TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
TCL多媒體科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS
Results for the year ended 31 December

	2012	2011	**Change**
	(HK$M)	*(HK$M)*	
Turnover	**39,685**	32,932	+20.5%
Gross profit	**6,578**	5,289	+24.4%
Operating profit	**1,286**	883	+45.6%
Profit attributable to owners of the parent	**911**	453	+101.1%
Basic earnings per share *(HK cents)*	**69.65**	41.80	+66.6%
Full year dividend per share *(HK cents)*	**24.80**	16.00	+55.0%
– Paid interim dividend per share *(HK cents)*	**10.00**	–	N/A
– Proposed final dividend per share *(HK cents)*	**14.80**	16.00	(7.5%)

HIGHLIGHTS

- For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$39,685 million, up 20.5% compared with the same period last year. The Group continued to improve its profitability, gross profit was approximately HK$6,578 million, up 24.4% year-on-year. Operating profit was approximately HK$1,286 million, up 45.6% year-on-year. Profit attributable to owners of the parent reached approximately HK$911 million, representing a significant growth of 101.1% year-on-year. The Board of Directors proposed a final dividend of HK14.80 cents per share.

- Overall annual sales volume of LCD TVs increased by 43.0% year-on-year to 15.53 million sets during 2012, exceeding the Group's annual LCD TV sales volume target of 15.20 million sets. The Group became the first Chinese TV manufacturer to achieve its annual LCD TV sales volume exceeding 15.00 million sets, an achievement that has taken development of the TV industry in the PRC. The sales volume of LCD TVs in the PRC Market and the Overseas Markets increased by 34.1% and 56.8% year-on-year respectively, exceeding the industry's average, of which the sales volume of LCD TVs in the Emerging Markets grew by 70.4% year-on-year.

- According to the latest DisplaySearch report, the Group's global LCD TV market share increased from 4.8% in 2011 to 5.8% in 2012, thereby lifted its ranking to No.4. The Group has ranked No.1 in the PRC LCD TV market with a market share of 18.0%.

- Attributable to continuous optimization of the product mix, the monthly sales volume of smart & internet TVs and 3D TVs accounted for 77.7% and 28.9% of the total LCD TV sales volume in the PRC Market in December 2012 respectively.

- With reference to the current market landscape and demand, the Group has set an annual sales volume target of LCD TVs of 18.00 million sets for 2013, an expected increase of approximately 15.9% compared with the total actual sales volume of LCD TVs of 15.53 million sets in 2012.

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 with comparative figures for the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Twelve months ended 31 December		Three months ended 31 December	
		2012	2011	**2012**	2011
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**39,684,855**	32,932,363	**12,440,206**	10,415,814
Cost of sales		**(33,106,998)**	(27,643,428)	**(10,443,435)**	(8,640,462)
Gross profit		**6,577,857**	5,288,935	**1,996,771**	1,775,352
Other revenue and gains		**678,897**	583,031	**211,395**	(41,796)
Selling and distribution expenses		**(4,362,864)**	(3,792,109)	**(1,311,234)**	(1,178,109)
Administrative expenses		**(1,078,595)**	(859,535)	**(334,829)**	(242,411)
Research and development costs		**(478,006)**	(280,930)	**(181,542)**	(98,080)
Other operating expenses		**(51,230)**	(56,537)	**(25,041)**	(23,349)
		1,286,059	882,855	**355,520**	191,607
Finance costs	5	**(278,296)**	(289,411)	**(66,798)**	(80,015)
Share of profits and losses of:					
Jointly-controlled entities		**4,184**	(2,884)	**3,162**	(1,387)
Associates		**(17,702)**	22,329	**6,038**	10,591
PROFIT BEFORE TAX	6	**994,245**	612,889	**297,922**	120,796
Income tax expense	7	**(72,708)**	(151,448)	**(19,399)**	(57,675)
PROFIT FOR THE YEAR/PERIOD		**921,537**	461,441	**278,523**	63,121
OTHER COMPREHENSIVE INCOME/(LOSS)					
Cash flow hedge:					
Effective portion of change in fair value of the hedging instruments arising during the year/period		**(94)**	–	**(94)**	–
		(94)	–	**(94)**	–
Exchange fluctuation reserve:					
Translation of foreign operations		**2,183**	143,283	**41,090**	20,237
Release upon disposal and liquidation of subsidiaries		**3,642**	(50,313)	**3,598**	–
Release upon liquidation of a jointly-controlled entity		**–**	(23,828)	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**5,731**	69,142	**44,594**	20,237
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**927,268**	530,583	**323,117**	83,358

	Notes	Twelve months ended 31 December **2012** **HK$'000**	2011 *HK$'000*	Three months ended 31 December **2012** **HK$'000**	2011 *HK$'000*
Profit attributable to:					
Owners of the parent		**910,916**	452,600	**275,876**	61,631
Non-controlling interests		**10,621**	8,841	**2,647**	1,490
		921,537	461,441	**278,523**	63,121
Total comprehensive income attributable to:					
Owners of the parent		**905,215**	516,761	**307,928**	81,321
Non-controlling interests		**22,053**	13,822	**15,189**	2,037
		927,268	530,583	**323,117**	83,358
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK69.65 cents**	HK41.80 cents		
Diluted		**HK69.03 cents**	HK41.75 cents		

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2012** *HK$'000*	31 December 2011 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,484,028**	1,342,461
Prepaid land lease payments		**146,266**	87,076
Goodwill		**119,638**	119,638
Other intangible assets		**419**	594
Investment in a jointly-controlled entity		**11,574**	6,840
Investments in associates		**158,921**	190,478
Available-for-sale investments		**6,677**	6,677
Deferred tax assets		**150,707**	42,967
Total non-current assets		**3,078,230**	1,796,731
CURRENT ASSETS			
Inventories		**6,731,951**	4,298,384
Trade receivables	10	**4,338,139**	3,795,014
Bills receivable		**7,087,252**	7,575,284
Other receivables		**2,502,247**	1,930,424
Tax recoverable		**24,363**	28,253
Pledged deposits		**826,220**	255,770
Cash and bank balances		**3,431,337**	4,452,001
Total current assets		**24,941,509**	22,335,130
CURRENT LIABILITIES			
Trade payables	11	**9,263,133**	6,725,368
Bills payable		**5,176,951**	5,268,877
Other payables and accruals		**4,974,350**	3,608,742
Interest-bearing bank and other borrowings	12	**2,607,644**	2,623,940
Due to TCL Corporation	13	**–**	131,978
Due to T.C.L. Industries	13	**–**	971,163
Tax payable		**213,276**	169,690
Provisions		**345,020**	248,783
Total current liabilities		**22,580,374**	19,748,541
NET CURRENT ASSETS		**2,361,135**	2,586,589
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,439,365**	4,383,320

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,439,365**	4,383,320
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**402,346**	710,928
Deferred tax liabilities		**38,873**	13,790
Pensions and other post-employment benefits		**6,301**	5,917
Total non-current liabilities		**447,520**	730,635
Net assets		**4,991,845**	3,652,685
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	**1,321,003**	1,072,276
Reserves		**3,444,244**	2,461,376
		4,765,247	3,533,652
Non-controlling interests		**226,598**	119,033
Total equity		**4,991,845**	3,652,685

Notes:

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These condensed financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The condensed consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

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

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these condensed financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

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

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral arrangements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. 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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

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.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 included a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

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, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 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.

The 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. 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 disclosure of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassification, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distribution to equity holders.

4. OPERATING SEGMENT INFORMATION

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

(a) Television segment – manufacture and sale of television sets and trading of related components in:

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

    – the Overseas markets

(b) AV segment – manufacture and sale of audio-visual products; and

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

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

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

	Television – PRC market		**Television – Overseas markets**		**AV**		**Others**		**Eliminations**		**Consolidation**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**23,146,374**	19,615,224	**11,939,494**	8,743,034	**3,573,564**	3,880,441	**1,025,423**	693,664	**–**	–	**39,684,855**	32,932,363
Intersegment sales	**5,528,047**	3,483,098	**–**	–	**13,212**	193,305	**2,901,941**	36,316	**(8,443,200)**	(3,712,719)	**–**	–
Total	**28,674,421**	23,098,322	**11,939,494**	8,743,034	**3,586,776**	4,073,746	**3,927,364**	729,980	**(8,443,200)**	(3,712,719)	**39,684,855**	32,932,363
Segment results	**902,571**	526,672	**158,710**	(811)	**72,903**	101,739	**87,200**	12,639	**–**	–	**1,221,384**	640,239
Bank interest income											**126,992**	79,247
Corporate income/(expenses), net											**(62,317)**	163,369
Finance costs											**(278,296)**	(289,411)
Share of profits and losses of:												
Jointly-controlled entities	**–**	(446)	**4,184**	(2,438)	**–**	–	**–**	–	**–**	–	**4,184**	(2,884)
Associates	**(31,506)**	13,296	**–**	–	**2**	–	**13,802**	9,033	**–**	–	**(17,702)**	22,329
Profit before tax											**994,245**	612,889
Income tax expense											**(72,708)**	(151,448)
Profit for the year											**921,537**	461,441

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**209,027**	227,158
Loans from TCL Corporation	**48,579**	36,494
Loans from T.C.L. Industries	**15,069**	15,496
Loan from an associate	**5,621**	10,263
Total	**278,296**	289,411

6. PROFIT BEFORE TAX

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

	2012 *HK$'000*	2011 *HK$'000*
Cost of inventories sold	**32,967,976**	27,522,923
Depreciation	**300,746**	203,617
Research and development costs	**520,517**	328,660
Less: Government grants released*	**(42,511)**	(47,730)
	478,006	280,930
Amortisation of other intangible assets	**174**	408
Amortisation of prepaid land lease payments	**3,995**	2,660
Minimum lease payments under operating leases in respect of land and buildings	**102,637**	100,481
Auditors' remuneration	**19,480**	17,831
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**2,165,697**	1,627,825
Equity-settled share option expense	**21,547**	14,351
Equity-settled Award Scheme expense	**632**	–
Defined contribution expense	**171,091**	134,798
Defined benefit expense	**549**	232
	2,359,516	1,777,206
Foreign exchange differences, net	**(19,056)**	(21,299)
Impairment of items of property, plant and equipment**	**31,231**	3,746
Impairment of trade receivables**	**14,383**	21,194
Write-down of inventories to net realisable value	**192,521**	51,504
Product warranty provision, net	**134,724**	55,349
Fair value gains on derivative financial instruments, net – transactions not qualifying as hedges	**(19,830)**	(10,728)
Realised gains on settlement of derivative financial instruments	**(76,224)**	(253)
Rental income, net	**(41,670)**	(3,518)
Bank interest income	**(126,992)**	(79,247)
Government grants***	**(61,652)**	(40,548)
Loss/(gain) on disposal of items of property, plant and equipment and the associated prepaid land lease payments, net**	**2,156**	(42,444)
Gain on bargain purchase of subsidiaries	**(144,627)**	–
Gain on disposal of a subsidiary	**–**	(231,696)
Loss/(gain) on liquidation of subsidiaries, net**	**3,460**	(12,434)
Gain on liquidation of a jointly-controlled entity	**–**	(23,828)
Provision for litigation**	**–**	31,563
Restructuring costs, net**	**–**	34

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.

** These expenses are included in "Other operating expenses" on the face of the condensed consolidated statement of comprehensive income.

*** Certain government grants have been received for the enhancement of technologies applied in certain of the Group's production lines in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**13,502**	10,438
Underprovision/(overprovision) in prior years	**(7,793)**	2,174
Current – Elsewhere		
Charge for the year	**196,744**	153,033
Underprovision/(overprovision) in prior years	**(24,384)**	2,323
Deferred	**(105,361)**	(16,520)
Total tax charge for the year	**72,708**	151,448

8. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend – HK10.00 cents (2011: Nil) per ordinary share	**132,032**	–
Proposed final dividend – HK14.80 cents (2011: HK16.00 cents) per ordinary share	**195,687**	211,004
	327,719	211,004

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per share amounts are based on:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in basic and diluted earnings per share calculations	**910,916**	452,600

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,307,869,318**	1,082,760,047
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	**11,776,472**	1,279,496
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	**1,319,645,790**	1,084,039,543

10. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Due from third parties	**3,018,240**	2,813,373
Provision for impairment	**(216,885)**	(215,042)
	2,801,355	2,598,331
Due from related parties:		
Companies controlled by TCL Corporation	**1,107,501**	431,929
Associates of TCL Corporation	**2,965**	2,943
Jointly-controlled entity	**25,344**	47,327
Associates	**400,974**	714,484
	1,536,784	1,196,683
	4,338,139	3,795,014

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

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2012	2011
	HK$'000	*HK$'000*
Current to 90 days	**3,855,007**	3,681,453
91 to 180 days	**433,945**	65,611
181 to 365 days	**40,491**	25,846
Over 365 days	**8,696**	22,104
	4,338,139	3,795,014

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 2012, trade receivables factored to banks aggregated to HK$519,070,000 were fully derecognised (2011: trade receivables factored to banks aggregated to HK$307,570,000 of which HK$233,523,000 were derecognised) from the condensed consolidated statement of financial position because, in the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership in respect of the relevant factored receivables to banks.

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

11. TRADE PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Due to third parties	**6,537,503**	4,894,918
Due to related parties:		
Companies controlled by TCL Corporation	**2,682,750**	1,725,606
Associates of TCL Corporation	**15,254**	3,934
Associates	**27,626**	100,910
	2,725,630	1,830,450
	9,263,133	6,725,368

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

	2012	2011
	HK$'000	*HK$'000*
Current to 90 days	**8,940,845**	6,604,675
91 to 180 days	**137,000**	54,870
181 to 365 days	**125,620**	7,354
Over 365 days	**59,668**	58,469
	9,263,133	6,725,368

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Current		
Bank loans – secured	**106,198**	606,404
Bank loans – unsecured	**2,156,914**	1,701,537
Advances from banks as consideration for the Recognised Factored Receivables – unsecured	**–**	74,047
Trust receipt loans – unsecured	**97,892**	201,352
Loan from an associate – secured	**246,640**	–
Loan from an associate – unsecured	**–**	40,600
	2,607,644	2,623,940
Non-current		
Bank loans – secured	**–**	154,131
Bank loans – unsecured	**402,346**	556,797
	402,346	710,928
	3,009,990	3,334,868
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,361,004**	2,583,340
In the second year	**402,346**	276,837
In the third to fifth year, inclusive	**–**	434,091
	2,763,350	3,294,268
Loan from an associate repayable:		
Within one year	**246,640**	40,600
	3,009,990	3,334,868

Notes:

(a) As at 31 December 2012, 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 as at 31 December 2011 of approximately HK$23,566,000, HK$249,162,000 and HK$100,917,000, respectively;

(ii) pledge of certain of the Group's time deposits amounting to HK$106,486,000 (2011: HK$255,770,000); and

(iii) pledge of certain of the Group's bills receivable amounting to HK$246,640,000 (2011: HK$246,609,000).

(c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$1,355,187,000 (2011: HK$1,799,996,000) as at the end of the reporting period.

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

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

As at 31 December 2011, 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 were unsecured, repayable within one year and bore interest at a fixed rate of 7.63% per annum and fixed rates ranging from 2.28% to 6.00% per annum, respectively.

14. SHARE CAPITAL

	2012	2011
	HK$'000	*HK$'000*
Authorised:		
2,200,000,000 (2011: 2,200,000,000) shares of HK$1.00 each (2011: HK$1.00 each)	**2,200,000**	2,200,000
Issued and fully paid:		
1,321,002,598 (2011: 1,072,275,768) shares of HK$1.00 each (2011: HK$1.00 each)	**1,321,003**	1,072,276

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

(a) The subscription rights attaching to 2,229,639 share options were exercised at the subscription price of HK$2.45 per share, resulting in the issue of 2,229,639 shares of HK$1.00 each for a total cash consideration of HK$5,463,000 before expenses.

(b) 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. ("TOT") and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd. ("Huizhou Coretronic") (collectively the "TOT Entities") from TCL Corporation at a consideration of HK$788,791,000 by way of issuing 246,497,191 ordinary shares of the Company at an issue price of HK$3.20. The acquisition of the TOT Entities was completed on 18 January 2012 (the "Completion Date"). The purchase price was settled by the issue and allotment of 246,497,191 new shares of the Company at a market price of HK$2.59 per share on the Completion Date.

BUSINESS REVIEW

The Group had successfully accomplished its strategic transformation in 2012. Due to the influence brought about by the sovereign debt crisis in Europe, uncertainties surrounding the United States fiscal cliff and the moderating pace of economic growth in the PRC, demand in the global TV market continued to slow down, which posed challenges to the operating environment. The Group had been adhering strictly to its principle of "speed and efficiency" and implemented its development strategies of "sales volume growth, transformation and sustainability". It strived to enhance its product competitiveness, optimize sales channels and fully leverage advantages brought by its vertically-integrated operations in order to continue strengthening its core competence and profitability. Meanwhile, the Group focused on strengthening its supply chain management, lowering its costs through resources integration and continuously promoting the proportion of sales volume of high-end products. For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$39,685 million, up 20.5% compared with the same period last year. Gross profit was approximately HK$6,578 million, up 24.4% year-on-year. Operating profit and profit attributable to owners of the parent reached approximately HK$1,286 million and HK$911 million respectively, up 45.6% and 101.1% from the same period of last year respectively. Gross profit margin improved from 16.1% in 2011 to 16.6% in 2012. Expense ratio declined from 14.1% in 2011 to 13.7% in 2012. Basic earnings per share was HK69.65 cents (2011: HK41.80 cents), representing a growth of 66.6% compared to the same period of last year.

The Board of Directors proposed a final dividend of HK14.80 cents per share, together with the interim dividend of HK10.00 cents per share, the total dividend for the year ended 31 December 2012 was HK24.80 cents per share, up 55.0% year-on-year. Dividend payout ratio of the full year was approximately 35.6%.

Under the review of 2012, the Group achieved growth in the sales volume of LCD TVs by optimizing product mix, expanding sales channels as well as implementing proactive marketing strategies. The Group sold a total of 15.53 million sets of LCD TVs for the full year of 2012, up 43.0% year-on-year, thereby exceeded its annual LCD TV sales volume target of 15.20 million sets, making the Group the first Chinese TV manufacturer that achieved its annual LCD TV sales volume exceeding 15.00 million sets, taking the development of TV industry in the PRC. The sales volume of LCD TVs in the PRC Market and the Overseas Markets increased by 34.1% and 56.8% year-on-year respectively. According to the latest DisplaySearch report, the Group's global LCD TV market share increased from 4.8% in 2011 to 5.8% in 2012, thereby lifted its ranking to No.4. The Group has ranked No.1 in the PRC LCD TV market with a market share of 18.0%. In addition, TCL remained the top LCD TV brand in the PRC Market and ranked No.6 among the top 100 Chinese brands according to the "2012 (The 18th) Most Valuable Chinese Brand Evaluation" jointly compiled by R&F Global Ranking Information Group Ltd. and the Beijing Famous Brand Evaluation Co., Ltd.. With a brand value of RMB58,326 million, TCL continued to maintain its industry-leading position, and established a role model of brand building for TV enterprises in the PRC.

In addition, the Group's Tonly Electronics Limited ("Tonly Electronics") business (formerly known as AV business) made new breakthrough in its product transformation. Despite sales volume of AV products decreased by 26.0% year-on-year to 14.80 million sets, it continued to seek diversification in its products and customer base and proactively drove transformation of its products, resulting in satisfactory growth in the sales volume of both intelligent accessories and new audio products. It also endeavored to optimize its supply chain efficiency and accelerate its inventory turnover in an effort to mitigate pressure from rising production costs.

TV Business

For the year ended 31 December 2012, the Group sold 15.53 million sets of LCD TVs, up 43.0% from the same period of last year. The sales volume of LCD TVs in the PRC Market and the Overseas Markets increased by 34.1% and 56.8% year-on-year to 8.86 million sets and 6.67 million sets respectively. The sales volume of LCD TVs in the Emerging Markets for the full year of 2012 grew by 70.4% year-on-year to 4.03 million sets. The Emerging Markets remained a major contributor to the Group in the Overseas Markets and continued as a major growth driver alongside the PRC Market. The sales volume of LED backlight LCD TVs increased significantly by 152.6% from 4.68 million sets in 2011 to 11.83 million sets in 2012, accounting for 76.2% of the total LCD TV sales volume, of which the monthly sales volume of LED backlight LCD TVs as a percentage of the total LCD TV sales volume reached 92.2% in December 2012. In addition, the sales volume of smart & internet TVs and 3D TVs accounted for 29.9% and 14.0% of the total LCD TV sales volume for the full year of 2012 respectively.

In 2012, the Group concentrated its R&D efforts on refining the development of 3D TVs and smart "cloud" TVs and launched an array of innovative products. The Group launched a total of 17 product series featuring 38 new products in the PRC Market, including high-end product series featuring large-size 3D "cloud" TVs and edgeless 3D "cloud" TVs. Leveraging its leading edges in technologies, the Group has ushered the TV industry into a new dual-core era. The Group launched the smart "cloud" TV Cloud•Ping[2] V6500 series featuring the world's first dual-core 4D dual-display function and smart "cloud" TV Cloud•Chang E4500 series with the world's first KTV-enabled dual-core processor. The Group and the world's leading semiconductor chip manufacturer Marvell jointly launched Google Super-Smart TV MoVo, leading the Group to be the first Chinese television enterprise to launch integrated Google TVs. In addition, the Group and Tencent Holdings jointly launched iCE SCREEN, the world's first portable large-screen entertainment smart "cloud" terminal products. This created a new form of consumer electronic product, promoting the cross-industry integration between the consumer electronics industry and the internet industry while achieving breakthrough in the Group's "full cloud strategies".

The Group's enduring efforts in persistently endeavoring to achieve proprietary innovations and strengthening of R&D capabilities received numerous industry accolades. The latest technological achievement V101A-3D ultra high-end television was named "Smart Cloud TV of the Year" at the 46th Consumer Electronics Show held in Las Vegas, the United States. TCL brand also continued to be included in leagues of "Top 50 Global Consumer Electronics Brands" and "Top 10 Chinese Consumer Electronics Brands" for the fifth consecutive year. These recognitions reaffirmed the ascendance of TCL's position in the PRC Market and the global market and enhanced its brand influence.

Apart from persistently enhancing R&D capabilities, TCL has been committing to building an international and youthful brand image in the areas of branding culture and entertainment marketing for enhancing its brand influence. Over the past year, TCL has been continuously establishing brand placement, joint promotions and authorized usage of creative elements arrangements with various Hollywood commercial movies such as "Iron Man 3", "Cloud Atlas" and "Batman 3 – The Dark Knight Rises", etc. In addition, TCL has obtained naming right of Grauman's Chinese Theatre, the landmark building on Hollywood Boulevard. The building will be officially renamed "TCL Chinese Theatre" ("the Theatre"). After the renaming, TCL will assist in the overall upgrading of LCD and LED digital displays, electronic posters and advertising panel facilities in the Theatre. This marks the first time the Theatre reached a naming cooperation with an enterprise since its completion 85 years ago. It has not only marked a new era of cooperation between Chinese brands represented by TCL and the international entertainment industries, but also represents a milestone in the globalization development of Chinese enterprises. In addition, the Group has become the new television sponsor of Hong Kong International Airport ("HKIA") during the year, making it the first Chinese television brand with its TV products featured at HKIA, allowing consumers and travelers around the world to experience the technological strengths of TCL products as well as the charisma of the TCL brand.

The Group's sales volume of TVs and AV products by regions are as follows:

		2012 ('000 sets)	2011 ('000 sets)	Change
LCD TVs		**15,527**	10,860	+43.0%
of which:	LED backlight LCD TVs	**11,828**	4,682	+152.6%
	Smart & internet TVs	**4,637**	1,492	+210.8%
	3D TVs	**2,179**	326	+568.4%
– PRC		**8,856**	6,606	+34.1%
– Overseas		**6,671**	4,254	+56.8%
CRT TVs		**2,030**	4,185	(51.5%)
– PRC		**176**	1,006	(82.5%)
– Overseas		**1,854**	3,179	(41.7%)
Total TV sales volume		**17,557**	15,045	+16.7%
Total AV products sales volume		**14,799**	20,000	(26.0%)

The PRC Market

In 2012, the Group's turnover in the PRC Market recorded a satisfactory growth with ongoing improvement in profitability. Turnover in the PRC Market increased by 18.0% year-on-year to HK$23,146 million and remains the Group's major source of revenue and profit. Sales volume of LCD TVs reached 8.86 million sets, up 34.1% from the same period of last year, well above the industry average, of which the sales volume of LED backlight LCD TVs increased from 3.02 million sets last year to 7.25 million sets of this year, a significant increase of 140.0%. The sales volume of LED backlight LCD TVs in 2012 full year as a percentage of the total LCD TV sales volume in the PRC Market also increased to 81.9%. In December 2012, the monthly sales volume of LED backlight LCD TVs accounted for 99.5% of the total LCD TV sales volume in the PRC Market. According to the latest DisplaySearch report, the Group's LCD TV market share in the PRC Market rose from 14.8% in 2011 to 18.0% in 2012, ranked No.1 in the PRC LCD TV market.

The Group continued to optimizing its product mix and improving product differentiation, implementing a proactive pricing strategy and intensifying marketing promotion efforts to drive proportion of sales volume of 3D TVs and smart "cloud" TVs. The sales volume of 3D TVs increased from 0.31 million sets in 2011 to 2.14 million sets in 2012, contributing to 24.1% of the total LCD TV sales volume in the PRC Market. The sales volume of smart & internet TVs reached 4.51 million sets, contributing to 50.9% of the total LCD TV sales volume in the PRC Market. Also, the Group continued to strengthen its supply chain management and lower production costs through resources integration, which enhanced product competitiveness and achieved a balanced development in scale, profitability and brand enhancement, as well as successfully consolidated its leading position in the PRC TV market.

In addition, the Group proactively optimized its sales channels. Riding on TV replacement demand in third-tier to sixth-tier markets and rural markets in the PRC, the Group continued to improve network penetration and store efficiency in its rural distribution channels. The number of points of sales as at the end of 2012 increased to approximately 30,000 in third-tier to sixth-tier markets and rural markets in the PRC, an increase of approximately 4,000 points of sales when compared with that at the beginning of 2012. The Group had not only established a comprehensive strategic cooperation with major home appliance retail chains, but also further explored new sales channels such as online stores. The Group had been active in leveraging its dual-brand strategy and leading edges afforded by its sales channels to offer value-for-money products, thereby accomplished overall growths in both sales volume and profitability.

Overseas Markets

The Group implemented prudent operational strategies in the Overseas Markets and stayed adhered to "speed and efficiency" as its core development strategy in order to enhance operational efficiency and profitability. The Group also increased its investment in branding and marketing promotion in the Overseas Markets in order to nurture an international and youthful brand image. Thanks to its continuous improved product mix, enhanced sales channels, effective marketing and promotion strategies and launch of new media market marketing, the Group's business maintained a satisfactory growth in the Overseas Markets. In 2012, turnover in the Overseas Markets of the Group reached HK$11,940 million, up 36.6% from the same period of last year. The sales volume of LCD TVs in the Overseas Markets reached 6.67 million sets, representing a year-on-year increase of 56.8%, of which the sales volume of LED backlight LCD TVs grew significantly to 4.58 million sets from 1.66 million sets in the same period of last year. The sales volume of LED backlight LCD TVs accounted for 68.6% of the total LCD TV sales volume in the Overseas Markets. In December 2012, the monthly sales volume of LED backlight LCD TVs as a percentage of the total sales volume of LCD TVs in the Overseas Markets reached 77.2%.

In 2012, the Group capitalized on the opportunities brought by demand from TV upgrade and transformation in the Emerging Markets. While proactively expanded its LED backlight LCD TV business in the Emerging Markets, the Group strived to increase the proportion of sales volume of high-end TV products, explored new sales channels and intensified marketing efforts. During the year, the sales volume of LCD TVs in the Emerging Markets reached 4.03 million sets, up 70.4% year-on-year, with strong growths in markets including Latin America, the Middle East and Southeast Asia.

In the European Market, the Group capitalized on the most anticipated events including 2012 UEFA EURO and London Olympic Games and initiated an array of sports marketing and promotional activities. Coupled with the launch of movie and television marketing campaigns through "Batman" movie, the Group actively explored markets in Central and Northern Europe, of which sales performances in Germany, Poland and Sweden achieved significant improvements. Meanwhile, the Group maintained persistent inventory control in its sales channels and speeded up introduction of new products to improve product mix and gross profit margins. In the North American Market, the Group continued to deepen its strategic cooperation with Amazon while proactively exploring cooperation opportunities with other channel suppliers to boost sales volume, thereby established a firm footing for further promotion of the TCL brand. On the other hand, the Group's strategic OEM business showed positive results following completion of restructuring of the clientele and accomplished sustaining growth in LCD TV sales volume.

Tonly Electronics Business

Due to change in industry development and the shrinking traditional DVD player market, the sales volume of AV products declined by 26.0% to 14.80 million sets year-on-year. Nevertheless, anticipating a trend of product transformation, the Group had been initiating diversification of its products and customer base by propagating a product transition in the market. It achieved satisfactory growth in sales volume of intelligent accessories and new audio equipment such as sound bar products which was among the 38 new models of a basic series launched during the year. Meanwhile, the Group improved the supply chain efficiency and shortened the inventory turnover. The Group also continued to intensifying efforts in strengthening its R&D capabilities, developing new products, widening the scope of its supply chain and expanding its production capacity.

R&D

To accommodate the changing needs and preferences of the markets, the Group always attaches importance to improving its proprietary innovation and R&D capabilities. It has been persistently increasing its investments in R&D in order to bring to customers innovative products. In 2012, the Group obtained 145 patents and completed upgrading of its software and hardware simultaneously, a move that enabled applications of dual-core processors and Android 4.0+ operating systems along the whole series of its 3D smart "cloud" TVs. Leveraging the Group's proprietary technology, the Group launched the Cloud•Ping^2 V6500 series, the world's first dual-core 4D dual-display smart "cloud" TV, which not only allows users to enjoy two programmes simultaneously, but also offers a unique dual-display mode that allows them to watch multiple videos and use a variety of applications simultaneously. This is a pioneering technology of dual displays on a single panel in the world. Moreover, the Group unveiled the Cloud•Chang E4500 series, which is the world's first KTV-enabled dual-core smart "cloud" TV featuring the premium Cloud•Shang KTV function, leveraging in network connectivity capabilities to cater to strong consumer needs to enjoy KTV entertainment at home.

During the year, the Group and Tencent Holdings jointly launched the world's first large-screen portable entertainment smart "cloud" terminal product, iCE SCREEN, thereby expanded its product range. The Group sold iCE SCREEN via major dual sales channels on the official TCL online store and QQ's online store, breaking new grounds in sharing the usage of sales channels and business models. This innovative cross-industry integration model has also set a new era in innovation of the consumer electronics industry and internet industry in the PRC.

Outlook

The uncertainties surrounding the European sovereign debt crisis, the protracted pace of recovery of the United States economy and the diminishing momentum of the PRC's growth, challenges are expected to pose to the global TV manufacturing industry in 2013. According to the forecast by DisplaySearch, global demand for TV in 2013 will remain at a similar level to that of 2012. Nevertheless, urbanization in the PRC is progressing at a rapid pace, continuous rise of the income per capita and the strong replacement demand from traditional CRT TVs, together with other favourable factors like the increasing popularity of smart TVs, will consistently provide support to the PRC TV market. Furthermore, the forthcoming introduction and refinement of a new energy-saving subsidy program in the first quarter of 2013 which promote five categories of home appliances which are in compliance with energy saving requirements, including flat panel TVs, will instill added momentum to the growth of the Group's TV business.

Facing challenges in the coming year, "speed and efficiency" will remain as the core development strategy of the Group. The Group will boost its sales volume and market share through product innovation, cost optimization and price adjustment, these measures will help bring more value-for-money products to consumers and enhance both the sales channels and the brand development. The Group will also continue to improve the operational efficiency and lower its expense ratio, to fully leverage advantages brought about by its vertically-integrated operations so as to strengthen its core competence. With reference to the current market landscape and demand, the Group has set its annual sales volume target of LCD TV of 18.00 million sets for 2013, an expected increase of approximately 15.9% compared with the total actual sales volume of LCD TVs of 15.53 million sets in 2012.

For its TV business in the PRC Market, the Group will adjust its product mix to accommodate changes in the market. Specifically, the Group will intensify its efforts in R&D, improve operating efficiency and adhere to its multi-brand strategic operational model to further enhance reputation of its products, as well as to increase its marketing effort in order to be better prepared for the strong consumer demand for high-end products like LED backlight LCD TVs and smart TVs. In addition, the Group will continue to deepen its "full cloud strategies" with a complete range of 3D smart "cloud" TVs with dual-core CPUs, dual-core GPUs and Android 4.0+ operating systems. This aims at raising the proportion of sales volume of the high-end and high value-added products including LED backlight LCD TVs, 3D TVs and smart & internet TVs, enabling the Group to optimize its product mix, maintain the average selling price of its products and increasing the overall gross profit margins. Moreover, the Group will continue to increase the number of points of sales by establishing more specialty stores in cities and rural markets, improve sales efficiency of each of the points of sales and deepen its penetration rate into third-tier to sixth-tier markets and rural markets as part of its effort to accelerate sales volume growth and increase market share. Meanwhile, the Group will implement a full-range exploration into e-commerce opportunities to further expand its share in the PRC Market.

In the Overseas Markets, the Group will continue to implement a prudent operational strategy while seizing opportunities from the transition to high-end products in the Emerging Markets. It strives for raising the proportion of sales volume of LED backlight LCD TVs. The Group will continue to implement a two-pronged strategy to enhance its competitiveness. On one hand, speed, efficiency and cost control will remain the core elements of its strategy to establish its core competency in the Overseas Markets. On the other hand, it will intensify efforts in brand development and marketing to establish a globalized and youthful image to enhance the influence of TCL brand in the Overseas Markets. In 2013, the Group will enhance its promotions of smart TVs and launch series of ultra narrow edge products in the Overseas Markets. Smart TVs is expected to become an important growth driver in the Overseas Markets. The Group will continue to drive development in sales channels and improve the overall operational efficiency in the Emerging Markets as part of its effort to enhance overall competitiveness. In the European and North American Markets, the Group will remain committed to improving operational efficiency, speeding up the launch of new products and enhancing sales services standards to intensify sales efforts in North American Market and increase investments in brand development. It will also consolidate its collaboration with clients by participating in international consumer electronics trade fairs and major overseas exhibitions.

For Tonly Electronics business, the Group will step up its investments in R&D of software and electro-acoustic technologies to enhance its capability of designing intelligent ancillary products. Meanwhile, it will put more efforts in development of the Sound Bar product which are closely associated with smart & internet TVs so as to enrich its product portfolio.

Furthermore, the Group's ultimate holding company, TCL Corporation, is one of the few large international enterprises with multimedia business, mobile communication business and 8.5-generation LCD panel business in the world. Therefore, the Group will capitalize on TCL Corporation's resource advantages and cooperate more strategically with TCL Communication Technology Holdings Limited and Shenzhen China Star Optoelectronics Technology Co., Ltd. in product, R&D as well as management, etc., to derive more strategic synergies, so as to enhance the overall competitive advantages of the Group and TCL brand in the international home appliance industry.

The Group will continue to adhere to its principle of "speed and efficiency" and to persist in optimizing its product portfolio, enhancing brand influence, optimizing the supply chain management continuously and tightening management of its operating cycles, lowering production costs and expense ratio to fully leverage advantages brought about by its vertically-integrated operations. In the future, the Group will continue to enhance its leading position in the global TV market, achieve better results for 2013 and thus to create more shareholders' value.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The acquisition of the TOT Entities was completed on 18 January 2012. The purchase price was settled by the issue of 246,497,191 new shares of the Company at a market price of HK$2.59 per share on the Completion Date. The aggregate fair value of the consideration shares issued is approximately HK$638,428,000 and a gain on bargain purchase of approximately HK$143,749,000 was recognized during the year.

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., a wholly-owned subsidiary of Huizhou Techne, at a cash consideration of approximately RMB6,848,000 (equivalent to approximately HK$8,415,000). The transaction was completed on 27 February 2012.

On 20 July 2012, the Group entered into an acquisition agreement with Coretronic (Suzhou) Co., Ltd. ("Suzhou Coretronic"), pursuant to which the Group agreed to acquire and Suzhou Coretronic agreed to sell 40% equity interest of Huizhou Coretronic, at a cash consideration of approximately RMB13,124,000 (equivalent to approximately HK$16,073,000). The transaction was completed on 22 August 2012.

On 20 September 2012, the Group entered into a club membership acquisition agreement with TCL Optoelectronics Tech (Shenzhen) Company Limited ("Shenzhen TCL Optoelectronics"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell the entire membership interests in the R&D Elite Club (including but not limited to the exclusive right to occupy and use the premises at Unit 102 (category B of 1st floor), the whole floor of 2nd to 5th and 9th to 12th floor of D4 building, TCL Science Park, No. 1001, Zhongshanyuan Road, Xili, Nanshan District, Shenzhen, the PRC) for office and industrial research use, at a cash consideration of approximately RMB186,819,000 (equivalent to approximately HK$228,441,000). The transaction was completed on 20 September 2012.

On 8 December 2012, Tonly Electronics, a wholly-owned subsidiary of the Company, entered into a subscription agreement with the Company, Run Fu Holdings Limited ("Run Fu", a limited liability company of which Mr. YU Guanghui, a director of the Company, is deemed to be interested in more than 30% interest) and Star Force Investment Limited ("Star Force"), pursuant to which Tonly Electronics agreed to issue and allot whereas the Company, Run Fu and Star Force agreed to subscribe for 34,640,000, 11,426,400 and 9,733,600 ordinary shares of Tonly Electronics respectively at respective consideration of approximately HK$90,757,000, HK$29,937,000 and HK$25,502,000. On completion of the subscription agreement, Tonly Electronics will be held by the Company, Run Fu and Star Force as to 84,640,000, 11,426,400 and 9,733,600 ordinary shares of Tonly Electronics, representing 80%, 10.8% and 9.2% respectively of the enlarged issued share capital of Tonly Electronics. The transaction was completed on 28 December 2012.

On 10 December 2012, TCL Technoly Electronics (Huizhou) Co., Ltd. ("Technoly Huizhou"), a 80% owned subsidiary of the Group, entered into a capital injection agreement with certain independent third parties, pursuant to which Technoly Huizhou agreed to invest RMB30,000,000 (equivalent to approximately HK$36,996,000) for a 60% equity interest of the enlarged capital of Guangdong Regency Optics-Electron Corp.. The transaction was completed on 25 December 2012.

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$3,431,337,000, of which 2.0% was maintained in Hong Kong dollars, 26.9% in US dollars, 68.7% in Renminbi, 1.3% in Euro and 1.1% 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 2011 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$4,257,557,000 were higher than the total interest-bearing borrowings of HK$3,009,990,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 31 December 2012, apart from those disclosed in note 12, certain bills receivable and time deposits of the Group amounting to HK$88,050,000 and HK$719,734,000, respectively, were pledged for certain bills payable amounting to HK$804,045,000 (2011: Nil).

Capital Commitments and Contingent Liabilities

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

	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for	**44,092**	9,256
Authorised, but not contracted for	**753,614**	549,479
	797,706	558,735

As at 31 December 2012, the Group did not have any material contingent liability not provided for in the condensed financial statements.

Pending Litigation

The Group had not been involved in any material litigation for the year ended 31 December 2012.

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 32,295 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 for a total of 46,998,272 shares remained outstanding at the end of reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the year ended 31 December 2012.

FINAL DIVIDEND

The Board has proposed a final dividend, for the year ended 31 December 2012, of HK14.80 cents (2011: 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 10 May 2013, 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 30 April 2013, Tuesday.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 22 April 2013, Monday, for the purposes of determining the entitlements of the Shareholders to attend and vote at the annual general meeting. No transfer of the shares may be registered on those dates. In order to qualify to attend and vote at the annual general meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 19 April 2013, Friday.

The register of members of the Company will be closed from 26 April 2013, Friday to 30 April 2013, Tuesday (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 25 April 2013, Thursday.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company had not, throughout the year ended 31 December 2012, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except the followings:

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

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin and Mr. Albert Thomas Da ROSA, Junior, both of whom being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, both of whom being independent non-executive directors of the Company, were not present at the annual general meeting of the Company held on 8 May 2012. However, Ms. WU Shihong and Mr. TANG Guliang, both of whom being independent non-executive directors of the Company were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for all directors as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Due to other pre-arranged business commitments which must be attended by him, Mr. LI Dongsheng, the Chairman of the Board, was not present at the annual general meeting held on 8 May 2012. However, Ms. WU Shihong and Mr. TANG Guliang, both of whom being independent non-executive directors of the Company were present at the annual general meeting and Ms. WU Shihong was elected chairman thereof pursuant to the articles of association to ensure an effective communication with the shareholders thereat.

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. PANG Siu Yin, is a partner of the Company's legal adviser, Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company in 1999. The Company has also assigned Mr. SIN Man Lung, the financial controller of the Company as the contact person with Ms. PANG. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. PANG through the contact person assigned. Given the long-term relationship between Ms. PANG and the Group, Ms. PANG is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. PANG as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the year ended 31 December 2012, including the accounting principles adopted by the Group, with the Company's management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 26 February 2013

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