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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 THREE MONTHS ENDED 31 MARCH 2010

FINANCIAL HIGHLIGHTS

Unaudited results for the three months ended 31 March

	2010 *(HK$M)*	2009 *(HK$M)*	**Change**
Turnover	**6,761**	5,014	+34.8%
Gross profit	**1,097**	910	+20.5%
Operating profit	**123**	86	+43.0%
Profit attributable to owners of the parent	**44**	26	+69.2%
Basic earnings per share *(HK cents)*	**4.32**	2.51	+72.1%

Highlights

- LCD TV sales volume grew considerably and increased by 60.7% year-on-year to 1.93 million sets

- Turnover and gross profit increased by 34.8% and 20.5% year-on-year to HK$6,761 million and HK$1,097 million, respectively

- Net profit was HK$44 million, an increase of 69.2% year-on-year

- The Group's financial position was improved to further drive its business development after it successfully completed the Placing and net proceeds of approximately HK$524 million had been raised from the Subscription. The cash and bank balances as at 31 March 2010 were HK$2,541 million

- The Group's LCD TV sales volume increased substantially in the Emerging Markets on its successful sports marketing strategies, the "World Cup" promotions and active development of new customers

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 three months ended 31 March 2010 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 March	
		2010	2009
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	2	**6,760,632**	5,014,310
Cost of sales		**(5,663,193)**	(4,103,978)
Gross profit		**1,097,439**	910,332
Other revenue and gains		**32,405**	37,599
Selling and distribution costs		**(773,615)**	(599,868)
Administrative expenses		**(162,604)**	(190,228)
Research and development costs		**(41,326)**	(53,042)
Other operating expenses		**(29,754)**	(18,304)
		122,545	86,489
Finance costs		**(55,109)**	(25,722)
Share of profits and losses of:			
Jointly-controlled entities		**6**	(3,105)
Associates		**(1,672)**	1,087
PROFIT BEFORE TAX		**65,770**	58,749
Income tax expense	3	**(19,333)**	(33,966)
PROFIT FOR THE PERIOD		**46,437**	24,783
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange fluctuation reserve:			
Translation of foreign operations		**2,024**	(31,219)
Release upon liquidation of a subsidiary		**–**	(10)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**2,024**	(31,229)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**48,461**	(6,446)

	Notes	Three months ended 31 March **2010** **(unaudited)** ***HK$'000***	2009 (unaudited) *HK$'000*
Profit/(loss) attributable to:			
Owners of the parent		**43,739**	25,690
Non-controlling interests		**2,698**	(907)
		46,437	24,783
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**45,647**	(5,308)
Non-controlling interests		**2,814**	(1,138)
		48,461	(6,446)
EARNINGS PER SHARE	5		
Basic		**HK4.32 cents**	HK2.51 cents
Diluted		**HK4.31 cents**	HK2.51 cents

Details of the dividends payable and proposed for the three months ended 31 March are disclosed in note 4.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2010 (unaudited) *HK$'000***	31 December 2009 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,558,045**	1,603,372
Prepaid land lease payments		**70,478**	70,944
Goodwill		**119,638**	119,638
Other intangible assets		**2,015**	2,492
Interests in jointly-controlled entities		**110,065**	109,772
Interests in associates		**97,635**	99,183
Available-for-sale investments		**1,182**	1,182
Deferred tax assets		**22,505**	19,504
Total non-current assets		**1,981,563**	2,026,087
CURRENT ASSETS			
Inventories		**4,921,571**	4,917,896
Trade receivables		**3,490,261**	4,078,239
Bills receivable		**576,611**	822,115
Other receivables		**1,245,029**	832,630
Tax recoverable		**13,601**	13,530
Pledged deposits		**500,556**	86,725
Cash and bank balances		**2,540,872**	2,078,724
		13,288,501	12,829,859
Non-current asset classified as held for sale	6	**65,215**	65,215
Total current assets		**13,353,716**	12,895,074
CURRENT LIABILITIES			
Trade payables		**4,269,514**	6,022,703
Bills payable		**620,845**	683,076
Other payables and accruals		**1,668,673**	1,784,480
Interest-bearing bank and other borrowings	7	**2,994,685**	1,761,048
Due to TCL Corporation	8	**687,600**	129,457
Due to T.C.L. Industries	8	**38,146**	38,146
Tax payable		**158,277**	163,458
Provisions		**225,202**	221,796
Subscription monies received	9	**524,477**	–
Total current liabilities		**11,187,419**	10,804,164
NET CURRENT ASSETS		**2,166,297**	2,090,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,147,860**	4,116,997

	Notes	**31 March 2010 (unaudited)** ***HK$'000***	31 December 2009 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,147,860**	4,116,997
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**341,219**	369,192
Deferred tax liabilities		**11,359**	11,818
Pensions and other post-employment benefits		**23,656**	23,522
Total non-current liabilities		**376,234**	404,532
Net assets		**3,771,626**	3,712,465
EQUITY			
Equity attributable to owners of the parent			
Issued capital	10	**1,013,614**	1,011,840
Reserves		**2,541,991**	2,487,418
Proposed final dividends		**121,421**	121,421
		3,677,026	3,620,679
Non-controlling interests		**94,600**	91,786
Total equity		**3,771,626**	3,712,465

Notes:

1. **BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value. Non-current assets classified as held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These condensed financial statements are presented in Hong Kong dollars ("HK$") 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 condensed financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2009.

2. **OPERATING SEGMENT INFORMATION**

The Group identified the operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker, who is the Chief Executive Officer of the Group, in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are as follows:

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

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

– the overseas market

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

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

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

Information regarding these reportable segments, together with their related revised comparative information, is presented below.

	Three months ended 31 March (unaudited)									
	Television – PRC market		Television – overseas market		AV		Others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**3,715,222**	3,018,614	**2,253,221**	1,386,489	**701,010**	564,467	**91,179**	44,740	**6,760,632**	5,014,310
Segment results	**55,832**	163,406	**27,946**	(68,989)	**74,862**	15,948	**7,566**	(6,919)	**166,206**	103,446
Bank interest income									**2,301**	3,584
Corporate expenses									**(45,962)**	(20,541)
Finance costs									**(55,109)**	(25,722)
Share of profits and losses of:										
Jointly-controlled entities	**(1,255)**	(1,943)	**1,261**	(1,162)	**–**	–	**–**	–	**6**	(3,105)
Associates	**(38)**	(2)	**–**	–	**–**	–	**(1,634)**	1,089	**(1,672)**	1,087
Profit before tax									**65,770**	58,749
Income tax expense									**(19,333)**	(33,966)
Profit for the period									**46,437**	24,783

3. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	Three months ended 31 March	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**3,232**	419
Current – Elsewhere	**19,573**	34,928
Deferred	**(3,472)**	(1,381)
Total tax charge for the period	**19,333**	33,966

4. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2010 (2009: Nil).

5. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**43,739**	25,690

	Number of shares Three months ended 31 March	
	2010	2009
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**1,012,797,618**	1,021,826,634
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options during the period	**2,828,048**	–
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	**1,015,625,666**	1,021,826,634

No adjustment has been made to the basic earnings per share amount presented for the three months ended 31 March 2009 in respect of a dilution as the impact of the share options outstanding during the prior period had an anti-dilutive effect on the basic earnings per share amount presented.

6. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 7 January 2009, the Group entered into a framework agreement (the "Disposal Agreement") with Tianjin Vantone New-Innovation Industrial Resource Investment Co. Ltd. ("Tianjin Vantone"), an associate of TCL Corporation, to dispose of its entire interests in TCL Digital Science and Technology (Wuxi) Company Limited ("TCL Wuxi"), a 70%-owned subsidiary of the Group, for an aggregate initial consideration of RMB159,000,000 (equivalent to HK$181,065,000) (the "Consideration").

The Consideration was further adjusted to RMB142,761,000 (equivalent to HK$161,916,000) after taking into account the receipts/payments of certain assets/liabilities of TCL Wuxi by the Group before the completion of the Disposal Agreement (the "Working Capital Adjustment").

Pursuant to the Disposal Agreement and taking into account the Working Capital Adjustment, the disposal will be completed by the following steps:

(i) The Group to transfer 45% interest in TCL Wuxi (the "Disposal Interest") to Tianjin Vantone for a cash consideration of RMB85,261,000 (equivalent to HK$96,701,000) in June 2009;

(ii) Tianjin Vantone to provide the Group a loan (the "Trust Loan") of RMB57,500,000 (equivalent to HK$65,215,000) for a period up to 26 October 2010;

(iii) The Group to pledge the remaining 25% interest in TCL Wuxi (the "Pledged Interest") in favour of Tianjin Vantone as a security for the Trust Loan; and

(iv) The Group to transfer the Pledged Interest to Tianjin Vantone as settlement of the Trust Loan within 15 days after the maturity of the Trust Loan.

Completion of the Disposal Agreement took place in June 2009 when steps (i) to (iii) above were completed as the Group is no longer entitled to any economic benefits of TCL Wuxi even though it still holds the legal title of the Pledged Interest.

As at 31 March 2010, the Pledged Interest, which will be transferred to Tianjin Vantone as settlement of the Trust Loan, was classified as a non-current asset held for sale and included as a current asset on the condensed consolidated statement of financial position.

7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 March 2010 (unaudited) *HK$'000*	31 December 2009 (audited) *HK$'000*
Current		
Bank loans – secured	**615,374**	172,353
Bank loans – unsecured	**1,843,503**	1,182,479
Trust receipt loans – unsecured	**229,148**	99,888
Loans from an associate – unsecured	**241,260**	241,009
Loan from an associate of TCL Corporation – secured	**65,400**	65,319
	2,994,685	1,761,048
Non-current		
Bank loans – secured	**341,219**	369,192
	3,335,904	2,130,240
Bank loans repayable:		
Within one year or on demand	**2,688,025**	1,454,720
In the second year	**113,740**	113,598
In the third to fifth year, inclusive	**227,479**	255,594
	3,029,244	1,823,912
Loans from an associate repayable:		
Within one year	**241,260**	241,009
Loan from an associate of TCL Corporation repayable:		
Within one year	**65,400**	65,319
	3,335,904	2,130,240

Notes:

(a) As at 31 March 2010, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) Certain of the Group's bank loans are secured by:

(i) pledge of the Group's prepaid land lease payments, buildings and plant and machinery situated in the PRC, which had aggregate carrying amounts at the end of the reporting period of approximately HK$23,986,000 (31 December 2009: HK$24,277,000), HK$245,764,000 (31 December 2009: HK$248,507,000) and HK$113,947,000 (31 December 2009: HK$116,279,000), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$500,556,000 (31 December 2009: HK$86,725,000).

(c) The loan due to the associate of TCL Corporation is secured by the Pledged Interest, amounting to HK$65,215,000 (31 December 2009: HK$65,215,000).

(d) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$2,363,862,000 (31 December 2009: HK$1,702,188,000) as at the end of the reporting period.

8. 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 is the ultimate holding company of the Company.

The amounts are unsecured and are repayable within one year except for an amount of HK$85,305,000 (31 December 2009: HK$85,198,000) due to TCL Corporation which was secured by certain of the Group's buildings and prepaid land lease payments with net carrying amounts of approximately HK$86,493,000 (31 December 2009: HK$88,386,000) and HK$13,870,000 (31 December 2009: HK$14,264,000), respectively. The amounts are interest-free, except for the amounts of HK$261,076,000, HK$341,219,000 and HK$85,305,000 due to TCL Corporation which bear interest at fixed rates of 5.97% per annum, 5.10% per annum and 5.31% per annum, respectively (31 December 2009: amounts of HK$44,259,000 and HK$85,198,000 due to TCL Corporation which bore interest at fixed rates of 5.97% per annum and 5.31% per annum, respectively).

9. SUBSCRIPTION MONIES RECEIVED

On 22 March 2010, T.C.L. Industries, the Company, Nomura International (Hong Kong) Limited ("Nomura") and Standard Chartered Securities (Hong Kong) Limited ("Standard Chartered") entered into a placing and subscription agreement (the "Agreement"), pursuant to which T.C.L. Industries has agreed to sell 72,000,000 shares of the Company (the "Placing Shares") and Nomura and Standard Chartered have agreed to, on a several and not jointly nor on a joint or several basis, to act as placing agents to T.C.L. Industries to procure purchasers to purchase the Placing Shares at a placing price of HK$7.43 per share (the "Placing Price"), failing which to purchase as principals the Placing Shares (the "Placing").

Pursuant to the Agreement, T.C.L. Industries has conditionally agreed to subscribe for 72,000,000 shares (the "Subscription Shares") at a subscription price, which is the same as the Placing Price (the "Subscription"). The Subscription Shares will be issued under the general mandate granted to the directors pursuant to a resolution passed by the shareholders at the Company's annual general meeting held on 12 May 2009. As such, the issue of the Subscription Shares is not subject to further approval of the shareholders of the Company.

Following the completion of the Placing on 25 March 2010 and the Listing Committee of the Stock Exchange Hong Kong Limited (the "Stock Exchange") having granted the listing of and permission to deal in the Subscription Shares, all conditions of the Subscription have been fulfilled and completion of the Subscription took place on 1 April 2010 (the "Completion Date"). The Subscription Shares were issued to T.C.L. Industries in accordance with the terms of the Agreement on the Completion Date.

Given the Subscription was not completed on 31 March 2010, the Subscription monies received were included in current liabilities as at the reporting date.

For details of the Agreement, please refer to the announcements of the Company dated 22 March 2010 and 1 April 2010.

10. SHARE CAPITAL

	31 March 2010 (unaudited) ***HK$'000***	31 December 2009 (audited) *HK$'000*
Authorised:		
2,200,000,000 (31 December 2009: 2,200,000,000) shares of HK$1.00 (31 December 2009: HK$1.00) each	**2,200,000**	2,200,000
Issued and fully paid:		
1,013,614,262 (31 December 2009: 1,011,840,056) shares of HK$1.00 (31 December 2009: HK$1.00) each	**1,013,614**	1,011,840

During the three months ended 31 March 2010, the subscription rights attaching to 630,334 share options and 1,143,872 share options were exercised at the subscription prices of HK$2.45 and HK$6.30 per share, respectively, resulting in the issue of 1,774,206 shares of HK$1.00 each for a total cash consideration, before expenses, of HK$8,751,000.

BUSINESS REVIEW

During the period under review, consumer sentiment improved as the global economy gradually recovered from the financial crisis. Meanwhile, the PRC government introduced various supportive policies including "Household Appliances Subsidy Scheme", "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances", which accelerated the TV replacement cycle in the PRC. The Group recorded turnover of HK$6,761 million in the first quarter of 2010, an increase of 34.8% as compared to HK$5,014 million in the same period of 2009. Gross profit reached HK$1,097 million, representing an increase of 20.5% from the same period of last year. Net profit and basic earnings per share were HK$44 million and HK4.32 cents, respectively, an increase of 69.2% and 72.1% from the same period of 2009.

The solid business performance was attributable to the Group's prudent management strategies to control operating costs and to further improve production efficiency. Through its Lean Manufacturing strategy and vertical integration of its LCD TV Integration Plant located in Huizhou, the PRC, the Group enhanced its operating efficiency and increased its overall capacity. Aiming at augmenting market shares amid intense competition, the Group continued to strengthen its R&D efforts and dedicated more resources to develop high value-added products. Moreover, the Group successfully expanded its customer base, which resulted in further consolidating its leading position in the global TV market.

In addition, the Group successfully completed the Placing and net proceeds of approximately HK$524 million had been raised from the Subscription in March 2010. The Subscription Shares had been issued on 1 April 2010, resulted in strengthened financial position and broadened capital base of the Group. The proceeds will be used mainly for development of its LCD and LED business in the PRC Market and sustainable development of the Group. As at 31 March 2010, cash and bank balances of the Group reached HK$2,541 million, an increase of 22.2% as compared to 31 December 2009.

TV Sales

During the period under review, the Group sold a total of 1.93 million sets of LCD TV, representing a growth of 60.7% year-on-year. LCD TV sales contributed 54.5% to total TV sales volume as compared to 49.5% in the first quarter of 2009, reflecting that the Group achieved success in the strategic adjustment of product mix and production lines. In the first quarter of 2010, the Group sold a total of 1.61 million sets of CRT TV to meet market demand.

With the growing popularity of the internet, the Group accelerated its product R&D efforts to enhance product competitiveness. It launched Internet TV in 2009, which was well received in the market. In order to further showcase its innovative technologies and leading position in Internet TV, the Group held a press conference in March 2010 to announce the rollout of the P11 series LED Internet TV and to introduce the first 3D Internet TV in the world. Equipped with LED backlight technology, the new P11 series features a slim design and the thinnest part of the cabinet in less than 3mm depth. In addition, they are powered by a second generation Internet TV operating system which supports multi-tasking and allow users to process pictures and enjoy music simultaneously.

Sales volume by region is indicated below:

	1Q 2010	1Q 2009	
	('000 sets)	*('000 sets)*	**Change**
LCD TVs	**1,927**	1,199	+60.7%
– PRC	**1,188**	761	+56.1%
– Overseas	**739**	438	+68.7%
CRT TVs	**1,612**	1,222	+31.9%
– PRC	**569**	830	(31.4%)
– Overseas	**1,043**	392	+166.1%
Total TV sales volume	**3,539**	2,421	+46.2%
AV products sales volume	**3,321**	3,381	(1.8%)

The PRC Market

The Group continued to benefit from surging demand in the rural markets with the implementation of the "Household Appliances Subsidy Scheme". Meanwhile, its sales in the first and second-tier cities maintained steady growth on the back of various supportive government policies including "Home Appliances Replacement Scheme" and "Promotion of Energy Efficient Appliances". The Group sold 1.19 million sets of LCD TVs in the PRC Market during the three months ended 31 March 2010, representing a 56.1% year-on-year increase. However, the sales volume growth in the PRC Market did not meet the Group's target during the first quarter of 2010 due to lower-than-expected market growth, while the Group has been adjusting its product mix.

The Group's operating results in the PRC Market has been severely affected by intensified market competition. Despite the challenging environment, the Group strives to focus on vertical integration and streamlining the manufacturing process which will offset the pressure from intensified competition.

Nevertheless, leveraging its innovative technology development, the Group retained a leading role in the Internet TV industry. Moreover, it optimized the product mix and expanded its sales network in third and fourth tier cities as well as its logistics and customer service networks. With its well-established "TCL" and "ROWA" brands, the Group maintained its competitiveness in the PRC Market. Additionally, the Group also aims to strengthen its supply chain consolidation and product mix adjustments, and strives to launch more competitive flagship products in the third quarter of 2010.

Overseas Markets

European Markets

The Group achieved solid sales performance in Western European Markets during the period under review, thanks to its successful marketing of TCL branded LCD TVs. Its LCD TV sales in France were encouraging with market share increasing to 5.1% (GfK). Meanwhile, the Group's market shares in Germany, Poland and Scandinavian Peninsula continued to rise. During the first quarter of 2010, total LCD TV sales volume in European Markets increased by 147.7% over the same period of 2009. As certain European countries were hit by currency fluctuations, the Group implemented stringent cost control measures to minimize foreign exchange risk. The Group's sales model in Russia Market also changed to a succinct offshore model with higher efficiency to control operating risk. Additionally, it effectively reduced operating costs and increased competitiveness through local sourcing of materials and complete implementation of an Electronic Data Interchange ("EDI") system.

North American Markets

During the first quarter of 2010, the Group adopted a prudent business development plan. The Group also planned to cease using the RCA brand from the second half of 2010 and promote TCL branded TVs according to the Group's brand strategy. Although sales volume in North American Markets will be impacted in near term, it will be beneficial to the Group's long term development and interest. In addition, LCD TV sales volume increased by 45.3% over the same period of 2009. Benefiting from the restructuring completed last year, the Group's supply chain and after-sales services were improved, which led to a reduction in operating costs and an enhancement in operational efficiency.

Emerging Markets

With successful sports marketing strategies, the “World Cup” promotions and its leading position in the regional CRT TV market, the Group increased brand recognition and further expanded its market share in the Emerging Markets during the period under review. Sales volume of LCD TVs and CRT TVs surged 351.5% and 215.0%, respectively, when compared to the same period last year. During the first quarter of 2010, the Group also broadened its customer base and successfully penetrated into the TV markets in India and Brazil. To address the latest developments in the Emerging Markets, the Group launched V10, S10 and D10 series 24” LCD TVs in the first quarter of 2010. The positive market response to these products has boosted sales volume. The Group also actively improved its inventory management and maintained lower inventory levels.

Strategic OEM

During the first quarter of 2010, LCD TV sales volume for the Strategic OEM business increased by 10.3% over the same period of last year. However, the contribution of the Strategic OEM business to the Group’s overall business will be further reduced following the adjustment to the customer structure. On the other hand, the Group entered into negotiations with international operators for cooperation in the Original Design Manufacturing (“ODM”) business and made good progress. In order to enhance its competitiveness in the OEM market, the Group formed a cross functional team to improve product planning. In addition, it strengthened the vertical integration of its supply chain management so as to offer products to customers at more competitive prices.

AV Products

During the period under review, although sales volume of AV products decreased slightly by 1.8% to 3.32 million sets from 3.38 million sets in the same period of the previous year, turnover of AV products increased by 24.3% and reached HK$701 million. The Group’s AV Business achieved notable breakthroughs during the first quarter of 2010 as it started mass production of DVD and PDVD products for several strategic international customers and started a business project for blue ray products. These developments marked a breakthrough for its product transition and customer diversification. However, rising prices of major components and raw materials put pressure on the Group’s operating costs and profitability. Thus it had to enhance services delivered to strategic partners, optimize its supply chain and reduce logistic costs to maintain its market share and competitiveness.

R&D

The Group is a leader in the TV market in product innovation and design. As such, R&D remains a key competitive strength of the Group. It continues to put great effort in R&D capability and in enhancing its product design and quality. During the first quarter of 2010, the Group launched 16 new LCD TV products, among which were 6 LED TVs and 10 Cold Cathrode Fluoresecent Lamps ("CCFL") TVs. The Group also introduced 3D Internet TVs in March 2010, demonstrating its technological breakthroughs and further strengthening the Group's leading position in the Internet TV sector.

Outlook

While the economy gradually improves in the wake of the global economic downturn, the Group expects the competition in the TV industry will intensify in 2010. The Group remains cautiously optimistic about its business outlook as the PRC government will continue to expand its supportive policies to boost domestic demand. As the new corporate structure is completed, the Group will enhance its efforts in streamlining and restructuring various aspect of its business management, including market, R&D, supply chain, production, sales and cost. After the restructuring, the streamlined corporate structure with higher efficiency business model will lay a solid foundation for the Group's long term growth and competitiveness. Management targets to complete the streamlining and restructuring in the first half of 2010. Meanwhile, the proceeds from the Subscription will be mainly used for development of its LCD and LED business in the PRC Market and sustainable development of the Group. In addition, Internet TVs will become a major trend for the development of TV industry. As such, the Group has established a partnership with China Network Television ("CNTV") and targets to maintain its leading position in the Internet TV market.

As the markets environment remains unstable, the Group will continue to adopt a prudent business development plan for its Overseas Markets business. In European Markets, the Group will focus on risk control and capture the opportunities arising from the "World Cup" fever and allocate more resources to certain important markets to boost sales growth. In North American Markets, the Group will cease using the RCA brand from the second half of 2010 and promote TCL branded TVs. The Group expects Emerging Markets have the greatest business growth potential and its business will continue to grow with "The World Cup" and the Group's successful sports marketing strategies. Although contribution from Strategic OEM business will be reduced, the Group will strive to gain ODM business. For AV Products, the Group will expand its DVD and audio product portfolio to meet market needs, while vigorously reducing costs in the face of rising raw material prices.

To meet the ever-changing demand of customers and keep pace with the rapid market growth, the Group will improve its product mix by focusing on R&D enhancement. This will ensure its sustainable growth and enable it to capture new market opportunities. The Group will keep abreast of the latest market developments and technological advancements and will strive to maintain its leading position in the TV market, paving the way for long-term sustainable growth.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There was no significant investment, acquisition and disposal for the three months ended 31 March 2010.

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 of the Group as at 31 March 2010 amounted to HK$2,540,872,000 of which 2.8% was maintained in Hong Kong dollars, 35.8% in US dollars, 56.0% in Renminbi, 1.2% in Euro and 4.2% 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 2009 and there was no asset held under finance lease as at 31 March 2010.

As at 31 March 2010, the Group's gearing ratio was 26.7% which is calculated based on the Group's net borrowing of approximately HK$982,076,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$3,677,026,000. The maturity profile of the borrowings is from one to five years.

Pledge of Assets

Please refer to notes 7 and 8.

Capital Commitments and Contingent Liabilities

There was no significant change in capital commitments and contingent liabilities of the Group compared to the position outlined in the annual report for 2009.

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 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 27,773 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 scheme. Options for subscribing a total of 24,553,694 shares remained outstanding at the end of the reporting period.

Award scheme dated 6 February 2008 (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

There was no purchase, sale or redemption of shares for the three months ended 31 March 2010.

EVENTS AFTER THE REPORTING PERIOD

On 1 April 2010, 72,000,000 Subscription Shares had been issued to T.C.L. Industries. For details, please refer to note 9.

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 three months ended 31 March 2010, 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").

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the three months ended 31 March 2010, 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 April 2010

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