boasted the brand-new "cloud life" that features "speed, sharing, large quantity and 3D". Smart TVs continue to represent the trend of mainstream technology in the TV industry in the future and continue to have positive development prospects in the market.

Outlook

Looking to 2012, the lingering effects of uncertainty in the global economy and the slowdown of the PRC economy will continue to affect the TV industry, at the same time, a number of new competitors from the IT sector will make an aggressive entry into the TV market. As a result, severe competition will focus on the areas of software applications, content and services. Despite this, according to the latest information of DisplaySearch, the overall global TV sales volume will continue to grow in the coming three years from approximately 248 million sets in 2011 to approximately 278 million sets in 2014. As the PRC urbanization speeds up, together with a huge replacement demand of traditional CRT TVs, the PRC Market is expected to become the biggest TV market in the world. The Group will continue to enhance "speed and efficiency" in its operational and marketing strategies, will further realize global industry chain integration, global sales and marketing system establishment and product mix optimization, and will continue to strengthen core competency and improve its profitability by utilizing the advantage of vertically integrated industry chain supported by its ultimate holding company, TCL Corporation. The Group's 2012 sales target of LCD TVs is 13.80 million sets, an expected increase of 27.1% compared with 10.86 million sets of LCD TVs in 2011.

In terms of its TV business, the Group will continue to enhance "speed and efficiency" in its operational and marketing strategies and will further improve its sales volume and profitability by strengthening product competitiveness, optimizing sales channels and enhancing cost competitiveness through the economies of scale. LED backlight LCD TVs have become mainstream in the TV industry while 3D and smart technologies represent the development trend in the future. The Group will therefore continue to boost the proportion of LED backlight LCD TV sales volume and will vigorously promote 3D TVs as well as smart "cloud" TVs. In the PRC Market, the Group will integrate the cloud application and online shopping to smart "cloud" TVs aiming to boost overall product competitiveness and profitability. The PRC's first CCTV 3D TV channel officially commenced its trial broadcast on 1 January 2012. Being an exclusive partner of CCTV 3D TV Channel, the Group will capitalize on the booming 3D TV market. Furthermore, the Group will continue to increase the number of effective points of sales, improve store efficiency, further penetrate into third-tier to fifth-tier cities and rural markets so as to boost the Group's sales volume growth and market share. In the Overseas Markets, the Group will continue to implement a stable and healthy operational strategy and will focus in developing the Emerging Markets and other potential markets with intensive strategies. The Group will remain dedicated to boosting sales in areas such as Brazil, Central America and Africa. By stepping up its efforts in promoting its brand and resources, the Group endeavors to create a global and youthful brand influence to enhance brand awareness. In the meantime, the Group will continue to improve its operational efficiency in North America and Europe, with an aim to turn around its overall business in the Overseas Markets in 2012.

In terms of its AV products, the Group will continue to strengthen its strategic partnership with major customers and will endeavor to expand its customer base. The Group will continue to diversify its product, boost investment in R&D to enhance the overall competitiveness of its new products and continue to optimize its global supply chain. Also, in order to improve product competitiveness and cost advantages, the Group will step up investment in the R&D capabilities of software and electro-acoustic and develop own-branded products such as satellite boxes.

The Group is committed to implementing its long-term development strategy that focuses on "integration, innovation and internationalization". Coupled with the acquisition of the equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. (which is mainly engaged in the production of LCD modules) on 18 January 2012 and the commencement of production in the 8.5-generation LCD panel production plant operated by Shenzhen Huaxing Photoelectrics Technology Company Limited, a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (South Korea), the Group's vertical integration in the upstream and downstream of industry chain will be facilitated. This will in turn deliver strategic support for the stable supply of raw materials and cost control, and will also improve the Group's overall competitiveness in the TV industry through the enhancement of "speed and efficiency" and cost synergy. Looking forward, the Group strives to deliver satisfactory results yet again, and is dedicated to creating long-term returns for its shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 17 June 2011, TCL King Electrical Appliances (Huizhou) Co. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with the People's Government of Hohhot in relation to an investment project which involves construction of a vertically integrated LCD TV production plant in Hohhot, Inner Mongolia. It is expected that the total investment of the project will be in the amount of RMB561,000,000 (equivalent to approximately HK$691,739,000).

On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its subsidiary, Huizhou TCL Coretronics Co., Ltd. (collectively, the "TOT Entities") from TCL Corporation for a consideration of RMB655,572,000 (equivalent to approximately HK$788,791,000). The purchase price was settled by way of issue and allotment of 246,497,191 new shares by the Company at an issue price of HK$3.20 per new share.

On 28 June 2011, the Group entered into an equity transfer agreement with Talent Bright International Limited ("Talent Bright"), pursuant to which the Group agreed to sell and Talent Bright agreed to acquire the entire equity interest in TCL King Electronics (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, at a consideration of RMB315,500,000 (equivalent to approximately HK$389,026,000) (subject to adjustment).

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$4,452,001,000, of which 0.5% was maintained in Hong Kong dollars, 20.4% in US dollars, 75.8% in Renminbi, 2.3% in Euro and 1.0% 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 2010 and there was no asset held under finance lease as at year end.

As at year end, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of HK$4,707,771,000 were higher than the total interest-bearing borrowings of HK$4,438,009,000. The maturity profile of the borrowings ranged from one to three 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:

	2011	2010
	HK$'000	*HK$'000*
Contracted, but not provided for	**9,256**	119
Authorised, but not contracted for	**549,479**	4,800
	558,735	4,919

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2011, and the outcome of several claims as set out in the Group's results announcement of the year ended 31 December 2010 are set out below:

On 7 April 2011, in relation to the Alleged Claims (as defined in the Group's results announcement of the year ended 31 December 2010) made by the official liquidator of TTE Europe SAS ("TTE Europe", a wholly-owned subsidiary of the Group which had been deconsolidated in 2007) (the "Receiver") in the Commercial Court of Nanterre of France against, amongst others, various companies in the Group, various companies in the Group reached a settlement with the Receiver (the "Settlement"). Pursuant to the Settlement, the relevant condition precedents have been completed, the Group paid Euro 11,666,666 (equivalent to approximately HK$128,456,000) to the Receiver as full and final settlement of the Alleged Claims.

The Labour Claim (as defined in the Group's results announcement of the year ended 31 December 2010) made by a group of former employees of TTE Europe against the Company, TTE Europe and TCL Belgium S.A. (a wholly-owned subsidiary of the Company) was also settled during the year.

Of those litigations mentioned above, there was no outstanding claim.

Events After The Reporting Period

(i) The acquisition of the TOT Entities was completed on 18 January 2012 (the "Completion Date"). The purchase price was settled by the issue of 246,497,191 new shares of the Company at an issue price of HK$3.20 per share on the Completion Date. The aggregate fair value of the consideration shares issued is approximately HK$638,428,000.

(ii) On 20 January 2012, the Group entered into a share transfer agreement with Huizhou Techne Corporation ("Huizhou Techne"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Huizhou Techne agreed to sell the entire equity interest in Huizhou Keda Precision Parts Co., Ltd. (the "Target Company"), a wholly owned subsidiary of Huizhou Techne, at a cash consideration of approximately RMB6,850,000 (equivalent to approximately HK$8,430,000). The Target Company is principally engaged in design and sales of LCD modules and its major asset is a piece of land located in Huizhou, the PRC. The share transfer is still subject to approval by the relevant government authorities.

As the Target Company had not carried out any significant business activities except for holding a piece of land, the acquisition of the Target Company will be accounted for by the Group as an asset acquisition.

Foreign Exchange Exposure

Due to its international presence and operation, 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 26,275 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operation. 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 59,086,710 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

To reflect the management's confidence in the future development of the Group's business and enhance the earnings per share of the Company, the Company repurchased 14,488,000 shares on the Stock Exchange at an aggregate consideration of HK$33,518,000 during the year.

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 36,908,000 shares being the awarded shares during the year. The total amount paid to acquire such shares was about HK$109,218,000.

FINAL DIVIDEND

The Board has proposed a final dividend, for the year ended 31 December 2011, of HK16.00 cents (2010: Nil) in cash per share.

Subject to approval at the forthcoming annual general meeting, the said final dividend will be payable on or about 25 May 2012, Friday to shareholders whose names appear on the register of members of the Company at the close of business at 4:30 p.m. on 16 May 2012, Wednesday.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2012, Monday to 8 May 2012, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the Shareholders to attend and vote at the annual general meeting. No transfer of the Shares may be registered on those dates. In order to qualify to attend and vote at the annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 4 May 2012, Friday.

The register of members of the Company will be closed from 14 May 2012, Monday to 16 May 2012, Wednesday (both dates inclusive), for the purpose of determining the entitlements of the members of the Company to the proposed final dividend upon passing of relevant resolution. No transfer of Shares may be registered during the said period. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 11 May 2012, Friday.

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 2011, 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 2011, 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, 27 February 2012

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 and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.