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 SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

Results for the six months ended 30 June

	2008	2007	Change
	(HK$M)	*(HK$M)*	
Turnover	**11,716**	9,511	+23.2%
Gross profit	**1,863**	1,631	+14.2%
EBITDA	**370**	67	+452.2%
Profit/(loss) before the effects of convertible bonds	**114**	(217)	N/A
Effects of convertible bonds:			
– Fair value gain on the derivative component of convertible bonds	**375**	–	N/A
– Loss on early redemption of convertible bonds	**(611)**	–	N/A
– Interest on convertible bonds	**(72)**	–	N/A
Loss for the period	**(194)**	(217)	(10.6%)
Loss attributable to equity holders of the parent	**(198)**	(220)	(10.0%)
Basic loss per share (HK cents)	**(3.40)**	(4.92)	(30.9%)

HIGHLIGHTS

- Made substantial improvements in sales and operating results under challenging global economic conditions

  - Turnover increased by 23.2% year-on-year, to HK$11,716 million

  - EBITDA greatly improved: HK$370 million vs HK$67 million in 1H 2007, an increase of 452.2%

- The Group recorded a profit before the effects of convertible bonds of HK$114 million, compared with a loss of HK$217 million in 1H 2007. Turnaround continues

- LCD sales volumes continued to grow faster than the market despite a consumer slowdown in major markets: unit sales increased by 230.7% year-on-year

- The Group retained market leadership in PRC with 17.0% share

- Globally, the Group is the second largest CRT manufacturer by volume, with 12.8% market share

- Sales revenue was up sharply in North American market, recording an increase of 34.1% year-on-year, and an operating loss greatly reduced

- Europe business unit recorded an operating profit and launched TCL brand sales in Russian market

- The Company successfully raised new investment funds from strategic investors and management, and early redeemed the convertible bonds in full

- With redemption of the convertible bonds, the Group now records a one-off loss on early redemption which is unrelated to the Group's core operations or cash positions

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		6 months ended 30 June		3 months ended 30 June	
		2008	2007	**2008**	2007
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	4	**11,715,958**	9,510,819	**6,215,612**	4,491,793
Cost of sales		**(9,852,567)**	(7,879,512)	**(5,367,672)**	(3,775,807)
Gross profit		**1,863,391**	1,631,307	**847,940**	715,986
Other revenue and gains		**134,598**	61,258	**84,485**	28,674
Selling and distribution costs		**(1,313,807)**	(1,260,040)	**(569,667)**	(576,581)
Administrative expenses		**(344,081)**	(404,314)	**(171,425)**	(185,709)
Research and development costs		**(103,646)**	(44,991)	**(52,134)**	(29,782)
Other operating expenses		**(96)**	(74,606)	**117**	(51,135)
		236,359	(91,386)	**139,316**	(98,547)
Finance costs excluding interest on convertible bonds	5	**(65,962)**	(90,114)	**(38,029)**	(46,858)
Share of profits and losses of:					
Jointly-controlled entities		**(3,730)**	(2,324)	**1,800**	(956)
Associates		**656**	718	**574**	587
		167,323	(183,106)	**103,661**	(145,774)
Fair value gain on the derivative component of convertible bonds	15	**374,514**	–	**219,178**	–
Loss on early redemption of convertible bonds	15	**(610,883)**	–	**(610,883)**	–
Interest on convertible bonds	15	**(72,246)**	–	**(33,072)**	–
LOSS BEFORE TAX		**(141,292)**	(183,106)	**(321,116)**	(145,774)
Tax	6	**(52,308)**	(33,831)	**(42,741)**	(5,137)
LOSS FOR THE PERIOD		**(193,600)**	(216,937)	**(363,857)**	(150,911)
ATTRIBUTABLE TO:					
Equity holders of the parent		**(198,193)**	(219,599)	**(365,793)**	(152,319)
Minority interests		**4,593**	2,662	**1,936**	1,408
		(193,600)	(216,937)	**(363,857)**	(150,911)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9				
Basic		**HK (3.40) cents**	HK (4.92) cents		
Diluted		**N/A**	N/A		

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2008 (unaudited) *HK$'000***	31 December 2007 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,678,539**	1,667,073
Prepaid land lease payments		**79,136**	75,539
Goodwill		**119,638**	119,638
Other intangible assets		**39,899**	42,532
Interests in jointly-controlled entities		**117,794**	115,571
Interests in associates		**84,390**	78,595
Available-for-sale investments		**1,008**	1,008
Prepaid royalty		**138,343**	189,235
Deferred tax assets		**15,826**	16,852
Total non-current assets		**2,274,573**	2,306,043
CURRENT ASSETS			
Inventories		**3,221,972**	3,229,362
Trade receivables	10	**3,418,144**	2,734,187
Bills receivable		**336,035**	613,408
Prepayment, deposits and other receivables		**887,403**	786,336
Tax recoverable		**3,618**	15,196
Cash and bank balances		**1,920,470**	1,095,341
Total current assets		**9,787,642**	8,473,830
CURRENT LIABILITIES			
Trade payables	11	**4,419,419**	4,136,749
Bills payable		**507,603**	272,988
Tax payable		**114,496**	95,963
Other payables and accruals		**1,291,807**	1,483,901
Provisions		**289,807**	349,914
Interest-bearing bank and other borrowings	12	**1,559,743**	913,525
Due to TCL Corporation	13	**335,345**	220,359
Subscription monies received	14	**1,206,269**	–
Total current liabilities		**9,724,489**	7,473,399
NET CURRENT ASSETS		**63,153**	1,000,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,337,726**	3,306,474

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Notes	30 June 2008 (unaudited) HK$'000	31 December 2007 (audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,337,726**	3,306,474
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**135,538**	131,041
Liability component of convertible bonds	15	**–**	506,698
Derivative component of convertible bonds	15	**–**	374,514
Deferred tax liabilities		**12,650**	13,772
Pensions and other post-employment benefits		**17,459**	16,875
Total non-current liabilities		**165,647**	1,042,900
Net assets		**2,172,079**	2,263,574
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	**583,524**	583,772
Reserves		**1,475,955**	1,575,284
		2,059,479	2,159,056
Minority interests		**112,600**	104,518
Total equity		**2,172,079**	2,263,574

Notes:

1. BASIS OF PREPARATION

These unaudited interim financial statements are in compliance with Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, 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. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and the basis of preparation adopted in the preparation of these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2007, except for the adoption of the new HKFRSs and HKASs as disclosed in note 2 below.

2. IMPACT OF NEW HKFRSs and HKASs

The following new HKFRSs, which also include HKASs and Interpretations, affect the Group and are adopted for the first time for the current period's financial statements.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation has had no impact on the financial position or performance of the Group.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognized as an asset, in particular, when a minimum funding requirement exists. As the Group's defined benefit schemes are unfunded, the interpretation has had no impact on the financial position or performance of the Group.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs and HKASs

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

HKFRS 2 Amendment	Share–based Payment – Vesting Conditions and Cancellations[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 32 & HKAS 1	Financial Instruments: Presentation 1 & Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2008

HKFRS 2 has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group expects to adopt this amendment from 1 January 2009.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce new titles for the financial statements and affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events as required by other HKFRSs. The adoption of this revised standard will affect the presentation of the Group's financial statements.

HKAS 23 has been revised to require capitalization of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 32 and HKAS 1 have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The standards are unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award credits, HK(IFRIC)-Int 13 is not applicable to the Group and therefore unlikely to have any financial impact on the Group.

4. SEGMENT INFORMATION

The following table presents revenue and profit/(loss) information for the Group's business segments for the six months ended 30 June 2008 and 2007.

	Segment Revenue		**Segment Results**	
	2008	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Television	**10,063,042**	8,158,453	**212,669**	(28,381)
Home Networking	**1,296,093**	1,171,951	**47,803**	34,457
Others	**356,823**	180,415	**1,637**	(8,391)
	11,715,958	9,510,819	**262,109**	(2,315)
Bank interest income			**7,715**	9,363
Corporate expenses			**(33,465)**	(98,434)
Finance costs excluding interest on convertible bonds			**(65,962)**	(90,114)
Share of profits and losses of:				
Jointly- controlled entities			**(3,730)**	(2,324)
Associates			**656**	718
			167,323	(183,106)
Fair value gain on the derivative component of convertible bonds			**374,514**	–
Loss on early redemption of convertible bonds			**(610,883)**	–
Interest on convertible bonds			**(72,246)**	–
Loss before tax			**(141,292)**	(183,106)
Tax			**(52,308)**	(33,831)
Loss for the period			**(193,600)**	(216,937)

5. FINANCE COSTS EXCLUDING INTEREST ON CONVERTIBLE BONDS

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans and overdrafts	**49,159**	81,086
Interest on subscription monies received	**8,204**	–
Other loan wholly repayable within five years	**348**	2,618
Loan from an associate	**4,401**	1,906
Loan from TCL Corporation	**3,850**	4,504
	65,962	90,114

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**9,138**	4,630
Current – Elsewhere	**43,036**	28,365
Deferred	**134**	836
Total tax charge for the period	**52,308**	33,831

7. DEPRECIATION AND AMORTIZATION

During the period, depreciation of HK$128,639,000 (2007: HK$153,363,000) was charged to the income statement in respect of the Group's property, plant and equipment; and amortization of HK$3,661,000 (2007: HK$2,038,000) and HK$1,301,000 (2007: HK$2,627,000) were charged to the income statement in respect of the Group's other intangible assets and prepaid land lease payments, respectively.

8. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the period.

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

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

	Six months ended 30 June	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(198,193)**	(219,599)

	Number of shares Six months ended 30 June	
	2008	2007
		(restated)
Shares		
Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in basic and diluted loss per share calculation	**5,826,539,480**	4,460,516,259*

* Restated to take into account the retrospective adjustment to the number of shares outstanding before the rights issue completed on 12 July 2007 to reflect the bonus element inherent in the rights issue.

The share options outstanding during the periods ended 30 June 2008 and 2007 and the convertible bonds outstanding during the period ended 30 June 2008 had an anti-dilutive effect on the basic loss per share and were therefore ignored in the calculation of diluted loss per share.

The amounts of diluted loss per share for the periods ended 30 June 2008 and 2007 have not been disclosed, as the share options and convertible bonds during the periods had an anti-diluted effect on the basic loss per share for these periods.

10. TRADE RECEIVABLES

The majority of the Group's sales in the PRC was 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 also made on open-account basis with credit terms of no more than 180 days. The Group also entered into certain receivables purchase agreements with its banks. Pursuant to the related agreements, the trade receivables of certain major customers were factored to the relevant banks.

In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Current to 90 days	**3,108,328**	2,663,295
91 days to 180 days	**221,796**	41,570
181 days to 365 days	**76,152**	15,744
Over 365 days	**11,868**	13,578
	3,418,144	2,734,187

As at 30 June 2008, the Group's trade receivables of approximately HK$1,148,251,000 (31 December 2007: HK$610,306,000) (the "Factored Receivables") were factored to certain banks under certain receivables purchase agreements. The Group continued to recognize the Factored Receivables in the balance sheet because, in the opinion of the directors, the Group has retained substantially all the risks and rewards of ownership of the Factored Receivables, either the risks in respect of default payments or the time value of money, as at the balance sheet date.

Accordingly, the advances from the relevant banks of approximately HK$ 1,107,817,000 (31 December 2007: HK$610,306,000) received by the Group as consideration for the Factored Receivables at the balance sheet date were recognized as liabilities and included in "Interest-bearing bank and other borrowings" (note 12).

11. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Current to 90 days	**4,189,732**	3,970,131
91 days to 180 days	**154,662**	91,154
181 days to 365 days	**43,801**	48,477
Over 365 days	**31,224**	26,987
	4,419,419	4,136,749

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

12. INTEREST- BEARING BANK AND OTHER BORROWINGS

	30 June 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Current		
Bank loans – unsecured	**422,384**	226,300
Advances from banks as consideration for Factored Receivables	**1,107,817**	610,306
Trust receipt loans- unsecured	**29,542**	76,919
	1,559,743	913,525
Non – current		
Loan from an associate	**135,538**	131,041
	1,695,281	1,044,566

Note: As at 30 June 2008, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

13. DUE TO TCL CORPORATION

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

14. SUBSCRIPTION MONIES RECEIVED

On 30 May 2008, the Company entered into (i) the subscription agreements (the "Subscription Agreements") with T.C.L. Industries, its concerted parties and a number of other investors (collectively the "Subscribers"), pursuant to which the Subscribers conditionally agreed to subscribe for and the Company conditionally agreed to issue such number of new shares of the Company (the "Subscription Shares") at the subscription price (the "Subscription Price") as defined below for an aggregate amount of HK$1,206,269,010 (the "Subscription"), the aggregate investment amount paid by the Subscribers as deposit for the Subscription; and (ii) the assignment agreement (the "Assignment Agreement") with T.C.L. Industries which conditionally agreed to assign to the Company the loans in an aggregate amount of HK$117,524,522.3 due and payable by two subsidiaries of the Company to T.C.L. Industries (the "Assignment of Loan") and the Company conditionally agreed to issue a number of new shares of the Company (the "Consideration Shares") at the Subscription Price for an aggregate amount of HK$117,524,522.3, being the total of the said loans. The Subscription Price was fixed at HK$0.275, which was equal to 15% discount to the average closing price of approximately HK$0.324 per share of the Company as stated in the daily quotation sheets of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for 10 trading days immediately after the date of the announcement of the Company dated 6 June 2008, namely, from 10 June 2008 to 23 June 2008. Accordingly, the Subscribers and T.C.L. Industries are entitled to allotment of 4,386,432,755 Subscription Shares and 427,361,899 Consideration Shares under the Subscription Agreements and the Assignment Agreement respectively.

Upon completion of the Subscription and the Assignment of Loan, the interests held by T.C.L. Industries and parties acting in concert with it will increase from 41.418% to 67.900% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and Consideration Shares under the Subscription Agreements and the Assignment Agreement, representing an increase in their shareholdings in the Company by more than 2%, T.C.L. Industries and parties acting in concert with it are therefore, in the absence of the whitewash waiver, obliged to make a mandatory general offer for all the shares of the Company not already owned or agreed to be acquired by them pursuant to Rule 26 of the Hong Kong Takeovers Code. T.C.L. Industries has applied to the Executive for the whitewash waiver pursuant to Note 1 on Dispensation from Rule 26 of the Hong Kong Takeovers Code. The Subscription, the Assignment of Loan and the whitewash waiver in relation thereto are subject to, among other things, the approval of the independent shareholders by way of poll at an extraordinary general meeting of the Company ("EGM").

At the EGM held on 15 July 2008 (the "First EGM"), more than 50% of the valid votes cast were in favour of the resolution on the Subscription and the resolution was duly passed as an ordinary resolution, while more than 50% of the valid votes cast were against the resolution on the Assignment of Loan and the resolution was not passed as an ordinary resolution. The Board decided not to resume the First EGM, but to convene the second EGM on 15 August 2008 for the purpose of passing a resolution for (i) approving, confirming and ratifying the Subscription Agreements and Subscription again; (ii) approving the whitewash waiver in respect of the Subscription; and (iii) authorizing the issue of the Subscription Shares. The resolution was passed in the second EGM on 15 August 2008 and as a result of the completion of the Subscription Agreements, the Subscription monies received would subsequently be treated as capital.

Given the whitewash waiver in respect of the Subscription and issue of the Subscription Shares were not completed on 30 June 2008, the Subscription monies received were included in current liabilities as at the balance sheet date.

For details of the Subscription Agreements and the Assignment Agreement, please refer to the announcements of the Company dated 6 June 2008, 24 June 2008, 15 July 2008, 29 July 2008 and 15 August 2008 respectively and the circulars of the Company dated 27 June 2008 and 31 July 2008.

15. CONVERTIBLE BONDS

On 18 May 2007, the Company entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, London (the "Purchaser"), whereby the Company agreed to issue and the Purchaser, subject to the satisfaction of the conditions precedent of the Purchase Agreement, agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the secured convertible bonds to be due in 2012 (the "Bonds") with an aggregate principal amount of US$140 million (equivalent to approximately HK$1,091 million). The completion of the Purchase Agreement took place and the Bonds were issued on 12 July 2007.

Principal terms of the Bonds are as follows:

(i) Bondholders may convert at any time from 30 trading days after the closing date up to the closing of business on the maturity date at the initial conversion price of HK$0.40. As set out in the Company's announcement dated 16 August 2007, the conversion price had been adjusted from the initial conversion price of HK$0.40 per share to HK$0.65 per share with effect from 16 August 2007 pursuant to the terms and conditions of the Bonds;

(ii) On or at any time after the 2nd anniversary date of the closing date and prior to the maturity date, the Company may redeem the Bonds in whole at the principal together with 37.5% of redemption interest and the 4.5% coupon interest ("the Early Redemption Amount") provided the closing price for each of any 20 trading days falling within a period of 30 consecutive trading days is at least 130% of the conversion price in effect on such trading day, or at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled;

(iii) Bondholders shall have the right to require the Company to redeem all or some of their Bonds at the Early Redemption Amount in the event that the closing price for each of any 20 trading days falling within a period of 30 consecutive trading days is at least 30 % below the conversion price in effect on such trading day; and

(iv) Unless previously redeemed, converted or purchased and cancelled, each Bond shall be redeemed at 137.50% of its principal amount on the fifth anniversary of the issue date;

(v) The Bonds bear interest at the rate of 4.5% per annum ("coupon rate") on the principal amount outstanding. The interest will be payable by the Company quarterly in arrears; and

(vi) The Bonds will be redeemed on maturity at a value equal to the aggregate of (1) its principal amount outstanding and (2) the interest accrued.

The proceeds from the issue of the Bonds on 12 July 2007 of US$140 million (equivalent to approximately HK$1,091 million) were split into the liability and the derivative components. On issuance of the Bonds, the fair value of the derivative components is determined using an option pricing model and this amount is carried as a derivative component of the Bonds until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component of the Bonds, net of transaction costs, and is carried as a liability on the amortized cost basis until extinguished on conversion or redemption. The fair value of the derivative component is remeasured as at each balance sheet date and any gains or losses arising from changes in fair value are recognized in the income statement.

On 25 March 2008, one of the early redemption events occurred, namely, the closing price for each of any of the 20 trading days falling within a period of 30 consecutive trading days was at least 30% below the conversion price of HK$0.65 per share. In compliance with the relevant terms and conditions of the Bonds, the Company issued a notice on 8 April 2008 to inform all bondholders of the occurrence of the abovementioned redemption event, and their rights to request the Company to redeem all or some of their Bonds at the Early Redemption Amount, as well as the procedures in relation thereto. The Company received notices of request from all the bondholders requesting the Company to redeem the Bonds at the Early Redemption Amount of an aggregate amount of approximately US$150.9 million (approximately HK$1,176,295,680). The Company settled the payment of the above early redemption amount in the amount of US$94.7 million (approximately HK$738,205,440) and US$56.2 million (approximately HK$438,090,240) on 6 June 2008 and 20 June 2008, respectively, out of the Subscription monies received from the Subscribers in the amount of HK$1,206,269,010 under the Subscription Agreements.

The Bonds that have been split into the derivative and the liability components are analysed as follows:

	Liability component (unaudited)	**Derivative component (unaudited)**	**Total (unaudited)**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2008	506,698	374,514	881,212
Fair value gain on the derivative component of convertible bonds	–	(374,514)	(374,514)
Loss on early redemption of convertible bonds	610,883	–	610,883
Interest expenses	72,246	–	72,246
Interest paid	(22,122)	–	(22,122)
Foreign exchange difference	244	–	244
Redeemed during the period	(1,167,949)	–	(1,167,949)
As at 30 June 2008	–	–	–

Further details of the early redemption are set out in the circulars of the Company dated 27 June 2008 and 31 July 2008.

In respect of the redemption of the Bonds and for the purpose of illustration only, amounts denominated in US$ have been translated into HK$ at the rate of US$1: HK$7.7952.

16. SHARE CAPITAL

	30 June 2008 (unaudited)	31 December 2007 (audited)
	HK$'000	*HK$'000*
Authorized:		
22,000,000,000 (31 December 2007: 22,000,000,000) shares of HK$0.10 each	**2,200,000**	2,200,000
Issued and fully paid:		
5,835,241,590 (31 December 2007: 5,837,715,590) shares of HK$0.10 each	**583,524**	583,772

During the period, the Company repurchased its own shares on the Stock Exchange as follows:

Transaction Dates	**Number of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate cost Paid**	**Transaction cost**	**Total consideration**
		HK$	*HK$*	*HK$000*	*HK$000*	*HK$000*
January 2008	1,372,000	0.455	0.390	614	5	619
March 2008	1,102,000	0.340	0.335	369	5	374
	2,474,000			983	10	993

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

BUSINESS REVIEW

Despite challenging global economic conditions during the first half of 2008, the Group made substantial progress and recorded improvements in sales and operating results. In view of the global shift towards flat screen and LCD TVs, the Group continued to expand and enhance its efficiency and capacity in LCD TVs and achieved good growth in LCD TVs shipment and sales volume. Overall LCD shipments increased by 230.7% year-on-year, including growth of 598.7% in overseas markets. As a result, the Group's turnover increased by 23.2% year-on-year to approximately HK$11,716 million.

Sales volumes by region are indicated below:

	1H 2008 *('000)*	1H 2007 *('000)*	Change
LCD TV	**1,518**	459	+230.7%
– PRC	**456**	307	+48.5%
– Overseas	**1,062**	152	+598.7%
– Europe	**118**	21	+461.9%
– North America	**320**	100	+220.0%
– Emerging Markets	**36**	31	+16.1%
– Strategic OEM	**588**	—	N/A
CRT TV	**5,407**	6,609	(18.2%)
– PRC	**2,771**	3,025	(8.4%)
– Overseas	**2,636**	3,584	(26.5%)
– Europe	**155**	365	(57.5%)
– North America	**733**	667	+9.9%
– Emerging Markets	**1,358**	1,562	(13.1%)
– Strategic OEM	**390**	990	(60.6%)
Total TV unit sales	**6,925**	7,068	(2.0%)
DVD products unit sales	**8,154**	7,364	+10.7%

The Group's focus on streamlining its business model and supply chain to achieve greater efficiency, which have enabled it to record a profit before the effects of convertible bonds of HK$114 million for the period under review, compared with a loss of HK$217 million in same period last year. EBITDA also increased from HK$67 million in the first half of 2007 to HK$370 million for the period under review, greatly improved by 452.2%.

The Group also achieved a stronger financial position through full redemption of the Bonds in June 2008 and the Subscription. After the completion of the Subscription, the number of the issued shares of the Company will be enlarged by 75.2% to approximately 10.22 billion shares (31 December 2007: approximately 5.84 billion shares), to include senior management and quality independent investors. By redeeming the Bonds, various financial covenants under the Bonds were removed, thus the Group now has greater flexibility to maximize its current resources to secure funding to expand its business. After redemption of the Bonds, the Group's gearing ratio is lowered to 5%.

With redemption of the Bonds, the Group recorded a one-off loss on early redemption of the Bonds amounting to HK$611 million and a fair value gain on the derivative component of the Bonds of HK$219 million in the second quarter, which were unrelated to the Group's core operations or its cash position. After taking into account of these effects, the Group's net loss was HK$194 million in the first half of the year.

TV Sales

As one of the world's leading TV manufacturers and distributors, the Group retained its market leadership in PRC with 17.0% market share and boosted its position as one of the world's top brands. During the period under review, the Group shifted its total sales volume decisively towards LCD, increasing the proportion of LCD sales from 6.5% of total sales volume in the first half of 2007 to 21.9% of total sales volume in the period under review. As a result, overall turnover increased, while total sales volume amounted to 6,925,000 TV units.

Though the entire LCD industry has been adversely impacted by falling prices, the Group was able to realize profits and increase its global market share. Its natural lighting technology and E9 series of LCD TVs have been very well received globally and have led the trend towards these super-thin models. The Group sold 1,518,000 LCD TV units during the period representing a growth of 230.7% year-on-year. The Group's strategy of adjusting product mix and production lines had been a proven success. While CRT TV remains an important product in the PRC and the Emerging Markets, the Group expects CRT TV sales to continue to shrink as these markets shift towards LCD TVs. During the period under review, the Group sold a total of 5,407,000 CRT TV units, becoming the second largest player globally by volume, with 12.8% market share, according to Displaysearch.

The PRC Market

The PRC Market continued to be the largest single contributor to the Group's sales revenue, accounting for approximately 50.1% of sales revenue during the period under review. A total of 3,227,000 TV units were sold in the PRC Market (456,000 LCD TVs and 2,771,000 CRT TVs). The gross profit margin increased by 1.4% to 23.8%, showing the impacts of streamlined operations and increased economies of scale in operations in the PRC. At the same time, the Group maintained its leadership in the PRC market for the fifth consecutive year, with an overall market share of 17.0%.

Set against the backdrop of the PRC's booming economy and increasing consumer disposable income, the Group will continue to focus on the high-end LCD TV market to further expand its lead in the PRC.

Overseas Markets

The Group's overseas TV operations continue to show good promise, making solid progress despite challenging economic conditions.

In Europe, the Group won a key domestic retailer account during the period under review and successfully launched sales of TCL branded products in the Russian market. Turnover in Europe increased by 147.2% to HK$660 million on sales of 273,000 TV units in the European markets. The Group recorded an operating profit of HK$18 million and look forward to further sales growth in Eastern Europe and Russia.

Despite an economic downturn in North America, demand for the Group's LCD TVs continued to grow, enabling volume to increase by 37.3% to 1,053,000 units and turnover to increase by 34.1% to HK$2,232 million, compared to the same period last year. LCD TV sales volume increased by 220.0% while CRT sales volume increased by 9.9% year-on-year. The Group's continued attention on supply chain efficiency enabled it to reduce its operating loss in North America by 52.8% year-on-year.

During the period under review, the Group sold a total of 1,394,000 TV units in the Emerging Markets, in line with management expectations for the re-aligned business model. The management made good progress reducing many fixed costs, but these gains were offset by adverse impacts from the rising price of oil as well as currency shifts (vs the RMB) in several key markets. The Group remains committed to improving operational results in the Emerging Markets by streamlining its supply chain and increasing financial control. Going forward, it will seek to exploit specific market opportunities in Latin America, North Africa and the Middle East, while maintaining its presence in core markets of Southeast Asia.

OEM Operations

The Group's investment in its LCD TV production capability has paid off handsomely. During the period under review, it started shipping OEM LCD products to a leading international customer with good results and won several new orders from other international brands. As a result, OEM TV sales revenue increased by 82.1% and operating profit increased by 71.7% year-on-year. With an attention to costs and quality, the Group is confident that this market segment offers more room for growth.

The Group's home networking OEM division also recorded good results, successfully securing several new international customers to increase its sales volume by 10.7% and turnover by 10.6% compared to the same period in 2007. The increases enabled the Group to maintain its position as the DVD OEM market leader, with a global market share of 11%. The Group recently launched its Blu-ray DVD player in the North American and European markets which will sustain sales going forward.

Research & Development ("R&D")

As technologies become more advanced, R&D remains a key part of the Group's competitiveness. Thus, the Group continues to invest in R&D on the production of digital TVs to enhance both product design and quality. To meet the digital broadcasting schedules introduced by the PRC authorities, it will devote additional resources to the development of LCD TV technologies with integrated intelligence and broadband compatible features to meet various national broadcasting standards. It will continue to strengthen the technical skills of its employees. In order to retain talent and to motivate its workforce, the Group promotes a work culture which is result-oriented and employees are to be rewarded accordingly.

OUTLOOK

The industry offers significant growth opportunities for the Group in both the PRC and overseas markets, despite the challenging global economic environment. One driver is the television broadcasting industry's gradual transition to digital broadcasting. In Europe and North America, the transition has already begun. The PRC television authorities have already announced a timetable for the conversion to digital broadcasting, opening up a frontier for competition in this important market.

In the PRC, the Group is facing keen competition from overseas and local competitors; nonetheless, it will continue to promote its mid to high-end TVs, building on its foothold in the fast moving mass-market TV segment.

In Europe and North America, strong demand for LCD TVs is expected to continue despite a general consumer slowdown. The Group's focus on providing timely delivery of high-value, cost competitive products will help it capitalize on opportunities to gain additional customers and market share.

In its OEM operations, the Group will continue to expand its LCD TV capability while maintaining its competitive advantage in the CRT market. First half results, including the advances in sales volume and turnover are clear signs of the Group's progress. Looking into the future, the Group will focus on streamlining the current business, ensuring LCD production and boosting profitability and shareholder value.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There was no significant investment, acquisition and disposal for the period ended 30 June 2008.

Liquidity and Financial Resources

The Group's principal financial instruments comprise 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 period end amounted to HK$1,920,470,000, of which 2% was maintained in Hong Kong dollars, 28% in US dollars, 60% in Renminbi, 4% in Euro and 6% 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 2007 and there was no asset held under finance lease at the period end.

At the period end, the Group's gearing ratio was 5% which is calculated based on the Group's net borrowing of approximately HK$110,156,000 (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the Company of approximately HK$2,059,479,000.

Pledge of Assets

As at 30 June 2008, none of the Group's assets were pledged to secure general banking facilities granted to the Group.

Capital Commitments and Contingent Liabilities

On 11 June 2008 and 19 June 2008, the mandatory liquidator of TTE Europe SAS and TTE Polska Sp.zo.o (subsidiaries of the Group which had been deconsolidated in year 2007) demand the Company to pay approximately Euro 1.3 million (approximately HK$16 million) and approximately Euro 2.4 million (approximately HK$30 million) respectively (for the purpose of illustration only, amounts denominated in Euro have been translated into HK$ at the rate of Euro1: HK$12.3177).

The directors, based on the advice from the Group's legal counsels, believe that the Group has a valid defense against the claims and, accordingly, has not provided for any liability arising from the claims.

Except for the above-mentioned claims, there was no significant change in capital commitments and contingent liabilities of the Group compared to the position outlined in the annual report for 2007.

Foreign Exchange Exposure

Due to its international presence and operations, the Group is facing foreign exchange exposure including transaction exposure and translation exposure.

It is the Group's policy to centralize foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasizes the importance of trading, investing and borrowing in functional currency to achieve natural hedging.

Employee and Remuneration Policy

The Group had a total of 28,998 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and the Company's performance. 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 351,748,147 shares remained outstanding at the period end.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the period under review, the Company repurchased 2,474,000 shares on the Stock Exchange at an aggregate price of HK$983,000. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

Pursuant to the rules of the share award scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 15,298,000 shares being the awarded shares. The total amount paid to acquire such shares during the period was about HK$5,706,000.

POST BALANCE SHEET EVENT(S)

At the First EGM held on 15 July 2008, more than 50% of the valid votes cast were in favour of the resolution on the Subscription and the resolution was duly passed as an ordinary resolution, while more than 50% of the valid votes cast were against the resolution on the Assignment of Loan and the resolution was not passed as an ordinary resolution. The Board decided not to resume the First EGM, but to convene the second EGM on 15 August 2008 for the purpose of passing a resolution for (i) approving, confirming and ratifying the Subscription Agreements and Subscription again; (ii) approving the whitewash waiver in respect of the Subscription; and (iii) authorizing the issue of the Subscription Shares. The resolution was passed in the second EGM on 15 August 2008 and as a result of the completion of the Subscription Agreements, the Subscription monies received would subsequently be treated as capital.

For details of the EGM, please refer to the announcements of the Company dated 15 July 2008, 29 July 2008 and 15 August 2008 respectively and the circular of the Company dated 31 July 2008.

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 period ended 30 June 2008, complied with the code provisions of the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the six months period ended 30 June 2008, 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, 20 August 2008

As at the date of this announcement, the Board comprises Li Dongsheng, Leong Yue Wing, Yuan Bing, Shi Wanwen, Wang Kangping and Lu Zhongli as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Robert Maarten Westerhof and Wu Shihong as independent non-executive directors.