# 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 NINE MONTHS ENDED 30 SEPTEMBER 2009

**FINANCIAL HIGHLIGHTS**

*Results for the nine months ended 30 September*

| | **2009** | 2008 | Change |
|---|---|---|---|
| | ***(HK$M)*** | *(HK$M)* | |
| Turnover | **21,098** | 19,105 | +10.4% |
| Gross profit | **3,617** | 2,987 | +21.1% |
| Operating profit | **437** | 286 | +52.8% |
| Effects of convertible bonds | **–** | (308) | N/A |
| Profit/(loss) attributable to equity holders of the parent | **230** | (255) | N/A |
| Basic earnings/(loss) per share (HK cents) | **22.68** | (39.33) | N/A |

**HIGHLIGHTS**

- Turnover reached HK$21,098 million for the nine months ended 30 September 2009, an increase of 10.4% year-on-year

- LCD TV sales volume surged by 105.2% year-on-year to 5.53 million sets

- Gross profit reached HK$3,617 million, representing 21.1% growth as compared to HK$2,987 million in the same period last year; gross profit margin for the period was 17.1%, up by 1.5% as compared to the same period last year

- Profit attributable to equity holders of the parent was HK$230 million as compared to a loss of HK$255 million in the same period last year

- The Group's new LCD TV Integration Plant commenced operation in September 2009; estimated annual production capacity of the plant reaches 5 million sets while reducing production costs

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 nine months ended 30 September 2009 with comparative figures for the previous period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| TURNOVER | 3 | **21,097,534** | 19,105,085 | **9,706,184** | 7,389,127 |
| Cost of sales | | **(17,480,958)** | (16,117,635) | **(8,173,034)** | (6,265,068) |
| Gross profit | | **3,616,576** | 2,987,450 | **1,533,150** | 1,124,059 |
| Other revenue and gains | 4 | **182,540** | 114,674 | **45,090** | (19,924) |
| Selling and distribution costs | | **(2,505,240)** | (2,073,620) | **(1,104,029)** | (759,813) |
| Administrative expenses | | **(637,692)** | (619,286) | **(246,528)** | (275,205) |
| Research and development costs | | **(156,049)** | (120,976) | **(54,225)** | (17,330) |
| Other operating expenses | | **(62,772)** | (1,982) | **(9,513)** | (1,886) |
| | | **437,363** | 286,260 | **163,945** | 49,901 |
| Finance costs (excluding finance costs on convertible bonds) | | **(75,784)** | (115,695) | **(31,846)** | (49,733) |
| Share of profits and losses of: | | | | | |
| Jointly-controlled entities | | **(6,919)** | (2,045) | **(309)** | 1,685 |
| Associates | | **2,460** | 1,376 | **658** | 720 |
| | | **357,120** | 169,896 | **132,448** | 2,573 |
| Fair value gain on the derivative component of convertible bonds | | **–** | 374,514 | **–** | – |
| Loss on early redemption of convertible bonds | | **–** | (610,883) | **–** | – |
| Finance costs on convertible bonds | | **–** | (72,246) | **–** | – |
| PROFIT/(LOSS) BEFORE TAX | | **357,120** | (138,719) | **132,448** | 2,573 |
| Tax | 5 | **(120,264)** | (103,859) | **(39,002)** | (51,551) |
| PROFIT/(LOSS) FOR THE PERIOD | | **236,856** | (242,578) | **93,446** | (48,978) |
| Exchange differences on translation of foreign operations | | **(92,594)** | 118,512 | **(31,334)** | 17,915 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | **144,262** | (124,066) | **62,112** | (31,063) |

| | Notes | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PROFIT/(LOSS) ATTRIBUTABLE TO: | | | | | |
| Equity holders of the parent | | **230,113** | (255,359) | **86,811** | (57,166) |
| Minority interests | | **6,743** | 12,781 | **6,635** | 8,188 |
| | | **236,856** | (242,578) | **93,446** | (48,978) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | | | | | |
| Equity holders of the parent | | **137,647** | (143,615) | **55,416** | (39,196) |
| Minority interests | | **6,615** | 19,549 | **6,696** | 8,133 |
| | | **144,262** | (124,066) | **62,112** | (31,063) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 7 | | | | |
| Basic | | **HK22.68 cents** | HK(39.33) cents | | |
| Diluted | | **N/A** | N/A | | |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 September 2009 (unaudited)** *HK$'000* | 31 December 2008 (audited) *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **1,603,604** | 1,390,786 |
| Prepaid land lease payments | | **73,247** | 49,977 |
| Deposit paid for the acquisition of prepaid land lease payments | | **–** | 3,407 |
| Goodwill | | **119,638** | 119,638 |
| Other intangible assets | | **2,969** | 16,988 |
| Interests in jointly-controlled entities | | **109,075** | 116,048 |
| Interests in associates | | **88,256** | 85,834 |
| Available-for-sale investments | | **66,223** | 1,008 |
| Prepaid royalty | | **9,751** | 82,328 |
| Deferred tax assets | | **25,439** | 17,213 |
| Total non-current assets | | **2,098,202** | 1,883,227 |
| CURRENT ASSETS | | | |
| Inventories | | **3,843,941** | 3,061,568 |
| Trade receivables | | **4,477,078** | 3,946,547 |
| Bills receivable | | **811,689** | 674,688 |
| Prepayments, deposits and other receivables | | **945,530** | 675,113 |
| Tax recoverable | | **36,990** | 12,529 |
| Pledged deposits | | **139,169** | – |
| Cash and bank balances | | **1,656,821** | 2,157,768 |
| | | **11,911,218** | 10,528,213 |
| Non-current assets classified as held for sale | | **–** | 205,528 |
| Total current assets | | **11,911,218** | 10,733,741 |
| CURRENT LIABILITIES | | | |
| Trade payables | | **5,184,867** | 4,384,363 |
| Bills payable | | **564,227** | 820,067 |
| Tax payable | | **134,288** | 161,124 |
| Other payables and accruals | | **1,788,701** | 1,399,208 |
| Provisions | | **202,508** | 128,019 |
| Interest-bearing bank and other borrowings | 8 | **1,807,039** | 2,153,929 |
| Due to TCL Corporation | 9 | **264,557** | 4,694 |
| Due to T.C.L. Industries | 9 | **117,525** | 117,525 |
| Total current liabilities | | **10,063,712** | 9,168,929 |
| NET CURRENT ASSETS | | **1,847,506** | 1,564,812 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **3,945,708** | 3,448,039 |

| | Notes | **30 September 2009 (unaudited)** ***HK$'000*** | 31 December 2008 (audited) *HK$'000* |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **3,945,708** | 3,448,039 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 8 | **462,595** | – |
| Deferred tax liabilities | | **10,061** | 11,572 |
| Pensions and other post-employment benefits | | **24,687** | 23,361 |
| Total non-current liabilities | | **497,343** | 34,933 |
| Net assets | | **3,448,365** | 3,413,106 |
| EQUITY | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Issued capital | 10 | **1,003,613** | 1,021,827 |
| Reserves | | **2,377,057** | 2,266,595 |
| | | **3,380,670** | 3,288,422 |
| **Minority interests** | | **67,695** | 124,684 |
| Total equity | | **3,448,365** | 3,413,106 |

*Notes:*

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standard ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value. 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 2008, except for the adoption of the new HKFRSs as disclosed in note 2 below.

## 2. IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the current period's financial statements.

| | |
|---|---|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* |
| HKFRS 8 | *Operating Segments* |
| HKAS 1 (Revised) | *Presentation of Financial Statements* |
| HKAS 23 (Revised) | *Borrowing Costs* |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* |
| HK(IFRIC) – Int 13 | *Customer Loyalty Programmes* |
| HK(IFRIC) – Int 15 | *Agreements for the Construction of Real Estate* |
| HK(IFRIC) – Int 16 | *Hedges of a Net Investment in a Foreign Operation* |
| Amendments to HK(IFRIC) – Int 9 "Reassessment of Embedded Derivatives" and HKAS 39 "Financial Instruments: Recognition and Measurement" | Embedded Derivatives |
| Amendments to HKFRS 7 "Financial Instruments: Disclosures" | Improving Disclosures about Financial Instruments |

Apart from the above, the Group has also adopted Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contains amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements, except for the followings:

*HKFRS 8 Operating Segments*

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reporting segments (see note 3), but has had no impact on the reported results or financial position of the Group.

*HKAS 1 (revised) Presentation of Financial Statements*

HKAS 1 (revised) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised) has had no impact on the reported results or financial position of the Group.

**3. SEGMENT INFORMATION**

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer ("CEO") in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to the identification of such segments. As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of product types. However, information reported to the Group's CEO for the purpose of resource allocation and assessment of performance focuses more specifically on geographical television segments and other product types. The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) Television segment manufactures and sells television sets and trades related components in:

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

- the Overseas Markets

(b) Home Networking segment manufactures and sells audio-visual ("AV") products; and

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

Transfer prices between operating segments are on arm's-length basis in a manner similar to transactions with third parties.

Information regarding these segments is presented below. Accounts reported for the prior period has been restated to conform to the requirements of HKFRS 8.

The following table presents revenue and profit/(loss) information for the Group's operating segments for the nine months ended 30 September 2009 and 2008.

| | Segment revenue | | Segment results | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| TV – PRC Market | **10,909,550** | 8,317,214 | **362,375** | 431,815 |
| TV – Overseas Markets | **7,089,270** | 8,115,063 | **(971)** | (145,213) |
| Home Networking | **2,934,132** | 2,193,481 | **159,734** | 100,061 |
| Others | **164,582** | 479,327 | **(27,270)** | (20,975) |
| | **21,097,534** | 19,105,085 | **493,868** | 365,688 |
| Bank interest income | | | **10,630** | 10,367 |
| Corporate expenses | | | **(67,135)** | (89,795) |
| Finance costs (excluding finance costs on convertible bonds) | | | **(75,784)** | (115,695) |
| Share of profits and losses of: | | | | |
| Jointly-controlled entities | | | **(6,919)** | (2,045) |
| Associates | | | **2,460** | 1,376 |
| | | | **357,120** | 169,896 |
| Fair value gain on the derivative component of convertible bonds | | | **–** | 374,514 |
| Loss on early redemption of convertible bonds | | | **–** | (610,883) |
| Finance costs on convertible bonds | | | **–** | (72,246) |
| **PROFIT/(LOSS) BEFORE TAX** | | | **357,120** | (138,719) |
| Tax | | | **(120,264)** | (103,859) |
| **PROFIT/(LOSS) FOR THE PERIOD** | | | **236,856** | (242,578) |

## 4. OTHER REVENUE AND GAINS

On 7 January 2009, the Group entered into a framework agreement (the "Disposal Agreement") with Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd., an associate of TCL Corporation ("TCL Corporation"), to dispose of its entire interests in TCL Digital Science and Technology (Wuxi) Company Limited, a 70%-owned subsidiary of the Group, for an aggregate consideration of RMB159,249,312 (equivalent to HK$180,616,210) after adjustment. The Disposal Agreement was completed on 26 June 2009, gain of approximately HK$45,333,000 was therefore included in "other revenue and gains".

## 5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

| | **Nine months ended 30 September** | |
|---|---|---|
| | **2009** | 2008 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | **1,291** | 13,886 |
| Current – Elsewhere | **128,691** | 90,000 |
| Deferred | **(9,718)** | (27) |
| Total tax charge for the period | **120,264** | 103,859 |

## 6. DIVIDEND

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

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

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

| | Nine months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation | **230,113** | (255,359) |

| | Number of shares Nine months ended 30 September | |
|---|---|---|
| | **2009** | 2008 |
| | | (Restated) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in basic and diluted earnings/(loss) per share calculation | **1,014,815,509** | 649,199,552* |

* The weighted average number of ordinary shares in 2008 for the purposes of calculating the basic and diluted loss per share has been retrospectively adjusted for the ten-to-one share consolidation which took place on 23 January 2009.

A diluted earnings per share amount for the period ended 30 September 2009 has not been disclosed as the share options outstanding during the current period did not have a dilutive effect.

A diluted loss per share amount for the period ended 30 September 2008 had not been disclosed as the share options and convertible bonds outstanding had anti-dilutive effects on the basic loss per share and were therefore ignored in the calculation of diluted loss per share.

## 8. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **30 September 2009 (unaudited)** *HK$'000* | 31 December 2008 (audited) *HK$'000* |
|---|---|---|
| Bank loans – secured | **139,159** | – |
| Bank loans – unsecured | **1,371,723** | 113,572 |
| Advances from banks as consideration for Factored Receivables | **366,506** | 1,665,749 |
| Trust receipt loans – unsecured | **153,553** | 125,628 |
| Loans from an associate | **173,419** | 248,980 |
| Loan from an associate of TCL Corporation | **65,274** | – |
| | **2,269,634** | 2,153,929 |
| Bank and other borrowings repayable: | | |
| Within one year | **1,807,039** | 2,153,929 |
| In the second year | **178,794** | – |
| In the third to fifth year, inclusive | **283,801** | – |
| | **2,269,634** | 2,153,929 |
| Portion classified as current liability | **(1,807,039)** | (2,153,929) |
| Non-current portion | **462,595** | – |

*Notes:*

(a) Certain bank loans of the Group are secured by the pledge of certain time deposits of the Group amounting to HK$139,169,000 (31 December 2008: Nil).

(b) As at 30 September 2009, the Group's trade receivables of approximately HK$431,585,000 (31 December 2008: HK$1,835,241,000) (the "Factored Receivables") were factored to certain banks under certain receivables purchase agreements.

(c) As at 30 September 2009, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(d) The loan due to the associate of TCL Corporation is secured by certain available-for-sale investments of the Group amounting to HK$65,274,000 (31 December 2008: Nil), interest bearing at the lending rate offered by the People's Bank of China and repayable on 26 October 2010.

## 9. DUE TO TCL CORPORATION/T.C.L. INDUSTRIES

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.

Certain loan of the Group due to TCL Corporation are secured by the pledge of certain items of property, plant and equipment and prepaid land lease payments, amounting to HK$90,325,000 (31 December 2008: Nil) and HK$14,666,000 (31 December 2008: Nil) respectively.

## 10. SHARE CAPITAL

| | **30 September 2009 (unaudited)** *HK$'000* | 31 December 2008 (audited) *HK$'000* |
|---|---|---|
| Authorized: | | |
| 2,200,000,000 shares of HK$1.00 each (31 December 2008: 22,000,000,000 shares of HK$0.10 each) | **2,200,000** | 2,200,000 |
| Issued and fully paid: | | |
| 1,003,612,852 shares of HK$1.00 each (31 December 2008: 10,218,266,345 shares of HK$0.10 each) | **1,003,613** | 1,021,827 |

*Notes:*

(a) On 23 January 2009, 10 ordinary shares of HK$0.10 each of the issued and unissued share capital of the Company were consolidated into 1 ordinary share of HK$1.00 each. The authorised share capital of the Company remained at HK$2,200,000,000 but was divided into 2,200,000,000 shares of HK$1.00 each.

(b) During the period, 1,280,218 share options with exercise price of HK$2.45 were exercised by certain employees and accordingly the share capital of the Company was increased by HK$1,280,218.

(c) During the period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

| **Month/year** | **Number of shares repurchased** | **Highest price paid per share** *HK$* | **Lowest price paid per share** *HK$* | **Aggregate cost paid** *HK$'000* | **Transaction costs** *HK$'000* | **Total consideration** *HK$'000* |
|---|---|---|---|---|---|---|
| June 2009 | 15,454,000 | 3.08 | 2.25 | 42,190 | 152 | 42,342 |
| July 2009 | 4,040,000 | 3.30 | 3.09 | 13,183 | 81 | 13,264 |
| | 19,494,000 | | | 55,373 | 233 | 55,606 |

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

During the nine months ended 30 September 2009, the Group recorded an unaudited turnover of about HK$21,098 million, representing an increase of 10.4% when compared to HK$19,105 million in the same period last year. For the period under review, profit attributable to equity holders of the parent significantly improved and reached a profit of HK$230 million from a loss of HK$255 million in the same period last year.

Since the PRC Government unveiled the "Household Appliance Subsidy Scheme", "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances", the increase in demand for LCD TVs in the PRC Market has been robust. Amidst a market trend of industry transformation and technological upgrading, the Group has been well prepared for its business restructuring through expediting its development in the LCD TV business and penetrating into middle and upstream business operations. The Group's LCD TV Integration Plant in Huizhou, the PRC commenced operations in September 2009. The Group has successfully lowered its LCD TV production costs while enhancing overall operation efficiency through streamlined packaging and logistic processes. At the same time, the Group has not only greatly enhanced its new products research and development capability, but has also shortened its production cycle and accordingly improved its pricing competitiveness. Total investment in the LCD TV Integration Plant amounts to approximately RMB584 million. It covers a floor area of 53,700 square meters and a construction area of 110,000 square meters, with eight assembly lines that are already in operations. When it is in full operation, its annual capacity will reach 3 million sets of LCD TVs with screen sizes ranging from 15" to 55" and 2 million sets of semi-finished large screen LCD TVs.

### TV Sales

The Group's LCD TV shipments continued to grow significantly as compared with the same period last year. For the nine months ended 30 September 2009, the Group's LCD TV sales jumped 105.2% year-on-year to 5.53 million sets. In addition, LCD TV sales in the first eight months this year had already exceeded 4.18 million sets which represented the full year LCD TV sales for 2008, demonstrating that the Group's LCD TV business sustained strong growth momentum. The increase of LCD TV sales volume was mainly driven by the Group's innovative products meeting customer needs against a backdrop of robust demand in the PRC Market. According to Displaysearch, the Group continued to fortify its leading position in the PRC Market for the sixth consecutive year in terms of total TV shipments.

During the period under review, the Group made a number of major breakthroughs in technology and product design. These included extra slim LED backlight LCD TVs, 3D LCD TVs, 240Hz refresh rate technology with improved motion resolution and Eco LCD TVs. During the third quarter, the Group launched extra slim LED backlight LCD TVs – C10 and X10 series in the PRC Market. Particularly, the X10 series LCD TVs won "iF Design Award China 2009" in August 2009. Meanwhile, in the Overseas Markets, M19 series LCD TVs were introduced during the period under review. The

Group's two core products – blue laser high definition TVs and internet TVs ("MiTV") continued to be well-received by consumers and recorded substantial growth in sales volume during the third quarter.

Sales volume by region is indicated below:

| | **First Three Quarters in 2009** ***('000 sets)*** | First Three Quarters in 2008 *('000 sets)* | Change |
|---|---|---|---|
| **LCD TVs** | **5,527** | 2,693 | +105.2% |
| – PRC | **2,984** | 785 | +280.1% |
| – Overseas | **2,543** | 1,908 | +33.3% |
| **CRT TVs** | **4,080** | 8,428 | (51.6%) |
| – PRC | **2,278** | 4,407 | (48.3%) |
| – Overseas | **1,802** | 4,021 | (55.2%) |
| **Total TV sales volume** | **9,607** | 11,121 | (13.6%) |
| **AV products** | **16,681** | 13,358 | +24.9% |

**The PRC Market**

The Group's PRC Market LCD TV sales continued to be the main growth driver of its business during the nine months ended 30 September 2009. Sales volume of LCD TVs surged by 323.4% and 280.1% respectively for the third quarter and for the first three quarters, compared with that in the corresponding periods last year.

In August 2009, TCL brand was elected by CCTV as "60th Anniversary of the Founding of New China – 60 Brands Promoting China's Economy and with Impact on People's Live" (「新中國成立60周年 — 推動中國經濟•影響民眾生活的60個品牌」), indicating the Group's brand power and wide recognition of TCL brand by consumers in the PRC Market. The Group continued to achieve this remarkable growth in the PRC Market through the advantages of its brand value, product competitiveness and extensive distribution channel as well as a series of economic stimulus packages promulgated by the PRC Government.

**The Overseas Markets**

*European Markets*

During the period under review, the Group continued to achieve healthy growth in the European Markets with a 90.7% increase in LCD TV sales volume as compared to that in the corresponding period last year. The North Central European market, such as

Poland and Norway, was the fastest growing market in this region with turnover in the third quarter increased by 131.5% as compared to the same period last year. Market in France also maintained robust growth with turnover in the third quarter increased by 29.9% as compared to the same period last year. MPEG-4 TVs with screen sizes of 26”, 32” and 40” were the best selling products during the period under review. M10 and P10 product ranges were introduced during the third quarter and were well received by the market. The Group continued to expand its presence in both markets in Spain and Italy while strengthening its partnership with key retailers which has broadened its revenue base. At the same time, the Group’s European business unit implemented several costs reduction initiatives and completed its factory restructuring which lowered manufacturing costs.

*North American Markets*

The Group maintained steady growth for LCD TV sales volume in the North American Markets. For the nine months ended 30 September 2009, LCD TV sales volume increased by 22.7% as compared to the same period last year. The growth was mainly driven by the expanded sales to leading retail customers. In addition, the Group lowered its distribution costs and various fixed costs through successful restructuring which took place in the first quarter of 2009 and enhanced supply chain management. This offset the margin pressure from rising LCD panel prices.

*Emerging Markets*

The Group maintained stable growth in these markets by implementing a number of key initiatives to control costs and improve product qualities during the period under review. Moreover, the Group launched P10 series LCD TVs during the period under review and received good responses from the market which gained new orders from customers in Australia and the Middle East. Meanwhile, the Group provided value added services for clients to boost brand awareness and product recognition. In addition, the Group introduced a LCD TV upgrade plan and a more focused marketing strategy directed at key retailers which boosted sales volume in this region.

*Strategic OEM*

Benefiting from the economy of scale and cost efficiency achieved from the Group’s operation, the Strategic OEM business provided a cost competitive solution with high vertical integration on module resource for its customers. In addition to strengthened partnership with existing customers, the Group strived to develop business relationship with potential customers. The Group accelerated the implementation of an e-connection system to optimize the process on its supply chain. The Group also tightened its measures on monitoring the implementation of Energy Using Products Code in order to meet the stringent requirements of European customers for energy control in electronic products.

**AV Products**

During the period under review, the Group's Home Networking business achieved impressive growth in terms of both sales volume and sales revenue. Sales volume reached 16.68 million sets, recording an increase of 24.9% year-on-year as compared to 13.36 million sets in the same period last year. The Group is implementing the new Enterprise Resource Planning (ERP) system as scheduled. The new system will optimize the Group's supply chain management and will shorten the raw material order cycle. Margin pressure from rising raw material cost was offset by the improvements in operation efficiency and continuous negotiation with suppliers to stabilize metal prices.

**R&D**

As a leading brand in the TV manufacturing industry, the Group places strong emphasis on product research and development as well as enhancement of product competitiveness in order to cope with the diverse needs of customers. Mass production of LCD TVs with LED backlight technology (C10 and X10 series) has been started and the products were launched during the third quarter this year. Other key achievements included the innovative "Ultrasonic Welding", "Laser Engraving" and "Precise Fixing" manufacturing process incorporated in the P10 series LCD TVs which further enhanced its product competitiveness. With the expansion of the digital TV market in the PRC, the Group has established a partnership with a leading international firm to exploit Internet Protocol Television (IPTV) Set Top Box products.

**Outlook**

The Group expects the demand for LCD TVs in the PRC Market will remain strong with the PRC Government's continuous support for policies such as "Household Appliances Subsidy Scheme", "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances" and the trend of the massive market transition to LCD TV in the PRC. The Group is in the leading position in retail pricing and brand influence in the PRC Market. Meanwhile, the high value-added internet TV ("MiTV") and LED TV will be launched as mainstream products to enhance the products differentiation and competitiveness. Leveraging the rapid growth phase of the TV market, the Group will continue to solidify its leadership in the market.

Moreover, the Group's new LCD TV Integration Plant which commenced operations in September 2009 enables the Group to largely increase its production capacity, reduce production costs and increase overall efficiency through vertical integration to further enhance its core industrial competitiveness and maintain its leading position in the PRC Market.

In the European Markets, the Group will enhance its efforts on the high value-added products such as LED TV and fully leverage on its unique localized resources (overseas factories), and it will take more focused strategies, on products and markets, to achieve a breakthrough on sales volume and TCL-brand penetration into selected regional markets.

In the North American Markets, the Group will focus on expanding its diversified sales channels while reduce costs in order to raise its product competitiveness. In the Emerging Markets, the Group will minimize its business risks through diversified product mix and sales models including channels, original equipment manufacturers (OEM) and agencies. At the same time, the Group will continue its business transition from CRT TV to LCD TV with its CRT TV market leadership in the Emerging Markets. With its leading position in the AV products market, the Group will expand its business chain and realize its business transition from DVD products to audio-visual, blue-ray and portable products.

Looking forward, despite the challenges within the TV manufacturing industry, the Group will focus on enhancing the industrial competitiveness through streamlined operations, and make all-rounded improvement on the market strategy, channel, production capacity and cost, etc, so as to increase its operating results with a goal to create greater value for our stakeholders.

## FINANCIAL REVIEW

### Significant Investments, Acquisitions and Disposals

Please refer to note 4 to the financial statements.

### 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$1,656,821,000, of which 0.5% was maintained in Hong Kong dollars, 35.3% in US dollars, 56.7% in Renminbi, 1.7% in Euro and 5.8% 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 2008 and there was no asset held under finance lease at the period end.

At the end of the reporting period, the Group's gearing ratio was 22.6% which is calculated based on the Group's net borrowing of approximately HK$763,121,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to equity holders of the parent of approximately HK$3,380,670,000. The maturity profile of the borrowings is from one to five years.

### Pledge of Assets

Please refer to notes 8 and 9 to the financial statements.

## Capital Commitments and Contingent Liabilities

As at 30 September 2009, the Group had the following capital commitments:

| | **30 September 2009 (unaudited)** *HK$'000* | 31 December 2008 (audited) *HK$'000* |
|---|---|---|
| Contracted, but not provided for | **152,153** | 33,083 |
| Authorised, but not contracted for | **274,497** | 4,299 |
| | **426,650** | 37,382 |

There was no significant change in contingent liabilities of the Group compared to the position outlined in the annual report for 2008.

## 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. 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 31,741 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 34,798,128 shares remained outstanding at the end of the reporting period.

A Restricted Share Award Scheme (the "Award Scheme") was also adopted by the Company 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

During the period under review, the Company repurchased 19,494,000 shares on the Stock Exchange at an aggregate price of HK$55,372,980. 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 Award Scheme adopted by the Company on 6 February 2008, the Company has through the trustee purchased from the market a total of 12,805,600 shares as shares awarded under the Award Scheme (the "Awarded Shares") for the benefit of its employees, out of which 9,224,000 shares at an aggregate amount of about HK$19,201,000 were purchased by the Company during the period under review. As at 30 September 2009, 4,847,023 Awarded Shares at an amount of about HK$9,859,000 were vested.

## 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 nine months ended 30 September 2009, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the nine months period ended 30 September 2009, 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, 28 October 2009

*As at the date of this announcement, the Board comprises LI Dongsheng, YU Guanghui, LEONG Yue Wing, SHI Wanwen, HUANG Xubin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior as a non-executive director and TANG Guliang, Robert Maarten WESTERHOF and WU Shihong as independent non-executive directors.*