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 2011

FINANCIAL HIGHLIGHTS
Results for the nine months ended 30 September

	2011 **(HK$M)**	2010 *(HK$M)*	**Change**
Turnover	**22,517**	19,095	+17.9%
Gross profit	**3,514**	2,435	+44.3%
Operating profit/(loss)	**691**	(733)	N/A
Profit/(loss) attributable to owners of the parent	**391**	(991)	N/A
Basic earnings/(loss) per share *(HK cents)*	**35.99**	(93.34)	N/A

Highlights

- For the nine months ended 30 September 2011, the Group recorded a total turnover of HK$22,517 million, up 17.9% over the same period of last year. Gross profit was HK$3,514 million, up 44.3% year-on-year. Operating profit was HK$691 million while profit attributable to owners of the parent reached HK$391 million, successfully turned around from loss to profit.

- Total sales volume of LCD TVs reached 7.160 million sets, up 37.9% from the same period of previous year. Sales volume of the LCD TVs in the PRC Market and Overseas Markets grew 25.3% and 64.1%, respectively. Sales volume of the LCD TVs in the Emerging Markets soared 136.4%.

- Sales volume of the LED backlight LCD TVs accounted for 37.8% and 40.6%, respectively, of the overall LCD TV sales volume and the total LCD TV sales volume in the PRC Market. In September 2011, sales volume of LED backlight LCD TVs as a percentage of the overall LCD TV sales volume and total LCD TV sales volume in the PRC Market reached 47.2% and 50.5%, respectively, setting historical highs.

- According to the latest DisplaySearch report, in the second quarter of 2011, the Group's global LCD TV market share was 4.8%, with its ranking rising from No.8 in the first quarter of 2011 to No.7. TV market share in the PRC Market was 16.1%, up 0.5 percentage points from the end of last year, ranking No.2, while its LCD TV market share in the PRC Market was 15.3%, up 1.2 percentage points over the end of last year, ranking No.2.

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 2011 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	
		2011	2010	**2011**	2010
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	3	**22,516,549**	19,094,954	**9,360,452**	6,854,278
Cost of sales		**(19,002,966)**	(16,660,235)	**(7,907,347)**	(6,140,195)
Gross profit		**3,513,583**	2,434,719	**1,453,105**	714,083
Other revenue and gains		**624,827**	346,114	**337,131**	188,305
Selling and distribution costs		**(2,614,000)**	(2,772,101)	**(1,086,325)**	(1,196,142)
Administrative expenses		**(617,124)**	(519,769)	**(299,024)**	(172,793)
Research and development costs		**(182,850)**	(155,992)	**(56,940)**	(74,080)
Other operating expenses		**(33,188)**	(66,429)	**–**	(19,640)
		691,248	(733,458)	**347,947**	(560,267)
Finance costs		**(209,396)**	(147,615)	**(49,196)**	(40,672)
Share of profits and losses of:					
Jointly-controlled entities		**(1,497)**	(14,573)	**(528)**	(12,779)
Associates		**11,738**	(10,918)	**10,356**	(10,126)
PROFIT/(LOSS) BEFORE TAX		**492,093**	(906,564)	**308,579**	(623,844)
Income tax expense	4	**(93,773)**	(78,243)	**(46,482)**	(30,283)
PROFIT/(LOSS) FOR THE PERIOD		**398,320**	(984,807)	**262,097**	(654,127)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**203,626**	52,677	**143,793**	18,675
Release upon disposal and liquidation of subsidiaries		**(130,893)**	–	**(130,893)**	–
Release upon liquidation of a jointly-controlled entity		**(23,828)**	–	**–**	–
Release upon disposal of an associate		**–**	(21)	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**48,905**	52,656	**12,900**	18,675
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**447,225**	(932,151)	**274,997**	(635,452)

	Notes	Nine months ended 30 September **2011** **(unaudited)** ***HK$'000***	Nine months ended 30 September 2010 (unaudited) *HK$'000*	Three months ended 30 September **2011** **(unaudited)** ***HK$'000***	Three months ended 30 September 2010 (unaudited) *HK$'000*
Profit/(loss) attributable to:					
Owners of the parent		**390,969**	(991,151)	**259,790**	(657,376)
Non-controlling interests		**7,351**	6,344	**2,307**	3,249
		398,320	(984,807)	**262,097**	(654,127)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**435,440**	(940,470)	**270,583**	(639,805)
Non-controlling interests		**11,785**	8,319	**4,414**	4,353
		447,225	(932,151)	**274,997**	(635,452)
EARNINGS/(LOSS) PER SHARE	6				
Basic		**HK35.99 cents**	HK(93.34) cents		
Diluted		**HK35.93 cents**	HK(93.34) cents		

Details of the dividends are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2011 (unaudited) *HK$'000***	31 December 2010 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,381,949**	1,497,821
Prepaid land lease payments		**93,359**	106,207
Goodwill		**119,638**	119,638
Other intangible assets		**694**	965
Investments in jointly-controlled entities		**8,250**	9,268
Investments in associates		**178,770**	165,027
Available-for-sale investments		**6,677**	6,677
Deferred tax assets		**21,090**	25,736
Total non-current assets		**1,810,427**	1,931,339
CURRENT ASSETS			
Inventories		**3,561,043**	4,925,369
Trade receivables		**3,514,033**	3,236,589
Bills receivable		**6,246,540**	2,180,665
Other receivables		**1,911,980**	1,537,322
Due from T.C.L. Industries	8	**233,820**	–
Tax recoverable		**13,634**	3,326
Pledged deposits		**511,429**	2,374,328
Cash and bank balances		**4,293,668**	2,132,619
		20,286,147	16,390,218
Non-current assets classified as held for sale		**–**	179,096
Total current assets		**20,286,147**	16,569,314
CURRENT LIABILITIES			
Trade payables		**5,528,438**	5,289,926
Bills payable		**3,341,753**	1,310,418
Other payables and accruals		**2,729,785**	2,371,266
Interest-bearing bank and other borrowings	7	**3,786,257**	4,863,517
Due to TCL Corporation	8	**1,090,754**	590,059
Due to T.C.L. Industries	8	**779,400**	–
Tax payable		**157,694**	173,591
Provisions		**295,697**	367,284
Total current liabilities		**17,709,778**	14,966,061
NET CURRENT ASSETS		**2,576,369**	1,603,253
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,386,796**	3,534,592

	Notes	**30 September 2011 (unaudited)** *HK$'000*	31 December 2010 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,386,796**	3,534,592
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**801,867**	265,143
Deferred tax liabilities		**14,325**	12,994
Pensions and other post-employment benefits		**6,793**	6,798
Total non-current liabilities		**822,985**	284,935
Net assets		**3,563,811**	3,249,657
EQUITY			
Equity attributable to owners of the parent			
Issued capital	9	**1,072,276**	1,086,425
Reserves		**2,374,539**	2,058,021
		3,446,815	3,144,446
Non-controlling interests		**116,996**	105,211
Total equity		**3,563,811**	3,249,657

Notes:

1. BASIS OF PREPARATION

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under 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 cost to sell. These condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

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 consolidated financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010** issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to remove inconsistencies and clarify wordings.

* *Improvements to HKFRSs 2010* contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.

Other than as further explained below regarding the impact of HKAS 24 (Revised), amendments to HKFRS 3, HKAS 1, HKAS 27 and HKAS 34 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these condensed financial statements and there has been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

While the adoption of the revised standard has resulted in changes in the accounting policy, the revised standard does not have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

(b) *Improvements to HKFRSs 2010*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Those amendments that have had a significant impact on the Group's policies are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

- HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 are applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

- Amendment to HKAS 34 *Interim Financial Reporting*: Amendment to HKAS 34 requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in condensed financial statements. The amendment does not result in additional disclosures to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

(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 as well as head office and corporate income/(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 markets**		**AV**		**Others**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(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	**13,019,510**	10,751,216	**5,861,135**	5,111,092	**3,194,080**	2,637,549	**441,824**	595,097	**22,516,549**	19,094,954
Segment results	**436,878**	(692,907)	**(83,094)**	(183,795)	**83,411**	147,518	**12,141**	68,844	**449,336**	(660,340)
Bank interest income									**60,820**	10,176
Corporate income/(expenses)									**181,092**	(83,294)
Finance costs									**(209,396)**	(147,615)
Share of profits and losses of:										
Jointly-controlled entities	**(446)**	(15,663)	**(1,051)**	1,090	**-**	–	**-**	–	**(1,497)**	(14,573)
Associates	**4,934**	(8,873)	**-**	–	**-**	(5,154)	**6,804**	3,109	**11,738**	(10,918)
Profit/(loss) before tax									**492,093**	(906,564)
Income tax expense									**(93,773)**	(78,243)
Profit/(loss) for the period									**398,320**	(984,807)

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 2010: 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	
	2011	2010
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**8,196**	9,197
Current – Elsewhere	**79,908**	66,935
Deferred	**5,669**	2,111
Total tax charge for the period	**93,773**	78,243

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2011 (30 September 2010: 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	
	2011	2010
	(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	**390,969**	(991,151)

	Number of shares	
	Nine months ended 30 September	
	2011	2010
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings/(loss) per share calculation	**1,086,289,913**	1,061,915,563
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options during the period	**1,790,208**	7,417,039
Weighted average number of ordinary shares in issue during the period used in diluted earnings/(loss) per share calculation	**1,088,080,121**	1,069,332,602

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. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Current		
Bank loans – secured	**593,009**	2,387,130
Bank loans – unsecured	**1,564,677**	1,719,415
Advances from banks as consideration for discounted bills – unsecured	**1,138,630**	79,232
Trust receipt loans – unsecured	**326,702**	519,299
Loans from an associate – unsecured	**163,239**	158,441
	3,786,257	4,863,517
Non-current		
Bank loans – secured	**183,959**	265,143
Bank loans – unsecured	**617,908**	–
	801,867	265,143
	4,588,124	5,128,660
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,623,018**	4,705,076
In the second year	**336,466**	117,842
In the third to fifth year, inclusive	**465,401**	147,301
	4,424,885	4,970,219
Loans from an associate repayable:		
Within one year	**163,239**	158,441
	4,588,124	5,128,660

Notes:

(a) As at 30 September 2011, 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$23,785,000 (31 December 2010: HK$23,853,000), HK$251,191,000 (31 December 2010: HK$251,086,000) and HK$103,938,000 (31 December 2010: HK$108,379,000), respectively.

   (ii) pledge of certain of the Group's time deposits amounting to HK$240,071,000 (31 December 2010: HK$2,374,328,000).

   (iii) pledge of certain of the Group's bills receivable amounting to HK$245,278,000 (31 December 2010: Nil).

(c) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$1,731,784,000 (31 December 2010: HK$1,333,364,000) as at the end of the reporting period.

Breach of loan covenants

As at 31 December 2010, in respect of the bank loans with an aggregate carrying amount of HK$615,181,000 (the "Syndicated Loans"), the Group breached certain financial covenants of the relevant loan agreement which are primarily related to the value of the Group's consolidated tangible net worth and the Group's interest coverage ratio.

Since the lenders had not agreed to waive their right to demand immediate payment as at 31 December 2010, the Syndicated Loans were classified as current liabilities in the condensed consolidated statement of financial position as at 31 December 2010. On 23 February 2011, the Group successfully obtained the necessary consent from the majority of the lenders following the Group's waiver request and certain financial covenants have been amended. As at 30 September 2011, the Group complied with all the financial covenants as amended and the Syndicated Loans have been classified as non-current liabilities in the condensed consolidated statement of financial position according to their maturity profile.

8. DUE FROM/TO TCL CORPORATION/T.C.L. INDUSTRIES

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

The amounts are unsecured and repayable within one year expect for an amount of HK$233,820,000 due from T.C.L. Industries which was repayable on demand (31 December 2010: except for HK$88,381,000 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$83,387,000 and HK$12,341,000 respectively, the remaining balances were unsecured and repayable within one year). The amount of HK$1,090,754,000 due to TCL Corporation bears interest at fixed rate of 10.50% per annum (31 December 2010: amounts of HK$501,678,000 and HK$88,381,000 due to TCL Corporation which bore interest at fixed rates ranging from 5.87% to 6.05% per annum and 5.31% per annum, respectively). The amount of HK$779,400,000 due to T.C.L. Industries bears interest at fixed rates ranging from 2.28% to 6.00% per annum (31 December 2010: Nil) and the amount of HK$233,820,000 due from T.C.L. Industries charges interest at fixed rate of 1.50% per annum (31 December 2010: Nil).

9. SHARE CAPITAL

	30 September 2011 (unaudited) *HK$'000*	31 December 2010 (audited) *HK$'000*
Shares		
Authorised:		
2,200,000,000 (31 December 2010: 2,200,000,000) shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,072,275,768 (31 December 2010: 1,086,424,827) shares of HK$1.00 each	**1,072,276**	1,086,425

Notes:

(a) During the nine months ended 30 September 2011, the subscription rights attaching to 338,941 share options were exercised at the subscription price of HK$2.45, resulting in the issue of 338,941 shares of HK$1.00 each for a total cash consideration of HK$830,000 before expenses.

(b) 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*
September 2011	14,488,000	2.46	2.09	33,373	120	33,493

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

For the nine months ended 30 September 2011, the Group recorded an unaudited turnover of HK$22,517 million, up 17.9% year-on-year. Gross profit was HK$3,514 million, up 44.3% year-on-year. Gross profit margin increased to 15.6% from 12.8% in the corresponding period of last year, up 2.8 percentage points. Profit attributable to owners of the parent turned around from loss to profit, reaching HK$391 million. Basic earnings per share was HK35.99 cents (compared with basic loss per share of HK93.34 cents in the same period of 2010).

During the period under review, the Group was dedicated to the optimization of its products, marketing strategies, sales channels, costs and brand awareness. Sales volume of LCD TVs and AV products recorded significant growth and achieved encouraging results. As the Group continued to improve its product mix and sales channels, along with effective market promotional activities, it recorded excellent sales performance in the PRC Market and Emerging Markets, which saw year-on-year sales volume growth of LCD TVs of 25.3% and 136.4%, respectively, in the first three quarters of 2011. Its strategic OEM business also started growing after the adjustment on the client structure, driving the Group to sell 7.160 million sets of LCD TVs in the first three quarters of 2011, up 37.9% year-on-year and well above the industry average. The Group’s global market share for the LCD TVs grew from 3.3% in 2010 to 4.8% in the first half of 2011, boosting its ranking from No.11 to No.7.

The Group continued to enhance speed and efficiency in its operational and marketing strategies, strengthen its supply chain management, lower costs through the integration of resources, and accelerate the product cycle so as to improve production efficiency, resulting in an increase in the Group’s gross profit margin to 15.6% from 12.8% in the same period of last year. In addition, the Group timely captured the opportunity during the transition period, and stepped up its efforts in R&D to develop new product lines such as internet media players, driving a steady sales growth in its AV business.

TV Sales

For the nine months ended 30 September 2011, the Group sold 7.160 million sets of LCD TVs, up 37.9% from the same period of last year. Sales volume of the Group’s LED backlight LCD TVs grew from 1.379 million sets in the first half of 2011 to 2.709 million sets in the first three quarters of the year, accounting for 37.8% of the total LCD TV sales volume. In September 2011 alone, the Group’s total LCD sales volume grew 34.2% year-on-year to 1.319 million sets, hitting a record high in terms of the Group’s monthly sales volume of the LCD TVs. In the meantime, sales volume of the Group’s LED backlight LCD TVs increased to 0.623 million sets in September, accounting for 47.2% of its total LCD TV sales volume while sales volume of LED backlight LCD TVs as a percentage of its total LCD TV sales volume even exceeded 50% in the PRC Market, reaching 50.5%. Both set historical highs in terms of the proportion of the Group’s LED backlight LCD TV sales volume.

According to the latest DisplaySearch report, in the second quarter of 2011, the Group's global LCD TV market share was 4.8% with its ranking rising from No.8 in the first quarter of 2011 to No.7. Its TV market share in the PRC Market was 16.1%, ranking No.2, while its LCD TV market share in the PRC Market reached 15.3%, rising to No.2 from No.3 in its ranking in the first quarter of 2011.

In the third quarter of 2011, the Group focused on developing the products that incorporated features such as 3D, smart operation system and super slim edge and launched 23 new products, such as V7300-3D, Z11A-3D and E5300A in the PRC Market, among which 12 were 3D TVs with overwhelming consumer response.

The Group's sales volume of TVs and AV products are shown as below:

	First three quarters of 2011 ***('000 sets)***	First three quarters of 2010 *('000 sets)*	**Change**
LCD TVs	**7,160**	5,191	+37.9%
of which:			
LED backlight LCD TVs	**2,709**	339	+699.1%
– PRC	**4,388**	3,502	+25.3%
– Overseas	**2,772**	1,689	+64.1%
CRT TVs	**3,343**	4,375	(23.6%)
– PRC	**821**	1,562	(47.4%)
– Overseas	**2,522**	2,813	(10.3%)
Total TV sales volume	**10,503**	9,566	+9.8%
Total AV products sales volume	**15,589**	12,059	+29.3%

The PRC Market

During the period under review, the Group's turnover in the PRC Market recorded an impressive growth, up 21.1% year-on-year to HK$13,020 million. Sales volume of LCD TVs reached 4.388 million sets, up 25.3% from the same period of last year, well above the industry average. Sales volume of its LED backlight LCD TVs increased from 0.915 million sets in the first half of this year to 1.783 million sets in the first three quarters of the year, accounting for 40.6% of the total LCD TV sales volume. Particularly in this September, sales volume of the LED backlight LCD TVs as a percentage of total LCD TV sales volume exceeded 50%, reaching 50.5%, while sales volume of 3D TVs also grew rapidly. The PRC Market remains the Group's major market.

The Group endeavored to increase the proportion of LED backlight LCD TV sales while promoting its 3D TVs vigorously. In addition to streamlining its product portfolio, the Group has committed to enhancing its product differentiation and optimizing product mix. It successfully launched market-leading, high-end and large screen TVs, as well as promoted smart 3D TVs in the third quarter at the urban markets with the effect of the 3D movie "Transformers 3". At the same time, by taking "Celebration for the 30th Anniversary of TCL" as a growth opportunity, the Group carried out a series of promotional activities among customers to fortify and expand customer relationships, boost sales volume of its LED backlight LCD TVs and 3D TVs, and further strengthen its brand image and market share for the high-end TVs. In addition, the Group continued to strengthen its supply chain management, lowered costs through the resources integration and improved production efficiency by accelerating the product cycle.

In light of the increasing demand for the replacement of older TV models at the PRC's third and fourth-tier cities as well as rural markets, the Group continued to improve sales coverage and store efficiency in its rural sales channels. It established approximately 23,846 points of sales up to the third quarter of this year while actively promoting the construction of rural retail outlets and specialty outlets. Meanwhile, the Group carried out a series of promotions such as Caravan Tours in over 2,000 counties and 10,000 towns, which further strengthened its brand awareness at rural markets.

Overseas Markets

During the period under review, the Group's turnover from the Overseas Markets reached HK$5,861 million, up 14.7% year-on-year. Sales volume of LCD TVs reached 2.772 million sets, up 64.1% from the same period of previous year. Sales volume of LED backlight LCD TVs also increased from 0.464 million sets in the first half of this year to 0.926 million sets in the first three quarters of the year, accounting for 33.4% of total LCD TV sales volume.

Emerging Markets is the Group's largest overseas market in terms of sales volume and is a new growth driver to its business after the PRC Market. By seizing opportunities brought by the TV replacement cycle in the Emerging Markets, the Group actively expanded its LCD TV and LED backlight LCD TV businesses. The Group also adjusted its product mix to meet market demand and continuously improved its sales channels management. In addition, a series of marketing and promotional campaigns, such as cinemas' online advertising and displays as well as point-of-sales promotion, were carried out under the theme of "Transformers 3" to improve its brand image and boost sales. During the period under review, sales volume of the LCD TVs amounted to 1.697 million sets, up 136.4% from the same period of last year in which Brazil market performed best in terms of the sales volume while the Latin American, the Middle East and Southeast Asian markets also recorded year-on-year sales growth in LCD TV sales volume. Furthermore, adjustments made on the structure of the Group's strategic OEM clients drove LCD TV sales volume to grow rapidly.

AV Products

During the period under review, gross profit of the Group's AV products was under pressure due to rising production and labour costs. Nevertheless, the Group actively engaged in the development of new products and R&D, underwent cost-control measures, and applied integrated product design to production, all of which helped to further reduce production costs. As the third quarter was the peak sales period for AV products, sales volume of the AV products recorded prominent growth in the first three quarters of 2011, up 29.3% from same period of previous year to 15.589 million sets. The Group launched 6 new product series as well as new Super DVD (SDVD) products during the period under review.

R&D

The Group is committed to strengthen its innovation and R&D capabilities. During the period under review, the Group applied for 80 technology patents and 13 external design patents. Its single-chip Android+ based smart TV, which is equipped with an innovative 3D active user interface technology was successfully launched, making it the dominant product in terms of functionality in the industry. During the period under review, the Group also launched a series of super-smart cloud TVs, namely, Cloud.Yi Z11, Cloud.Bo V8200, Cloud.Zhuo V7300 and Cloud.Shang E5300, all of which adopt advanced cloud calculation and storage technologies, and Android+ systems, while recognizing seven core cloud applications, namely, "cloud identification, cloud search, cloud control, cloud sharing, cloud community, cloud games and cloud office", hence drawing extensive market attention.

Outlook

Global market demand for TVs slowed down as a result of the PRC's macro-control measures and inflation pressure as well as uncertainties triggered by the sluggish European and American economies. However, due to the increase in per capita income in the PRC's rural markets, the acceleration of urbanization and the demand for the replacement of older TV models, demand for mid-to-high end TVs remained steady. With the arrival of the fourth quarter, which is traditionally another peak season for sales, the Group is confident that it will boost its market share with more highly competitive products. The Group, therefore, upgraded its 2011 sales target of LCD TVs from 9.6 million sets to 10.2 million sets. The Group will continue to enhance speed and efficiency in its operations and marketing strategies. While consolidating its leading position in the PRC Market, the Group will stay on its path of internationalization, the integration of its global network and resources and the further recognition of synergies generated by vertical integration.

In terms of its TV business, as LED backlight LCD TVs are becoming increasingly popular, smart TVs, 3D TVs and cloud TVs show great potential in the PRC Market. The Group will optimize its product mix based on market trends in the PRC Market and will further expand the sales volume of LED backlight LCD TVs and 3D TVs. The Group will develop smart TVs with "cloud concept" under the Android+ platform as well as high-performance and cost-effective 3D TVs in order to improve its overall competitiveness and profitability. Meanwhile, the Group will continue to strengthen its sales channels in third- to fifth-tier cities and rural markets while developing new businesses such as e-commerce so as to expand the Group's overall market share in the PRC Market. In the Overseas Markets, as the fourth quarter is traditionally the peak sales period, the Group will continue to increase its sales proportion of LCD TVs and LED backlight LCD TVs, strengthen its channel management and brand promotion, and further develop rapidly-growing emerging markets such as Latin America, the Middle East and Southeast Asia. In the meantime, the Group will strengthen its co-operation with its clients through events such as global distribution trade fairs and autumn trade fairs, while boosting sales by further expanding its global sales channels.

In terms of its AV business, the Group will step up R&D in order to explore new product lines such as internet media players, and to vigorously develop TCL-branded products such as satellite boxes. To cope with rising operating costs and the increasingly intense competition, the Group will strive to lower production costs so as to improve the competitiveness of its products.

The Group has been dedicating to the optimization of its products, marketing strategies, sales channels, costs and brand awareness and has started achieving satisfactory operating results in the last few quarters. As the 8.5-generation LCD panel production plant operated by Shenzhen Huaxing Photoelectrics Technology Company Limited – a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (South Korea) – commenced production this August, coupled with TCL Optoelectronics Technology (Huizhou) Co., Ltd. (the company that the Group is in the process of acquiring from TCL Corporation and is mainly engaged in the production of LCD modules), it represents a new phase of the Group's vertical integration at both up- and down-stream of the industry. It will help the Group establish its leading position in the industry chain, deliver strategic support for a stable supply of raw materials and cost control, and improve its overall competiveness among peers through its cost synergy. Hence, the Group remains optimistic about its prospect in the fourth quarter as well as the coming year, and is dedicated to creating better returns for its shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 17 June 2011, TCL King Electrical Appliances (Huizhou) Co. Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with the People's Government of Hohhot in relation to an investment project which involves construction of a vertically integrated LCD TV production plant in Hohhot, Inner Mongolia. It is expected that the total investment of the project will be in the amount of RMB561,000,000 (equivalent to approximately HK$688,006,000).

On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its subsidiary Huizhou TCL Coretronics Co., Ltd. from TCL Corporation for a consideration of RMB655,572,000 (equivalent to approximately HK$788,791,000). The purchase price will be settled by way of issue and allotment of 246,497,191 new shares by the Company at an issue price of HK$3.20 per new share. The acquisition (including the acquisition agreement) has been approved by the independent shareholders in the extraordinary general meeting held on 5 August 2011.

On 28 June 2011, the Group entered into an equity transfer agreement ("Equity Transfer Agreement") with Talent Bright International Limited ("Talent Bright"), pursuant to which the Group agreed to sell and Talent Bright agreed to acquire the entire equity interest in TCL King Electronics (Shenzhen) Company Limited, a wholly-owned subsidiary of the Group, at a consideration of RMB315,500,000 (equivalent to approximately HK$382,710,000) (subject to adjustment).

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 2011 amounted to HK$4,293,668,000 of which 1.4% was maintained in Hong Kong dollars, 33.0% in US dollars, 63.2% in Renminbi, 1.0% in Euro and 1.4% 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 2010 and there was no asset held under finance lease as at 30 September 2011.

As at 30 September 2011, the Group's gearing ratio was 48.0% which is calculated based on the Group's net borrowing of approximately HK$1,653,181,000 (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$3,446,815,000. The maturity profile of the borrowings ranges from one to four years.

Pledge of Assets

Same as disclosed in notes 7 and 8, certain of the Group's bills payable was secured by pledge of certain of the Group's time deposits amounting to HK$271,358,000 (31 December 2010: Nil).

Capital Commitments and Contingent Liabilities

As at 30 September 2011, the Group had capital commitments of approximately HK$124,816,000 (31 December 2010: HK$119,000) and HK$567,809,000 (31 December 2010: HK$4,800,000) which were contracted but not provided for and authorized but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the annual report for 2010.

Pending Litigations

Save as disclosed in the Group's results announcement of the year ended 31 December 2010, the Group had not been involved in any other material litigation for the nine months ended 30 September 2011.

On 7 April 2011, in relation to the Alleged Claims (as defined in the Group's results announcement of the year ended 31 December 2010) made by the official liquidator of TTE Europe SAS ("TTE Europe", a wholly-owned subsidiary of the Group which had been deconsolidated in 2007) (the "Receiver") in the Commercial Court of Nanterre of France against, amongst others, various companies in the Group, various companies in the Group reached a settlement with the Receiver (the "Settlement"). Pursuant to the Settlement, the relevant condition precedents have been completed, the Group paid Euro 11,666,666 (equivalent to approximately HK$128,456,000) to the Receiver accordingly as full and final settlement of the Alleged Claims.

The Labour Claim (as defined in the Group's results announcement of the year ended 31 December 2010) made by a group of former employees of TTE Europe against the Company, TTE Europe and TCL Belgium S.A. (a wholly-owned subsidiary of the Company) was also settled during the period under review.

Of those litigations mentioned above, there was no outstanding claim.

Foreign Exchange Exposure

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

It is the Group's policy to centralise foreign currency management to monitor the Company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasises the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In line with the aim of prudent financial management, the Group does not engage in any high risk derivative trading or leveraged foreign exchange contracts.

Employee and Remuneration Policy

The Group had a total of 26,520 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 to subscribe for a total of 59,359,066 shares remained outstanding at the end of the reporting period.

An 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

To reflect the management's confidence in the future development of the Group's business and enhance the earnings per share of the Company, the Company repurchased 14,488,000 shares on the Stock Exchange at an aggregate consideration of HK$33,493,000 during the period under review.

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 36,908,000 shares being the awarded shares. The total amount paid to acquire such shares during the period was about HK$109,218,000.

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 2011, 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 2011, including the accounting principles adopted by the Group, with the Company's management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 26 October 2011

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