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 2014

FINANCIAL HIGHLIGHTS

Results for the year ended 31 December

	2014 *(HK$M)*	2013 *(HK$M)*	**Change**
Turnover	**33,526**	39,495	(15.1%)
Gross profit	**5,503**	5,414	+1.6%
Operating profit	**621**	252	+146.4%
Net profit/(loss) after tax			
– For the year	**246**	(34)	N/A
– From continuing operations	**246**	(123)	N/A
Profit/(loss) attributable to owners of the parent			
– For the year	**234**	(48)	N/A
– From continuing operations	**234**	(119)	N/A
Basic earnings/(loss) per share *(HK cents)*			
– For the year	**17.76**	(3.61)	N/A
– From continuing operations	**17.76**	(8.96)	N/A
Full year dividend per share *(HK cents)*	**5.28**	28.99	(81.8%)
– Paid interim dividend per share	**–**	28.99	N/A
– Proposed final dividend per share	**5.28**	–	N/A

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2014

- The Group sold 16.57 million sets of LCD TVs, declined by 3.5% year-on-year, mainly due to the unsatisfactory results of the PRC Market. Sales volume of LCD TVs in the PRC Market decreased by 14.1% year-on-year to 8.51 million sets. Sales volume of LCD TVs in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets, of which the sales volume of LCD TVs in the Strategic ODM business rose by 48.6% year-on-year to 2.41 million sets.

- The Group achieved a turnover of HK$33,526 million, down by 15.1% year-on-year. Gross profit margin rose from 13.7% of last year to 16.4% while expense ratio edged up from 14.2% of last year to 15.2%. Operating profit was HK$621 million. Net profit after tax was HK$246 million. Profit attributable to owners of the parent was HK$234 million (including the one-off gain of HK$159 million recorded from closure of certain subsidiaries).

- The Board of Directors proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.

- According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No.3 in the PRC market with a market share of 16.0%.

- The number of activated smart TV users of the Group for the year was 2,474,271 and up to an accumulated total of 6,746,610. The daily average number of active users for 7 days was 2,268,959 (Source: Huan Technology Co., Ltd. ("Huan")).

- The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV etc., and introduced an innovative Golive TV home theatre service. In particular, the new flagship TV+ model H9700, the first Quantum Dot TV in the PRC, is not only a milestone breakthrough for TCL in the field of display technologies, but also represented one of the important moves made in continuous upgrading of the TCL TV+ Home Entertainment TV series.

- The Group's operating results of the year was below preset target.

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 2014 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Twelve months ended 31 December		**Three months ended 31 December**	
		2014	2013	**2014**	2013
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS					
TURNOVER	4	**33,526,265**	39,494,703	**9,925,015**	11,607,029
Cost of sales		**(28,023,227)**	(34,080,664)	**(8,252,589)**	(10,292,975)
Gross profit		**5,503,038**	5,414,039	**1,672,426**	1,314,054
Other revenue and gains		**682,301**	889,845	**111,452**	439,567
Selling and distribution expenses		**(4,107,151)**	(4,538,621)	**(1,278,977)**	(1,286,041)
Administrative expenses		**(973,753)**	(1,060,920)	**(258,414)**	(302,133)
Research and development costs		**(423,087)**	(424,574)	**(110,178)**	(130,230)
Other operating expenses		**(59,992)**	(27,712)	**(9,038)**	(3,155)
		621,356	252,057	**127,271**	32,062
Finance costs	5	**(196,000)**	(185,966)	**(56,628)**	(69,847)
Share of profits and losses of:					
Joint ventures		**(22,977)**	(2,479)	**(11,978)**	(977)
Associates		**(8,920)**	(30,586)	**(8,469)**	(42,106)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**393,459**	33,026	**50,196**	(80,868)
Income tax expense	7	**(147,126)**	(155,949)	**(42,761)**	(86,713)
PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		**246,333**	(122,923)	**7,435**	(167,581)
DISCONTINUED OPERATION					
Profit for the year/period from a discontinued operation	8	**–**	88,722	**–**	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD		**246,333**	(34,201)	**7,435**	(167,581)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of changes in fair value of the hedging instruments arising during the year/period		**(185)**	(21)	**(42,571)**	18,326
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**21**	94	**–**	–
		(164)	73	**(42,571)**	18,326

	Notes	Twelve months ended 31 December 2014 HK$'000	2013 HK$'000	Three months ended 31 December 2014 HK$'000	2013 HK$'000
Exchange fluctuation reserve:					
Translation of foreign operations		**(3,535)**	131,110	**23,786**	25,055
Release upon liquidation of subsidiaries		**(158,931)**	7,148	**–**	7,148
Release upon derecognition and deemed partial disposal of associates		**339**	–	**63**	–
		(162,127)	138,258	**23,849**	32,203
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR/PERIOD		**(162,291)**	138,331	**(18,722)**	50,529
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR/PERIOD		**84,042**	104,130	**(11,287)**	(117,052)
Profit/(loss) attributable to:					
Owners of the parent		**234,499**	(48,075)	**6,941**	(159,604)
Non-controlling interests		**11,834**	13,874	**494**	(7,977)
		246,333	(34,201)	**7,435**	(167,581)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**72,844**	84,324	**(12,261)**	(110,148)
Non-controlling interests		**11,198**	19,806	**974**	(6,904)
		84,042	104,130	**(11,287)**	(117,052)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10				
Basic					
– For profit/(loss) for the year		**HK17.76 cents**	HK(3.61) cents		
– For profit/(loss) from continuing operations		**HK17.76 cents**	HK(8.96) cents		
Diluted					
– For profit/(loss) for the year		**HK17.75 cents**	HK(3.61) cents		
– For profit/(loss) from continuing operations		**HK17.75 cents**	HK(8.96) cents		

Details of the dividends for the year are disclosed in note 9.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2014** *HK$'000*	31 December 2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,356,369**	2,407,598
Prepaid land lease payments		**153,930**	156,306
Goodwill		**134,933**	119,638
Other intangible assets		**1,947**	280
Investments in joint ventures		**55,600**	8,333
Investments in associates		**509,054**	512,871
Available-for-sale investments		**111,982**	6,677
Deferred tax assets		**38,090**	18,485
Total non-current assets		**3,361,905**	3,230,188
CURRENT ASSETS			
Inventories		**4,054,817**	4,971,680
Trade receivables	11	**4,318,138**	3,797,379
Bills receivable		**4,204,018**	5,158,738
Other receivables		**1,943,664**	1,920,027
Tax recoverable		**17,107**	29,969
Pledged deposits		**203,298**	–
Cash and bank balances		**3,379,369**	3,047,524
Total current assets		**18,120,411**	18,925,317
CURRENT LIABILITIES			
Trade payables	12	**4,920,901**	5,472,647
Bills payable		**3,543,573**	5,108,314
Other payables and accruals		**3,805,030**	4,067,483
Interest-bearing bank and other borrowings	13	**2,250,564**	870,343
Due to TCL Corporation	14	**–**	24,933
Due to T.C.L. Industries	14	**853,336**	387,710
Tax payable		**180,491**	142,551
Provisions		**362,484**	436,629
Total current liabilities		**15,916,379**	16,510,610
NET CURRENT ASSETS		**2,204,032**	2,414,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,565,937**	5,644,895

	Notes	**31 December 2014** **HK$'000**	31 December 2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,565,937**	5,644,895
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**925,033**	1,132,012
Deferred tax liabilities		**34,726**	30,502
Total non-current liabilities		**959,759**	1,162,514
Net assets		**4,606,178**	4,482,381
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	**1,333,599**	1,333,599
Reserves		**3,135,530**	3,024,687
		4,469,129	4,358,286
Non-controlling interests		**137,049**	124,095
Total equity		**4,606,178**	4,482,381

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition* [1]
Amendments to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination* [1]
Amendments to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

3. NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 1	*Disclosure Initiative* [2]
HKFRS 9	*Financial Instruments* [4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception* [2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* [2]
HKFRS 14	*Regulatory Deferral Accounts* [5]
HKFRS 15	*Revenue from Contracts with Customers* [3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants* [2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements* [2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs [1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs [2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 – manufacture and sale of television sets in:

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

– the Overseas markets

(b) AV segment – manufacture and sale of audio-visual ("AV") products (discontinued during the year ended 31 December 2013 (note 8)); and

(c) Others segment – comprises information technology and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group's 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 before tax except that finance costs, interest income, share of profits and losses of joint ventures 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.

	Continuing operations								Discontinued operation					
	Television – PRC market		Television – Overseas markets		Others		Total continuing operations		AV		Eliminations		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**20,709,470**	25,665,747	**12,126,223**	11,884,234	**690,572**	1,944,722	**33,526,265**	39,494,703	**–**	2,256,667	**–**	–	**33,526,265**	41,751,370
Intersegment sales	**2,533,120**	3,354,244	**–**	–	**171,402**	288,711	**2,704,522**	3,642,955	**–**	61,765	**(2,704,522)**	(3,704,720)	**–**	–
Total	**23,242,590**	29,019,991	**12,126,223**	11,884,234	**861,974**	2,233,433	**36,230,787**	43,137,658	**–**	2,318,432	**(2,704,522)**	(3,704,720)	**33,526,265**	41,751,370
Segment results	**582,107**	60,954	**(11,062)**	(96,731)	**(28,394)**	(27,084)	**542,651**	(62,861)	**–**	91,737	**–**	–	**542,651**	28,876
Corporate income, net							**12,344**	275,866	**–**	–			**12,344**	275,866
Finance costs							**(196,000)**	(185,966)	**–**	(6,707)			**(196,000)**	(192,673)
Interest income							**66,361**	39,052	**–**	20,568			**66,361**	59,620
Share of profits and losses of:														
Joint ventures	**–**	–	**(3,678)**	(2,479)	**(19,299)**	–	**(22,977)**	(2,479)	**–**	–			**(22,977)**	(2,479)
Associates	**(39,665)**	(46,614)	**–**	–	**30,745**	16,028	**(8,920)**	(30,586)	**–**	66			**(8,920)**	(30,520)
Profit before tax							**393,459**	33,026	**–**	105,664			**393,459**	138,690
Income tax expense							**(147,126)**	(155,949)	**–**	(16,942)			**(147,126)**	(172,891)
Profit/(loss) for the year							**246,333**	(122,923)	**–**	88,722			**246,333**	(34,201)

5. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**188,443**	179,821
Loans from TCL Corporation	**701**	469
Loans from T.C.L. Industries	**6,239**	3,824
Loans from an associate	**617**	1,852
Total finance costs for the year from continuing operations	**196,000**	185,966

6. PROFIT/(LOSS) BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**27,930,195**	33,943,388
Depreciation	**289,019**	295,946
Research and development costs	**538,042**	521,065
Less: Government grants released*	**(114,955)**	(96,491)
	423,087	424,574
Amortisation of other intangible assets	**312**	150
Amortisation of prepaid land lease payments	**4,715**	4,025
Minimum lease payments under operating leases in respect of land and buildings	**110,088**	90,123
Employee benefits expenses (including directors' remuneration):		
Wages and salaries	**2,067,166**	2,026,105
Equity-settled share option expense	**301**	16,912
Defined contribution expense	**238,419**	192,251
	2,305,886	2,235,268
Foreign exchange differences, net	**54,318**	(254,201)
Impairment of items of property, plant and equipment**	**63**	536
Impairment of trade receivables, net**	**23,962**	8,037
Impairment of goodwill**	**35,688**	–
Write-down of inventories to net realisable value	**82,383**	258,578
Gain on bargain purchase	**(1,319)**	–
Fair value gain of an investment in an associate	**(35,688)**	–
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	**(742)**	14,929
Realised loss/(gain) on settlement of derivative financial instruments	**(58,260)**	6,506
Rental income, net	**(4,813)**	(5,213)
Interest income	**(66,361)**	(39,052)
Other government grants***	**(34,680)**	(73,305)
Gain on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	**(9,168)**	(236,941)
Loss/(gain) on liquidation of subsidiaries**	**(158,931)**	8,257
Restructuring cost provision**	**279**	10,882
Product warranty provision, net	**141,861**	359,409

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 are related. There are no unfulfilled conditions or contingencies relating to these grants.

** Impairment of items of property, plant and equipment, net impairment of trade receivables, impairment of goodwill, loss on liquidation of subsidiaries and restructuring cost provision are included in "Other operating expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** Other 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% (2013: 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.

	2014	2013
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**14,157**	2,354
Overprovision in prior years	**(10)**	–
Current – Elsewhere		
Charge for the year	**112,642**	105,244
Underprovision/(overprovision) in prior years	**35,671**	(7,930)
Deferred	**(15,334)**	56,281
Total tax charge for the year from continuing operations	**147,126**	155,949

8. DISCONTINUED OPERATION

On 15 August 2013, the Company completed the spin-off (the "AV Spin-off") of its business in relation to the manufacture and sale of AV products through a separate listing of its wholly-owned subsidiary, Tonly Electronics Holdings Limited ("Tonly Holdings") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Further details of the AV Spin-off are set out in the listing document of Tonly Holdings dated 17 July 2013. Upon the completion of the AV Spin-off, the Company distributed its entire interests in Tonly Holdings as a special interim dividend by way of distribution in specie to the Company's qualifying shareholders (the "Distribution") (note 9) and Tonly Holdings ceased to be a subsidiary of the Company thereafter.

The results of Tonly Holdings and its subsidiaries attributable to the Group for the period from 1 January to 15 August 2013 are presented below:

	HK$'000
Turnover	2,256,667
Cost of sales	(1,967,212)
Gross profit	289,455
Other revenue and gains	90,296
Selling and distribution expenses	(81,525)
Administrative expenses	(100,418)
Research and development costs	(84,986)
Other operating expenses	(517)
	112,305
Finance costs	(6,707)
Share of profit of an associate	66
Profit before tax from the discontinued operation	105,664
Income tax expense	(16,942)
Profit for the period from the discontinued operation	88,722
Profit attributable to:	
Owners of the parent	71,140
Non-controlling interests	17,582
	88,722
Earnings per share from the discontinued operation:	
Basic	HK5.35 cents
Diluted	HK5.29 cents

The calculations of the basic and diluted earnings per share from the discontinued operation are based on:

	Period from 1 January to 15 August 2013 *HK$'000*
Earnings	
Profit attributable to ordinary equity holders of the parent from the discontinued operation, used in the basic and diluted earnings per share calculation	71,140

	Number of shares 2013
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 10)*	1,330,093,157
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	13,456,203
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	1,343,549,360

9. DIVIDENDS

	2014 ***HK$'000***	2013 *HK$'000*
Interim dividend – Nil (2013: HK28.99 cents) per ordinary share *(note)*	**–**	386,467
Final dividend – HK5.28 cents (2013: Nil) per ordinary share	**70,414**	–
	70,414	386,467

Note: On 15 July 2013, the Board declared a special interim dividend of HK28.99 cents per share, which was satisfied by way of the Distribution (note 8). Under the Distribution, each qualifying shareholder of the Company was entitled to one share of Tonly Holdings for every whole multiple of ten shares of the Company held.

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

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

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

	2014	2013
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	**234,499**	(119,215)
From the discontinued operation *(note 8)*	**–**	71,140
	234,499	(48,075)

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**1,320,550,174**	1,330,093,157
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	**521,439**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**1,321,071,613**	1,330,093,157

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2013 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.

11. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Due from third parties	**3,492,302**	2,677,038
Provision for impairment	**(201,015)**	(211,437)
	3,291,287	2,465,601
Due from related parties:		
Companies controlled by TCL Corporation	**945,923**	886,457
Associates of TCL Corporation	**5,646**	3,169
A joint venture	**75,094**	42,500
Associates	**188**	399,652
	1,026,851	1,331,778
	4,318,138	3,797,379

The majority of the Group's sales in the PRC are conducted on a cash-on-delivery basis or on commercial bills guaranteed by banks within 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 receivables. 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:

	2014	2013
	HK$'000	*HK$'000*
Current to 90 days	**3,754,547**	3,278,385
91 to 180 days	**239,498**	376,613
181 to 365 days	**297,349**	127,681
Over 365 days	**26,744**	14,700
	4,318,138	3,797,379

The Group has entered into certain receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2014, trade receivables factored to banks aggregated to HK$39,443,000 (2013: HK$9,331,000) were fully derecognised from the 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.

12. TRADE PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Due to third parties	**3,223,490**	3,207,302
Due to related parties:		
Companies controlled by TCL Corporation	**1,687,095**	2,235,038
Associates of TCL Corporation	**9,892**	21,845
Associates	**424**	8,462
	1,697,411	2,265,345
	4,920,901	5,472,647

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

	2014	2013
	HK$'000	*HK$'000*
Current to 90 days	**4,691,774**	5,326,876
91 to 180 days	**40,097**	15,798
181 to 365 days	**70,016**	44,262
Over 365 days	**119,014**	85,711
	4,920,901	5,472,647

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Current		
Bank loans – unsecured	**1,736,730**	825,343
Trust receipt loans – unsecured	**298,172**	–
Loans from an associate – unsecured	**215,662**	45,000
	2,250,564	870,343
Non-current		
Bank loans – unsecured	**925,033**	1,132,012
	3,175,597	2,002,355
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,034,902**	825,343
In the second year	**925,033**	207,385
In the third to fifth years, inclusive	**–**	924,627
	2,959,935	1,957,355
Loans from an associate repayable:		
Within one year	**215,662**	45,000
	3,175,597	2,002,355

Notes:

(a) As at 31 December 2014, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK$497,028,000 (2013: HK$302,207,000) as at the end of the reporting period.

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. The aggregate amount of HK$853,336,000 due to T.C.L. Industries are unsecured, repayable within one year and bear interest at fixed rates ranging from 1.485% to 4.20% per annum (2013: an aggregate amount of HK$24,933,000 due to TCL Corporation and an aggregate amount of HK$387,710,000 due to T.C.L. Industries which bore interest at fixed rates of 6.60% and 1.485% per annum, respectively).

15. SHARE CAPITAL

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,333,598,514 shares of HK$1.00 each	**1,333,599**	1,333,599

BUSINESS REVIEW FOR THE YEAR ENDED 31 DECEMBER 2014

2014 marked an important year for TCL's transformation and reform. In the internet era, the Group spared no effort in promotion of its strategic transformation by implementing its "double +" transformation strategy, which encompasses the pursuit of "intelligence + internet" strategic transformation and the establishment of "products + services" business model, to manage products and users effectively at the same time. The "double +" strategy was steadily pursued with fruitful results during the year. During the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation.

The Group sold 16.57 million sets of LCD TVs, down by 3.5% year-on-year, mainly due to the unsatisfactory results of the PRC Market. Sales volume of LCD TVs in the PRC Market decreased by 14.1% year-on-year to 8.51 million sets. Average selling price and profit were under pressure while both sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and the inadequacies in its selling capabilities. Sales volume of LCD TVs in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets, of which the sales volume of LCD TVs in the Strategic ODM business rose by 48.6% year-on-year to 2.41 million sets.

The Group improved its gross profit margin from 13.7% of last year to 16.4% through optimising its product mix and implementing cost control measures. Coupled with the one-off gain recorded from closure of certain subsidiaries, the Group returned to profitability yet the overall business performance failed to meet expectations. The Group achieved a turnover of HK$33,526 million, down by 15.1% year-on-year. Expense ratio edged up from 14.2% of last year to 15.2%. Operating profit was HK$621 million. Net profit after tax was HK$246 million. Profit attributable to owners of the parent was HK$234 million (Actual profit attributable to owners of the parent would have been HK$75.57 million after excluding the one-off gain of HK$159 million recorded from closure of certain subsidiaries). The Group's basic earnings per share was HK17.76 cents.

The Board proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.

In the fourth quarter, the Group achieved a turnover of HK$9,925 million, down by 14.5% year-on-year. Gross profit margin was 16.8%. Operating profit was HK$127 million. Net profit after tax was HK$7.44 million. Profit attributable to owners of the parent was HK$6.94 million. Basic earnings per share was HK0.53 cents. Results for the fourth quarter was far below expectations although it is a traditional peak season of the business.

According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No.3 in the PRC market with a market share of 16.0%.

The traditional TV industry is faced with changing industry landscapes and competition has shifted to one among "product + services" from one among products. The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV etc., and introduced an innovative Golive TV home theatre service. In particular, the new flagship TV+ model H9700, the first Quantum Dot TV in the PRC, is not only a milestone breakthrough for TCL in the field of display technologies, but also represents one of the important moves made in continuous upgrading of the TCL TV+ Home Entertainment TV series.

In addition, the Group completed capital injection into Huizhou Kuyu Network Technology Co., Ltd. ("Kuyu Technology") O2O platform during the year, and holds 16% of its enlarged registered capital. The Group, in collaboration with TCL Corporation and TCL Communication Technology Holdings Limited ("TCL Communication"), also established a joint venture to jointly pursue the TCL Smart Home project, matching into the market of the Internet of Things with bright prospects through integration of mobile internet, big data and cloud computing.

The Group's sales volume of TVs by regions and the numbers of TCL smart TV users during the year were as follows:

	2014 *('000 sets)*	**%**	2013 *('000 sets)*	%	**Change**
LCD TVs	**16,574**		17,184		(3.5%)
of which: LED backlight LCD TVs	**16,517**		16,661		(0.9%)
Smart TVs	**3,755**		2,800		+34.1%
– LCD TVs in PRC Market	**8,509**		9,908		(14.1%)
As a percentage of overall LCD TVs		**51.3%**		57.7%	
– Smart TVs in PRC Market	**3,492**		2,633		+32.6%
As a percentage of overall smart TVs		**93.0%**		94.0%	
– LCD TVs in Overseas Markets	**8,065**		7,276		+10.8%
As a percentage of overall LCD TVs		**48.7%**		42.3%	
– Smart TVs in Overseas Markets	**263**		167		+57.5%
As a percentage of overall smart TVs		**7.0%**		6.0%	
CRT TVs	**165**		1,055		(84.4%)
– PRC Market	**–**		18		(100.0%)
– Overseas Markets	**165**		1,037		(84.1%)
Total TV sales volume	**16,739**		18,239		(8.2%)

	Accumulated total as at December 2014	**December 2014**	**2014**	2013	**Year-on-year change**
Number of TCL activated smart TV users	**6,746,610**	**256,259**	**2,474,271**	1,902,693	+30.0%
Daily average number of active users for 7 days	**N/A**	**2,268,959**	**N/A**	N/A	N/A

Since the Group's operating results of the year substantially fell short of the preset targets, the Board of the Group made significant adjustments in terms of business strategies and organizational structure by establishing a Strategy Executive Committee ("Executive Committee") in October, which is responsible for the overall business coordination. Mr. BO Lianming, an executive director of the Group, was appointed as the Chairman of the Executive Committee. Operating strategies of the Group were rectified with adjustments and enhancements in certain management positions.

The PRC Market

Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the weak market demand, the cross-industry competition from internet enterprises and inadequacies in the Group's selling capabilities. The Group has made significant adjustments in the business organisation and work flow of the PRC Market since October, striving to change the passive situation of the business operation in the PRC. The management is confident that these revolutionary measures will begin to yield results from the second quarter of 2015.

The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV and TCL TV+ Quantum Dot TV which led a revolution in TV display colours etc., driving growth in the sales volume of smart TVs, from 2.63 million sets last year to 3.49 million sets, contributing to 41.0% of the LCD TV sales volume in the PRC Market. Nevertheless, the sales performance of the Group's high-end products still lagged behind its key competitors, which requires further improvement.

In terms of service strategies, the Group launched an innovative service in November 2014 – Golive, which features movies that are previously available only on theatrical showing trails to TV home theatres, bringing to users the true enjoyment of watching blockbusters titles at home. Meanwhile, during the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation to jointly promote TCL Smart Home project.

To further strengthen the operation capabilities catering to smart TV users, the Group established an internet business center (formerly known as "internet business unit"). The accumulated number of activated smart TV users for the year enrolled by Huan was 2,474,271 and up to an accumulated total number of 6,746,610. The daily average number of active users for 7 days was 2,268,959.

The Group completed RMB80 million capital injection to O2O platform of Kuyu Technology for 16% of its enlarged registered capital in June 2014.

Overseas Markets

The Group's sales volume and revenue both fell short of expectations, mainly due to the unsatisfactory sales performance in Brazil. Fluctuations in foreign exchange rates in some markets resulted in exchange losses as well.

After years' efforts in the European and North American Markets, sales volume in the North American Market has been recovering with TCL Roku smart TV 48FS4610R named "The Best TV of 2014" by "PC Magazine". The Group had been continuously enhancing its market share in the European Market. It ranked No.4 in the LCD TVs market in France (GfK figure) in 2014 with a market share of 7.5%. In the Emerging Markets, the Group focused its efforts in the countries which are highlights of development to enhance the awareness of TCL brand.

R&D

The Group's "Quantum Dot Display Technology" won the "2014 IFA Product Technical Innovation Awards", showcasing technology strengths and creativity of TCL brand to the world. TCL had been included in leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" at the Consumer Electronics Show ("CES") for the seventh consecutive year, as well as being included in the league of "Top 20 Global TV". Besides, TCL TV+ Home Entertainment TV won the "Innovation Award" for the second consecutive year, in "The 10th Asian Electronics Forum 2014" (AEF)-cum-the assessment for the Innovation Award and became the only product in the Chinese home electronic appliance industry to have won this honor.

The Group had submitted a total of 400 applications for patent rights, of which 315 applications had been approved in the PRC while 2 applications had been approved in overseas jurisdictions. Among the applications for patent rights, 199 of them were invention applications, 77 of them were new model applications and 124 of them were designs applications.

Outlook

A DisplaySearch market report forecasts that sales volume of the global LCD TV market will grow by 7.2% in 2015 from the previous year and reach 239 million sets. Of these, the sales volume of 4K ultra-high-definition TVs will reach 29.90 million sets, up by over 135% year-on-year. As suggested by statistics compiled by China Market Monitor Co. Ltd ("CMM"), the PRC Market will see LCD TV market grow by 2.2% to reach 47.10 million sets in 2015 with the demand for large-screen and mid- to high-end TVs continue to increase. TVs of 46 inches or above will comprise over 40% of the total while the sales volume of 4K ultra-high-definition TVs will reach 14.00 million sets.

Meanwhile, the market is shifting its attention to middle- to high-end products with high colour domain, such as Curved TVs and Quantum Dot TVs. According to forecasts from CMM, sales volume of Curved TVs in the PRC Market will reach 2.40 million sets in 2015, with a significant growth compared with the 170,000 sets in 2014. The market limelight will also be attracted to Quantum Dot TVs with the world's highest colour domain coverage ratio, which are high-performance and more competitively priced as their production costs are only half of those of OLED TVs. Therefore, the Group expects Quantum Dot TVs to evolve into a new trend in TV development in the future.

Apart from products, competition among electronic commerce channels is heating up as well. The rising popularity of the internet and the growing number of internet users provided a good opportunity for the electronic commerce market to develop and grow. CMM expected that the market share of online channels will grow further. The sales volume of TV market via online channels will exceed 10.00 million sets in the PRC for the first time in 2015.

In response to the macroeconomic and overall industry conditions, the Group has developed the following strategies:

1. The Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, software, various application and content service. The Group will also establish a competitive O2O business model and enhance its user management. The Group will continuously implement leading product strategy with TV+ as the featured product series and focus on enhancing the product mix of high-end products including curved, big-screen, ultra-high-definition, priced at above RMB7,000 and high colour domain products. In addition, the Group will proactively promote the development of O2O and increase its sales proportion. Meanwhile, the Group will derive revenue from operation services through expanding operable user base, establishing operable business model and innovating and incubating new internet businesses by adopting a user-oriented approach.

2. The Group will strengthen establishment of fundamental capabilities, improve quality of its business operations and seek to maximise utilities from its vertical integration along the industrial chain by strengthening industrial cooperation with Shenzhen China Star Optoelectronics Technology Co., Ltd. On the other hand, the Group will continue to enhance its operational efficiency through deepening sales channels and organisational reforms by eliminating the middle layers and establishing an integrated operational system, so as to lower costs and increase operational efficiency. The PRC and overseas businesses are expected to be back on the growth track through improvement on competitiveness, thus enhancing profitability.

3. The Group will continue to pursue internationalization strategy by striving to make breakthroughs in key markets, enhancing operational efficiency in overseas business and expanding emerging markets such as India. The Group will continue to implement the Big screen, Ultra-high-definition and Smart TVs – (BUS) strategy, increase investments in brand building to raise the sales proportion of TCL brand in overseas markets. Meanwhile, the Group will concentrate resources in an effort to strike breakthroughs in key markets including France, United States, Brazil and India. In addition, the Group will also vigorously exploit synergies with other businesses of TCL Corporation to raise the overall influence of the TCL brand in the overseas.

The Group has targeted its annual sales revenue growth at 20.8% and LCD TV sales volume at 17.50 million sets for the year 2015. On top of "double +" strategic transformation, the Group is striving to establish a new organisational structure and enhance its capabilities for implementing strategic transformation, with an aim to enhance market share and awareness of the TCL brand worldwide, gradually transforming the organisation into a global entertainment technology enterprise and creating long-term enterprise value and returns for shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group has the following significant investments, acquisitions and disposals during the year.

On 31 March 2014, US Moka Limited ("US Moka", a wholly-owned subsidiary of the Company) and Sanyo Manufacturing Corporation ("SMC", an independent third party) entered into two agreements, namely: (i) the asset purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire the assets comprising certain pieces of land (the "Land") located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California, Mexico, with a total area of about 79,131.79 square meters; all the buildings erected on the Land; and the machinery and any other supplementary tools (collectively, the "Sanyo Assets") operated in Sanyo Manufacturing, S.A. de C.V. ("SMSA", a non wholly-owned subsidiary of SMC) at a consideration of US$12,850,000 (equivalent to approximately HK$99,619,000); and (ii) the stock purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest of SMSA at a consideration of US$1,646,000 (equivalent to approximately HK$12,761,000). The total consideration was US$14,496,000 (equivalent to approximately HK$112,380,000). The acquisition was completed on 30 April 2014.

On 24 April 2014, TCL Optoelectronics Technology (Huizhou) Co., Ltd. ("TOT", a wholly-owned subsidiary of the Company) and CPT Display Technology (Shenzhen) Limited ("CPT Display", a non wholly-owned subsidiary of TCL Corporation) entered into two agreements, namely: (i) the acquisition agreement pursuant to which CPT Display agreed to sell and TOT agreed to purchase production lines owned by CPT Display for aging in manufacture of backlight module at a consideration of RMB45,000,000 (equivalent to approximately HK$56,700,000); and (ii) the disposal agreement pursuant to which TOT agreed to sell and CPT Display agreed to purchase production lines owned by TOT for bonding in manufacture of backlight module at a consideration of net book value of RMB116,514,000 (equivalent to approximately HK$146,800,000). The transactions were completed on 30 April 2014, resulting in no gain or loss to the Group.

On 24 April 2014, TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King", a wholly-owned subsidiary of the Company) entered into a capital injection agreement with TCL Corporation, Huizhou TCL Mobile Communication Co., Ltd. (a wholly-owned subsidiary of TCL Communication), TCL Air-conditioner (Zhongshan) Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), TCL Home Appliance (Hefei) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Foshan TCL Household Appliances (Nanhai) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Huizhou TCL Light Electrical Appliances Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), Huizhou Pengpeng Keji Investment Partnership (Limited Partnership) (46.20% equity interest owned by Mr. Shi Wanwen, a non-executive director of the Company), Huizhou Wuheshen Keji Investment Partnership (Limited Partnership) (60%, 20% and 20% equity interest owned by Mr. Yang Bin (a director of three subsidiaries of the Company), Mr. Liu Wenwu and Mr. Wen Aijin (the senior management of Kuyu Technology, respectively) and Kuyu Technology, pursuant to which TCL King agreed to inject RMB80,000,000 (equivalent to approximately HK$100,781,000) in cash to Kuyu Technology as its registered capital. Upon the completion of the capital injection, the registered capital of Kuyu Technology increased from RMB50,000,000 (equivalent to approximately HK$62,988,000) to RMB500,000,000 (equivalent to approximately HK$629,881,000). The investment made by the Group represents 16% of the enlarged registered capital of Kuyu Technology. The capital injection was completed on 27 June 2014 and Kuyu Technology was accounted for as an available-for-sale investment by the Group.

On 2 December 2013, TCL Electrical Appliance Sales Co., Ltd. ("Sales Co", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which Sales Co agreed to acquire an additional 21% equity interest in Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual", a former 49% owned associate of Sales Co) at nil consideration. The equity transfer was completed on 9 May 2014 and Toshiba Visual became a subsidiary of the Group since then. The equity transfer was regarded as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised a gain of HK$35,688,000 in the consolidated statement of profit or loss and other comprehensive income. The Group has elected to measure the non-controlling interest in Toshiba Visual at the non-controlling interest's proportionate share of Toshiba Visual's identifiable net liabilities.

On 11 November 2014, Sino Leader (Hong Kong) Limited ("Sino Leader", a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited, a wholly-owned subsidiary of TCL Corporation, and Prosper Fortune Enterprises Limited, a wholly-owned subsidiary of TCL Communication, to invest in a joint venture which is named as TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, Sino Leader will contribute RMB9,000,000 (equivalent to approximately HK$11,340,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader will contribute further RMB18,000,000 (equivalent to approximately HK$22,680,000) at maximum to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan.

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 of the Group as at year end amounted to HK$3,379,369,000, of which 0.1% was maintained in Hong Kong dollars, 20.6% in US dollars, 76.9% in Renminbi, 1.1% in Euro and 1.3% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2013 and there was no asset held under finance lease as at year end.

As at year end, the Group's gearing ratio was 10.0% which is calculated based on the Group's net borrowing of approximately HK$446,266,000 (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$4,469,129,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 31 December 2014, certain time deposits of the Group amounting to HK$203,298,000 were pledged for certain bills payable amounting to HK$200,846,000 (2013: certain bills receivable of the Group amounting to HK$639,949,000 were pledged for certain bills payable amounting to HK$635,890,000).

Capital Commitments and Contingent Liabilities

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

	2014	2013
	HK$'000	*HK$'000*
Contracted, but not provided for	**61,429**	175,256
Authorised, but not contracted for	**305,633**	385,484
	367,062	560,740

As at 31 December 2014, the Group did not have any material contingent liability not provided for in the consolidated financial statements.

Pending Litigation

The Group was not involved in any material litigation as at 31 December 2014.

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 emphasizes on the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, 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 25,127 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 15,019,711 shares remained outstanding at the end of the 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 on 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

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 6,682,000 shares being the awarded shares during the year. The total amount paid to acquire such shares was approximately about HK$19,515,000. 19,462,225 awarded shares had been awarded and vested for the year ended 31 December 2014.

FINAL DIVIDEND

The Board has proposed a final dividend, for the year ended 31 December 2014, of HK5.28 cents (2013: nil) in cash per share. Subject to approval at the forthcoming AGM, the said final dividend will be payable on or about 22 May 2015, Friday to shareholders whose names appear on the register of members of the Company on 6 May 2015, Wednesday.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 April 2015, Monday to 28 April 2015, Tuesday (both dates inclusive), for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the AGM. No transfer of the shares may be registered during the said period. In order to qualify to attend and vote at the AGM, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 24 April 2015, Friday.

The register of members of the Company will be closed from 5 May 2015, Tuesday to 6 May 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 4 May 2015, Monday.

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 2014, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, except for the deviation from the Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1. The reasons for the deviation from the Code Provisions D.1.4 and F.1.1 remain the same as those stated in the Company's 2013 annual report and the reasons for the deviation from the Code Provisions E.1.2 remain the same as those stated in the Company's 2014 interim report.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended by each of them, Mr. HUANG Xubin and Mr. SHI Wanwen, both of whom being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the AGM of the Company held on 28 April 2014, the extraordinary general meeting ("EGM") of the Company held on 16 June 2014 and the EGM of the Company held on 16 December 2014. Due to other pre-arranged business commitments which must be attended by him, Mr. BO Lianming, being a non-executive director of the Company at the time (who was re-designated as an executive director of the Company with effect from 23 October 2014), was not present at the AGM held on 28 April 2014 and the EGM held on 16 June 2014. Due to other pre-arranged business commitments which must be attended by her, Ms. WU Shihong, being an independent non-executive director of the Company, was not present at the EGM held on 16 December 2014. However, Mr. TANG Guliang and Ms. WU Shihong (except for the EGM of the Company held on 16 December 2014), both of them being independent non-executive directors of the Company, were present at the aforesaid three general meetings to ensure an effective communication with the shareholders thereat.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Ms. WU Shihong and Dr. TSENG Shieng-chang Carter, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

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" (the "Model Code"). Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 2 March 2015

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, HAO Yi and YAN Xiaolin as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin and SHI Wanwen as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.