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 2010

FINANCIAL HIGHLIGHTS

Unaudited results for the nine months ended 30 September

	2010	2009	Change
	(HK$M)	*(HK$M)*	
Turnover	**19,095**	21,098	(9.5%)
Gross profit	**2,435**	3,617	(32.7%)
Operating profit/(loss)	**(733)**	437	N/A
Profit/(loss) attributable to owners of the parent	**(991)**	230	N/A
Basic earnings/(loss) per share (HK cents)	**(93.34)**	22.68	N/A

HIGHLIGHTS

- For the nine months ended 30 September 2010, the Group recorded turnover of HK$19,095 million, a decrease of 9.5% compared to the same period last year, while gross profit decreased by 32.7% year-on-year. The Group recorded an operating loss of HK$733 million and a loss attributable to owners of the parent of HK$991 million

- The Group's LCD TV sales volume decreased by 6.1% to 5.19 million sets year-on-year; however, LCD TV sales volume increased by 17.4% year-on-year in the PRC Market

- The Group had successfully cleared most of its obsolete inventory in the PRC Market by the end of the third quarter

- In proportion to total LCD TV sales volume, the sales volume of LED backlight LCD TVs continued to rise, reaching 18.9% in September compared to only 1.5% during the first half of this year

- The Group captured business opportunities in Emerging Markets during the transition to LCD TVs, and recorded a strong year-on-year increase of 241.9% in LCD TV sales volume in the markets through the implementation of successful product transition and marketing strategy

- During the period under review, the Group adjusted its Strategic OEM customer base and began cooperating with Toshiba to form a joint venture first in the PRC

- Due to the continued decline in the global traditional DVD player market, sales volume of AV products decreased by 27.7% year-on-year to approximately 12.06 million sets; however, gross profit margin increased slightly

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 2010 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**	
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
		2010	2009	**2010**	2009
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	3	**19,094,954**	21,097,534	**6,854,278**	9,706,184
Cost of sales		**(16,660,235)**	(17,480,958)	**(6,140,195)**	(8,173,034)
Gross profit		**2,434,719**	3,616,576	**714,083**	1,533,150
Other revenue and gains		**346,114**	182,540	**188,305**	45,090
Selling and distribution costs		**(2,772,101)**	(2,505,240)	**(1,196,142)**	(1,104,029)
Administrative expenses		**(519,769)**	(637,692)	**(172,793)**	(246,528)
Research and development costs		**(155,992)**	(156,049)	**(74,080)**	(54,225)
Other operating expenses		**(66,429)**	(62,772)	**(19,640)**	(9,513)
		(733,458)	437,363	**(560,267)**	163,945
Finance costs		**(147,615)**	(75,784)	**(40,672)**	(31,846)
Share of profits and losses of:					
Jointly-controlled entities		**(14,573)**	(6,919)	**(12,779)**	(309)
Associates		**(10,918)**	2,460	**(10,126)**	658
PROFIT/(LOSS) BEFORE TAX		**(906,564)**	357,120	**(623,844)**	132,448
Income tax expense	4	**(78,243)**	(120,264)	**(30,283)**	(39,002)
PROFIT/(LOSS) FOR THE PERIOD		**(984,807)**	236,856	**(654,127)**	93,446
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**52,677**	(70,187)	**18,675**	(8,938)
Release upon disposal and liquidation of subsidiaries		**–**	(22,407)	**–**	–
Release upon disposal of an associate		**(21)**	–	**–**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**52,656**	(92,594)	**18,675**	(8,938)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(932,151)**	144,262	**(635,452)**	84,508

	Notes	Nine months ended 30 September **2010** **(unaudited)** ***HK$'000***	2009 (unaudited) *HK$'000*	Three months ended 30 September **2010** **(unaudited)** ***HK$'000***	2009 (unaudited) *HK$'000*
Profit/(loss) attributable to:					
Owners of the parent		**(991,151)**	230,113	**(657,376)**	86,811
Non-controlling interests		**6,344**	6,743	**3,249**	6,635
		(984,807)	236,856	**(654,127)**	93,446
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**(940,470)**	137,647	**(639,805)**	77,812
Non-controlling interests		**8,319**	6,615	**4,353**	6,696
		(932,151)	144,262	**(635,452)**	84,508
EARNINGS/(LOSS) PER SHARE	6				
Basic		**HK(93.34) cents**	HK22.68 cents		
Diluted		**HK(93.34) cents**	HK22.68 cents		

Details of the dividends payable and proposed for the nine months ended 30 September are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2010 (unaudited) *HK$'000***	31 December 2009 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,492,354**	1,603,372
Prepaid land lease payments		**105,216**	70,944
Goodwill		**119,638**	119,638
Other intangible assets		**1,074**	2,492
Interests in jointly-controlled entities		**97,470**	109,772
Interests in associates		**156,808**	99,183
Available-for-sale investments		**6,677**	1,182
Deferred tax assets		**19,325**	19,504
Total non-current assets		**1,998,562**	2,026,087
CURRENT ASSETS			
Inventories		**4,053,161**	4,917,896
Trade receivables		**3,416,301**	4,078,239
Bills receivable		**2,409,047**	822,115
Other receivables		**1,166,474**	832,630
Tax recoverable		**14,566**	13,530
Pledged deposits		**2,180,682**	86,725
Cash and bank balances		**2,002,784**	2,078,724
		15,243,015	12,829,859
Non-current asset classified as held for sale	7	**65,215**	65,215
Total current assets		**15,308,230**	12,895,074
CURRENT LIABILITIES			
Trade payables		**4,032,142**	6,022,703
Bills payable		**813,293**	683,076
Other payables and accruals		**2,202,561**	1,784,480
Interest-bearing bank and other borrowings	8	**4,434,216**	1,761,048
Due to TCL Corporation	9	**1,298,732**	129,457
Due to T.C.L. Industries	9	**38,146**	38,146
Tax payable		**137,896**	163,458
Provisions		**229,077**	221,796
Total current liabilities		**13,186,063**	10,804,164
NET CURRENT ASSETS		**2,122,167**	2,090,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,120,729**	4,116,997

	Notes	**30 September 2010 (unaudited)** *HK$'000*	31 December 2009 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,120,729**	4,116,997
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	8	**910,582**	369,192
Deferred tax liabilities		**13,343**	11,818
Pensions and other post-employment benefits		**6,783**	23,522
Total non-current liabilities		**930,708**	404,532
Net assets		**3,190,021**	3,712,465
EQUITY			
Equity attributable to owners of the parent			
Issued capital	10	**1,086,231**	1,011,840
Reserves		**2,003,685**	2,487,418
Proposed final dividends		**–**	121,421
		3,089,916	3,620,679
Non-controlling interests		**100,105**	91,786
Total equity		**3,190,021**	3,712,465

Notes:

1. **BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 asset classified as held for sale is stated at the lower of its carrying amount and fair value 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, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK (IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*
Amendments to HKFRS 5 (included in *Improvements to HKFRSs* issued in October 2008)	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations– Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed financial statements and there have been no significant changes to the accounting policies applied in these condensed financial statements.

3. 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 bank 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 comparative information, is presented below.

	Nine months ended 30 September									
	Television – PRC market		Television – Overseas market		AV		Others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**10,751,216**	10,909,550	**5,111,092**	7,089,270	**2,637,549**	2,934,132	**595,097**	164,582	**19,094,954**	21,097,534
Segment results	**(692,907)**	362,375	**(183,795)**	(971)	**147,518**	159,734	**68,844**	(27,270)	**(660,340)**	493,868
Bank interest income									**10,176**	10,630
Corporate expenses									**(83,294)**	(67,135)
Finance costs									**(147,615)**	(75,784)
Share of profits and losses of:										
Jointly-controlled entities	**(15,663)**	(5,091)	**1,090**	(1,828)	**–**	–	**–**	–	**(14,573)**	(6,919)
Associates	**(8,873)**	(40)	**–**	–	**(5,154)**	–	**3,109**	2,500	**(10,918)**	2,460
Profit/(loss) before tax									**(906,564)**	357,120
Income tax expense									**(78,243)**	(120,264)
Profit/(loss) for the period									**(984,807)**	236,856

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 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.

	Nine months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**9,197**	1,291
Current – Elsewhere	**66,935**	128,691
Deferred	**2,111**	(9,718)
Total tax charge for the period	**78,243**	120,264

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2010 (30 September 2009: Nil).

6. EARNINGS/(LOSS) PER SHARE

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

	Nine months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	**(991,151)**	230,113

	Number of shares Nine months ended 30 September	
	2010	2009
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings/(loss) per share calculation	**1,061,915,563**	1,014,815,509
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options during the period	**7,417,039**	–
Weighted average number of ordinary shares in issue during the period used in diluted earnings/(loss) per share calculation	**1,069,332,602**	1,014,815,509

No adjustment has been made to the basic loss per share amount presented for the nine months ended 30 September 2010 in respect of the dilution as the impact of the share options outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented.

7. 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 ("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 involved 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$66,659,000) 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 30 September 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.

8. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2010 (unaudited) *HK$'000*	31 December 2009 (audited) *HK$'000*
Current		
Bank loans – secured	**2,298,075**	172,353
Bank loans – unsecured	**1,790,694**	1,182,479
Trust receipt loans – unsecured	**122,259**	99,888
Loans from an associate – unsecured	**156,529**	241,009
Loan from an associate of TCL Corporation – secured	**66,659**	65,319
	4,434,216	1,761,048
Non-current		
Bank loans – secured	**289,822**	369,192
Bank loans – unsecured	**620,760**	–
	910,582	369,192
	5,344,798	2,130,240
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,211,028**	1,454,720
In the second year	**178,005**	113,598
In the third to fifth year, inclusive	**732,577**	255,594
	5,121,610	1,823,912
Loans from an associate repayable:		
Within one year	**156,529**	241,009
Loan from an associate of TCL Corporation repayable:		
Within one year	**66,659**	65,319
	5,344,798	2,130,240

Notes:

(a) As at 30 September 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$23,793,000 (31 December 2009: HK$24,277,000), HK$256,791,000 (31 December 2009: HK$248,507,000) and HK$109,709,000 (31 December 2009: HK$116,279,000), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$2,180,682,000 (31 December 2009: HK$86,725,000).

(c) The loan due to the associate of TCL Corporation is secured by the Pledged Interest.

(d) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$2,109,249,000 (31 December 2009: HK$1,702,188,000) as at the end of the reporting period.

9. 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$86,946,000 (31 December 2009: HK$85,198,000) due to TCL Corporation which was secured by certain of Group's buildings and prepaid land lease payments with net carrying amounts of approximately HK$84,075,000 (31 December 2009: HK$88,386,000) and HK$13,298,000 (31 December 2009: HK$14,264,000) respectively.

10. SHARE CAPITAL

Shares	**30 September 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:		
1,086,231,395 (31 December 2009: 1,011,840,056) shares of HK$1.00 (31 December 2009: HK$1.00) each	**1,086,231**	1,011,840

During the nine months ended 30 September 2010, the subscription rights attaching to 944,651 share options and 1,446,688 share options were exercised at the subscription prices of HK$2.45 and HK$6.30 per share, respectively, resulting in the issue of 2,391,339 shares of HK$1.00 each for a total cash consideration, before expenses, of HK$11,429,000.

On 22 March 2010, the Company entered into a placing and subscription agreement (the "Agreement") with T.C.L. Industries for placing of old shares and subscription of new shares of the Company. Completion of the Agreement took place on 1 April 2010 and 72,000,000 new ordinary shares of the Company were issued to T.C.L. Industries at HK$7.43 each. For details of the Agreement, please refer to the announcements of the Company dated 22 March 2010 and 1 April 2010.

BUSINESS REVIEW

For the nine months ended 30 September 2010, the Group recorded turnover of HK$19,095 million, down 9.5% from HK$21,098 million during the same period last year. The Group's ceased sales of RCA-branded products in its North American Markets and restructuring of its customer base of Strategic OEM business resulted in a year-on-year decline of 0.4% in the Group's total TV sales volume. Its gross profit margin decreased mainly due to the intense competition in the TV market, the Group's stock clearance of obsolete LCD TV models in the PRC Market and European Markets, as well as expenditures incurred in business restructuring. The Group recorded an operating loss of HK$733 million and a HK$991 million loss attributable to owners of the parent during the period under review.

However, since May of this year, the Group has worked aggressively to clear its stock of obsolete TV models in the PRC Market and the inventory clearance was substantially completed by the end of the third quarter of this year. TV sales volume in that market therefore rebounded in September. At the same time, the enhanced efforts made by the Group for promoting its LED backlight LCD TVs have started to yield positive results. After the Group's joint venture with Taiwan's AU Optronics Corporation ("AU Optronics") had started the mass production of LED backlight modules in August this year, the proportion of LED backlight LCD TV sales volume to the total LCD TV sales volume increased rapidly. In September of this year, its proportion tripled to 18.9% compared to June of this year.

While the Group continued to actively expand its LED backlight LCD TV product lines, it has completed the reorganization of management by the end of September after the appointment of a new CEO. This will serve to improve management and operational efficiency.

TV Sales

For the nine months ended 30 September 2010, due to the decline in sales volume in the North American Markets and adjustment of Strategic OEM customer base, the Group's LCD TV sales volume decreased by 6.1% year-on-year to 5.19 million sets in the first three quarters of 2010 compared with 5.53 million sets in the first three quarters of 2009. However, the Group's LCD TV sales volume increased by 17.4% year-on-year in the PRC Market in the first three quarters of 2010.

Since the second half of this year, the Group's sales volume of LED backlight LCD TVs, in proportion to its total LCD TV sales volume, has been increasing rapidly. Its penetration rate increased from only 1.5% in the first half of this year to 18.9% in September. Sales volume of LED backlight LCD TVs reached 339,000 sets for the first nine months of this year, with strong sales performance in the PRC Market.

Sales volume by region is indicated below:

	First Three Quarters in 2010 ***('000 sets)***	First Three Quarters in 2009 *('000 sets)*	Change
LCD TVs	**5,191**	5,527	(6.1%)
Of which:			
LED backlight LCD TV	**339**	–	N/A
– PRC	**3,502**	2,984	+17.4%
– Overseas	**1,689**	2,543	(33.6%)
CRT TVs	**4,375**	4,080	+7.2%
– PRC	**1,562**	2,278	(31.4%)
– Overseas	**2,813**	1,802	+56.1%
Total TV sales volume	**9,566**	9,607	(0.4%)
Total AV products sales volume	**12,059**	16,681	(27.7%)

The PRC Market

In the first nine months of this year, the Group recorded turnover of HK$10,751 million in the PRC Market, a decrease of 1.5% year-on-year. During the period under review, due to keen market competition and the overly optimistic forecast of the PRC TV industry at the beginning of this year which resulted in lower-than-expected sales volume and subsequently led to high inventory level, the Group strengthened its efforts to clear the stock of obsolete LCD TV models during the third quarter. As a result, the Group's gross profit margin in the PRC Market was under severe pressure, and an operating loss of HK$511 million was recorded in the third quarter of this year.

Nevertheless, the Group had largely cleared up its inventory of obsolete LCD TV models by the end of the third quarter of this year. This will lay a solid foundation for adjustment of its product structure and further introduction of LED backlight LCD TVs. After recording year-on-year decline in LCD TV sales volume in both July and August, the Group's PRC Market LCD TV sales volume rebounded and reached 746,000 sets in September of this year, up 16.5% year-on-year and 87.6% month-on-month. In the first nine months of 2010, LCD TV sales volume increased to 3.50 million sets and was up by 17.4% from the same period last year. The Group's LED backlight LCD TV sales volume in proportion to its total LCD TV sales volume has been increasing rapidly while its market share continued to grow. The contribution of the turnover in the PRC Market to the Group's total TV turnover increased substantially from 64.2% in the first half of this year to 74.1% in the third quarter. The PRC Market remained as the major growth driver of the Group's business.

Overseas Markets

Emerging Markets

Leveraging its leading position in CRT TVs in Emerging Markets, the Group has proactively seized the opportunities arising from CRT TVs to LCD TVs replacement cycle. By adopting a flexible product mix strategy and optimizing its supply chain, as well as the successful promotional and marketing strategies for the "World Cup", the Group saw strong growth in its business in those markets during the period under review. LCD TV sales volume surged by 241.9% compared to the same period last year, in which South American, Middle Eastern and Southeast Asian markets performed particularly well. The Group will increase its promotional efforts in those markets, making the Group's overseas operations one of its key business segments.

European Markets

LCD TV sales volume in the European Markets increased by 50.4% year-on-year. However, due to the backlog inventory from the "World Cup" and the weak economy in Europe, the Group's gross profit margin remained low in those markets in the third quarter. The Group will continue to adopt a prudent development strategy in the European Markets and focus on integrating its supply chain and enhancing its efforts on localization of production and procurement to optimize cost control. The Group will also continue to promote TCL-branded TV products.

North American Markets

Since the Group adjusted its brand strategy and ceased sales of RCA-branded TVs in the second quarter of this year, TV sales volume remained low in the North American Markets. During the period under review, in line with the Group's efforts to develop TCL-branded TV products, the Group focused on restructuring its North American operations and maintaining effective cost control.

Strategic OEM

During the period under review, the Group adjusted its customer base and began cooperating with Toshiba to form a joint venture first in the PRC. In addition, the Group successfully opened a new online sales channel in partnership with Amazon.com, the largest Internet retailer in the U.S., and initiated the sales of TCL-branded TVs in the North American Markets.

AV Products

Due to the fact that the global traditional DVD player market continued to shrink, the Group's AV products' sales volume in the first nine months of 2010 decreased 27.7% year-on-year to approximately 12.06 million sets. However, AV products' gross profit margin increased slightly. During the period under review, the Group proactively seized opportunities for strategic cooperation with suppliers and explored new clients as well as new business models.

R&D

During the period under review, the Group introduced a total of 33 new TV product models, including 2 series of 3D TV products, 4 series of LED backlight LCD TVs and 3 series of CCFL LCD TVs. Large-size 3D TV products introduced by the Group demonstrated the competitiveness of the Group's 3D TV products, making the Group a pioneer that masters the technology of pattern retarder, shutter glasses 3D display and digital signal processing in the industry. The Group's 3D products adopted multiple proprietary intellectual property rights technologies, putting the Group in the leading position in the industry. Furthermore, the Group introduced LED backlight LCD TV products ahead of its schedule through the integration of its LED backlight LCD TV product assembly lines in the third quarter of this year, a move which significantly increased the Group's market share in LED backlight LCD TV market. In addition, the Group debuted its exclusive V10 and P60 series of LCD TVs featuring ultra-thin panels. They increased the overall competitiveness of the Group's TV products and were well-received by the market.

Outlook

Looking ahead, the business environment of global TV industry is still full of challenges. However, following the completion of inventory clearance in the retail channels in the first half of this year, the Group also finished clearing most of its own stock during the third quarter of this year, which laid the foundation for launching more new models of LED backlight LCD TV products in the future. The PRC government announced that new energy efficiency standards would be implemented starting from 1 December 2010, which will create more opportunities for energy-saving and environmental friendly products including LED backlight LCD TVs.

In view of these developments, the Group will actively work to integrate its product lines and increase its efforts to promote its LED backlight LCD TV products. At the same time, the Group will take full advantage of its patented "Natural Light" technology and its advantageous R&D in green energy products to further strengthen its position and garner greater market share. This will help the Group achieve stronger sales momentum and improve its profitability. In addition, the Group will allocate more resources to its Internet TV capacity and 3D TV businesses to solidify its leading position in the Internet TV market and increase profits. The Group's LCD TV sales volume target for this year is about 7.5 to 8 million sets, of which the penetration rate of LED backlight LCD TVs is expected to reach approximately 20% to 25% in the second half of this year.

In the PRC Market, the Group will continue to grasp the opportunities presented by the PRC government's implementation of the "Three Networks Convergence" project, the "Household Appliances Subsidy Scheme", the "Home Appliance Replacement Scheme" and "Promotion of Energy Efficient Appliances" policies, and through further expansion of its LED backlight LCD TV business, to enlarge its market share of the PRC TV business. Moreover, the Group's joint venture with Taiwan's AU Optronics started mass production of LED backlight modules in August this year. In addition, with the Group's LCD TV Integration Plant in Huizhou, the PRC, economies of scale was realized in the traditional TV sales peak months of September and October of this year. The Group expects that these will enhance its competitive advantage effectively and help maintain its leading position in the PRC Market.

For Emerging Markets, South American, Middle Eastern and Southeast Asian markets have become major growth drivers for the Group's overseas business. The Group will take full advantage of opportunities in these markets during the transition period from CRT TVs to LCD TVs by leveraging its market-leading position in CRT TVs to garner a greater market share in the LCD TV business. In its European Markets, the Group will continue to adopt a prudent development strategy, adjust its business model and gradually increase the proportion of TCL-branded products and accelerate the introduction of new product models. In the North American Markets, the Group will take a gradual move to launch TCL-branded TV products in line with adjustment of its overall brand strategy. In addition, the Group is committed to exploring more opportunities to cooperate with well-established international brands in order to diversify the clientele of its Strategic OEM business.

In terms of AV products, the Group will proactively develop blue ray and home theatre system products and continue to expand its product lines in order to win new customer orders and maintain the industry leading position.

Although the Group recorded two consecutive quarterly loss, it had largely completed stock clearance of obsolete models of LCD TVs, carried out organization reform, and adjusted its market strategy and product mix for LED backlight LCD TV products, resulting in significant achievement, which lays a solid foundation for further enhancing operational efficiency and improving business performance. Under the leadership of the new management team, the Group expects to improve its overall performance on marketing strategy, sales channels, products and cost control. The Group will strive to enhance speed and efficiency for its core competitiveness in order to achieve a breakthrough improvement in its performance in the fourth quarter of this year and create value for shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There was no significant investment, acquisition and disposal for the nine months ended 30 September 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 30 September 2010 amounted to HK$2,002,784,000 of which 3.1% was maintained in Hong Kong dollars, 44.2% in US dollars, 48.0% in Renminbi, 0.9% in Euro and 3.8% 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 2009 and there was no asset held under finance lease as at 30 September 2010.

As at 30 September 2010, the Group's gearing ratio was 79.6% which is calculated based on the Group's net borrowing of approximately HK$2,460,064,000 (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$3,089,916,000. The maturity profile of the borrowings is from one to five years.

Pledge of Assets

Please refer to notes 8 and 9.

Capital Commitments and Contingent Liabilities

As at 30 September 2010, the Group had the following capital commitments:

	30 September 2010 (Unaudited) ***HK$'000***	31 December 2009 (Audited) *HK$'000*
Contracted, but not provided for	**7,961**	89,172
Authorised, but not contracted for	**8,948**	275,631
	16,909	364,803

There was no significant change in 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 27,835 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 22,440,052 shares remained outstanding at the end of the reporting period.

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

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the nine months ended 30 September 2010.

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 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 nine months ended 30 September 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, 29 October 2010

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