Annual Report 2011

TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

Stock code: 01070

创意感动生活
The Creative Life

Corporate Profile

TCL Multimedia Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group") is one of the largest global TV manufacturers and distributors and its products are sold all over the world. Headquartered in China, the Group operates its manufacturing plants and R&D centres across all major continents. The ultimate holding company of the Company is TCL Corporation.

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FINANCIAL HIGHLIGHTS

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FINANCIAL PERFORMANCE

(HK$ Million)	**2011**	2010
Turnover	**32,932**	26,949
Gross profit	**5,289**	3,765
Gross profit margin (%)	**16.1%**	14.0%
Net profit/(loss)	**453**	(983)
Basic EPS/(LPS) (HK cents)	**41.80**	(92.05)
Dividend per share (HK cents)	**16.00**	–

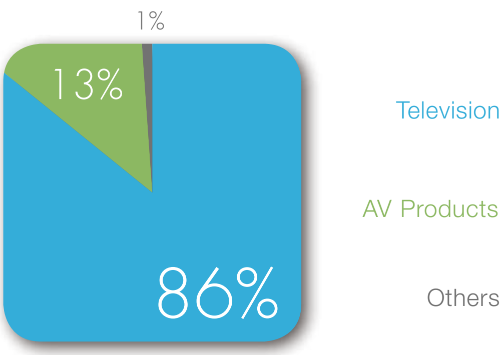
FINANCIAL POSITION

(HK$ Million)	**2011**	2010
Property, plant and equipment	**1,342**	1,498
Cash and bank balances	**4,452**	2,133
Total assets	**24,132**	18,501
Total liabilities	**20,479**	15,251
Interest-bearing debts	**4,438**	5,719
Net assets	**3,653**	3,250

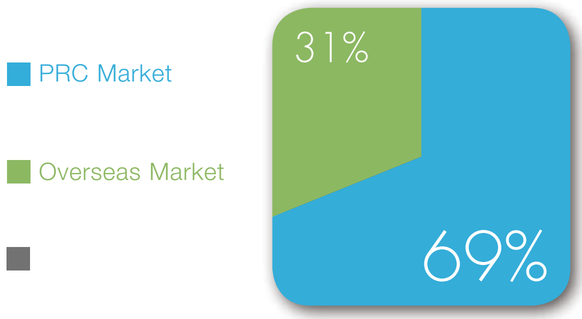
OPERATION INDICATORS

	2011	2010
Return on equity (%)	**13%**	(31%)
Inventory turnover (days)	**49**	74
Trade receivables turnover (days)	**35**	47
Trade payables turnover (days)	**65**	72
Current ratio	**1.1**	1.1
Gearing ratio (%)	**–**	38.5%

Note: The above turnover days are calculated on average balance of the year.



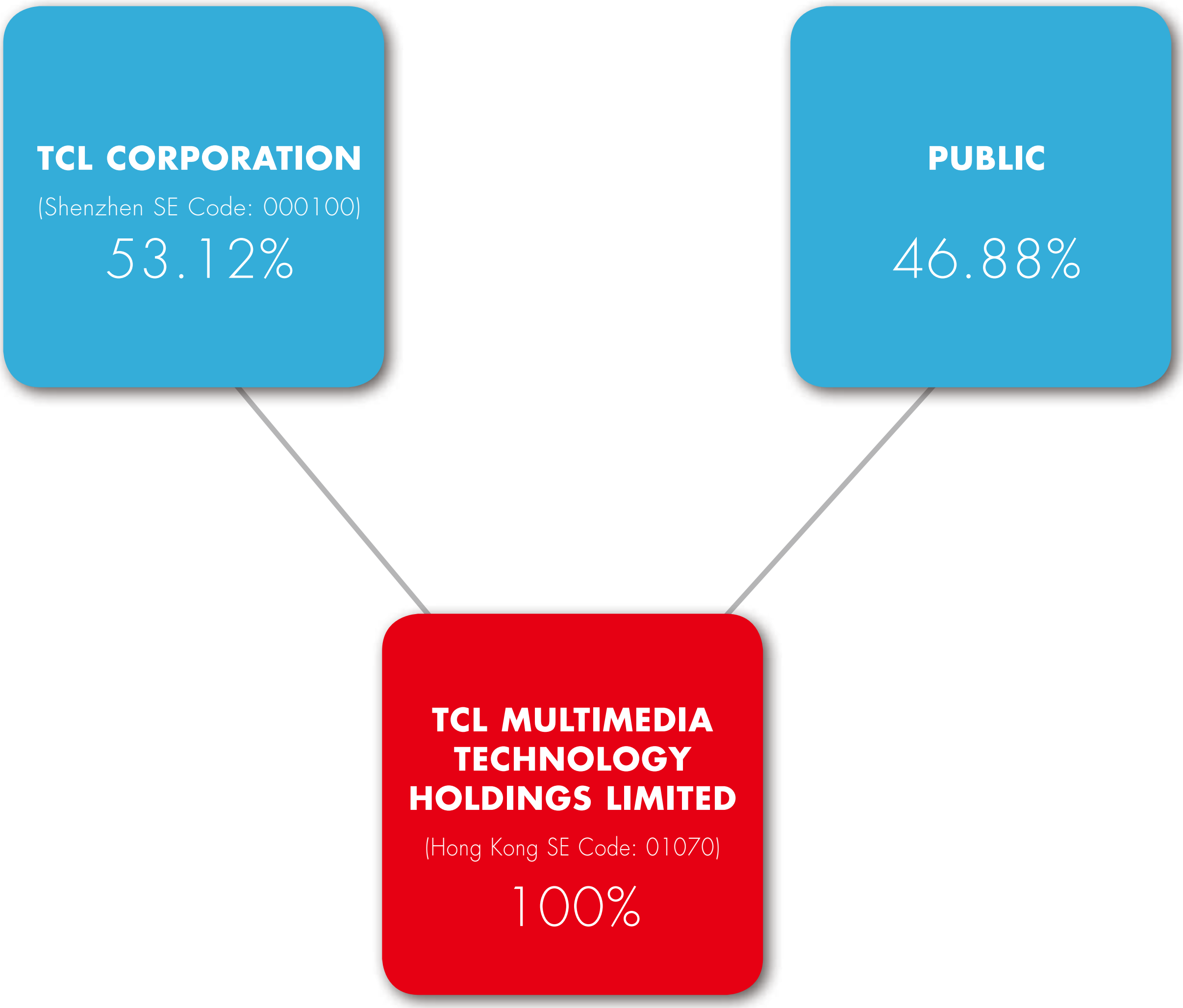
TURNOVER BREAKDOWN
BY PRODUCTS



TURNOVER BREAKDOWN BY
REGIONAL TV BUSINESS CENTRES

CORPORATE STRUCTURE

CORPORATE STRUCTURE



YEAR IN REVIEW 2011

YEAR IN REVIEW 2011

March: Introduced three newly developed Super Smart Internet TV series, namely X9200, V8200 and P7200 in Beijing

June: 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 and ancillary facilities in Hohhot, Inner Mongolia

June: The Company entered into the Acquisition Agreement with TCL Corporation ("TCL Corporation"), and agreed to acquire from TCL Corporation its equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. The acquisition was completed on 18 January 2012

June: TCL Holdings (BVI) Limited, a wholly-owned subsidiary of the Company entered into the Equity Transfer Agreement with Talent Bright International Limited ("Talent Bright"), and agreed to sell the entire equity interest in TCL King Electronics (Shenzhen) Company Ltd. ("TCL King Shenzhen") to Talent Bright

YEAR IN REVIEW 2011

June: Dr. TSENG Shieng-chang Carter has been appointed as an independent non-executive director of the Company, and a member of the Audit Committee and Remuneration Committee of the Company; Mr. LEONG Yue Wing has resigned as a non-executive director of the Company

October: Mr. CHENG Fong Ting, Edmond has been appointed as the Chief Financial Officer ("CFO") of the Company; Mr. YUAN Yi has resigned as CFO of the Company

December: Formed a strategic partnership with Sampo Corporation of Taiwan ("Sampo") to sell TCL-branded TVs to the Taiwan market through Sampo's agencies and distribution network

December: Announced that its annual LCD TV sales volume exceeded 10 million sets as of 14 December 2011, the first enterprise in the PRC to exceed 10 million sets in its annual sales volume of LCD TVs in the global market

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

2011 was not only the thirtieth anniversary of the founding of TCL but also a year for TCL to achieve major breakthroughs. In the past 30 years, TCL has adhered to its corporate philosophy of self-innovation and witnessed landmark developments in the TV industry in the PRC as well as around the world. After years of facing challenges and overcoming difficulties, TCL has for the first time become one of the top seven LCD TV manufacturers in terms of sales volume in the world in 2011, as well as the PRC's largest LCD TV manufacturer.

2011 was a year in which the Group achieved a number of breakthroughs. Due to the negative impact from the sluggish global economy and intensive competition in the industry, top brands around the world downgraded their sales targets. However, the Group upgraded its annual LCD TV sales target twice: first in August, from 8.50 million sets at the beginning of the year to 9.60 million sets, then again in October from 9.60 million sets to 10.20 million sets. The Group's LCD TV sales volume as of 31 December 2011 jumped 45.5% year-on-year to 10.86 million sets, far beyond the industry average and making TCL the first TV manufacturer in the PRC to exceed annual sales of 10 million sets of LCD TVs. According to data from DisplaySearch, the Group accounted for 4.9% of the global market share for LCD TVs, ranking No.7 in 2011 from No.10 in 2010. Moreover, based on the annual report issued by R&F Global Ranking Information Group Ltd. in September 2011, TCL maintained its No.1 brand position among all TV brands in the PRC with a brand value of RMB50.1 billion.

DESPITE CHALLENGES IN ITS TEN YEARS OF GLOBALIZATION, THE GROUP WILL CONTINUE TO IMPLEMENT ITS GLOBALIZATION STRATEGIES IN ORDER TO FURTHER ACHIEVE GLOBAL INDUSTRY CHAIN INTEGRATION, GLOBAL SALES AND MARKETING SYSTEM ESTABLISHMENT AND PRODUCT MIX OPTIMIZATION TO REACH BREAKTHROUGHS IN BOTH SALES VOLUME AND PROFITABILITY.

CHAIRMAN'S STATEMENT

The Group achieved impressive sales results which were mainly attributable to an initial achievement of the global industry chain integration, global sales and marketing system establishment as well as production mix optimization. As such, the Group not only made breakthroughs in sales volume but also turned from loss to profit. For the year ended 31 December 2011, the Group recorded turnover of approximately HK$32,932 million, up 22.2% year-on-year. The Group's profit attributable to owners of the parent turned around from net loss to net profit, reached approximately HK$453 million.

In 2011, the Group further consolidated its leading position in the PRC Market while actively expanding its Overseas Markets. Sales volume of LCD TVs in the PRC Market and Overseas Markets grew 28.9% and 81.8% to 6.61 million sets and 4.25 million sets, respectively. Emerging Markets have been the key areas for the Group's strategic development. They are also the driving force of the Group's business after the PRC Market. Emerging Markets recorded encouraging results as sales volume of LCD TVs in the markets surged 144.3% year-on-year to 2.37 million sets.

The Group has been engaged in the optimization of its R&D, marketing strategies, sales channels, supply chain as well as cost control, therefore, its products competitiveness and brand dominance have further improved. Riding on the market trend for high-end products in 2011, the Group was dedicated to developing 3D TVs and smart TVs while launching leading super smart "cloud" TVs into the market. Thanks to its cutting-edge cloud calculation and cloud storage technologies, Cloud•Zhuo V7300 won the "2011 Technology Innovation Award" at the 2011 Summit for China's Consumer Electronic Goods Industry and Year-end Award Ceremony. In the meantime, TCL was again named one of the "Top 50 Global Consumer Electronic Brands" and ranked the sixth in global TV brands. It was also listed one of the "Top 10 China's Leading Consumer Electronic Brands" for the fourth consecutive year. In addition, TCL became a global joint promotion partner of the Hollywood 3D movie "Transformers III", and launched its commemorative edition "Smart Change" V8200 Series, the world's first super smart 3D TV for "Transformers III". This marks the first-ever collaboration between a PRC TV enterprise and Hollywood movie maker, which helped to further enhance TCL's brand image.

Looking forward, 2012 is a year full of opportunities and challenges. Although the PRC economy is expected to remain stable and replacement demand for new TVs in the PRC Market will persist for several years, volatility in the global economy will inevitably cast a negative impact on the TV industry. In view of this, the Group will adopt proactive yet prudent business development strategies, implement its long-term development strategy focusing on "integration, innovation and internationalization", continue to strengthen innovation capability, enhance and upgrade the transition of its industry chains, and adhere to the strategic development of the high-end industry and globalized operations.

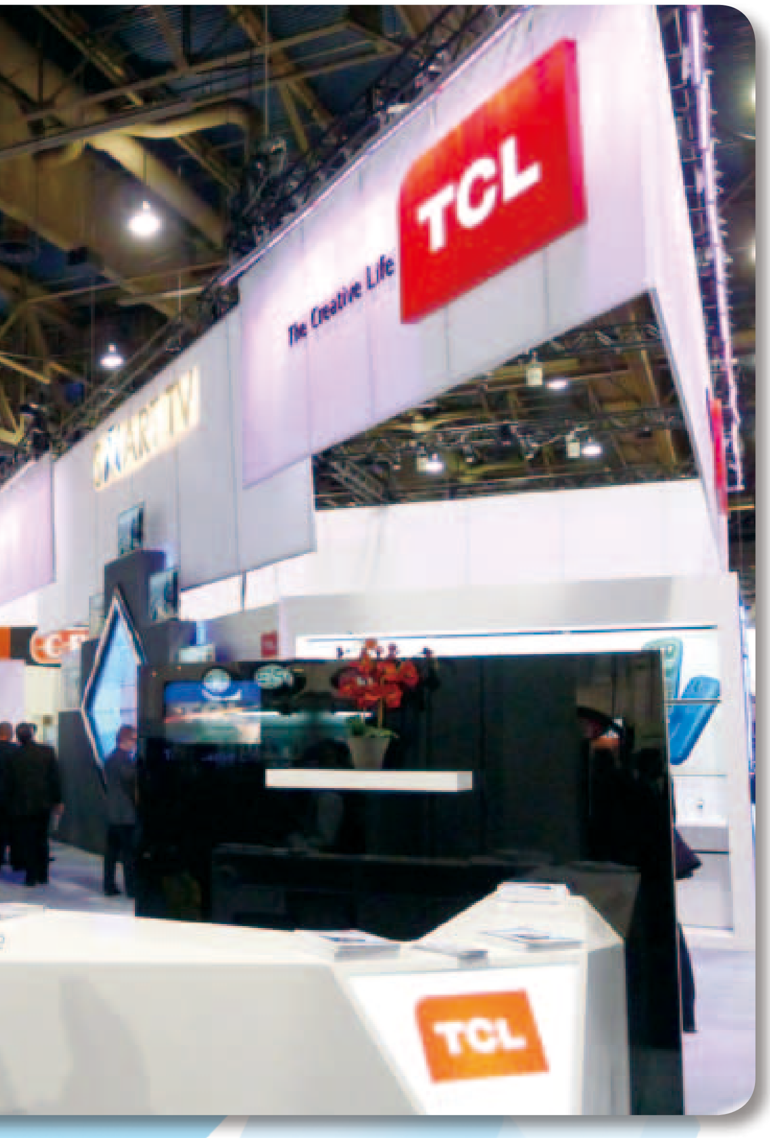
The Group's sales target for LCD TVs in 2012 amounts to 13.80 million sets, well above the average sales growth in the industry. More importantly, we will remain dedicated to improving profitability. As innovation is the central pillar of TCL, the Group will remain dedicated to the development of 3D TVs and smart "cloud" TVs in order to enhance the product mix of high-end products to increase profit margins. In fact, TCL has been engaged in the R&D of internet TVs over a long period of time. Therefore, leveraging its experience in R&D in this field, the Group will continue to boost investment into applicable technologies in order to further strengthen its competitive advantages

brought by product differentiation. Moreover, the PRC's first 3D TV channel – CCTV 3D TV channel officially commenced trial broadcast on 1 January 2012. TCL became an exclusive partner of this channel and it will help the Group to enhance its brand influence.

In the future, TCL will continue to implement its globalization strategy. The integration of the global economy has accelerated in the ten years since the PRC joined the World Trade Organization. Therefore, globalization is the only way for the PRC enterprises to enhance their core competitiveness. Despite challenges in its ten years of globalization, the Group will continue to implement its globalization strategies in order to further achieve global industry chain integration, global sales and marketing system establishment and product mix optimization to reach breakthroughs in both sales volume and profitability.

We will not only strengthen our leading position in the PRC Market, but will also continue to develop our business in the Overseas Markets by implementing a stable and healthy development strategy. As urbanization in the PRC speeds up, along with growing per capita income in the third-tier to fifth-tier cities and rural markets, demand for LCD TV products will increase steadily in these markets. The Group will continue to enhance its sales channel, to further penetrate into third-tier to fifth-tier cities and rural markets, to continuously increase its market share and to improve brand image in the PRC Market. In the Overseas Markets, the Group will continue to focus on the growing Emerging Markets such as Southeast Asia, South Asia, the Middle East, South America, etc. in order to sustain healthy and stable development. In addition, the Group will step up its efforts in promoting its brand and resources in the Overseas Markets to further accelerate its globalization process.

Besides, the Group will continue to strengthen its core competitiveness through vertical integration. The Group also further improved the development of



its LCD TV industry chain in 2011, which included the investment in the construction of LCD TV module integration plant in Hohhot, Inner Mongolia and the equity acquisition of TCL Optoelectronics Technology (Huizhou) Co., Ltd. (which is mainly engaged in the production of LCD modules). Coupled with the commencement of production in the 8.5-generation LCD panel production plant operated by Shenzhen Huaxing Photoelectrics Technology Company Limited, a joint venture between TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (South Korea), the Group will enhance its competitive advantages in the field of TV manufacturing and will accelerate its pace in upgrading its industry chain. It will also lay a solid foundation for the integration of its LCD TV industry chain, which will further enhance its competitive advantages on a global basis in the future.

On behalf of the board, I would like to thank our shareholders, customers and business partners for their support, and would also like to thank all our management and staff for their team spirit and hard work in the past year. Looking forward, we hope that all of our staff will continue to work towards the goal of making TCL a venerable, highly innovative and world-leading company so as to contribute to the sustainable and sound development of the Group and to create better business performance and returns for society and the Company's shareholders.

LI Dongsheng
Chairman

Hong Kong, 27 February 2012

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, lowering costs through resource integration, and 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 ('000 sets)	2010 ('000 sets)	**Change**
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 has 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 impact 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, including 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 effect 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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 the 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 on 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 module integration 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, pursuant to which the Group agreed to sell and Talent Bright agreed to acquire the entire equity interest in TCL King Shenzhen, 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 26 and 31 to the financial statements.

Capital Commitments and Contingent Liabilities

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

	2011 **HK$'000**	2010 HK$'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 annual report for 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 annual report for 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 conditions precedent 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 annual report for 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

Please refer to note 43 to the financial statements.

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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. XU Fang	Mr. YU Guanghui	Mr. ZHAO Zhongyao	Mr. BO Lianming	Mr. LI Dongsheng

EXECUTIVE DIRECTORS

Mr. LI Dongsheng

Aged 54, is the founder and Chairman of the Company. Mr. LI is also the Chairman, Chief Executive Officer ("CEO") and one of the founders of TCL Corporation. Mr. LI is one of the most influential business leaders in the PRC. He has led TCL to set a precedent for internationalization among Chinese enterprises in the global consumer electronics industry.

In 1982, Mr. LI began his career as a workshop technician in TTK Household Electrical Appliances Co. Ltd., the predecessor of TCL. In 1985, Mr. LI became General Manager of the newly established TCL Communication Equipment Co. Ltd., and created the TCL brand. He was then appointed as Director of Introduction Department of Guangdong Huizhou Industrial Development Company. Mr. LI was appointed as Deputy General Manager of Huizhou Electronic Communication Co. in 1990. In 1993, Mr. LI became General Manager of TCL Electronics Group Co. During the same period, TCL launched its color TV business, and soon became a leading TV manufacturer in the PRC. Mr. LI became Chairman and President of TCL Corporation in 1996.

In 2003, Mr. LI was appointed as Chairman of the Board and CEO of TCL Corporation, which was then listed on the Shenzhen Stock Exchange. Under his leadership, TCL acquired French Thomson's global color TV business and Alcatel's global mobile phone business in 2004. After many years of efforts in international integration , both TCL's LCD TV business and mobile phone business leaped to no. 7 in the world in terms of market shares in the third quarter of 2011.

NON-EXECUTIVE DIRECTORS

Mr. Albert Thomas DA ROSA, Junior | **Mr. HUANG Xubin**

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TANG Guliang | **Mr. Robert Maarten WESTERHOF** | **Ms. WU Shihong** | **Dr. TSENG Shieng-chang Carter**

In 2011, Mr. LI was awarded the "Chinese Economic Leader" by Ifeng.com and *21st Century Business Herald*. He also received China's "Life Achievement Award of Top 25 Influential Business Leaders" from *China Entrepreneur* magazine. In 2009, Mr. LI was awarded "China's Economic Person of the Year: Business Leader of the Decade" by CCTV, in addition to "Top 60 Branding Leaders of the Past 60 Years" by Brand China Industry Union. In 2008, Mr. LI received the "Deloitte Entrepreneur Award" in Barcelona and was honored as "Economic Figure of China's 30 years of Reform and Opening-up". In the same year, Mr. LI was named by *China Times* as China's "Top Ten Outstanding CEOs." He was also awarded "The Founder of the Brand in 30 years' Reform and Opening-up" by a brand evaluating agency in New York. In 2007, Mr. LI received the "Corporate Leadership Award" from the US-China Forum in Chicago. He was named as "One of the Most Influential Business Leaders" by *China Entrepreneur* Magazine in 2006 and 2005, "China's Economic Person of the Year" by CCTV, "Asia Businessman of the Year" by international famous magazine *Fortune* and one of the "Top 25 Global Influential Business Leaders" by American *Time* magazine and CNN in 2004. Mr. LI also received a medal of OFFICER DE LA LEGION D'HONNEUR (French national honor) by French President, Mr. Jacques Chirac in the same year.

Mr. LI was elected as a delegate to China's 16th Party Congress, and a delegate to China's 10th and 11th National People's Congress. Mr. LI holds a number of prestigious positions: Chairman of China Electronic Imaging Industry Association, Vice Chairman of China Chamber of International Commerce and Chairman of Guangdong Household Electrical Appliances Chamber of Commerce, Honorary Chairman of Shenzhen Flat Panel Display Industry Association and Adjunct Professor of Wuhan University. Mr. LI graduated with a Bachelor's degree in Radio Technology from South China University of Technology.

DIRECTORS AND SENIOR MANAGEMENT

Mr. BO Lianming

Aged 49, is an Executive Director of the Company. He is also an Executive Director, President and Chief Operating Officer ("COO") of TCL Corporation, and a Non-executive Director of TCL Communication Technology Holdings Limited ("TCL Communication"), a subsidiary of TCL Corporation. Mr. BO held a number of management positions in TCL Corporation including Vice President and Financial Director of TCL IT Industrial Group, Vice President of TCL Components Strategic Business Unit, Executive Vice President of TTE Corporation, as well as Human Resources Director, Vice President and Senior Vice President of TCL Corporation. Mr. BO has over 11 years of experience in the consumer electronics products industry. Before joining TCL Corporation in 2000, he was the Chief Accountant of Shenzhen Airlines Co., Ltd.. Mr. BO holds a Doctorate Degree in Business Administration from Xi'an Jiaotong University.

Mr. ZHAO Zhongyao

Aged 49, is currently the CEO and an Executive Director of the Company, also an Executive Director and Senior Vice President of TCL Corporation. He currently holds the position of Chairman of Huizhou Techne Corporation. Mr. ZHAO has 20 years of experience in sales and marketing and management of consumer electronics business. Mr. ZHAO graduated with a Master's degree in Engineering from Northwestern Polytechnic University of PRC and was a post-graduate in Avionics Engineering in the same university. Mr. ZHAO also obtained a Master's degree in Business Administration from Massachusetts Institute of Technology in 2007.

Mr. YU Guanghui

Aged 43, is currently an Executive Director of the Company, and Vice President of TCL Corporation. Mr. YU joined TCL in 1993. He had held the positions of Engineer of TCL Huizhou Shouhua Science Park, Manager Assistant of LG Electronics (Huizhou) Co., Ltd., Deputy General Manager of TCL King Electrical Appliances (Huizhou) Co., Ltd., Deputy General Manager of TCL Electronics (HK) Co., Ltd., General Manager of TCL Overseas Holdings Co., Ltd., Vice President of Electronics Business Unit and Overseas Business Unit of the Company, President of TTE Strategic-OEM Business Unit, General Manager of AV Business Unit and President of the Company. Mr. YU has rich management experience in materials procurement, manufacturing, product management, business development and cooperation with world-class companies. He was one of the major responsible persons of TCL's early Color TV production base. Mr. YU graduated from the Shanxi Normal University with a Master's degree in Physics, and holds a MBA degree from Peking University and an EMBA degree from Cheung Kong Graduate School of Business.

Ms. XU Fang

Aged 49, is currently an Executive Director of the Company. She is also Vice President and Human Resources Director of TCL Corporation, and a Non-Executive Director of TCL Communication. Ms. XU joined TCL Institute of Training of TCL Corporation as the Dean in February 2004. Ms. XU became the Deputy Dean of TCL Institute of Leadership Development of TCL Corporation in February 2006 and the Dean in April 2007. Ms. XU has been the Human Resources Director of TCL Corporation since September 2007. From September 2007 to May 2010, Ms. XU concurrently held the position of General Manager of the Human Resources Management Centre of TCL Corporation. Ms. XU has been the Vice President of TCL Corporation since October 2010. From September 2010 to June 2011, Ms. XU concurrently held the position of Chief Human Resources Officer of the Company. Ms. XU is also a part-time lecturer at Shenzhen Graduate School of Peking University, a distinguished professor at Shantou University and a distinguished research fellow at Sun Yat-Sen University. Ms. XU obtained a Bachelor degree in English Linguistics from Nanjing Normal University, and a Master degree in Business Administration from New York Institute of Technology.

NON-EXECUTIVE DIRECTORS

Mr. Albert Thomas DA ROSA, Junior

Aged 58, is a Non-executive Director of the Company. He has been a director of the Company since November 1999. Mr. DA ROSA holds both Bachelor's and Master's Law Degrees from the University of Hong Kong. Mr. DA ROSA was qualified as a solicitor in Hong Kong in 1980 and is currently a practicing solicitor and a partner of Messrs. Cheung Tong & Rosa Solicitors, Hong Kong. Mr. DA ROSA is a fellow of the Chartered Institute of Arbitrators and the Hong Kong Institute of Directors, a member of the Hong Kong Securities Institute and the Society of Registered Financial Planners and an Accredited Mediator with certain institutions in the U.K. and Hong Kong.

Mr. DA ROSA is an Independent Non-executive Director of HKC (Holdings) Limited, a Non-executive Director of eSun Holdings Limited, and the Company Secretary of Y.T. Realty Group Limited and Yugang International Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Mr. DA ROSA serves as Chairman of the Appeal Tribunal (Buildings) Panel, the Deputy Convenor and member of the Solicitors Disciplinary Tribunal Panel, and Deputy Chairman and member of the Panel of the Board of Review (Inland Revenue) respectively. Mr. DA ROSA also served as a member of the Academic and Accreditation Advisory Committee of the Securities and Futures Commission from February 2003 to March 2009.

Mr. HUANG Xubin

Aged 46, is a Non-executive Director of the Company. He is also the Chief Financial Officer ("CFO") of TCL Corporation and a Non-executive Director of TCL Communication. Mr. HUANG joined TCL in March 2001 and served as an Officer and General Manager of the Financial Settlement Centre of TCL Corporation. Mr. HUANG became the Chief Economist of TCL Corporation from June 2004 to June 2008 and has been a member of the Executive Committee of TCL Corporation since July 2007. Mr. HUANG was the Vice President of TCL Corporation from April 2008 to January 2011, Financial Director of TCL Corporation from June 2008 to January 2011 and has been the Chairman of TCL Finance Co., Ltd. since November 2009. Before joining TCL, Mr. HUANG served as Head of Credit Division of China Construction Bank, Guangdong Branch, the Deputy Manager and Manager of Fund Management Division and Securities Division of Guotai Junan Securities Co. Ltd., Guangzhou Branch, and also Senior Manager of Guangzhou Office of China Cinda Asset Management Co., Ltd. Mr. HUANG graduated from Hunan College of Finance and Economics, and obtained a Master's degree in Economy at Research Institute for Fiscal Science, Ministry of Finance, the PRC and an EMBA degree from China Europe International Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TANG Guliang

Aged 49, is an Independent Non-executive Director of the Company. He is a professor at Department of Accounting, School of Business, University of International Business and Economics. Mr. TANG holds directorships in several listed companies in the PRC. He is also a Director of the Accounting Society of China.

Mr. Robert Maarten WESTERHOF

Aged 68, is an Independent Non-executive Director of the Company. He has over thirty years' experience in the electronics industry. Mr. WESTERHOF had held senior management positions in the Computer, Telecommunications and Medical Systems divisions of Philips, his last positions were CEO of Philips Asia and CEO of Philips North America. After his retirement from Philips, Mr. WESTERHOF became the President of the European top soccer team PSV Eindhoven (a voluntary job). Mr. WESTERHOF is the Co-Chairman of Thinktank Omega, an independent think tank that advises the government of the Netherlands on economics, financial and social issues and a Non-executive Director of AND Technologies N.V., a global leading provider of navigation solutions and digital maps which listed on the Amsterdam Stock Exchange. Mr. WESTERHOF serves as the Chairman of the Supervisory Board of Nucletron, a worldwide medical treatment company based in the Netherlands. Mr. WESTERHOF is also a member of the Supervisory Board of Teleplan, a hardware services provider headquartered in the Netherlands, and a member of the Advisory Board of VKA, an IT strategy company based in the Netherlands. Mr. WESTERHOF holds a Master's degree in Business Administration at the Erasmus University of Rotterdam and he is also a graduate from Harvard Business School's Advanced Management Program and International Senior Management Program.

Ms. WU Shihong

Aged 55, is an Independent Non-executive Director of the Company. She has extensive experience in the information technology industry. Ms. WU is currently the Chairman and President of Shanghai Blackspace Information Tech. Co. Ltd. Ms. WU joined IBM China in 1985 and was a General Manager, Channel Management of IBM China from May 1997 to February 1998. Ms. WU then became a General Manager of Microsoft China Co. Ltd. until August 1999. From 1999 to 2002, Ms. WU was a Vice President of TCL Corporation, and General Manager of TCL Information Technology Industrial (Group) Co. Ltd., a wholly owned subsidiary of the Company. Since January 2002, Ms. WU has been studying in the area of philanthropy. Ms. WU was elected by the "Fortune" magazine as one of the "Most Powerful Business Women in the World" in 2001 (No. 27) and 2002 (No. 24).

Dr. TSENG Shieng-chang Carter

Aged 63, is an Independent Non-executive Director of the Company, and a member of the Audit Committee and Remuneration Committee of the Company. Dr. TSENG served as an Independent Non-executive Director of TCL Corporation from 20 June 2008 to 20 June 2011. Dr. TSENG is currently a Senior Consultant of the Shenzhen Municipal Government, Senior Consultant of Tianjin Economic-Technological Development Area, TEDA and the Executive Chairman of Nankai International Business Forum. Dr. TSENG also serves as adjunct professor at a number of renowned universities over the globe including the University of Alberta (Canada), the City University of Hong Kong, the Nankai University in Tianjin, the Sichuan University and the University of Electronic Science and Technology of China in Chengdu. Dr. TSENG is also a member of the USA-based "Committee of 100".

Dr. TSENG holds a Bachelor of Science in Electrical Engineering from the National Taiwan University, he then pursued further studies at the University of California where he received his Master and Doctoral degrees in Computer Science and Electronics Engineering. Dr. TSENG has over 30 years of experience in the high-tech industry. While in the US, Dr. TSENG worked at PARC (XEROX Research Center) in Silicon Valley and various U.S. based companies including Lockheed Aircraft Co. and NRL. Dr. TSENG then returned to Taiwan in 1980, and was a Co-Founder of MICROTEK which was listed in 1988 – the world class leader in the Image Scanner industry, one of the first and most successful listed high-tech companies based in Taiwan Hsinchu Science Park. Dr. TSENG has also drawn on his rich experience to coaching and mentoring executives and managers in the high-tech arena. In 1998, Dr. TSENG set up the Little Dragon Foundation with a mission to guide entrepreneurs of tomorrow, which has served many large corporations in the PRC. Dr. TSENG also serves as the overseas director of Canada National Institute of Nano-Technology and a director of China National Academy of Nano-Technology & Engineering.

SENIOR MANAGEMENT

Mr. CHENG Fong Ting, Edmond

Aged 50, is currently the Chief Financial Officer of the Company. Mr. CHENG joined TCL in October 2011. From 1985 to 1994, Mr. CHENG worked in both Audit and Financial Management Department for GTE Corporation, Compaq Computers Corporation and Applied Materials Incorporated. From 1994 to 2005, Mr. CHENG worked in various Senior Financial and Operational Management roles for regional businesses in Asia Pacific of Compaq Computers (which was later acquired by Hewlett Packard Company), Mallinckrodt Medical Incorporated and Ingram Micro Incorporated. From April 2005 to August 2011, he worked as the Chief Financial Officer of Titan Petrochemicals Group Ltd, PSA International PTE Ltd, Zoomlion Science & Technology Development Company Ltd, and UTStarcom Inc., USA. Mr. CHENG graduated from University of Hawaii in 1984 and received a Bachelor degree in Business Administration with double majors in both Accounting and Management Information Systems, he graduated from the same university with a Master degree in Accounting in 1986. Mr. CHENG has also completed his EMBA Global Asia program, offered jointly by Columbia University, London Business School, and the University of Hong Kong.

Mr. HAO Yi

Aged 38, is currently the Chief Sales Officer and General Manager of Overseas Business Center of the Company. Mr. HAO joined TCL in March 2004. Mr. HAO had held the positions of Assistant to Chairman of TCL Corporation, Vice President of the Company and General Manager of Emerging Market Business Center of the Company. Mr. HAO has rich experiences in international business. Mr. HAO graduated from York University, Toronto with a Bachelor's degree in Economics, and also holds a degree of EMBA from Cheung Kong Graduate School of Business.

Mr. ZHANG Shanshui

Aged 46, is currently the Executive Vice President and General Manager of Global Industrial Center of the Company. Mr. ZHANG joined TCL in 1996. Mr. ZHANG had held the positions of Assistant to Manager of TCL King Audiovisual Co., Ltd., Manager of PE Department, Director of R&D Institute, Deputy General Manager and General Manager of Industrial Center, General Manager of Sourcing Center of TCL King Electronic (Shenzhen) Co., Ltd. General Manager of AV Business Unit of TCL Corporation, Deputy General Manager / General Manager of Industrial Center of Multimedia Business Unit of TCL Corporation, Executive Deputy General Manager of TTE Global Industrial Center, Vice President of TTE Strategic-OEM Profit Center, Vice President of Strategic-OEM Business Unit of TCL Corporation and General Manager of TV Business Center, Vice President of TTE Global Operation Center and General Manager and Deputy General Manager of China Industrial Center, General Manager of Total Quality Management, Deputy General Manager of TCL White Electronic Appliances Business Unit, Deputy General Manager of Global Industrial Center of the Company, Vice President of the Company, etc. Mr. ZHANG has extensive experiences in Industrial Management. Mr. ZHANG graduated from National University of Defense Technology with a Bachelor degree in Automatism Testing Instrument.

Mr. CHEN Kuang-Lang, Wolf

Aged 48, is currently the Chief Technology Officer ("CTO") of the Company. Mr. CHEN joined TCL Corporation in October 2010, and had held the position of Deputy Dean of Industrial Research Institute of TCL Corporation. Since February 2011, Mr. CHEN has been re-designated as the CTO of the Company. Mr. CHEN is an expert in the field of video signal processing and flat-panel display technologies. From July 1992 to September 2010, Mr. CHEN worked for Chunghwa Picture Tubes, Ltd and served as Senior Engineer of CRT R&D Division, Manager of Optoelectronics Department, Manager of Array Engineering Department in TFT Factory, Director of Opto-electronics Division, Head, Chief Engineer, and Deputy General Manager of Optoelectronics Vision Business Unit, the CTO and Senior Vice General Manger of R&D Center. Mr. CHEN graduated from Department of Electronics Engineering, Taiwan University of Science and Technology in 1992 with a Master's degree in Engineering. In 2009, Mr. CHEN graduated from Department of International Business, College of Management of Taiwan University, with an EMBA degree.

Mr. SIN Man Lung

Aged 38, is currently the Financial Controller of the Company. Mr. SIN joined the Company in 2005. Mr. SIN has auditing, finance and accounting experience in multi-national and listed companies of more than 10 years. Mr. SIN is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. SIN graduated from the City University of Hong Kong with a Bachelor's degree in Accountancy.

CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Dongsheng (Chairman)
Mr. BO Lianming
Mr. ZHAO Zhongyao (CEO)
Mr. YU Guanghui
Ms. XU Fang

Non-Executive Directors

Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. LEONG Yue Wing (resigned as non-executive director effective from 30 June 2011)

Independent Non-Executive Directors

Mr. TANG Guliang
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong
Dr. TSENG Shieng-chang Carter (appointed as independent non-executive director effective from 1 July 2011)

COMPANY SECRETARY

Ms. PANG Siu Yin, Solicitor, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR

Cheung Tong & Rosa Solicitors
Room 501, 5/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

BRANCH REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL OFFICE

13/F, TCL Tower
8 Tai Chung Road
Tsuen Wan, New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KYI-1104
Cayman Islands

INVESTOR AND MEDIA RELATIONS

Hill & Kowlton Asia Limited
36th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company ("Board") aims to achieve a high standard of corporate governance and business ethics in pursuing its mission of becoming the world's leader in the multimedia industry. The Group's ultimate goal is to maximize values for its shareholders and customers, and to provide opportunities for employees.

CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE REPORT

In April 2005, the Board adopted the code provisions (the "Code Provisions") of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Group, and has taken steps to comply with the Code wherever appropriate.

The Code has been revised and renamed as "Corporate Governance Code and Corporate Governance Report" (the "Revised Code") by the Stock Exchange in October 2011. On 24 February 2012, the Board has adopted the Revised Code as the guidelines for corporate governance of the Group.

Throughout the year ended 31 December 2011, the Group complied fully with the Code.

A. DIRECTORS

A1: The Board

The Board of Directors, led by the chairman, steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis.

Regular Board meetings are attended to by a majority of the directors in person or through other electronic means of communication. Besides the regular Board meetings, special Board meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. As some of the special Board meetings are concerned with the day-to-day management of the Company which often requires prompt decisions, usually only the executive directors attend. During 2011, apart from holding board meetings, the Board also passed resolutions in writing to approve certain matters.

On 24 February 2012, the Board has adopted a set of consolidated memorandum of duties setting out its delegation policy, procedures for directors seeking professional advice and reporting procedures and division of responsibility between the chairman and managing director.

During 2011, the Board held 4 regular meetings at about quarterly intervals and 17 additional meetings (13 of which were held regarding special matters which required the Board's decisions whereas the other 4 meetings were held regarding operational matters involving the attendance of executive directors only). Attendance of individual directors at the Board meetings in 2011 is as follows:

	Attendance		
	Regular Board Meetings	Special Board Meetings concerning special matters requiring the Board's decisions	Special Board Meetings concerning operational matters only
Executive Directors			
Mr. LI Dongsheng (Chairman)	3/4	7/13	0/4
Mr. BO Lianming	3/4	11/13	0/4
Mr. ZHAO Zhongyao (CEO)	4/4	12/13	4/4
Mr. YU Guanghui	4/4	9/13	4/4
Ms. XU Fang	4/4	9/13	0/4
Non-Executive Directors			
Mr. Albert Thomas DA ROSA, Junior	4/4	10/13	N/A
Mr. HUANG Xubin	4/4	7/13	N/A
Mr. LEONG Yue Wing (resigned on 30 June 2011)	2/2	6/8	N/A
Independent Non-Executive Directors			
Mr. TANG Guliang	2/4	10/13	N/A
Mr. Robert Maarten WESTERHOF	4/4	10/13	N/A
Ms. WU Shihong	4/4	11/13	N/A
Dr. TSENG Shieng-chang Carter (appointed on 1 July 2011)	2/2	4/5	N/A

A2: Chairman and Chief Executive Officer

The position of Chairman is held by Mr. LI Dongsheng and the position of CEO is held by Mr. ZHAO Zhongyao. The segregation of duties and responsibilities between the Chairman and the CEO has been clearly established. A clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Group is ensured.

A3: Board Composition

The Board currently comprises 11 directors, including 5 executive directors, 2 non-executive directors ("NEDs") and 4 independent non-executive directors ("INEDs"). The composition of the Board has undergone the following changes since 31 December 2010:

1. Mr. LEONG Yue Wing resigned as a non-executive director on 30 June 2011; and

2. Dr. TSENG Shieng-chang Carter has become an independent non-executive director from 1 July 2011.

Details of the biographies of the directors are given under the section "Directors and Senior Management" of this Annual Report. None of the directors is related to each other.

The non-executive directors, more than half of whom are independent, play an important role on the Board. Accounting for about half of the Board members, they are experienced professionals in their respective fields. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of the shareholders of the Company and the Group as a whole.

Throughout the year of 2011, the Board at all times met the listing requirements of having at least 3 INEDs, and that at least one of them had appropriate professional qualifications in accounting or related financial management expertise. Pursuant to the Listing Rule 3.13, the Group has received a written confirmation from each INED on his/her independence to the Group. The Group considers all of the INEDs to be independent in accordance with the Listing Rules.

A4: Appointment, Re-election and Removal

Nomination of Directors

In 2011, the Board had not established a nomination committee, and the selection and approval of new directors was undertaken by the Board. When there was a nomination to directorship, the Board would assess the suitability of the nominee and decide whether to accept the nomination. A director appointed by the Board was subject to re-election by the shareholders of the Company at the first general meeting after the appointment.

On 24 February 2012, the Board has established a nomination committee (the "Nomination Committee" pursuant to the requirements of the Revised Code. It considers matters regarding the nomination and/or appointment or re-appointment of director(s). The terms of reference of the Nomination Committee, which are closely aligned with the Revised Code, will be made available on the Group's website at http://multimedia.tcl.com and HKEx's website at http://www.hkex.com.hk from 1 April 2012.

In 2011, there was 1 Board meeting during which the Board considered matters regarding the nomination and/or appointment or re-appointment of director(s), and the attendance record of the directors at the meeting is as follows:

	Attendance
Mr. LI Dongsheng (Chairman)	1/1
Mr. BO Lianming	1/1
Mr. ZHAO Zhongyao (CEO)	1/1
Mr. YU Guanghui	1/1
Ms. XU Fang	1/1
Mr. Albert Thomas DA ROSA, Junior	1/1
Mr. HUANG Xubin	0/1
Mr. LEONG Yue Wing (resigned on 30 June 2011)	0/1
Mr. TANG Guliang	0/1
Mr. Robert Maarten WESTERHOF	1/1
Ms. WU Shihong	0/1
Dr. TSENG Shieng-chang Carter (appointed on 1 July 2011)	N/A

During the meeting, the Board considered the nomination and appointment of Dr. TSENG Shieng-chang Carter whose term was effective from 1 July 2011. Dr. TSENG was re-elected by shareholders to hold office until the conclusion of the annual general meeting of the Company of 2014 at the extraordinary general meeting held on 30 December 2011 after his appointment.

The Board adopted a "Procedure and Criteria for Nomination of Directors" in 2005, the details of which are set out below:

1. When there is a vacancy in the Board, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an INED).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of directors. One or more members of the Board will attend the interview.

5. Conduct verification on information provided by the candidate.

6. Convene a Board meeting to discuss and vote on which candidate to be nominated or appointed to the Board.

Criteria for Nomination of Directors

1. Common Criteria for All Directors

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

   (g) Ability to objectively analyse complex business problems and exercise sound business judgment

   (h) Ability and willingness to contribute special competencies to Board activities

   (i) Fit with the Company's culture

2. Criteria Applicable to NEDs/INEDs

   (a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a director, including attendance at and active participation in the Board and committee meetings

   (b) Accomplishments of the candidate in his/her field

   (c) Outstanding professional and personal reputation

   (d) The candidate's ability to meet the independence criteria for directors established in the Listing Rules

In the annual general meeting ("AGM") held on 9 May 2011, three directors (namely Mr. YU Guanghui, Mr. LEONG Yue Wing and Mr. TANG Guliang) were subject to retirement by rotation and were re-elected. All the other NEDs (namely Mr. HUANG Xubin, Mr. Albert Thomas DA ROSA, Junior, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong) were elected to hold office for a specific term until the next AGM to be held in 2014.

A5: Responsibilities of Directors

Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding the directors and relevant employees' transactions in securities of the Group. All directors have confirmed, following specific enquiry by the Group that throughout year 2011, they complied with the required standard set out in the Model Code for securities transactions. The directors' interests in shares of the Group as at 31 December 2011 are set out in the section "Report of the Directors" of this Annual Report.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B1: The Level and Make-up of Remuneration and Disclosures

Remuneration of Directors

The Remuneration Committee was established in April 2005 pursuant to the requirements of the Code. It meets from time to time to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee is governed by its terms of reference, which have been revised by the Board on 24 February 2012 pursuant to the Revised Code. The terms of reference are currently available on the Group's website at http://multimedia.tcl.com and will be available on HKEx's website at http://www.hkex.com.hk from 1 April 2012.

The Remuneration Committee now consists of 4 members, the majority of whom are INEDs, namely Ms. WU Shihong, who is also the chairman of the Remuneration Committee, Mr. TANG Guliang, Ms. XU Fang and Dr. TSENG Shieng-chang Carter.

3 Remuneration Committee meetings were held during the year and the works performed during the meetings include the following:

- review of the emolument policy and the levels of remuneration paid to the directors and senior management of the Group;
- determination of the remuneration packages of the directors, chief financial officer and certain senior management;
- discussion of the incentive scheme of the Company of 2011-2012, including share options and restricted shares; and
- formulation of a new framework for determining the remuneration package in the coming year.

Attendance of each member at the Remuneration Committee meetings in 2011 is as follows:

	Number of committee meeting attended/eligible to attend
Ms. WU Shihong (Chairman)	3/3
Mr. TANG Guliang	3/3
Ms. XU Fang	3/3
Dr. TSENG Shieng-chang Carter (appointed as a member of the Remuneration Committee on 1 July 2011)	1/1

Emolument Policy and Long-Term Incentive Plan

To attract and retain talent and caliber, the Group provides competitive remuneration packages to its executive directors and senior management. These comprise base monthly salary, guaranteed cash benefits and allowances, special allowances, variable pay and long-term incentive plan which includes share option scheme and restricted share award scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid half-yearly or yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards. Long-term incentive plan primarily consists of share options to subscribe for the shares of the Company and shares of the Company purchased by trustee under the restricted share award scheme respectively. Please refer to the Company's announcement and circular dated 6 February 2008 and 20 March 2008 respectively for details of the restricted share award scheme. The remuneration payable to the directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures the pay is internally equitable. Besides, the Group ensures external competitiveness of the pay through reference to market survey and data.

The non-executive directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- directors' fee, which is usually paid annually; and

- share options or restricted shares which are awarded subject to the discretion of the Board.

The fees and any other reimbursement or remuneration payable to the Directors are set out in note 8 to the financial statements.

C. ACCOUNTABILITY AND AUDIT

The Board is also responsible for the integrity of financial information. The directors acknowledge their responsibility for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

C1: Financial Reporting

As at 31 December 2011, the Group had net assets of approximately HK$3,653 million, the Group also recorded a profit attributable to ordinary equity holders of the parent of approximately HK$453 million for the year ended 31 December 2011.

The financial statements set out on pages 70 to 175 were prepared on a going concern basis.

C2: Internal Control

The Board is responsible for ensuring that an effective internal control system is maintained within the Group. The directors acknowledge their responsibility to establish, maintain and review from time to time the effectiveness of the Group's system of internal control. During the year under review, the directors, through the Audit Committee, have reviewed the effectiveness of the internal control system of the Group.

The Group has adopted a set of internal control policies and procedures to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Certain executive directors and senior management have been delegated with respective level of authorities and have specific responsibility for monitoring the performance of business operating units. Annual budgets of the Group and quarterly financial reports have been provided to the Executive Committee of the Board.

Each year, the Audit Committee of the Company reviews the findings made by the external auditors in respect of issues encountered by them in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report submitted by the Company's internal audit department. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration.

The Company's internal audit department independently reviewed the effectiveness of the internal controls, including financial, operational and compliance, in the key activities of the Group's business. The head of the Company's internal audit department reports to the Audit Committee.

C3: Audit Committee

The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring an effective and adequate system is in place for internal controls and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The Audit Committee is governed by its terms of reference, which have been revised by the Board on 24 February 2012 pursuant to the Revised Code. The terms of reference are currently available on the Group's website at http://multimedia.tcl.com and will be available on HKEx's website at http://www.hkex.com.hk from 1 April 2012.

The Audit Committee currently comprises 4 members, namely Mr. TANG Guliang, Mr. HUANG Xubin, Ms. WU Shihong and Dr. TSENG Shieng-chang Carter. Mr. TANG Guliang is the chairman of the Audit Committee, he is a certified public accountant in the PRC and a professor at the University of International Business and Economics, School of Business. The Audit Committee meets at least 4 times a year to review the Group's quarterly, interim and annual results.

During year 2011, the Audit Committee met 5 times and the attendance of each member at the Audit Committee meetings is as follows:

	Number of committee meetings attended/eligible to attend
Mr. TANG Guliang (Chairman)	5/5
Mr. HUANG Xubin	5/5
Ms. WU Shihong	5/5
Dr. TSENG Shieng-chang Carter (appointed as a member of the Audit Committee on 1 July 2011)	3/3

The Audit Committee meetings are normally attended by the Company's financial controller. When meetings concern the routine finance control, the head of the internal control department of the Company also attends the meeting to report on the problems identified during the internal control audits and recommendation of methods to alleviate and solve the problems identified. The external auditors are often present on discussion of the audit of financial results and audit planning.

The work completed by the Audit Committee during 2011 included consideration of the following matters:

- the completeness and accuracy of the 2010 annual and 2011 quarterly and interim financial statements;
- the Group's compliance with statutory and regulatory requirements;

- developments in accounting standards and the effect on the Group;
- the internal control reports submitted by the internal audit department of the Company;
- the management letter prepared by the external auditors;
- the audit fees payable to external auditors, the scope and timetable of the audit for year 2011; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of Messrs. Ernst & Young as the external auditors.

For the year under review, the remuneration paid for services provided by the auditors is roughly as follows:

Audit services	HK$17,831,000
Non-audit services (which include taxation compliance and agreed upon procedures)	HK$1,320,000

D. DELEGATION BY THE BOARD

D1: Management functions

The types of decisions which are to be taken up by the Board include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Group as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management; and
- communication with key stakeholders, including shareholders and regulatory bodies.

D2: Board Committees

Executive Committee

The Board established the Executive Committee in October 2005 with specific written terms of reference. The Board has delegated responsibilities to the Executive Committee for making certain decisions for the management of the Group.

E. INVESTOR RELATIONS

The Group is committed to enhancing its corporate transparency and maintaining close communication with investors, the media and the public. Latest information of the Group including quarterly reports, announcements, press releases and presentations are available on its website in a timely manner. In addition, since April 2001, the Group has voluntarily commenced releasing monthly shipment data for its key products in order to further increase the transparency of its business operation.

The Group values the importance of maintaining a two-way communication with the investment community. In 2011, the Group continued its effort in its investor relations work by maintaining regular contact with research analysts, investors and the media through various channels such as one-on-one meetings, plant visits, luncheons and teleconferences. Analyst meetings and press conferences were also held after interim and annual results announcement. In order to keep overseas investors abreast of its results performance and business development, the Group actively participated in international investment forums and non-deal road shows in Hong Kong, Shenzhen, Shanghai, Beijing, Taiwan, Singapore, Korea and Japan. Its road shows were held for the first time in Korea and Japan.

Key Investor Relations Events in 2011:

Date		Events
January	•	Luncheon with media reporters
February	•	Plant visit
	•	2010 annual results announcement (press conference and analyst briefing)
March	•	Investor conferences in Shanghai (organized by CICC)
	•	Investor conferences in Taipei (organized by Morgan Stanley)
	•	Investor conferences in Hong Kong (organized by JP Morgan)
	•	Investor conferences in Hong Kong (organized by Credit Suisse)
April	•	Plant visit
	•	2011 1st quarter results announcement (investor & media teleconferences)
May	•	2011 Annual General Meeting
	•	Investor conferences in Singapore (organized by Standard Chartered)
	•	Investor conferences in Hong Kong (organized by CICC)
June	•	Investor conferences in Beijing (organized by JP Morgan)
	•	Plant visit
	•	Investor conferences in Tokyo (organized by Mitsubishi UFJ)

Date		Events
July	•	Investor conferences in Hong Kong (organized by Credit Suisse)
	•	Investor conferences in Singapore (organized by Credit Suisse)
	•	Investor conferences in Hong Kong (organized by The Royal Bank of Scotland)
	•	Investor conferences in Shenzhen (organized by Huatai Securities)
	•	Luncheon with media reporters
August	•	Extraordinary General Meeting (Discloseable & Connected Transaction - Acquisition of TOT Interest)
	•	2011 interim results announcement (press conference and analyst briefing)
	•	Investor conferences in Hong Kong (organized by JP Morgan)
	•	Investor conferences in Beijing (organized by CICC)
September	•	Investor conferences in Seoul (organized by CICC)
	•	Investor conferences in Singapore (organized by CICC)
	•	Investor conferences in Hong Kong (organized by Citigroup)
	•	Investor conferences in Taipei (organized by Credit Suisse)
	•	Investor conferences in Taipei (organized by SWS Research)
	•	Investor conferences in Taipei (organized by Macquarie)
	•	Plant visit
October	•	2011 3rd quarter results announcement (investor & media teleconferences)
	•	Investor conferences in Beijing (organized by Goldman Sachs/Beijing Gao Hua)
November	•	Investor conferences in Singapore (organized by Barclays)
	•	Dinner with stock commentators
	•	Investor conferences in Hong Kong (organized by Nomura)
	•	Plant visit
	•	Investor conferences in Hong Kong (organized by BOCOM)
	•	Investor conferences in Hong Kong (organized by JP Morgan)
December	•	Investor conferences in Taipei (organized by Yuanta)
	•	Investor conferences in Hong Kong (organized by Ji-Asia/Societe Generale)
	•	Extraordinary General Meeting (Renewal of and/or revising of existing continuing connected transactions, major transaction in respect of the deposit services under the master financial services agreement and election of independent non-executive director)

All published information, including all the statutory announcements, press releases and event calendars, is promptly posted on the Group's website at http://multimedia.tcl.com. Viewers can also send enquiries to the Board or senior management by email at ir@tclhk.com or hk.ir@tcl.com or directly by raising questions at the annual general meeting of the Company.

HUMAN RESOURCES AND SOCIAL RESPONSIBILITY

HUMAN RESOURCES

In the year of 2011, the Group implemented a variety of initiatives in human resources management for "the promotion of talent development and the enhancement of organizational power," which served as a direct and effective support for bolstering its corporate strategy, enhancing its organizational performance, and facilitating its staff development.

1. Basic Information on Human Resources

As of 31 December 2011, there were total of 26,275 employees worldwide and approximately 5.8% of them are employed outside of Mainland China, the distribution of which is set out as follows:

Mainland China	24,749
Rest of Asia (including Hong Kong and Australia) outside of Mainland China	712
North America (including Mexico)	292
Europe	522

As compared to the corresponding period last year, the Group's efficiency per capita and organizational efficiency were enhanced. At the same time, more emphasis was put on scientific and optimized deployment of human resources. In talent cultivation, the "Bring In and Go Out" strategy was implemented to stimulate the learning atmosphere and facilitate the organizational communication while improving the staff capabilities.

2. Key Effort on Human Resources

In the year of 2011, the competition situation in the global LCD TV market changed drastically; the market share of the PRC enterprises has been increasing rapidly and these enterprises have become an important force in the global TV industry. To accommodate the corporate development strategy and the shift in business model, the Group adopted a series of human resources initiatives to enhance its organizational efficiency, key positions' capability, assessment and encouragement, as well as to improve its organizational atmosphere and employee morale.

– Pursuant to the integration of LCD industry chain, the need of "Consumer Electronic-oriented marketing and IT-oriented operation" in business development and the principle of speed and efficiency as well as team accountability, the Group aims to become a respected and the most innovative global leader in the industry through independent innovation, research and development, promotion of industry chain integration between upstream and downstream industries, and strategic expansion of overseas emerging markets. At the same time, the Group established a "product line" and "business line" end-to-end accounting model, realized a "simplification, standardization, transparency and computerization" operation model, and implemented a series of incentive programs, with an aim to augment speed and efficiency, and to address customer needs and market changes promptly.

- A high performance-oriented incentive mechanism was established as the Group proposed to assess staff with results-based approaches, continued to improve its performance management and met performance targets through an incentive mechanism, cultivating a clear and high performance-oriented corporate culture.

- The Group pays attention to talent development and cultivation consistently. In the previous year, in order to accommodate the needs of talent development of the Group, the "Bring In and Go Out" talent cultivation method was put into practice; effort was made in respect of international talent cultivation, echelon talent cultivation, administrators' leadership enhancement, talent evaluation standard, career pathway construction, cutting-edge technical knowledge training, and succession plan for professional personnel, so as to intensify talent cultivation and create opportunities for talent growth.

- Refining the organizational structure and core workflows, the organizational effectiveness was enhanced with simpler administration and better staff. The core workflows are being optimized continuously under the premise that the organization maintains its relative stableness.

- A series of activities and arrangements were implemented, including executive team integration, staff proposals, line manager assistance program and staff satisfaction survey, to enhance staff satisfaction and organizational atmosphere while supporting the growth of business.

- To match with the Group's work requirement of "transparency, simplification, standardization and computerization," the Group has endeavored to refine all policies and systems regarding human resources management, promoted the construction of standardized infrastructure such as E-HR (Electronic Human Resources) system and OA (Office Automation) system, etc., while standardizing business workflows to raise efficiency and quality of its personnel services.

3. Social Responsibility

In the previous year, the Group has always adhered to its principle of performing social responsibility, and contributed to the community with concrete action by actively taking part in campaigns such as public charity, educational support, environmental protection and construction.

Focus on Education

- The Group is committed to "shouldering social responsibility and becoming an outstanding corporate citizen," and pays close attention to the educational undertakings. Mr. LI Dongsheng, chairman of the Group, together with his wife, have also contributed RMB 8 million in 2007 to set up the "Hua Min Fund" (華萌基金) focusing on subsidizing the educational undertakings in the PRC's poverty-stricken rural areas. As of 2011, Hua Min Fund has raised nearly RMB 40 million. In 2011, the "Hong Zhi Class" (宏志班) fully funded by Hua Min Fund welcomed its first graduating class. All 50 graduating students were successfully admitted to universities, in which 44 of them getting into undergraduate programs and 8 students including ZHU Dingqiao (朱定巧) getting into major universities such as the Sun Yat-sen University. The chairman, Mr. LI Dongsheng, rewarded 10 students including ZHU Dingqiao.

- This year, the Group puts social appreciation together with the strengthening of traditional revolutionary education, and called on all the members of the Group to pay a special member fee, which is used to help model workers at Huizhou City and donated to TCL's Hope Primary School located at the old revolutionary base of Inner Mongolia, to support TCL's Hope Primary School at Wuchuan County, Hohhot City and TCL's Ao Xi (鼇溪)Hope Primary School at Ma Zha Town (麻榨鎮), Longman County, Huizhou City, etc.

School-Enterprise Cooperation

- The Group actively carries out school-enterprise cooperation. In May 2011, the Group and South China University of Technology signed a strategic cooperation agreement for the "Excellence Engineers Cultivation Plan" in which they will together cultivate innovative, globally competitive and outstanding engineers who can adapt to and support the technological development.

- This year, the Group recruited a group of outstanding post-graduates and undergraduates from institutions of higher education such as South China University of Technology, University of Electronic Science and Technology, Harbin Institute of Technology, Xi'an University of Electronic Science and Technology, Huazhong University of Science and Technology, etc., to strengthen the growth of research and development, and to realize the win-win situation in school-enterprise cooperation.

Support for Cultural and Sports Undertakings

– In 2011, TCL officially became the main sponsor of the Chinese Men's National Basketball Team. TCL will help the team in building a comprehensive technological and environmental-friendly operational platform, and will continue to deepen the popularization and development of basketball in the PRC, in order to create a relaxing and enjoyable atmosphere and lifestyle for the sport of basketball.

– TCL continued to support the cultural undertakings through technology; on 26 March 2011, "TCL Interactive Art Exhibition" hosted by TCL was opened in the Chongqing Science and Technology Museum. The reproduction of the essence of ancient culture was made possible through the vivid 3D effects created by the TCL 3D Smart TVs. The exhibition not only showed the results of Chinese enterprises' independent innovation, but also made a certain contribution to consumers in enhancing artistic and aesthetic appreciation.

Environmental Protection

– As a manufacturing enterprise, the Group is highly concerned about the ecological changes and its close relationship with the environment. Through creating low-carbon economy and circular economy from green manufacturing, green products to green industry with technological innovation, TCL hopes to contribute to the protection of the earth's ecological environment.

– The Group has been active in adopting internally environmental measures, such as bringing personal cups and holding activities such as "Walk for the Environment", to strengthen the environmental protection awareness of the staff.

REPORT OF THE DIRECTORS

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 175.

The Board has proposed a final dividend for the year ended 31 December 2011 of HK16.00 cents 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.

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 AGM. No transfer of the shares may be registered on those dates. 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 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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 176. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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. The details of the repurchases of the Company's shares on the Stock Exchange are 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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had an aggregate of HK$3,215,422,000 standing to credit of its share premium account and HK$738,936,000 standing to the credit of its capital reserve account. As the aforesaid capital reserve represents premium arising on an issue of shares of the Company, the entire amount of HK$738,936,000 standing to the credit of the capital reserve account of the Company will be transferred to the share premium account in compliance with the articles of association of the Company and Cayman law. Subject to compliance with certain requirements under Cayman Law, share premium may be applied for payment of dividend by the Company. After transfer of the capital reserve as aforesaid, the amount which can be utilised for payment of dividend by the Company in future would become HK$3,954,358,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling HK$726,000.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	24%
– the five largest suppliers combined	47%

Sales

– the largest customer	6%
– the five largest customers combined	21%

None of the directors of the Company, their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. LI Dongsheng
Mr. BO Lianming
Mr. ZHAO Zhongyao
Mr. YU Guanghui
Ms. XU Fang

Non-executive directors:
Mr. Albert Thomas DA ROSA, Junior
Mr. HUANG Xubin
Mr. LEONG Yue Wing (resigned as NED effective from 30 June 2011)

Independent non-executive directors:
Mr. TANG Guliang
Mr. Robert Maarten WESTERHOF
Ms. WU Shihong
Dr. TSENG Shieng-chang Carter (appointed as INED effective from 1 July 2011)

In accordance with article 116 of the Company's articles of association, Mr. LI Dongsheng, Ms. XU Fang, Mr. Albert Thomas DA ROSA, Junior and Mr. Robert Maarten WESTERHOF, will retire by rotation at the AGM. All of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

Accordingly, Mr. Albert Thomas DA ROSA, Junior, being a NED, and Mr. Robert Maarten WESTERHOF, being an INED, if re-elected, will hold office until the conclusion of the AGM to be held in 2015.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

The Company has received from each of its INEDS an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the INEDS to be independent.

Particulars of the remuneration of the directors and the five highest paid employees during the financial year are set out in notes 8 and 9 to the financial statements, respectively.

EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

Please refer to the Corporate Governance Report contained on pages 38 to 49 of this annual report for the Group's emolument policy and long-term incentive schemes, as well as the basis for determining the remuneration payable to the directors.

PENSION SCHEMES

Particulars of the Group's pension schemes are set out in note 34 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 28 to 35 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors or their associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2011, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(A) Interests in the Company – Long Positions

Name of Director	Number of ordinary shares held Personal interests	Number of ordinary shares held Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Company
LI Dongsheng	30,327,848	2,538,000	7,171,956	40,037,804	3.734%
BO Lianming	1,807	–	1,616,057	1,617,864	0.151%
ZHAO Zhongyao	6,414,000	–	8,198,257	14,612,257	1.363%
YU Guanghui	242,493	–	697,663	940,156	0.088%
XU Fang	–	–	1,282,110	1,282,110	0.120%
Albert Thomas DA ROSA, Junior	–	–	330,000	330,000	0.031%
HUANG Xubin	–	–	1,092,529	1,092,529	0.102%
TANG Guliang	–	–	330,000	330,000	0.031%
Robert Maarten WESTERHOF	–	–	330,000	330,000	0.031%
WU Shihong	–	–	330,000	330,000	0.031%

(B) Interests in Associated Corporation of the Company – Long Positions
TCL Corporation

Name of Director	Number of ordinary shares held Personal interests	Number of ordinary shares held Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Associated Corporation
LI Dongsheng	459,833,600	–	–	459,833,600	5.425%
BO Lianming	802,340	–	–	802,340	0.009%
ZHAO Zhongyao	4,743,304	–	–	4,743,304	0.056%
XU Fang	–	40,000	–	40,000	0.0005%

(C) Interests in Associated Corporation of the Company – Long Positions
TCL Communication

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Associated Corporation
LI Dongsheng	33,463,256	1,920,000	8,601,120	43,984,376	3.948%
BO Lianming	65,700	–	2,388,987	2,454,687	0.220%
YU Guanghui	740	–	–	740	0.0001%
XU Fang	–	–	1,511,467	1,511,467	0.136%
HUANG Xubin	–	–	1,870,226	1,870,226	0.168%

(D) Interests in Associated Corporation of the Company – Long Positions
Huizhou Techne Corporation

Name of Director	Number of ordinary shares held Personal interests	Family interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital of the Associated Corporation
ZHAO Zhongyao	12,443,000	–	–	12,443,000	5.410%
WU Shihong	802,700	–	–	802,700	0.349%

Notes:

1. TCL Corporation, a joint stock company established under the laws of the PRC, is the ultimate controlling shareholder of the Company.

2. TCL Communication is a subsidiary of TCL Corporation.

3. Huizhou Techne Corporation is a subsidiary of TCL Corporation.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(i) Long positions in shares of the Company:

Shareholders	Capacity	Number of shares held	Percentage of issued share capital of the Company
TCL Corporation	Interest of controlled corporation	816,094,475 *(Note 1)*	76.11% *(Note 2)*

Notes:

1. For the purpose of SFO, (i) TCL Corporation was deemed to be interested in the 569,597,284 shares through its controlled corporation, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), its direct wholly-owned subsidiary and (ii) TCL Corporation is taken to have interest in 246,497,191 shares as beneficial owner by virtue of the acquisition agreement dated 27 June 2011 pursuant to which TCL Corporation agreed to subscribe for 246,497,191 shares, details of which are disclosed in the circular of the Company dated 18 July 2011. As at 31 December 2011, completion of the agreement had not yet taken place.

2. Such percentage was calculated based on the issued share capital of the Company as at 31 December 2011, being 1,072,275,768 shares in issue.

3. The following Directors are directors/employees of TCL Corporation who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

    (a) Mr. LI Dongsheng is the chairman and chief executive officer of TCL Corporation;
    (b) Mr. BO Lianming is an executive director, president and chief operating officer of TCL Corporation;
    (c) Mr. ZHAO Zhongyao is an executive director and senior vice president of TCL Corporation;
    (d) Mr. YU Guanghui is a vice president of TCL Corporation;
    (e) Ms. XU Fang is a vice president and human resources director of TCL Corporation; and
    (f) Mr. HUANG Xubin is the chief financial officer of TCL Corporation.

Save as disclosed above, as at 31 December 2011, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or his/her spouse or children under 18 years of age, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The directors have estimated the value of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the share option schemes during the year:

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2011	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Directors										
Executive directors										
LI Dongsheng	1,799,002	–	–	–	1,799,002	4-Jul-07	6.30	Note 1	6.00	N/A
	1,395,754	–	–	–	1,395,754	25-Aug-08	2.45	Note 2	2.33	N/A
	–	3,977,200	–	–	3,977,200	5-Jul-11	3.17	Note 4	3.17	N/A
	3,194,756	3,977,200	–	–	7,171,956					
BO Lianming	182,003	–	–	–	182,003	4-Jul-07	6.30	Note 1	6.00	N/A
	158,354	–	–	–	158,354	25-Aug-08	2.45	Note 2	2.33	N/A
	–	1,275,700	–	–	1,275,700	5-Jul-11	3.17	Note 4	3.17	N/A
	340,357	1,275,700	–	–	1,616,057					
ZHAO Zhongyao	130,003	–	–	–	130,003	4-Jul-07	6.30	Note 1	6.00	N/A
	158,354	–	–	–	158,354	25-Aug-08	2.45	Note 2	2.33	N/A
	2,341,800	–	–	–	2,341,800	8-Nov-10	3.60	Note 3	3.60	N/A
	–	5,568,100	–	–	5,568,100	5-Jul-11	3.17	Note 4	3.17	N/A
	2,630,157	5,568,100	–	–	8,198,257					
YU Guanghui	338,452	–	–	–	338,452	4-Jul-07	6.30	Note 1	6.00	N/A
	359,211	–	–	–	359,211	25-Aug-08	2.45	Note 2	2.33	N/A
	697,663	–	–	–	697,663					
XU Fang	23,600	–	–	–	23,600	4-Jul-07	6.30	Note 1	6.00	N/A
	123,610	–	–	–	123,610	25-Aug-08	2.45	Note 2	2.33	N/A
	183,000	–	–	–	183,000	8-Nov-10	3.60	Note 3	3.60	N/A
	–	951,900	–	–	951,900	5-Jul-11	3.17	Note 4	3.17	N/A
	330,210	951,900	–	–	1,282,110					
	7,193,143	11,772,900	–	–	18,966,043					
Non-Executive directors										
Albert Thomas DA ROSA, Junior	30,000	–	–	–	30,000	25-Aug-08	2.45	Note 2	2.33	N/A
	–	300,000	–	–	300,000	5-Jul-11	3.17	Note 4	3.17	N/A
	30,000	300,000	–	–	330,000					
HUANG Xubin	72,249	–	–	–	72,249	4-Jul-07	6.30	Note 1	6.00	N/A
	222,980	–	–	–	222,980	25-Aug-08	2.45	Note 2	2.33	N/A
	–	797,300	–	–	797,300	5-Jul-11	3.17	Note 4	3.17	N/A
	295,229	797,300	–	–	1,092,529					
TANG Guliang	30,000	–	–	–	30,000	25-Aug-08	2.45	Note 2	2.33	N/A
	–	300,000	–	–	300,000	5-Jul-11	3.17	Note 4	3.17	N/A
	30,000	300,000	–	–	330,000					
Robert Maarten WESTERHOF	30,000	–	–	–	30,000	25-Aug-08	2.45	Note 2	2.33	N/A
	–	300,000	–	–	300,000	5-Jul-11	3.17	Note 4	3.17	N/A
	30,000	300,000	–	–	330,000					
WU Shihong	30,000	–	–	–	30,000	25-Aug-08	2.45	Note 2	2.33	N/A
	–	300,000	–	–	300,000	5-Jul-11	3.17	Note 4	3.17	N/A
	30,000	300,000	–	–	330,000					
	415,229	1,997,300	–	–	2,412,529					

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2011	Date of grant of share options	Exercise price of share options HK$	Exercise period of share options	Price of Company's shares: At grant date HK$	At exercise date HK$
Other employees and those who have contributed or may contribute to the Group	7,982,142	–	–	(789,277)	7,192,865	4-Jul-07	6.30	Note 1	6.00	N/A
	9,151,738	–	(338,941)	(377,424)	8,435,373	25-Aug-08	2.45	Note 2	2.33	2.91
	622,100	–	–	(91,500)	530,600	8-Nov-10	3.60	Note 3	3.60	N/A
	–	21,686,800	–	(137,500)	21,549,300	5-Jul-11	3.17	Note 4	3.17	N/A
	17,755,980	21,686,800	(338,941)	(1,395,701)	37,708,138					
	25,364,352	35,457,000	(338,941)	(1,395,701)	59,086,710					

Note 1 One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 3 July 2012.

Note 2 One-third of such share options are exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013.

Note 3 50% of such share options are exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 4 One-ninth of such share options are exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninths is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

SHARE AWARD SCHEMES

The Board on 6 February 2008 resolved to adopt the Share Award Scheme (the "Share Award Scheme") 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 scheme.

CONNECTED TRANSACTIONS

During the year, the Group entered into a connected transaction and a number of continuing connected transactions with TCL Corporation (being the ultimate controlling shareholder of the Company) and its subsidiaries (excluding the Group) (being an associate (as defined in the Listing Rules) of TCL Corporation) (collectively, the "TCL Group").

The Group entered into the following connected transaction (other than connected transactions that are exempted under Rule 14A.31 of the Listing Rules) during the year ended 31 December 2011:

On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire from TCL Corporation its entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd., a wholly-owned subsidiary of TCL Corporation, for a consideration of RMB655,572,000 (approximately HK$788,791,000). The purchase price will be settled by way of the issue and allotment of 246,497,191 new shares by the Company at an issue price of HK$3.20 per new share. The transaction was completed on 18 January 2012, the aggregate fair value of the consideration shares issued is approximately HK$638,428,000.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year ended 31 December 2011:

(a) Pursuant to the TCL Trademark License Agreement dated 30 July 2004 entered into between TTE Corporation (a wholly owned subsidiary of the Company) and TCL Corporation under which TCL Corporation has agreed to grant to TTE Corporation and its subsidiaries for a 20-year term an exclusive (subject to certain limited exceptions which are related to existing obligation or businesses of TCL Corporation) non-sublicensable and non-transferable license to use certain of its registered trademarks including "TCL" for the manufacture and sale of TV products. During the year, no payment has been made by the Group to TCL Corporation as royalties and HK$207,277,000 was paid by the Group to TCL Corporation as reimbursement of branding advertising costs.

(b) Pursuant to the Master Overseas Supply Agreement dated 29 December 2004 (further extended by the first and second supplemental agreement to 31 December 2011) entered into between the Company and TCL Corporation in connection with the purchase of electronic or electrical products from TCL Group for the supply or sale to a place in any territories other than the PRC, the Group purchased finished goods from TCL Group amounting to HK$13,393,000 during the year.

(c) Pursuant to the Master Sourcing (Renewal) Agreement dated 9 October 2008 entered into between the Company and TCL Corporation, the Group (i) sold overseas materials to TCL Group amounting to HK$1,089,195,000; (ii) purchased overseas materials from TCL Group amounting to HK$969,496,000 during the year.

(d) Pursuant to the Master Supply (Renewal) Agreement dated 9 October 2008 entered into between the Company and TCL Corporation, the Group (i) purchased goods produced or manufactured in the PRC from TCL Group amounting to HK$1,252,534,000; (ii) sold goods to TCL Group amounting to HK$480,405,000 during the year.

(e) Pursuant to the Financial Services Framework (Renewal) Agreement dated 9 October 2008 entered into among the Company, TCL Corporation and TCL Finance Co., Ltd. ("TCL Finance"), a non-wholly owned subsidiary of TCL Corporation, the Group paid fees and commissions for the other financial services thereunder amounting to HK$279,000 during the year. The maximum outstanding balance of deposits placed by the Group with TCL Finance during the year was HK$2,067,583,000.

(f) Pursuant to the Master Logistics Service Supply Agreement dated 5 January 2007 (further extended by the supplemental agreement to 31 December 2011) entered into between the Company and Shenzhen Speed Distribution Platform Company Limited (the "Speed Distribution"), a wholly owned subsidiary of TCL Corporation, the Group may from time to time request Speed Distribution for provision of certain logistics services. The Group paid HK$62,961,000 to Speed Distribution for all the cost and expenses incurred by Speed Distribution for provision of the logistics services during the year.

(g) Pursuant to the Master Subcontracting (Renewal) Agreement dated 9 October 2008 entered into between the Company and TCL Corporation, the Group paid subcontracting fees amounting to HK$40,167,000 during the year.

(h) Pursuant to the Master Call Centre Services Supply Agreement dated 5 January 2007 (further extended by the supplemental agreement to 31 December 2011) entered into between the Company and TCL Corporation, TCL Corporation has agreed to provide the call centre services to the Group. The Group paid HK$18,584,000 to TCL Corporation for all the cost and expenses incurred by TCL Corporation for provision of the call centre services during the year.

(i) Pursuant to the Loan and Charge Agreement dated 9 October 2008 entered into between the Company and TCL Corporation, a facility amounting to HK$89,074,000 thereunder was utilised by the Group and certain items of property, plant and equipment and prepaid land lease payments of the Group, amounting to HK$81,949,000 and HK$12,029,000 respectively were pledged as security thereunder during the year. As at 31 December 2011, the facility utilised by the Group was repaid and the assets being pledged were released.

(j) Pursuant to the New Lease Framework (Tenant) Agreement dated 9 October 2008 entered into between the Company as tenant and TCL Corporation as landlord, the Group paid rental, repair and maintenance expenses to TCL Corporation amounting to HK$19,912,000 during the year.

(k) Pursuant to the New Lease Framework (Landlord) Agreement dated 9 October 2008 entered into between TCL King Shenzhen, an indirect wholly owned subsidiary of the Company as landlord and TCL Corporation as tenant, TCL King Shenzhen received rental, repair and maintenance fees from TCL Corporation amounting to HK$864,000 during the year.

(l) Pursuant to a lease agreement (as stipulated in the Framework Agreement) dated 26 June 2009 entered into between TCL King Electrical Appliances (Wuxi) Company Limited (an indirect 70% owned subsidiary of the Company) and TCL Digital Science and Technology (Wuxi) Company Limited ("TCL Wuxi", an associate of TCL Corporation), the Group paid rental and management fee to TCL Wuxi amounting to HK$17,763,000 during the year.

(m) Pursuant to the Master Mainland Supply Agreement dated 19 August 2009 entered into between the Company and TCL Corporation, the Group purchased air-conditioner products from TCL Group amounting to HK$92,840,000 during the year.

(n) Pursuant to the Service Agreement dated 10 December 2010 entered into between TCL Electrical Appliance Sales Company Limited (an indirect wholly owned subsidiary of the Company) and Guangzhou Joy Network & Technology Company Limited ("Joy Network", an associate of TCL Corporation), no content income was shared by the Group and the Group paid service fees to Joy Network amounting to HK$22,535,000 during the year.

(o) Pursuant to the Tenancy Agreement dated 31 December 2010 entered into between Shenzhen TCL New Technology Company Limited ("TCL New Technology", an indirect wholly owned subsidiary of the Company) and TCL Optoelectronics Tech (Shenzhen) Company Limited ("TCL Optoelectronics", a non-wholly owned subsidiary of TCL Corporation), the Group paid rental fee to TCL Optoelectronics amounting to HK$9,813,000 during the year.

(p) Pursuant to the Joint Design Centre and Expertise Agreement dated 26 October 2011 entered into between TCL New Technology and Shenzhen TCL Advanced Technology Development Company Limited ("TCL Advanced Technology", an indirect wholly owned subsidiary of TCL Corporation), the Group reimbursed human resource costs, rent, property management charges, utility charges, renovation expense and depreciation of fixed assets to TCL Advanced Technology amounting to HK$9,668,000 during the year.

(q) Pursuant to the Intellectual Property Services Agreement dated 26 October 2011 entered into between TCL New Technology and TCL Corporation Technology Centre (a department of TCL Corporation), the Group paid service fee to TCL Corporation Technology Centre amounting to HK$1,813,000 during the year.

(r) Pursuant to the Know-how Development Agreement dated 26 October 2011 entered into between TCL New Technology and TCL Lab (US) Inc., ("TCL Lab", an indirect wholly owned subsidiary of TCL Corporation), the Group paid research fee to TCL Lab amounting to HK$914,000 during the year.

The directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive directors of the Company have confirmed that the above-mentioned continuing connected transactions were entered into: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the respective agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iii) either on normal commercial terms or on terms no less favorable to the Group than those available to or from independent third parties.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 43 to the financial statements.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 38 to 49 in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on the same terms as set out in the Model Code. Having made specific enquiry of all directors, there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2011.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDIT COMMITTEE

The Company has an audit committee for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for reappointment as auditors of the Company at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LI Dongsheng
Chairman

Hong Kong
27 February 2012

ERNST & YOUNG
安 永

To the shareholders of TCL Multimedia Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of TCL Multimedia Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 175, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TURNOVER	5	**32,932,363**	26,948,627
Cost of sales		**(27,643,428)**	(23,183,562)
Gross profit		**5,288,935**	3,765,065
Other revenue and gains		**583,031**	561,632
Selling and distribution costs		**(3,792,109)**	(3,769,186)
Administrative expenses		**(859,535)**	(710,695)
Research and development costs		**(280,930)**	(205,745)
Other operating expenses		**(56,537)**	(231,798)
		882,855	(590,727)
Finance costs	6	**(289,411)**	(233,185)
Share of profits and losses of:			
Jointly-controlled entities		**(2,884)**	(5,860)
Associates		**22,329**	(5,472)
PROFIT/(LOSS) BEFORE TAX	7	**612,889**	(835,244)
Income tax expense	10	**(151,448)**	(138,169)
PROFIT/(LOSS) FOR THE YEAR		**461,441**	(973,413)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange fluctuation reserve:			
Translation of foreign operations		**143,283**	109,475
Release upon disposal and liquidation of subsidiaries		**(50,313)**	(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		**69,142**	99,380
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**530,583**	(874,033)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Profit/(loss) attributable to:			
Owners of the parent	11	**452,600**	(983,161)
Non-controlling interests		**8,841**	9,748
		461,441	(973,413)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**516,761**	(887,458)
Non-controlling interests		**13,822**	13,425
		530,583	(874,033)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
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 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,342,461**	1,497,821
Prepaid land lease payments	15	**87,076**	106,207
Goodwill	16	**119,638**	119,638
Other intangible assets	17	**594**	965
Investment in a jointly-controlled entity	19	**6,840**	9,268
Investments in associates	20	**190,478**	165,027
Available-for-sale investments	21	**6,677**	6,677
Deferred tax assets	33	**42,967**	25,736
Total non-current assets		**1,796,731**	1,931,339
CURRENT ASSETS			
Inventories	22	**4,298,384**	4,925,369
Trade receivables	23	**3,795,014**	3,236,589
Bills receivable	24	**7,575,284**	2,180,665
Other receivables	25	**1,930,424**	1,537,322
Tax recoverable		**28,253**	3,326
Pledged deposits	27	**255,770**	2,374,328
Cash and bank balances	27	**4,452,001**	2,132,619
		22,335,130	16,390,218
Non-current assets classified as held for sale	28	**–**	179,096
Total current assets		**22,335,130**	16,569,314
CURRENT LIABILITIES			
Trade payables	29	**6,725,368**	5,289,926
Bills payable		**5,268,877**	1,310,418
Other payables and accruals	30	**3,608,742**	2,371,266
Interest-bearing bank and other borrowings	31	**2,623,940**	4,863,517
Due to TCL Corporation	26	**131,978**	590,059
Due to T.C.L. Industries	26	**971,163**	–
Tax payable		**169,690**	173,591
Provisions	32	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,383,320**	3,534,592
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**710,928**	265,143
Deferred tax liabilities	33	**13,790**	12,994
Pensions and other post-employment benefits	34	**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	35	**1,072,276**	1,086,425
Reserves	36	**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

LI Dongsheng
Director

ZHAO Zhongyao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

Group	Attributable to owners of the parent												
	Issued capital HK$'000 (Note 35)	Share premium account HK$'000 (Note 35)	Share option reserve HK$'000 (Note 36 (a)(i))	Capital reserve HK$'000 (Note 36 (a)(ii))	Reserve funds HK$'000 (Note 36 (a)(iii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000 (Note 35)	Awarded share reserve HK$'000 (Note 36 (a)(iv))	Proposed final dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	1,011,840	2,777,385	32,312	59,099	858,194	312,547	(1,538,408)	(17,150)	3,439	121,421	3,620,679	91,786	3,712,465
Profit/(loss) for the year	–	–	–	–	–	–	(983,161)	–	–	–	(983,161)	9,748	(973,413)
Other comprehensive income/(loss) for the year:													
Exchange differences on:													
Translation of foreign operations	–	–	–	–	–	105,798	–	–	–	–	105,798	3,677	109,475
Released upon disposal and liquidation of subsidiaries	–	–	–	–	–	(10,074)	–	–	–	–	(10,074)	–	(10,074)
Released upon disposal of an associate	–	–	–	–	–	(21)	–	–	–	–	(21)	–	(21)
Total comprehensive income/(loss) for the year	–	–	–	–	–	95,703	(983,161)	–	–	–	(887,458)	13,425	(874,033)
Dividends paid	–	(7,939)	–	–	–	–	–	–	–	(121,421)	(129,360)	–	(129,360)
Equity-settled share option arrangements	–	–	5,840	–	–	–	–	–	–	–	5,840	–	5,840
Issue of shares upon exercise of share options	2,585	13,520	(4,202)	–	–	–	–	–	–	–	11,903	–	11,903
Share options lapsed during the year	–	–	(1,235)	–	–	–	1,235	–	–	–	–	–	–
Placement of new shares	72,000	462,960	–	–	–	–	–	–	–	–	534,960	–	534,960
Share issue expenses	–	(12,240)	–	–	–	–	–	–	–	–	(12,240)	–	(12,240)
Vesting of shares under the Award Scheme	–	–	–	–	–	–	–	119	3	–	122	–	122
Transfer from retained profits	–	–	–	–	23,514	–	(23,514)	–	–	–	–	–	–
At 31 December 2010	1,086,425	3,233,686*	32,715*	59,099*	881,708*	408,250*	(2,543,848)*	(17,031)*	3,442*	–	3,144,446	105,211	3,249,657

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

Group	Issued capital HK$'000 (Note 35)	Share premium account HK$'000 (Note 35)	Share option reserve HK$'000 (Note 36 (a)(i))	Capital reserve HK$'000 (Note 36 (a)(ii))	Reserve funds HK$'000 (Note 36 (a)(iii))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000 (Note 35)	Awarded share reserve HK$'000 (Note 36 (a)(iv))	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	Attributable to owners of the parent											
At 31 December 2010 and 1 January 2011	1,086,425	3,233,686	32,715	59,099	881,708	408,250	(2,543,848)	(17,031)	3,442	3,144,446	105,211	3,249,657
Profit for the year	-	-	-	-	-	-	452,600	-	-	452,600	8,841	461,441
Other comprehensive income/(loss) for the year:												
Exchange differences on:												
Translation of foreign operations	-	-	-	-	-	138,302	-	-	-	138,302	4,981	143,283
Released upon disposal and liquidation of subsidiaries	-	-	-	-	-	(50,313)	-	-	-	(50,313)	-	(50,313)
Released upon liquidation of a jointly-controlled entity	-	-	-	-	-	(23,828)	-	-	-	(23,828)	-	(23,828)
Total comprehensive income for the year	-	-	-	-	-	64,161	452,600	-	-	516,761	13,822	530,583
Shares repurchased	(14,488)	(19,030)	-	-	-	-	-	-	-	(33,518)	-	(33,518)
Equity-settled share option arrangements	-	-	14,351	-	-	-	-	-	-	14,351	-	14,351
Issue of shares upon exercise of share options	339	766	(275)	-	-	-	-	-	-	830	-	830
Share options lapsed during the year	-	-	(2,080)	-	-	-	2,080	-	-	-	-	-
Purchase of shares for the Award Scheme	-	-	-	-	-	-	-	(109,218)	-	(109,218)	-	(109,218)
Transfer from retained profits	-	-	-	-	33,480	-	(33,480)	-	-	-	-	-
At 31 December 2011	1,072,276	3,215,422*	44,711*	59,099*	915,188*	472,411*	(2,122,648)*	(126,249)*	3,442*	3,533,652	119,033	3,652,685

* These reserve accounts comprise the consolidated reserves of HK$2,461,376,000 (2010: HK$2,058,021,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**612,889**	(835,244)
Adjustments for:			
Finance costs	6	**289,411**	233,185
Share of profits and losses of jointly-controlled entities and associates		**(19,445)**	11,332
Gain on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net	7	**(42,444)**	(6,971)
Gain on disposal of subsidiaries	7	**(231,696)**	(108,330)
Gain on liquidation of subsidiaries	7	**(12,434)**	(1,168)
Gain on liquidation of a jointly-controlled entity	7	**(23,828)**	–
Gain on disposal of an associate	7	**–**	(2,474)
Bank interest income	7	**(79,247)**	(41,783)
Fair value losses/(gains) on derivative financial instruments, net – transactions not qualifying as hedges	7	**(10,728)**	16,508
Depreciation	7	**203,617**	234,480
Impairment of items of property, plant and equipment	7	**3,746**	14,740
Amortisation of other intangible assets	7	**408**	1,579
Amortisation of prepaid land lease payments	7	**2,660**	2,490
Equity-settled share option expense	7	**14,351**	5,840
Equity-settled Award Scheme expense	7	**–**	122
		707,260	(475,694)
Decrease in inventories		**836,690**	136,382
Decrease/(increase) in trade receivables		**(493,408)**	943,074
Increase in bills receivable		**(5,306,301)**	(1,329,611)
Increase in other receivables		**(188,942)**	(740,858)
Increase/(decrease) in trade payables		**1,292,869**	(858,863)
Increase in bills payable		**3,901,366**	604,403
Increase in other payables and accruals		**1,182,131**	554,412
Increase/(decrease) in provisions		**(120,943)**	134,487
Decrease in pensions and other post-employment benefits		**(59)**	(16,451)
Cash generated from/(used in) operations		**1,810,663**	(1,048,719)
Interest paid		**(289,411)**	(233,185)
Income taxes paid		**(204,374)**	(120,969)
Net cash flows from/(used in) operating activities		**1,316,878**	(1,402,873)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Net cash flows from/(used in) operating activities		**1,316,878**	(1,402,873)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**79,247**	41,783
Dividend received		**5,245**	–
Purchases of items of property, plant and equipment		**(76,021)**	(150,961)
Prepayment of land lease payments		**–**	(36,908)
Proceeds from disposal of items of property, plant and equipment and the associated prepaid land lease payments		**127,422**	28,971
Disposal of subsidiaries	37(a)	**104,305**	97,443
Liquidation of a jointly-controlled entity		**98,648**	–
Investments in associates		**(355)**	(74,106)
Disposal of an associate		**–**	10,237
Purchases of available-for-sale investments		**–**	(5,495)
Decrease/(increase) in pledged deposits		**2,150,556**	(2,284,364)
Net cash flows from/(used in) investing activities		**2,489,047**	(2,373,400)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	35	**–**	534,960
Share issue expenses	35	**–**	(12,240)
Proceeds from issue of shares upon exercise of share options	35	**830**	11,903
Repurchase of shares	35	**(33,518)**	–
Purchase of shares for the Award Scheme	35	**(109,218)**	–
New bank and other loans		**7,057,900**	9,888,655
Repayment of bank and other loans		**(8,950,379)**	(6,969,390)
Increase/(decrease) in loans from TCL Corporation		**(475,758)**	444,401
Increase in loans from T.C.L. Industries		**971,023**	–
Dividends paid		**–**	(129,360)
Net cash flows from/(used in) financing activities		**(1,539,120)**	3,768,929
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,266,805**	(7,344)
Cash and cash equivalents at beginning of year		**2,132,619**	2,078,724
Effect of foreign exchange rate changes, net		**52,577**	61,239
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,452,001**	2,132,619
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**4,452,001**	2,132,619

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**818,906**	906,791
CURRENT ASSETS			
Due from subsidiaries	18	**2,112,693**	2,338,630
Other receivables	25	**50,819**	45,166
Cash and bank balances		**1,540**	1,527
Total current assets		**2,165,052**	2,385,323
CURRENT LIABILITIES			
Other payables and accruals	30	**5,519**	5,426
Interest-bearing bank borrowings	31	**59,773**	615,181
Tax payable		**3,836**	3,836
Provisions	32	**–**	103,554
Total current liabilities		**69,128**	727,997
NET CURRENT ASSETS		**2,095,924**	1,657,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,914,830**	2,564,117
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	31	**556,797**	–
Net assets		**2,358,033**	2,564,117
EQUITY			
Issued capital	35	**1,072,276**	1,086,425
Reserves	36	**1,285,757**	1,477,692
Total equity		**2,358,033**	2,564,117

LI Dongsheng
Director

ZHAO Zhongyao
Director

1. CORPORATE INFORMATION

TCL Multimedia Technology Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- manufacture and sale of colour television sets and trading of related components
- manufacture and sale of audio-visual products

In the opinion of the directors, T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a company incorporated in Hong Kong, is the immediate holding company of the Company and the ultimate holding company of the Company is TCL Corporation ("TCL Corporation"), which is registered in the People's Republic of China (the "PRC").

2.1 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"), 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 as further explained in note 2.4. 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 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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. Details of the related party transactions, including the related comparative information, are included in note 41 to the financial statements.

(b) *Improvements to HKFRSs 2010*

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to HKFRSs 2010* (continued)

- 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.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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)-Int 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)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 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.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in profit or loss and other comprehensive income of the consolidated statement of comprehensive income, respectively.

Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

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

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in profit or loss and other comprehensive income of the consolidated statement of comprehensive income, respectively.

Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of impairment of the asset transferred.

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss of the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss of the statement of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets classified as held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss of the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Leasehold land under finance leases	Over the lease terms
Buildings	2% – 4.5%
Leasehold improvements	25% – 50%
Plant and machinery	9% – 20%
Furniture, fixtures and equipment	18% – 25%
Motor vehicles	18% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss of the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction and plant and machinery in the process of installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and installation and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 4 to 10 years.

Trademarks

Purchased trademarks with finite lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Research and development costs

All research costs are charged to profit or loss of the statement of comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss of the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss of the statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss of the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss of the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss of the statement of comprehensive income in finance costs for loans and in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss of the statement of comprehensive income in other income and gains, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss of the statement of comprehensive income in other operating expenses. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss of the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss of the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss of the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expenses in profit or loss of the statement of comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss of the statement of comprehensive income, is removed from other comprehensive income and recognised in profit or loss of the statement of comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss of the statement of comprehensive income – is removed from other comprehensive income and recognised in profit or loss of the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss of the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to TCL Corporation and T.C.L. Industries, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss of the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss of the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss of the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss of the statement of comprehensive income.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss of the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss of the statement of comprehensive income.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is credited to profit or loss of the statement of comprehensive income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss of the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss of the statement of comprehensive income by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) income from the rendering of services, when the services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss of the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss of the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss of the statement of comprehensive income as they become payable in accordance with the rules of the pension schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes (continued)

Certain subsidiaries operate defined benefit pension schemes and provide certain additional post-employment healthcare benefits to certain employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains or losses are recognised as income or expenses when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the defined benefit obligation. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss of the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Derecognition of financial assets – Receivables purchase arrangements

The Group has entered into certain receivables purchase arrangements with its banks on its trade receivables. As at 31 December 2011, the Group has determined that it has transferred substantially all risks and rewards of ownership associated with these trade receivables which are purchased by the relevant banks. Accordingly, the relevant trade receivables with an aggregate carrying amount of HK$233,523,000 (2010: HK$150,509,000) are fully derecognised. Further details are given in note 23 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$119,638,000 (2010: HK$119,638,000). Further details are given in note 16 to the financial statements.

(ii) Useful lives and impairment of property, plant and equipment

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

(iii) Impairment of trade receivables

Impairment of trade receivables is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying amount of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

(iv) Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of the reporting period.

The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

(v) Warranty provisions

As further explained in note 32 to the financial statements, the Group makes provisions for the warranties it gives on sale of its products taking into account the Group's current sales levels and past experience of the level of repairs and returns. As the Group is continually upgrading its product designs and launching new models, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

(vi) Provision for litigation

As further discussed in note 32 to the financial statements, the Group was involved in a number of legal proceedings arising from the wind down and insolvency of the Group's business in Europe in prior years. Management determines the provision for litigation based on their best estimates, after considering advice from the Group's legal counsels. Where the final outcome of the claims and negotiations with parties involved is different from the estimation made by management, such difference will impact the provision for litigation in the year in which such litigation is settled.

Further information about the assumptions and their risk factors relating to defined retirement benefit obligations, the fair values of the share options granted and financial instruments is disclosed in notes 34, 35 and 42, respectively.

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 PRC market
– the Overseas market

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about 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.

4. OPERATING SEGMENT INFORMATION (continued)

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.

Group	Television - PRC market		Television - Overseas market		AV		Others		Eliminations		Consolidated	
	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)
Other segment information:												
Depreciation and amortisation	145,938	158,494	46,591	64,548	13,540	13,088	616	2,419	-	-	206,685	238,549
Impairment recognised in profit or loss	120	-	3,626	14,740	-	-	-	-	-	-	3,746	14,740

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Group	PRC		Europe		North America		Others		Consolidated	
	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
Revenue from external customers	**19,720,395**	16,020,022	**1,637,019**	1,835,839	**554,881**	537,022	**11,020,068**	8,555,744	**32,932,363**	26,948,627
Non-current assets	**1,358,576**	1,456,892	**186,801**	206,353	**158,507**	181,393	**49,880**	60,965	**1,753,764**	1,905,603

The revenue information above is based on the location of the customers. The non-current asset information above is based on the location of assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately HK$1,846,299,000 (2010: HK$1,523,730,000) was derived from sales by the Television – PRC market segment to a single customer.

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	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

7. PROFIT/(LOSS) BEFORE TAX

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

	Group 2011 HK$'000	Group 2010 HK$'000
Cost of inventories sold	**27,522,923**	23,160,888
Depreciation (note 14)	**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 (note 17)	**408**	1,579
Amortisation of prepaid land lease payments (note 15)	**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 (note 8)):		
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 (note 34)	**232**	149
	1,777,206	1,491,327
Foreign exchange differences, net	**(21,299)**	(52,106)
Impairment of items of property, plant and equipment (note 14)**	**3,746**	14,740
Impairment of trade receivables (note 23)**	**21,194**	41,478
Write-down of inventories to net realisable value	**51,504**	78,352
Product warranty provision (note 32):		
Additional provision	**106,044**	132,364
Reversal of unutilised provision	**(50,695)**	(36,532)
	55,349	95,832

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7. PROFIT/(LOSS) BEFORE TAX (continued)

	Group 2011 HK$'000	2010 HK$'000
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 (note 37(a))	**(231,696)**	(108,330)
Gain on liquidation of subsidiaries (note 37(b))	**(12,434)**	(1,168)
Gain on liquidation of a jointly-controlled entity (note 19)	**(23,828)**	–
Gain on disposal of an associate	**–**	(2,474)
Provision for litigation (note 32)**	**31,563**	103,554
Restructuring costs (note 32)**:		
Additional provision	**1,233**	77,567
Reversal of unutilised provision	**(1,199)**	(5,541)
	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 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.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**2,025**	1,726
Other emoluments:		
Salaries, allowances and benefits in kind	**3,576**	2,915
Discretionary performance related bonuses	**2,608**	250
Equity-settled share option benefits	**6,731**	1,444
Pension scheme contributions	**182**	124
	13,097	4,733
	15,122	6,459

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such options which has been recognised in the profit or loss of the statement of comprehensive income over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors during the year were as follows:

	2011			2010		
	Fees HK$'000	Equity-settled share option benefits HK$'000	Total remuneration HK$'000	Fees HK$'000	Equity-settled share option benefits HK$'000	Total remuneration HK$'000
Mr. TANG Guliang	**300**	**89**	**389**	225	5	230
Mr. Robert Maarten WESTERHOF	**300**	**89**	**389**	150	5	155
Ms. WU Shihong	**300**	**89**	**389**	225	5	230
Dr. TSENG Shieng-chang Carter (note (i))	**-**	**-**	**-**	–	–	–
	900	**267**	**1,167**	600	15	615

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011						
Executive directors:						
Mr. LI Dongsheng	120	650	-	1,241	-	2,011
Mr. BO Lianming	120	-	-	386	-	506
Mr. ZHAO Zhongyao	120	1,888	1,903	4,001	70	7,982
Mr. YU Guanghui	120	858	705	31	112	1,826
Ms. XU Fang	120	-	-	470	-	590
	600	3,396	2,608	6,129	182	12,915
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	-	-	89	-	314
Mr. HUANG Xubin	225	-	-	246	-	471
Mr. LEONG Yue Wing (note (ii))	75	180	-	-	-	255
	525	180	-	335	-	1,040
	1,125	3,576	2,608	6,464	182	13,955

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8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance related bonuses HK$'000	Equity-settled share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010						
Executive directors:						
Mr. LI Dongsheng	120	650	–	227	–	997
Mr. BO Lianming	76	–	–	65	–	141
Mr. ZHAO Zhongyao	37	496	250	558	35	1,376
Mr. YU Guanghui	120	1,049	–	222	89	1,480
Ms. XU Fang	120	–	–	64	–	184
Mr. HUANG Xubin	27	–	–	10	–	37
Mr. LEONG Yue Wing	30	720	–	–	–	750
Mr. SHI Wanwen (note (iii))	83	–	–	240	–	323
	613	2,915	250	1,386	124	5,288
Non-executive directors:						
Mr. Albert Thomas DA ROSA, Junior	225	–	–	5	–	230
Mr. HUANG Xubin	175	–	–	38	–	213
Mr. LEONG Yue Wing	113	–	–	–	–	113
	513	–	–	43	–	556
	1,126	2,915	250	1,429	124	5,844

Notes:

(i) Dr. TSENG Shieng-chang Carter has been appointed as an independent non-executive director of the Company with effect from 1 July 2011. Dr. TSENG Shieng-Chang Carter agreed to waive his director's remuneration for the year ended 31 December 2011 and such remuneration would be donated to charitable organisations in the name of the Company.

(ii) Mr. LEONG Yue Wing has resigned as a non-executive director of the Company with effect from 30 June 2011.

(iii) Mr. SHI Wanwen had resigned as executive director of the Company with effect from 10 September 2010.

Save as disclosed in note (i) above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2010: Nil), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2010: five) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,654**	11,315
Discretionary performance related bonuses	**5,714**	1,328
Equity-settled share option benefits	**2,450**	97
Pension scheme contributions	**2,051**	1,149
	16,869	13,889

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
HK$2,000,001 to HK$2,500,000	**–**	3
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	–
	4	5

10. 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
Group:		
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 (note 33)	**(16,520)**	(3,917)
Total tax charge for the year	**151,448**	138,169

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory/applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2011	2010
	HK$'000	HK$'000
Profit/(loss) before tax	**612,889**	(835,244)
Tax at the statutory/applicable tax rates of different countries/jurisdictions	**151,480**	(172,850)
Lower tax rates for specific provinces or enacted by local authority	**(3,701)**	(50,623)
Adjustments in respect of current tax of previous periods	**4,497**	(10,605)
Profits and losses attributable to jointly-controlled entities and associates	**(4,861)**	2,833
Income not subject to tax	**(29,995)**	(19,236)
Income subject to other taxes	**(38,230)**	–
Expenses not deductible for tax	**79,987**	120,649
Tax losses utilised from previous periods	**(79,148)**	(27,246)
Tax losses not recognised	**70,152**	297,985
Others	**1,267**	(2,738)
Tax charge at the Group's effective rate	**151,448**	138,169

10. INCOME TAX EXPENSE (continued)

The share of tax attributable to jointly-controlled entities and associates amounting to HK$1,239,000 (2010: HK$677,000) and HK$7,521,000 (2010: HK$2,452,000), respectively, is included in "Share of profits and losses of jointly-controlled entities and associates" in profit or loss of the consolidated statement of comprehensive income.

In accordance with the relevant tax rules and regulations of the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions which are subject to income taxes at tax rates ranging from 12.5% to 25%.

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of HK$78,529,000 (2010: loss of HK$1,035,105,000) which has been dealt with in the financial statements of the Company (note 36).

12. DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Proposed final dividend – HK 16.00 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.

13. 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 the 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.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost	1,064,684	119,765	1,129,088	369,534	53,891	41,725	2,778,687
Accumulated depreciation and impairment	(210,061)	(95,349)	(589,361)	(339,842)	(33,784)	(12,469)	(1,280,866)
Net carrying amount	854,623	24,416	539,727	29,692	20,107	29,256	1,497,821
At 1 January 2011, net of accumulated depreciation and impairment	854,623	24,416	539,727	29,692	20,107	29,256	1,497,821
Additions	4,177	4,083	2,514	38,418	3,386	23,443	76,021
Disposals	(3,445)	(3,087)	(18,796)	(3)	(7,328)	(15,898)	(48,557)
Disposal of a subsidiary (note 37)	(20,831)	(1,303)	(223)	(693)	-	-	(23,050)
Depreciation provided during the year	(48,953)	(5,718)	(105,667)	(38,326)	(4,953)	-	(203,617)
Impairment	(10)	-	(3,372)	(364)	-	-	(3,746)
Transfers	17,653	6,958	1,701	6,666	227	(33,205)	-
Exchange realignment	23,607	596	16,150	6,328	676	232	47,589
At 31 December 2011, net of accumulated depreciation and impairment	826,821	25,945	432,034	41,718	12,115	3,828	1,342,461
At 31 December 2011:							
Cost	1,041,750	110,354	1,091,750	336,514	46,984	16,300	2,643,652
Accumulated depreciation and impairment	(214,929)	(84,409)	(659,716)	(294,796)	(34,869)	(12,472)	(1,301,191)
Net carrying amount	826,821	25,945	432,034	41,718	12,115	3,828	1,342,461

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2010							
At 1 January 2010:							
Cost	1,148,361	103,879	1,400,267	365,366	57,514	21,139	3,096,526
Accumulated depreciation and impairment	(275,483)	(95,392)	(732,763)	(340,225)	(36,821)	(12,470)	(1,493,154)
Net carrying amount	872,878	8,487	667,504	25,141	20,693	8,669	1,603,372
At 1 January 2010, net of accumulated depreciation and impairment	872,878	8,487	667,504	25,141	20,693	8,669	1,603,372
Additions	33,963	12,394	17,185	41,860	4,843	40,716	150,961
Disposals	(3,894)	(2,024)	(8,847)	(1,190)	(748)	(3,332)	(20,035)
Disposal of subsidiaries (note 37)	(13,609)	(29)	(336)	(547)	(131)	–	(14,652)
Depreciation provided during the year	(53,011)	(6,038)	(123,623)	(46,551)	(5,257)	–	(234,480)
Impairment	–	–	(10,268)	(4,472)	–	–	(14,740)
Transfers	131	5,837	2,506	8,580	47	(17,101)	–
Assets included in non-current assets classified as held for sale (note 28)	(3,603)	(625)	(10,909)	–	–	–	(15,137)
Exchange realignment	21,768	6,414	6,515	6,871	660	304	42,532
At 31 December 2010, net of accumulated depreciation and impairment	854,623	24,416	539,727	29,692	20,107	29,256	1,497,821
At 31 December 2010:							
Cost	1,064,684	119,765	1,129,088	369,534	53,891	41,725	2,778,687
Accumulated depreciation and impairment	(210,061)	(95,349)	(589,361)	(339,842)	(33,784)	(12,469)	(1,280,866)
Net carrying amount	854,623	24,416	539,727	29,692	20,107	29,256	1,497,821

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's land and buildings are situated in the PRC and elsewhere and held under the following lease terms:

	2011 **HK$'000**	2010 HK$'000
Freehold	**285,056**	278,061
Short term leases	**116,574**	116,504
Medium term leases	**425,191**	460,058
	826,821	854,623

At 31 December 2011, certain of the Group's buildings and plant and machinery with net carrying amounts of approximately HK$249,162,000 (2010: HK$251,086,000) and HK$100,917,000 (2010: HK$108,379,000), respectively, were pledged to secure the bank loans granted to the Group (note 31).

At 31 December 2010, certain of the Group's buildings with a net carrying amount of approximately HK$83,387,000 were pledged to secure a loan from TCL Corporation (note 26).

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 **HK$'000**	2010 HK$'000
Carrying amount at 1 January	**108,258**	72,328
Additions	**–**	36,908
Disposals	**(21,284)**	(1,965)
Amortised during the year	**(2,660)**	(2,490)
Exchange realignment	**4,385**	3,477
Carrying amount at 31 December	**88,699**	108,258
Current portion included in other receivables (note 25)	**(1,623)**	(2,051)
Non-current portion	**87,076**	106,207

15. PREPAID LAND LEASE PAYMENTS (continued)

The Group's leasehold land is situated in the PRC and held under the following lease terms:

	2011	2010
	HK$'000	HK$'000
Short term leases	**14,606**	18,455
Medium term leases	**74,093**	89,803
	88,699	108,258

At 31 December 2011, certain of the Group's prepaid land lease payments with a net carrying amount of approximately HK$23,566,000 (2010: HK$23,853,000) were pledged to secure the bank loans granted to the Group (note 31).

At 31 December 2010, certain of the Group's prepaid land lease payments with a net carrying amount of approximately HK$12,341,000 were pledged to secure a loan from TCL Corporation (note 26).

16. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
Cost and carrying amount at 1 January and 31 December	**119,638**	119,638

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the PRC television products cash-generating unit for impairment testing.

The recoverable amount of the PRC television products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 10% (2010: 10%).

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rate used is before tax and reflects specific risks relating to the unit.

17. OTHER INTANGIBLE ASSETS

Group

	Patents and licences HK$'000	Trademarks HK$'000	Total HK$'000
31 December 2011			
Cost at 1 January 2011, net of accumulated amortisation and impairment	**–**	**965**	**965**
Amortisation provided during the year	**–**	**(408)**	**(408)**
Exchange realignment	**–**	**37**	**37**
At 31 December 2011	**–**	**594**	**594**
At 31 December 2011:			
Cost	**32,361**	**59,309**	**91,670**
Accumulated amortisation and impairment	**(32,361)**	**(58,715)**	**(91,076)**
Net carrying amount	**–**	**594**	**594**
31 December 2010			
Cost at 1 January 2010, net of accumulated amortisation and impairment	1,178	1,314	2,492
Amortisation provided during the year	(1,192)	(387)	(1,579)
Exchange realignment	14	38	52
At 31 December 2010	–	965	965
At 31 December 2010 and at 1 January 2011:			
Cost	31,622	59,189	90,811
Accumulated amortisation and impairment	(31,622)	(58,224)	(89,846)
Net carrying amount	–	965	965

18. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**3,435,297**	3,435,297
Due from subsidiaries	**2,322,061**	2,646,471
Capital contribution in respect of employee share-based compensation	**57,782**	47,194
	5,815,140	6,128,962
Provision for impairment	**(2,883,541)**	(2,883,541)
	2,931,599	3,245,421
Less: Portion of amounts due from subsidiaries classified as current assets	**(2,112,693)**	(2,338,630)
	818,906	906,791

The balances with subsidiaries are unsecured and interest-free and have no fixed terms of repayment, except for certain balances due from subsidiaries totalling HK$2,112,693,000 (2010: HK$2,338,630,000) which are repayable on demand.

The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
Guangzhou Digital Rowa Technology Co., Ltd.**	PRC	RMB120,000,000	**70**	70	Manufacture of audio-visual products
Inner Mongolia TCL King Electrical Appliance Company Limited**	PRC	RMB88,130,825	**100**	100	Manufacture of audio-visual products

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
Manufacturas Avanzadas, S.A. de. C.V.	Mexico	US$15,866,637	**100**	100	Manufacture of audio-visual products
TTE Corporation@	British Virgin Islands/ Hong Kong	US$10,000	**100**	100	Investment holding
Shenzhen TCL New Technology Company Limited**	PRC	RMB10,608,600	**100**	100	Manufacture and sale of audio-visual products
TCL (Vietnam) Corporation Limited	Vietnam	VND37,135,000,000	**100**	100	Manufacture and sale of audio-visual products
TCL Electrical Appliance Sales Co., Ltd.**	PRC	RMB30,000,000	**100**	100	Operation of a distribution network in the PRC
TCL Electronics (HK) Limited	Hong Kong	HK$30,000,000	**100**	100	Trading of audio-visual products and components
TCL Electronics (Thailand) Co. Limited	Thailand	THB255,000,000	**100**	100	Trading of audio-visual products and components

31 December 2011

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
TCL Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$25,000	**100**	100	Investment holding
TCL Belgium S.A.	Belgium	EUR61,500	**100**	100	Investment holding
TCL International Electronics (BVI) Limited@	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
TTE (North America) Holdings Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
TCL Information Technology Industrial (Group) Co., Ltd.@	British Virgin Islands/ Hong Kong	US$4,500,000	**100**	100	Investment holding
TCL King Electrical Appliances (Chengdu) Company Limited**	PRC	RMB100,880,000	**100**	100	Manufacture of audio-visual products
TCL King Electrical Appliances (Huhehaote) Company Limited**	PRC	RMB21,400,000	**100**	100	Manufacture of audio-visual products
TCL King Electrical Appliances (Huizhou) Company Limited*	PRC	RMB485,863,120	**100**	100	Manufacture and sale of audio-visual products and trading of components

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
TCL King Electrical Appliances (Nanchang) Company Limited**	PRC	RMB21,400,000	**100**	100	Manufacture of audio-visual products
TCL King Electrical Appliances (Wuxi) Company Limited**	PRC	RMB78,835,125	**70**	70	Manufacture of audio-visual products
TCL OEM Sales Limited	Hong Kong	HK$2	**100**	100	Trading of audio-visual products and components
TCL Overseas Consumer Electronics Limited	Hong Kong	HK$100	**100**	100	Trading of audio-visual products and components
TCL Overseas Electronics (Huizhou) Limited*	PRC	RMB106,819,156	**100**	100	Manufacture of audio-visual products
TCL Overseas Holdings Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
TCL Overseas Marketing Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Trading of audio-visual products and components

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18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
TCL Technoly Electronics (Huizhou) Co., Ltd.*	PRC	RMB76,000,000	**100**	100	Manufacture and sale of audio–visual products
TTE Technology Canada Limited	Canada	CAD13,000,000	**100**	100	Trading of audio-visual products and components
TTE Technology Inc.	USA	US$75,954,000	**100**	100	Trading of audio-visual products and components
TCL Overseas Marketing (Macao Commercial Offshore) Limited	Macao	MOP100,000	**100**	100	Trading of audio-visual products and components
TCL Operations Polska SP. ZO.O.	Poland	PLN126,716,500	**100**	100	Manufacture of audio-visual products
Huizhou TCL King Technology Co., Ltd.	PRC	RMB20,000,000	**100**	100	Trading of audio-visual products and components

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	% of equity attributable to the Company 2011	2010	Principal activities
TCL Technology (HK) Company Limited@	Hong Kong	HK$50,000,000	**100**	100	Trading of audio-visual products and components

@ Direct subsidiaries of the Company
* Registered as wholly-foreign-owned enterprises under the PRC law
** Registered as Sino-foreign joint ventures under the PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2011 HK$'000	2010 HK$'000
Share of net assets	**6,840**	108,012
Classified as held for sale (note)	**–**	(98,744)
	6,840	9,268

Note: Pursuant to the board resolution of Henan TCL-Melody Electronics Co., Ltd. ("Henan TCL-Melody"), a jointly-controlled entity of the Group, on 18 May 2010, it was resolved that Henan TCL-Melody should be dissolved by way of a voluntary liquidation. Completion of the liquidation took place on 21 January 2011. As the liquidation plan was approved before 31 December 2010, the Group's investment in Henan TCL-Melody, with a carrying amount of HK$98,744,000, was classified as non-current assets held for sale and included as current assets in the consolidated statement of financial position as at 31 December 2010. The gain arising from the liquidation of Henan TCL-Melody of HK$23,828,000 was recognised in profit or loss of the consolidated statement of comprehensive income for the year ended 31 December 2011.

The Group's trade receivables and payables due from/to a jointly-controlled entity are disclosed in notes 23 and 29 to the financial statements, respectively.

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

Particulars of the jointly-controlled entity indirectly held by the Company, are as follows:

Name	Particulars of issued shares/ registered capital	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
TCL Sun, Inc.	Ordinary shares of PHP100 each	Philippines	50	50	50	Trading of audio-visual products

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

Share of the jointly-controlled entities' assets and liabilities:

	2011 HK$'000	2010 HK$'000
Current assets	**32,378**	131,180
Non-current assets	**858**	1,981
Current liabilities	**(26,396)**	(25,149)
Net assets	**6,840**	108,012

Share of the jointly-controlled entities' results:

	2011 HK$'000	2010 HK$'000
Turnover	**85,920**	121,303
Other revenue	**59**	11,011
	85,979	132,314
Total expenses	**(87,624)**	(137,497)
Income tax expense	**(1,239)**	(677)
Loss after tax	**(2,884)**	(5,860)

20. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**190,478**	165,027

The Group's trade receivables, trade payables and other payables due from/to the associates are disclosed in notes 23, 29 and 30 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
TCL Finance Co., Ltd. ("TCL Finance")	RMB500,000,000	PRC	14	Provision of financial services
Guangdong Yijiatong Technical Development of Digital Home Co., Ltd.	RMB10,000,000	PRC	20	Provision of technical services
Toshiba Visual Products (China) Co., Ltd.	RMB50,000,000	PRC	49	Trading of audio-visual products and components
Huizhou Bri-King Optronics Co., Ltd.	US$12,000,000	PRC	49	Manufacture and sale of audio-visual products and components
Beijing Optical Consulting Co., Ltd.	RMB900,000	PRC	33	Provision of advisory services

The Group's shareholdings in the associates are all held through indirectly wholly-owned subsidiaries of the Company.

20. INVESTMENTS IN ASSOCIATES (continued)

Although the Group holds less than 20% of the voting power of TCL Finance, in the opinion of the directors, the Group is in a position to exercise significant influence over TCL Finance through its representation on the board of directors and its participation in policy-making processes of TCL Finance.

All the above associates have been accounted for using the equity method in these financial statements and their financial year end is coterminous with that of the Group.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2011 HK$'000	2010 HK$'000
Assets	**8,223,119**	5,726,534
Liabilities	**7,302,837**	4,901,249
Revenue	**3,005,578**	1,248,193
Profit	**91,974**	8,077

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2011 **HK$'000**	2010 HK$'000
Unlisted equity investments, at cost	**8,359**	8,359
Provision for impairment	**(1,682)**	(1,682)
	6,677	6,677

The Group's available-for-sale investments represent investments in unlisted equity securities in the PRC. In the opinion of the directors, the fair value of these unlisted equity investments cannot be reliably measured because (a) these investments do not have quoted market prices in an active market; (b) the range of reasonable fair value estimates is significant for these investments; and (c) the probabilities of the various estimates cannot be reasonably assessed and used in estimating fair value. As such, all these unlisted equity securities are stated at cost less any impairment losses.

22. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials	**1,503,545**	1,490,734
Work in progress	**461,464**	292,713
Finished goods	**2,333,375**	3,141,922
	4,298,384	4,925,369

23. TRADE RECEIVABLES

	Note	Group 2011 HK$'000	2010 HK$'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	26	**431,929**	399,598
Associates of TCL Corporation	26	**2,943**	3,400
Jointly-controlled entity	26	**47,327**	42,541
Associates	26	**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.

23. TRADE RECEIVABLES (continued)

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:

	Group	
	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

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**242,455**	234,330
Impairment losses recognised	**21,194**	41,478
Amount written off as uncollectible	**(33,547)**	(38,414)
Disposal of a subsidiary	**–**	(1,574)
Exchange realignment	**(15,060)**	6,635
At 31 December	**215,042**	242,455

The above provision for impairment of trade receivables is a provision for individually impaired trade receivables. The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

23. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**3,156,689**	2,712,366
Less than 90 days past due	**596,028**	437,229
90 – 180 days past due	**19,147**	51,579
Over 180 days past due	**23,150**	35,415
	3,795,014	3,236,589

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there were no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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 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 31).

31 December 2011

24. BILLS RECEIVABLE

At 31 December 2010, the Group discounted bills receivable of HK$80,367,000 to a bank with recourse (the "Discounted Bills"). The Discounted Bills were included in the balance of bills receivable at 31 December 2010 because the derecognition criteria for financial assets were not met. Accordingly, the advances from a bank of approximately HK$79,232,000 received by the Group as consideration for the Discounted Bills at financial year end were recognised as liabilities and included in "interest-bearing bank and other borrowings" (note 31).

At 31 December 2011, certain bills receivable of the Group with an aggregate amount of HK$246,609,000 (2010: Nil) were pledged as securities for the Group's bank loans (note 31).

25. OTHER RECEIVABLES

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Prepayments and deposits		**568,893**	333,328	**889**	2,543
Other receivables		**1,292,506**	1,049,759	**49,858**	42,617
Prepaid land lease payments	15	**1,623**	2,051	**–**	–
Prepaid royalties		**10,916**	26,079	**–**	–
Derivative financial instruments	(a)	**35,473**	67,317	**–**	–
Due from companies controlled by TCL Corporation	26	**13,992**	41,332	**72**	6
Due from associates of TCL Corporation	26	**7,021**	17,456	**–**	–
		1,930,424	1,537,322	**50,819**	45,166

Note:

(a) The Group has entered into various forward exchange contracts and interest rate swaps to manage its exchange rate exposures and interest rate exposures, respectively, and they did not meet the criteria for hedge accounting. A net gain of HK$10,728,000 (2010: net loss of HK$16,508,000) as a result of changes in the fair value of these non-hedging derivative financial contracts was recognised in the profit or loss of the consolidated statement of comprehensive income for the year ended 31 December 2011.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

26. DUE FROM/TO TCL CORPORATION/COMPANIES CONTROLLED BY TCL CORPORATION/ ASSOCIATES OF TCL CORPORATION/T.C.L. INDUSTRIES/JOINTLY-CONTROLLED ENTITY/ ASSOCIATES

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.

The amounts are interest-free, except for 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 which 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 which bore interest at fixed rates ranging from 5.87% to 6.05% per annum and 5.31% per annum, respectively).

27. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2011, certain time deposits of the Group of HK$255,770,000 (2010: HK$2,374,328,000) were pledged as securities for the Group's bank loans (note 31).

Included in the Group's cash and bank balances are deposits of HK$2,060,568,000 (2010: HK$743,756,000) placed with TCL Finance, a financial institution approved by the People's Bank of China. The interest rates for these deposits ranged from 0.36% to 1.31% (2010: 0.36% to 1.17%) per annum, being the savings rates offered by the People's Bank of China. Further details of the interest income attributable to the deposits with TCL Finance are set out in note 41 to the financial statements.

28. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
An available-for-sale investment	(a)	**–**	65,215
Property, plant and equipment	(b)	**–**	15,137
Investment in a jointly-controlled entity	19	**–**	98,744
		–	179,096

Notes:

(a) On 12 December 2010, the Group and Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd. ("Tianjin Vantone") entered into a transfer agreement (the "Transfer Agreement") and pursuant to which, the Group transferred the Group's 25% equity interest in TCL Digital Science and Technology (Wuxi) Company Limited (the "Wuxi Interest") to Tianjin Vantone at a consideration of RMB57,500,000 (equivalent to approximately HK$69,227,000) (the "Share Transfer"). Completion of the Share Transfer took place on 18 May 2011. As the Transfer Agreement was entered into before 31 December 2010, the Wuxi Interest was classified as non-current assets held for sale and included as current asset in the consolidated statement of financial position as at 31 December 2010.

(b) On 30 November 2010, TCL-Thomson Electronics (Thailand) Co., Ltd. ("TTE Thailand"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement (the "S&P Agreement") with an independent third party for the disposal of certain items of property, plant and equipment (the "Disposal Assets") at an aggregate consideration of US$8,300,000 (equivalent to approximately HK$64,598,000). Completion of the necessary legal procedures in respect of the change in ownership of the Disposal Assets took place on 21 January 2011. As the S&P Agreement was entered into before 31 December 2010, the Disposal Assets with an aggregate carrying amount of HK$15,137,000 were classified as non-current assets classified as held for sale and included as current assets in the consolidated statement of financial position as at 31 December 2010. The gain arising from the disposal of the Disposal Assets of HK$46,962,000 was recognised in the gain on disposal of items of property, plant and equipment.

29. TRADE PAYABLES

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
Due to third parties		**4,894,918**	3,606,434
Due to related parties:			
Companies controlled by TCL Corporation	26	**1,725,606**	1,017,110
Associates of TCL Corporation	26	**3,934**	5,297
Jointly-controlled entity	26	**–**	130,204
Associates	26	**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 the reporting period, based on the invoice date, is as follows:

	Group	
	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.

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30. OTHER PAYABLES AND ACCRUALS

	Notes	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Other payables	(a)	**2,172,017**	1,373,353	**5,455**	5,263
Accruals		**528,217**	328,559	**–**	33
Receipts in advance		**858,324**	592,161	**64**	130
Derivative financial instruments	25(a)	**33,760**	77,193	**–**	–
Due to T.C.L. Industries	(b)	**15,501**	–	**–**	–
Due to an associate	(b)	**923**	–	**–**	–
		3,608,742	2,371,266	**5,519**	5,426

Notes:

(a) The other payables are non-interest-bearing and are expected to be settled within one year.

(b) The amounts due to T.C.L. Industries and an associate are unsecured, interest-free and repayable on demand.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**4.33/PBOC base flat rate/LIBOR + 2.30**	**2012**	**606,404**	1.80 to 2.56/ PBOC base flat rate/LIBOR + (0.75 to 0.80)	2011	2,387,130
Bank loans – unsecured	**3.12 to 4.74/ LIBOR + (1.70 to 3.05)**	**2012**	**1,701,537**	1.50 to 3.51/ HIBOR + 1.00/ LIBOR + (1.70 to 2.20)	2011/ On demand	1,719,415
Advances from banks as consideration for the Discounted Bills – unsecured	**-**	**-**	**-**	1.61	2011	79,232
Advances from banks as consideration for the Recognised Factored Receivables – unsecured	**TIBOR + 0.80**	**2012**	**74,047**	–	–	–
Trust receipt loans – unsecured	**LIBOR +(0.55 to 1.60)**	**2012**	**201,352**	LIBOR + (0.85 to 1.25)	2011	519,299
Loans from an associate – unsecured	**5.90**	**2012**	**40,600**	4.83 to 6.39	2011	158,441
			2,623,940			4,863,517
Non-current						
Bank loans – secured	**PBOC base flat rate**	**2013 - 2014**	**154,131**	PBOC base flat rate	2012 – 2014	265,143
Bank loans – unsecured	**LIBOR + 1.70**	**2013 - 2014**	**556,797**	–	–	–
			710,928			265,143
			3,334,868			5,128,660

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Company

	2011			2010		
	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	LIBOR + 1.70	2012	59,773	LIBOR + 1.70	On demand	615,181
Non-current						
Bank loans – unsecured	LIBOR + 1.70	2013 - 2014	556,797	–	–	–
			616,570			615,181

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**2,583,340**	4,705,076	**59,773**	615,181
In the second year	**276,837**	117,842	**153,533**	–
In the third to fifth years, inclusive	**434,091**	147,301	**403,264**	–
	3,294,268	4,970,219	**616,570**	615,181
Loans from an associate repayable:				
Within one year	**40,600**	158,441	**–**	–
	3,334,868	5,128,660	**616,570**	615,181

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.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Breach of loan covenants

As at 31 December 2010, in respect of the Company's 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 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 revised.

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

Included in bank loans are the following amounts denominated in currencies other than the functional currencies of the entities to which they relate:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States dollar	**2,955,180**	4,197,699	**616,570**	615,181
Hong Kong dollar	**40,600**	194,454	**–**	–

32. PROVISIONS

	Group				Company
	Restructuring costs	Warranties	Litigation	Total	Litigation
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	26,698	237,032	103,554	367,284	103,554
Additional provision	1,233	106,044	31,563	138,840	31,563
Amount utilised during the year	(26,734)	(46,039)	(135,117)	(207,890)	(135,117)
Reversal of unutilised amounts	(1,199)	(50,695)	–	(51,894)	–
Exchange realignment	2	2,441	–	2,443	–
At 31 December 2011	–	248,783	–	248,783	–

32. PROVISIONS (continued)

Restructuring costs

Restructuring plans were drawn up in the current year for certain reorganisation and rationalisation of the Group's business in order to optimise its industrial base and hence profitability. The restructuring costs were mainly related to the redundancy costs incurred for a streamlined business model.

Warranties

The Group provides warranties ranging from three months to three years to its customers on certain of its electronic products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Litigation

The Group was involved in a number of legal proceedings arising from the wind down and insolvency of the Group's business in Europe in prior years (the "Claims"). Management determines the provision for the Claims based on their best estimates, after considering advice from the Group's legal counsels. The total compensation involved for the Claims was approximately HK$1,029,300,000. All of the Claims were fully settled by the Group for approximately HK$135,117,000 during the year.

33. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities
Group

	Note	Depreciation allowance in excess of related depreciation HK$'000
At 1 January 2010		11,818
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	10	1,133
Exchange realignment		43
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011		12,994
Deferred tax charged to profit or loss of the consolidated statement of comprehensive income during the year	10	819
Exchange realignment		(23)
Gross deferred tax liabilities at 31 December 2011		13,790

31 December 2011

33. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

Group

	Note	Elimination of unrealised profits arising from intra-group transactions HK$'000	Accruals and other provisions HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2010		17,000	426	2,078	19,504
Deferred tax credited to profit or loss of the consolidated statement of comprehensive income during the year	10	1,000	–	4,050	5,050
Exchange realignment		–	16	1,166	1,182
Gross deferred tax assets at 31 December 2010 and 1 January 2011		18,000	442	7,294	25,736
Deferred tax credited/(charged) to profit or loss of the consolidated statement of comprehensive income during the year	10	20,000	–	(2,661)	17,339
Exchange realignment		–	20	(128)	(108)
Gross deferred tax assets at 31 December 2011		38,000	462	4,505	42,967

The Group has tax losses of HK$4,266,062,000 (2010: HK$3,562,001,000) that are available for offsetting against future taxable profits of the companies in which the losses arose, subject to certain tax rules of the countries in which the Group operates. Deferred tax assets have not been recognised in respect of these losses as the utilisation of which is uncertain.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and a jointly-controlled entity established in the PRC in respect of earnings generated from 1 January 2008.

33. DEFERRED TAX (continued)

Deferred tax assets (continued)

At 31 December 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK$2,279,102,000 at 31 December 2011 (2010: HK$1,978,792,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The Group has defined benefit plans in certain locations, covering its employees. The Group also has agreed to provide certain additional post-employment healthcare benefits to employees in certain locations. These benefits are unfunded.

The following tables summarise the components of net benefit expense recognised in profit or loss of the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position for the plans.

	2011	2010
	HK$'000	HK$'000
Net benefit expense		
Current service cost	**180**	130
Interest cost on benefit obligation	**8**	19
Net cumulative actuarial loss recognised in profit or loss of the consolidated statement of comprehensive income	**44**	–
Net benefit expense	**232**	149

34. PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (continued)

	2011 HK$'000	2010 HK$'000
Benefit liabilities		
Benefit obligation and liabilities	**5,917**	6,798

Movements in the benefit liabilities during the year are as follows:

	2011 HK$'000	2010 HK$'000
At 1 January	**6,798**	23,522
Benefit expense (note 7)	**232**	149
Contributions	**(290)**	(82)
Curtailment	**–**	(16,518)
Exchange realignment	**(823)**	(273)
At 31 December	**5,917**	6,798

The principal assumptions used in determining the pensions and post-employment benefit obligations under the Group's major plans are shown below:

	2011 %	2010 %
Discount rate	**6.0 – 8.5**	4.7 – 8.5
Future salary increase rate	**2.8 – 10.0**	2.5 – 10.0
Healthcare cost increase rate	**Nil**	5.0 – 9.5

35. SHARE CAPITAL

Shares

	Company 2011 HK$'000	Company 2010 HK$'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 and share premium 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. An amount of HK$275,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) During the year, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate cost paid HK$'000	Transaction costs HK$'000	Total consideration 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.

35. SHARE CAPITAL (continued)

Shares (continued)

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2010		1,011,840,056	1,011,840	2,777,385	3,789,225
Issue of shares upon exercise of share options		2,584,771	2,585	13,520	16,105
Placement of new shares		72,000,000	72,000	462,960	534,960
Share issue expenses		–	–	(12,240)	(12,240)
Dividend paid		–	–	(7,939)	(7,939)
At 31 December 2010 and 1 January 2011		1,086,424,827	1,086,425	3,233,686	4,320,111
Issue of shares upon exercise of share options	(a)	338,941	339	766	1,105
Shares repurchased	(b)	(14,488,000)	(14,488)	(19,030)	(33,518)
At 31 December 2011		1,072,275,768	1,072,276	3,215,422	4,287,698

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, advisers, consultants, agents, contractors, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, any non-controlling shareholder in the Company's subsidiaries and any other person whom the Board at its sole discretion considers may contribute or have contributed to the Group. The Scheme became effective on 15 February 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

35. SHARE CAPITAL (continued)

Share options (continued)

The purpose of the Scheme is to recognise the contribution of eligible participants, to motivate them by providing incentives to them, to help the Company retain its existing full-time or part-time employees (including any executive and non-executive director or proposed executive and non-executive director) of the Company and its subsidiaries (the "Employees") and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Pursuant to the Scheme and subject to shareholders' approval, the maximum number of shares in respect of which options may be granted under the Scheme is such number of shares representing 10% of the issued share capital of the Company from time to time (excluding for this purpose any shares which have been duly allotted and issued pursuant to the Scheme and any other scheme).

The maximum number of shares in respect of which options may be granted to any one participant in a 12-month period shall not exceed 1% (0.1% for connected persons) of the issued share capital of the Company. The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences on a specified date and ends on a date which is not later than ten years from the date of offer of the share options. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the Stock Exchange on the date of offer; (ii) the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

The following share options were outstanding under the Scheme during the year:

	2011		2010	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**4.191**	**25,364**	4.193	26,682
Granted during the year	**3.170**	**35,457**	3.600	3,403
Lapsed during the year	**4.774**	**(1,395)**	2.772	(2,136)
Exercised during the year	**2.450**	**(339)**	4.605	(2,585)
At 31 December	**3.574**	**59,087**	4.191	25,364

The weighted average share price at the date of exercise for share options exercised during the year was HK$2.907 (2010: HK$7.443).

35. SHARE CAPITAL (continued)

Share options (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2011

Number of options '000	Exercise price* HK$ per share	Exercise period
9,738	**6.30**	**Note 1**
10,974	**2.45**	**Note 2**
3,055	**3.60**	**Note 3**
35,320	**3.17**	**Note 4**
59,087		

2010

Number of options '000	Exercise price* HK$ per share	Exercise period
10,527	6.30	Note 1
11,690	2.45	Note 2
3,147	3.60	Note 3
25,364		

* The exercise price of the share options is subject to adjustment in case of rights on bonus issues, or other similar changes in the Company's share capital.

Note 1 One-third of such share options is exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 3 July 2012.

Note 2 One-third of such share options is exercisable after the expiry of 12 months from the date of grant, a further one-third is exercisable after the expiry of 24 months from the date of grant, and the remaining one-third is exercisable after the expiry of 36 months from the date of grant, up to 24 August 2013.

Note 3 50% of such share options is exercisable after the expiry of 6 months from the date of grant, and the remaining 50% is exercisable after the expiry of 18 months from the date of grant, up to 7 November 2015.

Note 4 One-ninth of such share options is exercisable after the expiry of 18 months from the date of grant, a further three-ninth is exercisable after the expiry of 30 months from the date of grant, and the remaining five-ninth is exercisable after the expiry of 42 months from the date of grant, up to 4 July 2017.

35. SHARE CAPITAL (continued)

Share options (continued)

The fair value of the share options granted during the year was HK$57,896,000 (approximately HK$1.633 each). The fair value of equity-settled share options granted in the current year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2011.

	2011
Dividend yield (%)	**1.15 per annum**
Expected volatility (%)	**63.09 per annum**
Risk-free interest rate (%)	**1.651 per annum**
Expected life of options (year)	**6**

The expected life of the options is based on the historical data over the past five years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The 338,941 share options exercised during the year resulted in the issue of 338,941 ordinary shares of the Company and new share capital of HK$339,000 and share premium of HK$766,000.

At the end of the reporting period, the Company had 59,087,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 59,087,000 additional ordinary shares of the Company and additional share capital of HK$59,087,000 and share premium of HK$152,111,000.

Restricted share award scheme

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

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

35. SHARE CAPITAL (continued)

Restricted share award scheme (continued)

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

On 21 April 2008, the shareholders had further approved the Board to implement the Award Scheme to its full extent (i.e., to provide further funds to the Trustee in accordance with the terms of the Award Scheme for purchase of the Awarded Shares up to 10% of the issued share capital of the Company as at the Adoption Date).

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

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

	2011 Number of Awarded Shares '000	2010 Number of Awarded Shares '000
At 1 January	**7,904**	7,959
Purchased during the year (note a)	**36,908**	–
Awarded and vested (note b)	**–**	(55)
At 31 December	**44,812**	7,904

Notes:

(a) For the year ended 31 December 2011, the Trustee purchased 36,908,000 Awarded Shares at a total cost (including related transaction costs) of HK$109,218,000. No Awarded Shares had been purchased by the Trustee for the year ended 31 December 2010.

(b) For the year ended 31 December 2010, 55,312 Awarded Shares were granted to certain Selected Employees as settlement of their performance bonuses for the year ended 31 December 2009. The fair value of the Awarded Shares on the date of grant was HK$2.21 per share.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 74 and 75 of the financial statements.

(i) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(ii) Capital reserve

The Group's capital reserve originally represented the excess of the nominal value of the shares of the subsidiaries acquired prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

(iii) Reserve funds

Pursuant to the relevant laws and regulations in the PRC, a portion of the profits of the Company's subsidiaries in the PRC has been transferred to the reserve funds which are restricted to use.

(iv) Awarded share reserve

The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

36. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Share option reserve[Δ] HK$'000	Capital reserve[#] HK$'000	Accumulated losses HK$'000	Shares held for the Award Scheme HK$'000	Awarded share reserve[*] HK$'000	Total HK$'000
At 1 January 2010	2,777,385	32,312	738,936	(1,480,186)	(17,150)	3,439	2,054,736
Total comprehensive loss for the year	–	–	–	(1,035,105)	–	–	(1,035,105)
Equity-settled share option arrangements	–	5,840	–	–	–	–	5,840
Issue of shares upon exercise of share options	13,520	(4,202)	–	–	–	–	9,318
Placement of new shares	462,960	–	–	–	–	–	462,960
Share issue expenses	(12,240)	–	–	–	–	–	(12,240)
Share options lapsed during the year	–	(1,235)	–	1,235	–	–	–
Vesting of shares under the Award Scheme	–	–	–	–	119	3	122
Dividend paid	(7,939)	–	–	–	–	–	(7,939)
At 31 December 2010 and 1 January 2011	3,233,686	32,715	738,936	(2,514,056)	(17,031)	3,442	1,477,692
Total comprehensive loss for the year	–	–	–	(78,529)	–	–	(78,529)
Shares repurchased	(19,030)	–	–	–	–	–	(19,030)
Equity-settled share option arrangements	–	14,351	–	–	–	–	14,351
Issue of shares upon exercise of share options	766	(275)	–	–	–	–	491
Share options lapsed during the year	–	(2,080)	–	2,080	–	–	–
Purchase of shares for the Award Scheme	–	–	–	–	(109,218)	–	(109,218)
At 31 December 2011	3,215,422	44,711	738,936	(2,590,505)	(126,249)	3,442	1,285,757

Δ The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

The capital reserve arose as a result of the Group reorganisation in 1999 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

* The awarded share reserve represents the excess of the fair value of the Awarded Shares over the total cost (including related transaction costs) of the Awarded Shares awarded and vested to the Selected Employees at the date of award.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

Year ended 31 December 2011

On 28 June 2011, the Group entered into a disposal agreement with an independent third party to dispose of its entire equity interest in TCL King Shenzhen, a wholly-owned subsidiary of the Group, at a consideration of RMB296,628,000 (equivalent to HK$359,637,000).

The disposal agreement was completed during the year, and details of the net assets disposed of under the disposal agreement and its financial impacts are summarised below:

	2011 HK$'000
Net assets disposed of:	
Property, plant and equipment	23,050
Cash and bank balances	114,682
Other receivables	2,645
	140,377
Release of exchange fluctuation reserve upon disposal	(36,550)
Transaction costs and other taxes	24,114
Gain on disposal of a subsidiary (note 7)	231,696
	359,637
Satisfied by:	
Other receivables	140,650
Cash	218,987
	359,637

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2011 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2011
	HK$'000
Cash consideration	**218,987**
Cash and bank balances disposed of	**(114,682)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**104,305**

Year ended 31 December 2010

On 28 June 2010, the Group entered into a disposal agreement with an independent third party to dispose of its entire interest in Shenzhen Qian Qiao Investment Co., Ltd. ("Qian Qiao"), a wholly-owned subsidiary of the Group, for a cash consideration of RMB103,000,000 (equivalent to HK$117,727,000).

On 10 December 2010, the Group entered into another disposal agreement with T.C.L. Industries to dispose of its entire interest in TCL Digital Technology (Shenzhen) Co., Ltd. ("Shenzhen Digital"), a wholly-owned subsidiary of the Group, for a consideration of RMB41,500,000 (equivalent to HK$48,268,000).

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2010 (continued)

The disposal agreements of Qian Qiao and Shenzhen Digital (collectively the "Disposal Agreements") were completed in August 2010 and December 2010, respectively, and details of the aggregate net assets disposed of under the Disposal Agreements and their financial impacts are summarised below.

	2010 HK$'000
Net assets disposed of:	
Property, plant and equipment	14,652
Inventories	13,148
Cash and bank balances	20,284
Trade receivables	191
Other receivables	31,036
Trade payables	(9,148)
Other payables and accruals	(3,109)
Provisions	(483)
	66,571
Release of exchange fluctuation reserve upon disposal	(8,906)
Gain on disposal of subsidiaries (note 7)	108,330
	165,995
Satisfied by:	
Other payables	10,122
Loan from T.C.L. Industries	38,146
Cash	117,727
	165,995

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Disposal of subsidiaries (continued)

Year ended 31 December 2010 (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010 HK$'000
Cash consideration	117,727
Cash and bank balances disposed of	(20,284)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	97,443

(b) Liquidation of subsidiaries

Year ended 31 December 2011

Schneider Electronics GmbH ("Schneider"), a wholly-owned subsidiary of the Group, had been dormant for a number of years and was wound-up voluntarily in June 2011. TTE Thailand, another wholly-owned subsidiary of Group, was also wound-up voluntarily upon the disposal of its property, plant and equipment in July 2011.

	2011 **HK$'000**
Net assets of Schneider and TTE Thailand:	
Other receivables	**1,329**
	1,329
Release of exchange fluctuation reserve upon liquidation	**(13,763)**
Gain on liquidation of subsidiaries (note 7)	**12,434**
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	**–**

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Liquidation of subsidiaries (continued)

Year ended 31 December 2010

Century Business Ltd. and TTE Mexico, S.A. de. C.V., wholly-owned subsidiaries of the Group, had been dormant for a number of years and were wound-up voluntarily in February 2010 and December 2010, respectively.

	2010 HK$'000
Release of exchange fluctuation reserve upon liquidation	(1,168)
Gain on liquidation of subsidiaries (note 7)	1,168
	–
Net outflow of cash and cash equivalents in respect of the liquidation of subsidiaries	–

38. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**1,205,622**	6,119,992
Guarantees given to suppliers in connection with the payment of purchases by subsidiaries	**–**	–	**233,079**	676,361
	–	–	**1,438,701**	6,796,353

As at 31 December 2011, the guarantees given to banks in connection with banking facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK$910 million (2010: HK$2,361 million), and the guarantees given to suppliers in connection with the payments of purchases by subsidiaries were not utilised (2010: were not utilised).

In addition, the Company provided guarantees to banks in connection with foreign exchange contracts entered into by certain subsidiaries of the Group. As at 31 December 2011, the aggregate notional amounts of unsettled foreign exchange contracts and interest rate swaps amounted to HK$5,704 million (2010: HK$3,333 million) and HK$78 million (2010: HK$1,009 million), respectively.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office properties and factories under operating lease arrangements with leases negotiated for terms of one year.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due within one year of HK$5,000.

(b) As lessee

The Group leases certain of its office properties and factories under operating lease arrangements. These leases are negotiated for terms ranging from one to ten years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**66,752**	45,226
In the second to fifth years, inclusive	**74,583**	36,340
After five years	**3,979**	5,296
	145,314	86,862

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	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

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2011 HK$'000	2010 HK$'000
Jointly-controlled entities:			
Sales of raw materials	(i)	–	71,434
Sales of finished goods	(ii)	143,354	118,620
Purchases of finished goods	(iii)	–	83,192
TCL Corporation:			
Interest expense	(iv)	36,494	45,478
Other finance service fee	(ix)	5,888	8,697
Transfer of land use rights	(xi)	–	683
T.C.L. Industries:			
Interest expense	(v)	15,496	–
Associates:			
Interest income	(vii)	4,249	3,440
Interest expense	(viii)	10,263	9,383
Other finance service fee	(ix)	279	443
Sales of finished goods	(ii)	1,010,087	257,438
Sales of raw materials	(i)	168,936	–
Purchases of raw materials	(iii)	983,470	448,681

31 December 2011

41. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	Notes	2011 HK$'000	2010 HK$'000
Companies controlled by TCL Corporation:			
Sales of raw materials	(i)	**234,607**	196,146
Sales of finished goods	(ii)	**245,798**	89,712
Purchases of raw materials	(iii)	**939,177**	1,507,607
Purchases of finished goods	(iii)	**318,337**	110,755
Subcontracting fee expense	(x)	**40,167**	13,338
Rental, maintenance fees and facilities usage fees	(xii)	**2,733**	2,656
Rental expense	(xiii)	**39,648**	37,777
Reimbursement of brand advertising costs	(xiv)	**207,277**	165,451
Logistics service fee expense	(xv)	**62,961**	52,183
Call centre service fee expense	(xvi)	**18,584**	17,587
Recharge of expenses	(xvii)	**1,433**	4,278
Transfer of land use rights	(xi)	**–**	4,677
Reimbursement of research and development and rental expenses	(xix)	**12,394**	–
Associates of TCL Corporation:			
Purchases of finished goods	(iii)	**3,989**	581,584
Sales of finished goods	(ii)	**–**	31,626
Rental expense	(xiii)	**10,400**	987
Service fee expenses	(xviii)	**22,535**	4,502
Research and development income	(vi)	**–**	1,149

Notes:

(i) The sales of raw materials were made at a gross margin of 0 – 5% (2010: 0 – 3%).

(ii) The sales of finished goods were made by reference to the prevailing market prices for comparable transactions.

(iii) The purchases of raw materials and finished goods were made at prices similar to those set by independent third party suppliers.

(iv) The interest expense was charged at rates ranging from 5.31% to 7.63% (2010: 5.31% to 6.05%) per annum.

(v) The interest expense was charged at rates ranging from 1.76% to 6.00% (2010: Nil) per annum.

41. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(vi) Research and development income were charged with reference to the fee charged by relevant similar service providers.

(vii) The interest income was charged at rates ranging from 0.36% to 1.31% (2010: 0.36% to 1.17%) per annum, being the savings rates offered by the People's Bank of China.

(viii) The interest expense was charged at a rate of 5.90% (2010: 4.83% to 6.39%) per annum.

(ix) The other finance service fee was determined with reference to the rates of other similar services for comparable transactions.

(x) The subcontracting fee expense was determined with reference to subcontracting fees charged by third party companies offering similar services.

(xi) The considerations of transfer of land use rights were arrived at after arm's length negotiations between the parties thereto and on normal commercial terms and with reference to the book value of the land use rights.

(xii) The rental, maintenance fees and facilities usage fees were determined with reference to the rates of other similar premises for comparable transactions.

(xiii) Rental expense was charged at rate of RMB9.0 to RMB81.0 (2010: from RMB9.5 to RMB52.5) per square metre.

(xiv) The brand advertising costs represent advertising costs incurred by TCL Corporation and were reimbursed by the Group at cost and at a minimum of 0.5% (2010: 0.5%) of the aggregate net sales of TV products using TCL A brand as defined in the TCL Trademark License Agreement.

(xv) The logistics service fee expense was determined with reference to the rates of other similar services for comparable transactions.

(xvi) The call centre service fee expense was calculated based on the actual cost structure in connection with the provision of the call centre service.

(xvii) The income recharged for electricity and water paid with reference to the rates charged by relevant service providers.

(xviii) The service fee expenses were charged at rates of RMB20 (2010: RMB20) for each internet television and RMB12 (2010: Nil) for each agricultural-type internet television and the content income was determined with reference to the rates of other similar services for comparable transactions.

(xix) The research and development expenses represent human resource costs allocated to the Group in respect of personnel of companies controlled by TCL Corporation. The rental expenses were determined with reference to the rates of other similar premises for comparable transactions.

41. RELATED PARTY TRANSACTIONS (continued)

(b) Other transaction with a related party:

On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned-subsidiary, Huizhou TCL Coretronics Co., Ltd. (collectively the "TOT Entities") from TCL Corporation (the "Acquisition"). Further details of the Acquisition are set out in note 43 to the financial statements.

(c) Details of compensation of key management personnel of the Group are set out in notes 8 and 9 to the financial statements.

Except for the transactions with jointly-controlled entities of the Group and associates of TCL Corporation included in note 41(a) to the financial statements, all the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

In general, the Group's treasury department (the "Group Treasury") implements all external financings to meet borrowing needs of all subsidiaries. In some cases, subsidiaries may borrow directly from local banks upon approval from the Group Treasury in advance. At subsidiary level, financing is generally done on a short term floating rate basis. Long term financings are normally done at Group level.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate borrowings). There is no material impact on other components of the Group's equity.

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax HK$'000**
2011		
Hong Kong dollar	**(25)**	**58**
United States dollar	**(25)**	**5,227**
Renminbi	**(25)**	**1,214**
Hong Kong dollar	**25**	**(58)**
United States dollar	**25**	**(5,227)**
Renminbi	**25**	**(1,214)**

	Increase/ (decrease) in basis points	Decrease/ (increase) in loss before tax HK$'000
2010		
Hong Kong dollar	(25)	64
United States dollar	(25)	8,951
Renminbi	(25)	3,451
Hong Kong dollar	25	(64)
United States dollar	25	(8,951)
Renminbi	25	(3,451)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sale contracts. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurs, so as to alleviate the impact on business due to exchange rate fluctuations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities). There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax HK$'000
2011		
If Hong Kong dollar weakens against United States dollar	**5**	**(158,977)**
If Renminbi weakens against United States dollar	**5**	**(215,149)**
If Macau Pataca weakens against United States dollar	**5**	**(362)**
If Macau Pataca weakens against Euro	**5**	**104**
If Hong Kong dollar strengthens against United States dollar	**(5)**	**158,977**
If Renminbi strengthens against United States dollar	**(5)**	**215,149**
If Macau Pataca strengthens against United States dollar	**(5)**	**362**
If Macau Pataca strengthens against Euro	**(5)**	**(104)**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in exchange rates %	Decrease/ (increase) in loss before tax HK$'000
2010		
If Hong Kong dollar weakens against United States dollar	5	(148,839)
If Renminbi weakens against United States dollar	5	(118,961)
If Macau Pataca weakens against United States dollar	5	5,366
If Macau Pataca weakens against Euro	5	3,634
If Hong Kong dollar strengthens against United States dollar	(5)	148,839
If Renminbi strengthens against United States dollar	(5)	118,961
If Macau Pataca strengthens against United States dollar	(5)	(5,366)
If Macau Pataca strengthens against Euro	(5)	(3,634)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 23 and 25, respectively, to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other interest-bearing borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

		2011		
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years HK$'000**	**Total HK$'000**
Interest-bearing bank and other borrowings	**2,649,724**	**292,988**	**460,427**	**3,403,139**
Trade payables	**6,725,368**	**–**	**–**	**6,725,368**
Bills payable	**5,268,877**	**–**	**–**	**5,268,877**
Other payables	**2,222,201**	**–**	**–**	**2,222,201**
Due to TCL Corporation	**142,069**	**–**	**–**	**142,069**
Due to T.C.L. Industries	**982,899**	**–**	**–**	**982,899**
	17,991,138	**292,988**	**460,427**	**18,744,553**

		2010		
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	4,944,112	128,753	170,482	5,243,347
Trade payables	5,289,926	–	–	5,289,926
Bills payable	1,310,418	–	–	1,310,418
Other payables	1,450,546	–	–	1,450,546
Due to TCL Corporation	621,767	–	–	621,767
	13,616,769	128,753	170,482	13,916,004

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2011			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	60,520	158,266	425,641	644,427
Other payables	5,455	–	–	5,455
	65,975	158,266	425,641	649,882
The maximum amount of the guarantee given to banks in connection with facilities granted to subsidiaries	1,205,622	–	–	1,205,622

	2010			
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	656,908	–	–	656,908
Other payables	5,263	–	–	5,263
	662,171	–	–	662,171
The maximum amount of the guarantee given to banks in connection with facilities granted to subsidiaries	6,119,992	–	–	6,119,992

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the two years ended 31 December 2011 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt is calculated as a total of interest-bearing bank and other borrowings, interest-bearing amounts due to TCL Corporation, interest-bearing amounts due to T.C.L. Industries, less cash and bank balances and pledged deposits. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of the reporting period were as follows:

Group

	2011	2010
	HK$'000	HK$'000
Interest-bearing bank and other borrowings (note 31)	**3,334,868**	5,128,660
Due to TCL Corporation (note 26)	**131,978**	590,059
Due to T.C.L. Industries (note 26)	**971,163**	–
Less: Cash and bank balances (note 27)	**(4,452,001)**	(2,132,619)
Pledged deposits (note 27)	**(255,770)**	(2,374,328)
Net debt	**(269,762)**	1,211,772
Equity attributable to owners of the parent	**3,533,652**	3,144,446
Gearing ratio	**–**	38.5%

43. EVENTS AFTER THE REPORTING PERIOD

(i) On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation to acquire the TOT Entities which were mainly engaged in the provision of LCD modules to TCL Corporation, its subsidiaries and other domestic and overseas LCD TV manufacturers.

The Acquisition 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.

The aggregate fair values of the identifiable assets and liabilities of the TOT Entities as at the Completion Date are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	663,215
Prepaid land lease payments	52,972
Inventories	43,780
Trade receivables	643,881
Bills receivable	56,484
Other receivables	50,806
Tax recoverable	1,424
Cash and bank balances	188,989
Trade payables	(568,318)
Other payables and accruals	(59,397)
Interest-bearing bank and other borrowings	(246,105)
Due to TCL Corporation	(8,450)
Tax payable	(1,014)
Deferred tax liabilities	(22,717)
Non-controlling interests	(13,373)
Total identifiable net assets at fair value	782,177
Gain on bargain purchase*	(143,749)
Satisfied by shares of the Company	638,428

* The gain on bargain purchase arises mainly from the change in market prices of the consideration shares issued by the Company between the date on which the acquisition agreement was concluded and the Completion Date.

43. EVENTS AFTER THE REPORTING PERIOD (continued)

(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 the design and sale 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.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 27 February 2012.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified/re-presented as appropriate, is set out below.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
TURNOVER	**32,932,363**	26,948,627	30,342,550	25,773,322	21,294,104
PROFIT/(LOSS) BEFORE TAX	**612,889**	(835,244)	571,419	(132,416)	(201,263)
Income tax expense	**(151,448)**	(138,169)	(167,359)	(119,045)	(51,916)
PROFIT/(LOSS) FOR THE YEAR	**461,441**	(973,413)	404,060	(251,461)	(253,179)
Attributable to:					
Owners of the parent	**452,600**	(983,161)	396,523	(268,245)	(262,016)
Non-controlling interests	**8,841**	9,748	7,537	16,784	8,837
	461,441	(973,413)	404,060	(251,461)	(253,179)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**24,131,861**	18,500,653	14,921,161	12,616,968	10,779,873
Total liabilities	**(20,479,176)**	(15,250,996)	(11,208,696)	(9,203,862)	(8,516,299)
Non-controlling interests	**(119,033)**	(105,211)	(91,786)	(124,684)	(104,518)
	3,533,652	3,144,446	3,620,679	3,288,422	2,159,056

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