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 2015

FINANCIAL HIGHLIGHTS
Unaudited results for the nine months ended 30 September

	2015 *(HK$M)*	2014 *(HK$M)*	**Change**
Turnover	**24,444**	23,601	3.6%
Gross profit	**3,730**	3,831	(2.6%)
Operating profit/(loss)	**(168)**	494	N/A
Net profit/(loss) after tax	**(319)**	239	N/A
Profit/(loss) attributable to owners of the parent	**(302)**	228	N/A
Basic earnings/(loss) per share *(HK cents)*	**(22.76)**	17.21	N/A

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

- The Group sold 12.46 million sets of LCD TVs, an increase of 4.7% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 4.3% year-on-year to 6.03 million sets, while sales volume of LCD TVs in the Overseas Markets increased by 5.1% year-on-year to 6.44 million sets.

- The Group achieved a turnover of HK$ 24.44 billion, up by 3.6% year-on-year. Gross profit margin decreased by 0.9 percentage points when compared with that in the same period of last year to 15.3%. The Group recorded an operating loss of HK$168 million. Loss attributable to owners of the parent amounted to HK$302 million. Basic loss per share was HK22.76 cents.

- With continued product mix enhancements, the average selling price of LCD TVs in the PRC Market increased by 3.7% year-on-year. The sales volume of smart TVs in the PRC Market surged by 36.2% year-on-year, accounting for 51.7% of the Group's LCD TV sales volume in the PRC Market. The sales volume of 4K TVs in the PRC Market was up by 155.4% year-on-year to 1.16 million sets, accounting for 19.2% of the Group's LCD TV sales volume in the PRC Market. Curved TV sales volume in the PRC Market reached 100,000 sets, maintaining its market share as the No.1 domestic brand in the PRC curved TV market (Source: China Market Monitor Co. Ltd. ("CMM")).

- The accumulated number of TCL activated smart TV users of the Group totalled 10,593,458. The daily average number of active users in September 2015 was 3,964,692 (Source: Huan Technology Co., Ltd. ("Huan")).

- According to the latest IHS Technology figures, the Group ranked No.3 in the global LCD TV market with a market share of 5.7% and ranked No.3 in the PRC LCD TV market with a market share of 14.9% in the first half of 2015.

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 2015 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Nine months ended 30 September 2015 (unaudited) HK$'000	Nine months ended 30 September 2014 (unaudited) HK$'000	Three months ended 30 September 2015 (unaudited) HK$'000	Three months ended 30 September 2014 (unaudited) HK$'000
TURNOVER	3	**24,444,057**	23,601,250	**9,047,000**	8,398,432
Cost of sales		**(20,714,451)**	(19,770,638)	**(7,820,664)**	(6,949,998)
Gross profit		**3,729,606**	3,830,612	**1,226,336**	1,448,434
Other revenue and gains		**271,932**	570,849	**85,101**	163,721
Selling and distribution expenses		**(2,733,790)**	(2,828,174)	**(1,014,674)**	(1,051,684)
Administrative expenses		**(988,617)**	(715,339)	**(506,959)**	(274,638)
Research and development costs		**(441,512)**	(312,909)	**(153,014)**	(100,395)
Other operating expenses		**(5,177)**	(50,954)	**(3,053)**	(662)
		(167,558)	494,085	**(366,263)**	184,776
Finance costs		**(110,459)**	(139,372)	**(28,111)**	(40,454)
Share of profits and losses of:					
Joint ventures		**(32,135)**	(10,999)	**(12,277)**	(5,794)
Associates		**(5,167)**	(451)	**272**	802
PROFIT/(LOSS) BEFORE TAX		**(315,319)**	343,263	**(406,379)**	139,330
Income tax	4	**(3,731)**	(104,365)	**(35,086)**	(68,292)
PROFIT/(LOSS) FOR THE PERIOD		**(319,050)**	238,898	**(441,465)**	71,038
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of changes in fair value of the hedging instruments arising during the period		**18,595**	42,386	**6,531**	41,621
Reclassification adjustments for losses included in the consolidated statement of profit or loss		**185**	21	**–**	–
		18,780	42,407	**6,531**	41,621

	Notes	Nine months ended 30 September **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*	Three months ended 30 September **2015** **(unaudited)** ***HK$'000***	2014 (unaudited) *HK$'000*
Exchange fluctuation reserve:					
Translation of foreign operations		**(182,397)**	(27,321)	**(183,746)**	12,658
Release upon liquidation of subsidiaries		**(1,022)**	(158,931)	**(622)**	–
Release upon derecognition and deemed partial disposal of associates		**3**	276	**2**	1
		(183,416)	(185,976)	**(184,366)**	12,659
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(164,636)**	(143,569)	**(177,835)**	54,280
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(483,686)**	95,329	**(619,300)**	125,318
Profit/(loss) attributable to:					
Owners of the parent		**(301,938)**	227,558	**(437,741)**	58,684
Non-controlling interests		**(17,112)**	11,340	**(3,724)**	12,354
		(319,050)	238,898	**(441,465)**	71,038
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**(461,732)**	85,105	**(610,800)**	112,835
Non-controlling interests		**(21,954)**	10,224	**(8,500)**	12,483
		(483,686)	95,329	**(619,300)**	125,318
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6				
Basic		**HK(22.76) cents**	HK17.21 cents		
Diluted		**HK(22.76) cents**	HK17.21 cents		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2015 (unaudited) HK$'000	31 December 2014 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,193,489**	2,356,369
Prepaid land lease payments		**143,106**	153,930
Goodwill		**134,933**	134,933
Other intangible assets		**1,530**	1,947
Investments in joint ventures		**59,292**	55,600
Investments in associates		**489,580**	509,054
Available-for-sale investments		**111,982**	111,982
Deferred tax assets		**35,732**	38,090
Total non-current assets		**3,169,644**	3,361,905
CURRENT ASSETS			
Inventories		**3,545,318**	4,054,817
Trade receivables		**6,053,433**	4,318,138
Bills receivable		**4,187,757**	4,204,018
Other receivables		**1,607,557**	1,943,664
Tax recoverable		**7,882**	17,107
Pledged deposits		**197,828**	203,298
Cash and bank balances		**3,391,589**	3,379,369
Total current assets		**18,991,364**	18,120,411
CURRENT LIABILITIES			
Trade payables		**5,285,258**	4,920,901
Bills payable		**2,445,472**	3,543,573
Other payables and accruals		**3,374,554**	3,805,030
Interest-bearing bank and other borrowings	7	**5,821,087**	2,250,564
Due to T.C.L. Industries	8	**550,257**	853,336
Tax payable		**129,806**	180,491
Provisions		**369,934**	362,484
Total current liabilities		**17,976,368**	15,916,379
NET CURRENT ASSETS		**1,014,996**	2,204,032
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,184,640**	5,565,937

	Notes	30 September 2015 (unaudited) HK$'000	31 December 2014 (audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,184,640**	5,565,937
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**–**	925,033
Deferred tax liabilities		**29,381**	34,726
Total non-current liabilities		**29,381**	959,759
Net assets		**4,155,259**	4,606,178
EQUITY			
Equity attributable to owners of the parent			
Issued capital	9	**1,341,887**	1,333,599
Reserves		**2,700,165**	3,135,530
		4,042,052	4,469,129
Non-controlling interests		**113,207**	137,049
Total equity		**4,155,259**	4,606,178

Notes:

1. BASIS OF PREPARATION

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 2014, 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

These condensed financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These condensed 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 revised HKFRSs for the first time for the current period's condensed financial statements.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

Other than as further explained below, the adoption of these 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.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. These amendments do not have any significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 two reportable operating segments as follows:

(a) Television segment – manufacture and sale of television sets in:

- the People's Republic of China ("PRC") market
- the overseas markets; and

(b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 before tax except that finance costs, interest income, share of profits and losses of joint ventures and associates as well as head office and corporate income and 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		Others		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		*(restated)*		*(restated)*		*(restated)*
Sales to external customers	**14,753,387**	13,644,928	**9,581,814**	9,302,718	**108,856**	653,604	**24,444,057**	23,601,250
Segment results	**357,397**	433,331	**(87,078)**	9,111	**(55,162)**	(33,304)	**215,157**	409,138
Corporate income/(expenses), net							**(425,189)**	30,912
Finance costs							**(110,459)**	(139,372)
Interest income							**42,474**	54,035
Share of profits and losses of:								
Joint ventures	**–**	–	**(3,329)**	(1,754)	**(28,806)**	(9,245)	**(32,135)**	(10,999)
Associates	**(23,970)**	(22,690)	**–**	–	**18,803**	22,239	**(5,167)**	(451)
Profit/(loss) before tax							**(315,319)**	343,263
Income tax							**(3,731)**	(104,365)
Profit/(loss) for the period							**(319,050)**	238,898

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 2014: 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	
	2015	2014
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	13,314
Current – Elsewhere	**8,497**	100,013
Deferred	**(4,766)**	(8,962)
Total tax charge for the period	**3,731**	104,365

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2015 (30 September 2014: nil).

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

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

	Nine months ended 30 September	
	2015	2014
	(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	**(301,938)**	227,558

	Number of shares	
	Nine months ended 30 September	
	2015	2014
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	**1,326,722,664**	1,321,961,549

No adjustment has been made to the basic loss per share amount presented for the period ended 30 September 2015 in respect of a dilution as the share options outstanding during the period has an anti-dilutive effect on the basic loss per share amount presented (30 September 2014: no adjustment had been made to the basic earnings per share amount presented in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue).

7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2015 (unaudited)	31 December 2014 (audited)
	HK$'000	*HK$'000*
Current		
Bank loans – unsecured	**5,305,427**	1,736,730
Trust receipt loans – unsecured	**129,505**	298,172
Loans from an associate – unsecured	**386,155**	215,662
	5,821,087	2,250,564
Non-current		
Bank loans – unsecured	**–**	925,033
	5,821,087	3,175,597
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,434,932**	2,034,902
In the second year	**–**	925,033
	5,434,932	2,959,935
Loans from an associate repayable:		
Within one year	**386,155**	215,662
	5,821,087	3,175,597

Notes:

(a) As at 30 September 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) has guaranteed certain of the Group's bank loans up to HK$3,276,197,000 as at the end of the reporting period (31 December 2014: HK$497,028,000).

8. DUE TO T.C.L. INDUSTRIES

T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries") is the immediate holding company of the Company. The aggregate amount of HK$550,257,000 due to T.C.L. Industries is unsecured, repayable within one year and bears interest at fixed rates ranging from 0.844% to 3.326% per annum (31 December 2014: an aggregate amount of HK$853,336,000 due to T.C.L. Industries which bore interest at fixed rates ranging from 1.485% to 4.20% per annum).

9. SHARE CAPITAL

	30 September 2015 (unaudited) ***HK$'000***	31 December 2014 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,341,886,780 (31 December 2014: 1,333,598,514) shares of HK$1.00 each	**1,341,887**	1,333,599

During the nine months ended 30 September 2015, the subscription rights attaching to 6,460,466 and 1,827,800 share options were exercised at the subscription prices of HK$3.17 and HK$3.60 per share, respectively, resulting in the issue of an aggregate of 8,288,266 shares of HK$1.00 each for a total cash consideration of HK$27,059,000 before expenses.

BUSINESS REVIEW

During the first three quarters of 2015, overall capacity in the PRC TV market declined significantly. According to CMM's report, for the 39 weeks ended 27 September 2015, sales volume of TVs in the PRC's offline market fell by 14.0% year-on-year, with intensified price wars. To cope with market competition, the Group adopted a more aggressive competitive strategy and adjusted product mix to maintain its market share. However, as the Group's operational efficiencies had not yet been improved significantly, gross profit margin was nevertheless affected. In addition, RMB depreciated rapidly against US dollar in August and led to a net loss on the overall foreign currency hedging instruments and exchange of HK$220 million, resulting in unsatisfactory results during the period.

With improvement to operational efficiency and enhancement to product mix, management of the Group is confident of improving profitability in the fourth quarter of 2015. At the same time, the Group will minimise the influence of exchange rate fluctuation of RMB against US dollar to the operations through strategies such as financial structure adjustments and risk hedging instruments.

For the nine months ended 30 September 2015, turnover of the Group was HK$24.44 billion, an increase of 3.6% year-on-year; the Group sold 12.46 million sets of LCD TVs, up by 4.7% year-on-year. Gross profit decreased by 2.6% year-on-year to HK$3.73 billion, and gross profit margin decreased by 0.9 percentage points when compared with that in the same period of last year to 15.3%. Expense ratio went up by 0.2 percentage points when compared with that in the same period of last year to 15.2%. During the period under review, the Group recorded an operating loss of HK$168 million. Loss attributable to owners of the parent amounted to HK$302 million. Basic loss per share was HK22.76 cents.

For the three months ended 30 September 2015, the Group sold a total of 4.75 million sets of LCD TVs, up by 9.3% year-on-year. Turnover was HK$9.05 billion, an increase of 7.7% year-on-year. Gross profit decreased by 15.3% year-on-year to HK$1.23 billion, and gross profit margin decreased by 3.6 percentage points when compared with that in the same period of last year to 13.6%. Operating loss amounted to HK$366 million, while loss attributable to owners of the parent was HK$438 million. Basic loss per share for the third quarter was HK32.91 cents.

According to the latest IHS Technology figures, the Group ranked No.3 in the global LCD TV market with a market share of 5.7% and ranked No.3 in the PRC LCD TV market with a market share of 14.9% in the first half of 2015.

The Group's sales volume of TVs by regions and the number of TCL smart TV users during the period under review were as follows:

	First three quarters of 2015 *('000 sets)*	First three quarters of 2014 *('000 sets)*	**Change**
LCD TVs	**12,464**	11,903	4.7%
of which: LED backlight LCD TVs	**12,446**	11,869	4.9%
Smart TVs	**4,184**	2,475	69.0%
– PRC Market	**6,027**	5,781	4.3%
– Overseas Markets	**6,437**	6,122	5.1%
Total TV Sales Volume	**12,498**	12,056	3.7%

	Accumulated total as of 30 September 2015	**September 2015**	September 2014	**Change**	**First three quarters of 2015**	First three quarters of 2014	**Change**
Number of TCL activated smart TV users (1)	**10,593,458**	**543,921**	194,157	180.1%	**3,846,388**	1,768,842	117.5%
Daily average number of active users(2)	**N/A**	**3,964,692**	2,000,923	98.1%	**N/A**	N/A	N/A

Notes:

(1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once

(2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days

The PRC Market

For the first three quarters of 2015, the Group's TV turnover in the PRC Market increased by 8.1% year-on-year to HK$14.75 billion. LCD TV sales volume increased by 4.3% year-on-year to 6.03 million sets; gross profit margin decreased by 1.7 percentage points year-on-year to 19.3%.

In the third quarter, TV turnover in the PRC Market remained stable at HK$5.06 billion. LCD TV sales volume decreased by 2.9% year-on-year to 2.16 million sets; gross profit margin decreased by 6.4 percentage points year-on-year to 15.7%.

According to CMM's report, the overall sales volume and selling prices of flat screen TVs in the PRC Market declined. For the 39 weeks ended 27 September 2015, sales volume of TV in the PRC's offline market fell by 14.0% year-on-year, with intensified price wars. To cope with market competition, the Group adopted a more aggressive competitive strategy and adjusted product mix to maintain its market share. However, as the Group's operational efficiencies had not yet been improved significantly, gross profit margin was nevertheless affected.

The Group continued to enhance its product mix, the average selling price of LCD TVs in the PRC Market in the first three quarters increased by 3.7% year-on-year.

- Smart TV sales volume increased by 36.2% year-on-year to 3.12 million sets, accounting for 51.7% of the Group's LCD TV sales volume in the PRC Market.

- 4K TV sales volume rose by 155.4% year-on-year to 1.16 million sets, accounting for 19.2% of the Group's LCD TV sales volume in the PRC Market.

- Curved TV sales volume reached 100,000 sets, maintaining its market share as the No.1 domestic brand in the PRC curved TV market (Source: CMM).

- Proportion of sales volume of curved, big-screen, ultra-high-definition, priced at above RMB7,000 products increased from 35.1% in 2014 to 47.9% for the third quarter of 2015. Among these, the new product C1 series of the Group were launched in September and sales volume was more than 20,000 sets in that month.

Management of the Group is confident of improving profitability in the fourth quarter of 2015 with enhancement to product mix and improvement in operational efficiency, as well as cost reduction in key components which will benefit market pricing of products.

Overseas Markets

In the first three quarters of 2015, the Group's TV turnover in the Overseas Markets increased by 3.0% year-on-year to HK$9.58 billion. Sales volume of LCD TVs was 6.44 million sets, up by 5.1% year-on-year; gross profit margin was down by 1.5 percentage points year-on-year to 9.1%.

In the third quarter, TV turnover in the Overseas Markets increased by 19.7% year-on-year to HK$3.95 billion. LCD TV sales volume increased by 22.0% year-on-year to 2.59 million sets; while gross profit margin increased by 0.6 percentage points year-on-year to 10.7%.

Results of the first three quarters in the Overseas Markets:

- LCD TV sales volume in the Emerging Markets rose by 5.3% when compared with that in the same period of last year to 1.24 million sets, average selling price increased by 4.5% year-on-year, product mix enhanced significantly.

- In the North American Market, benefitting from the expansion of national chain sales channels, LCD TV sales volume increased by 337.5% year-on-year to 790,000 sets.

- LCD TV sales volume of the Strategic ODM business was down by 7.0% when compared with that in the same period of last year to 3.83 million sets.

- Impacted by exchange rate fluctuation and market competition, LCD TV sales volume in the European Market decreased by 10.8% when compared with that in the same period of last year to 580,000 sets.

The Group continued to optimise its product mix in the Overseas Markets by proactively promoting its curved TVs. At the same time, the Group has implemented the TV+ strategy in overseas to gradually expand the proportion of paid content users, and launched Zing TV in the Emerging Markets which received positive response.

Internet Business

Adhering to the proactive promotion of its "double +" strategic transformation, the Group continued to propel the establishment of an internet ecosystem for its existing and new businesses. It will continue to promote video (including GoLive) and gaming as its basic services, and education and lifestyles as differentiated services.

As of September 2015, the accumulated number of TCL activated smart TV users totalled 10,593,458 and the daily average number of active users in September 2015 was 3,964,692 (Source: Huan). In the first three quarters of 2015, service revenue from its internet business was RMB11.52 million.

- Average daily video-on-demand frequency increased from 11 times in 2014 to 15 times in the first three quarters of 2015; average daily time spent stood at 4.4 hours.

- Average daily viewing time of education contents increased from 13.6 minutes in 2014 to 45 minutes in the first three quarters of 2015.

- Average daily gaming time within a week increased from 43 minutes in 2014 to 75 minutes in the first three quarters of 2015.

As the realisation model of video streaming business develops into a mature stage, the Group's total service revenue of the internet business targets at approximately RMB50.00 million in 2015 through large amount of service revenue generated from paid contents and advertising.

R&D

In the first three quarters of 2015, the Group launched a total of 10 series with 21 new products in the PRC Market, including the industry leading true 4K UHD ultra-thin smart TV C1 series released at the TCL "WE+" autumn new product launch presentation held in Shenzhen on 28 September 2015. The thicknesses of C1 series are only 5.9 mm, breaking a new record in curved ultra-thin LED TVs. With such advanced technologies and applications as 4000R golden curvature, curved high colour gamut technology, 64-bit high speed chips and "C movement", they truly bring the unique experience of thin, curved, true, fast, and stylish.

C1 series' leading curved high colour gamut display technology and High Dynamic Range (HDR) imaging, established on TCL's unique true colour display technology, perfectly combine curved technology and colour technology to deliver more vivid and true-to-life colour for an ideal viewing experience. Furthermore, C1 series are firstly equipped with 64-bit high speed chips, 2G DDR high configuration memory, and through TV+OS system optimisation, have shortened the current industry average boot time from 25 seconds to 5 seconds. They also have dual-band dual-channel WIFI design to achieve smooth ultra-high-definition video playback.

Outlook

In the next few years, the demand for TV replacement will basically remain stable, but the conventional TV industry is facing industrial transformations, with demand concentrated on replacement products with smart, large screens and new features. New entrants are causing industry competition to intensify, bringing along a shift from product-based competition to "products + services" battle. Under the "Internet +" environment, and through the "products + services" strategic layout, the Group will actively promote business transformation in order to face a more challenging market environment.

The Group will continue to pursue the following strategies to comprehensively promote its smart transformation, consolidate and improve its TV market share, and enhance operational efficiency:

1. The Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, various applications and content services, thereby establishing a competitive O2O business model to further promote the integration of its online and offline operations and strengthen its user management capability.

2. The Group will continue to pursue the internationalisation and gradually expand the proportion of paid content users through implementation of the TV+ strategy by integrating TV sales with content operations in the Overseas Markets. Besides, it will consolidate its marketing and industrial capacities in the key markets and optimise supply chain management, aiming to improve overall competitiveness and operational quality.

3. The Group will strive to enhance its efficiency. 2015 is a year of "Efficiency" + "Structure". The Group will continue to improve its product mix and sales channels. In the PRC Market, the Group will continue to promote its curved TVs, and its true 4K UHD ultra-thin smart TV C1 series will be fully introduced to increase its market share of 4K TVs. On the other hand, the Group will also adjust its organisational structure to further improve its operational efficiency and core competitiveness.

The Group is committed to achieving its target of LCD TV sales volume of 17.50 million sets in 2015. Meanwhile, it will continue to take full advantage of the resources and market position of TCL Corporation to establish TCL Multimedia as a "global entertainment technology enterprise", delivering improved results to reward the support of shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

The Group has the following significant investments during the period.

On 11 November 2014, Sino Leader (Hong Kong) Limited ("Sino Leader", a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited (a wholly-owned subsidiary of TCL Corporation) and Prosper Fortune Enterprises Limited (a wholly-owned subsidiary of TCL Communication Technology Holdings Limited) to invest in a joint venture, TCL Smart Home Technologies Co., Limited ("TCL Smart Home"). Pursuant to the joint venture agreement, Sino Leader agreed to contribute RMB9,000,000 (equivalent to approximately HK$11,369,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader agreed to contribute up to a maximum of further RMB18,000,000 (equivalent to approximately HK$22,680,000) to TCL Smart Home by way of subscription of new shares and/or advancing shareholders' loan. The initial capital contribution was completed on 16 February 2015.

On 29 October 2013, Sino Leader entered into a joint venture agreement with an independent third party, IMAX (Hong Kong) Holding, Limited, a subsidiary of IMAX Corporation to form TCL-IMAX Entertainment Co., Limited ("TCL-IMAX"), a joint venture incorporated in Hong Kong and certain other joint ventures in the PRC. Pursuant to the joint venture agreement, Sino Leader agreed to contribute US$12,500,000 (equivalent to approximately HK$96,904,000) to TCL-IMAX, representing 50% of the share capital of TCL-IMAX. On 31 July 2015, Sino Leader contributed US$3,500,000 (equivalent to approximately HK$27,132,000) to TCL-IMAX and completed the full capital contribution.

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 2015 amounted to approximately HK$3,391,589,000, of which 0.1% was maintained in Hong Kong dollars, 49.2% in US dollars, 46.5% in Renminbi, 1.3% in Euros and 2.9% in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2014 and there was no asset held under finance lease as at 30 September 2015.

As at 30 September 2015, the Group's gearing ratio was 68.8% which was calculated based on the Group's net borrowing of approximately HK$2,781,927,000 (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$4,042,052,000. The maturity profile of the borrowings was within one year.

Pledge of Assets

As at 30 September 2015, pledged deposits of the Group amounting to approximately HK$197,828,000 were pledged for certain bills payable amounting to approximately HK$185,490,000 (31 December 2014: pledged deposits of the Group amounting to approximately HK$203,298,000 were pledged for certain bills payable amounting to approximately HK$200,846,000).

Capital Commitments and Contingent Liabilities

As at 30 September 2015, the Group had capital commitments of approximately HK$21,525,000 (31 December 2014: HK$61,429,000) and approximately HK$292,692,000 (31 December 2014: HK$305,633,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2014 annual report.

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 Group'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 addition, 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

As at 30 September 2015, the Group had a total of 25,359 dynamic and talented employees. They are all dedicated to advancing the quality and reliability of our operations. Remuneration policy is reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Group. In order to align the interests of staff with those of shareholders, share options are granted to employees under the Company's share option schemes. Options for subscribing a total of 185,916,487 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 and was amended on 11 August 2015. Pursuant to which existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees 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 2015.

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 2015, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as those stated in the Company's 2014 annual report.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Albert Thomas DA ROSA, Junior, Mr. HUANG Xubin and Mr. SHI Wanwen (resigned as a non-executive director of the Company on 21 May 2015), being non-executive directors of the Company; and Dr. TSENG Shieng-chang Carter, being an independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 28 April 2015. However, Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong (resigned as an independent non-executive director of the Company on 12 August 2015), being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. Albert Thomas DA ROSA, Junior and Mr. HUANG Xubin, being non-executive directors of the Company; and Mr. TANG Guliang and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the extraordinary general meeting of the Company held on 11 August 2015. However, Mr. Robert Maarten WESTERHOF and Ms. WU Shihong (resigned as an independent non-executive director of the Company on 12 August 2015), being independent non-executive directors of the Company, were present at the extraordinary general meeting to ensure an effective communication with the shareholders thereat.

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin, being a non-executive director of the Company; and Mr. TANG Guliang, Mr. Robert Maarten WESTERHOF and Dr. TSENG Shieng-chang Carter, being independent non-executive directors of the Company, were not present at the extraordinary general meeting of the Company held on 25 September 2015. However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company and Professor SO Wai Man Raymond (who was appointed as an independent non-executive director of the Company on 12 August 2015), being an independent non-executive director of the Company, were present at the extraordinary general meeting to ensure an effective communication with the shareholders thereat.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for all directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the Company on 24 April 2013, Ms. XU Fang who was appointed as an executive director of the Company on 21 May 2015 and Professor SO Wai Man Raymond who was appointed as an independent non-executive director of the Company on 12 August 2015) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed financial statements for the nine months ended 30 September 2015, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

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" (the "Model Code"). Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 20 October 2015

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, TSENG Shieng-chang Carter and SO Wai Man Raymond as independent non-executive directors.