TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

FINANCIAL HIGHLIGHTS

Unaudited Results for the nine months ended 30 September

	2007	2006	Change
	(HK$M)	*(HK$M)*	
Turnover	**14,967**	21,422	(30%)
Loss before fair value gain on the derivative component of Convertible Bonds	**(226)**	(1,436)	(84%)
Fair value gain on the derivative component of Convertible Bonds	**287**	–	+100%
Profit/(loss) before tax	**61**	(1,436)	+104%
Loss attributable to equity holders of the parent	**(2)**	(1,519)	(100%)
Basic loss per share (HK cents)	**(0.05)**	(38.91)	(100%)

Corporate Highlights

- The Group focus on building core competitiveness starting to show results
  - Achieved loss before fair value gain on the derivative component of Convertible Bonds of HK$43,000,000 for 3Q 2007
  - Fair value gain on the derivative component of Convertible Bonds of HK$287,000,000
  - Achieved reduction on net loss for year-to-date
  - Increased operating margin year-on-year
  - Sharp rises in LCD shipments in all regions
- According to market research by isuppli, the Group is the world's 5th largest branded TV manufacturer
- Home Networking business continues to show strong growth and potential

Regional Highlights

- PRC: 18.8% market share by volume
- Europe: New business model starts to show positive results
- North America: Continued adaptation to changing consumer preferences
- Emerging Markets: Retained good share of major markets
- S-OEM: Evolved with market trend of lower CRT sales

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 2007 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**9 months ended 30 September 2007 (unaudited)** ***HK$'000***	9 months ended 30 September 2006 (unaudited) *HK$'000*	**3 months ended 30 September 2007 (unaudited)** ***HK$'000***	3 months ended 30 September 2006 (unaudited) *HK$'000*
CONTINUING OPERATIONS					
TURNOVER	4	**14,966,808**	21,422,097	**5,455,989**	6,918,636
Cost of sales		**(12,376,292)**	(18,079,096)	**(4,496,780)**	(5,840,029)
Gross profit		**2,590,516**	3,343,001	**959,209**	1,078,607
Other revenue and gains		**99,439**	145,398	**38,181**	43,448
Selling and distribution costs		**(1,993,884)**	(2,811,514)	**(733,844)**	(866,891)
Administrative expenses		**(596,715)**	(749,639)	**(192,401)**	(262,604)
Research and development costs		**(99,266)**	(312,262)	**(54,275)**	(111,258)
Other operating expenses		**(65,637)**	(213,700)	**8,969**	25,197
		(65,547)	(598,716)	**25,839**	(93,501)
Fair value losses of equity investments at fair value through profit or loss		**–**	(37,653)	**–**	(397)
Cost in connection with the restructuring and winding-down of the EU Business, net	5	**–**	(618,134)	**–**	247,000
Finance costs	6	**(161,012)**	(182,849)	**(70,898)**	(55,739)
Share of profits and losses of:					
Jointly-controlled entities		**(907)**	1,023	**1,417**	(190)
An associate		**1,127**	–	**409**	–
PROFIT/(LOSS) BEFORE FAIR VALUE GAIN ON THE DERIVATIVE COMPONENT OF CONVERTIBLE BONDS		**(226,339)**	(1,436,329)	**(43,233)**	97,173
Fair value gain on the derivative component of Convertible Bonds		**287,469**	–	**287,469**	–
PROFIT/(LOSS) BEFORE TAX		**61,130**	(1,436,329)	**244,236**	97,173
Tax	7	**(58,780)**	(84,508)	**(24,949)**	(16,960)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**2,350**	(1,520,837)	**219,287**	80,213

	Notes	**9 months ended 30 September 2007 (unaudited)** ***HK$'000***	9 months ended 30 September 2006 (unaudited) *HK$'000*	**3 months ended 30 September 2007 (unaudited)** ***HK$'000***	3 months ended 30 September 2006 (unaudited) *HK$'000*
DISCONTINUED OPERATION					
Profit for the period from a discontinued operation	8	**–**	7,362	**–**	3,063
PROFIT/(LOSS) FOR THE PERIOD		**2,350**	(1,513,475)	**219,287**	83,276
ATTRIBUTABLE TO:					
Equity holders of the parent		**(2,037)**	(1,518,808)	**217,562**	80,781
Minority interests		**4,387**	5,333	**1,725**	2,495
		2,350	(1,513,475)	**219,287**	83,276
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10				
Basic					
– For loss for the period		**HK(0.05) cents**	HK(38.91) cents		
– For loss from continuing operations		**HK(0.05) cents**	HK(39.10) cents		
Diluted					
– For loss for the period		**N/A**	N/A		
– For loss from continuing operations		**N/A**	N/A		

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 September 2007 (unaudited)** *HK$'000*	31 December 2006 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,690,142**	1,993,791
Prepaid land lease payments		**72,523**	86,318
Goodwill		**119,638**	119,638
Other intangible assets		**79,764**	67,784
Interests in jointly-controlled entities		**114,239**	110,444
Interests in an associate		**73,396**	69,566
Available-for-sale investments		**2,957**	2,325
Prepaid royalty		**271,002**	269,596
Deferred tax assets		**17,949**	20,678
Total non-current assets		**2,441,610**	2,740,140
CURRENT ASSETS			
Inventories		**2,608,469**	3,206,919
Trade and bills receivables		**3,325,548**	3,595,130
Other receivables		**630,024**	926,925
Tax recoverable		**13,358**	23,257
Pledged deposits		**–**	10,000
Cash and bank balances		**939,645**	1,894,633
Total current assets		**7,517,044**	9,656,864
CURRENT LIABILITIES			
Trade and bills payables		**3,541,147**	4,642,315
Tax payable		**112,749**	111,124
Other payables and accruals		**1,284,676**	2,099,535
Provisions		**338,705**	805,328
Interest-bearing bank and other borrowings	11	**1,096,342**	2,660,582
Due to the ultimate holding company		**237,028**	347,999
Total current liabilities		**6,610,647**	10,666,883
NET CURRENT ASSETS/(LIABILITIES)		**906,397**	(1,010,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,348,007**	1,730,121

	Notes	**30 September 2007 (unaudited)** ***HK$'000***	31 December 2006 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,348,007**	1,730,121
NON-CURRENT LIABILITIES			
Convertible Bonds	12	**785,201**	–
Deferred tax liabilities		**16,576**	21,908
Pensions and other post-employment benefits		**17,903**	18,171
Total non-current liabilities		**819,680**	40,079
Net assets		**2,528,327**	1,690,042
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	**585,443**	390,295
Reserves		**1,846,199**	1,210,871
		2,431,642	1,601,166
Minority interests		**96,685**	88,876
Total equity		**2,528,327**	1,690,042

Notes:

1. **Basis of preparation and accounting policies**

The Directors are responsible for the preparation of the Group's unaudited quarterly financial statements. These unaudited quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. **Impact of new HKFRSs and HKASs**

The accounting policies adopted in the preparation of the unaudited quarterly condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also included HKASs and Interpretations, that affect the Group and are adopted for the first time for the current period's financial statements.

• HKAS 1 Amendment	Capital Disclosures
• HKFRS 7	Financial Instruments: Disclosures
• HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
• HK(IFRIC) – Int 8	Scope of HKFRS 2
• HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
• HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The revised HKAS 1 affects the disclosures of qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

The HKFRS 7 requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates major disclosure requirements of HKAS 32.

The HK(IFRIC)-Int 7 addresses requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and requires an entity to restate its financial statements in accordance with HKAS 29.

The HK(IFRIC)-Int 8 addresses the application of HKFRS 2 to particular transactions in which the entity cannot identify specifically some or all of the goods or services received.

The HK(IFRIC)-Int 9 addresses the application of HKAS 39 that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, and prohibits subsequent reassessment throughout the life of the contract except for exceptional circumstances.

The HK(IFRIC)-Int 10 addresses the interaction between the requirements of HKAS 34 and the recognition of impairment losses on goodwill in HKAS 36 and certain financial assets in HKAS 39 and that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and condensed income statement arising from the above-mentioned accounting standards.

3. Impact of issued but not yet effective HKFRSs and HKASs

The Group has not applied the following new and revised HKFRSs and HKASs,which have been issued but are not yet effective, in these quarterly financial statements:

- HKFRS 8 — Operating Segments
- HKAS 23 (Revised) — Borrowing Costs
- HK(IFRIC) – Int 11 — HKFRS 2 Group and Treasury Share Transactions
- HK(IFRIC) – Int 12 — Service Concession Arrangements

HKFRS 8 (effective for accounting period beginning on or after 1 January 2009) supersedes HKAS 14, Segment Reporting, under which segments were identified and reported on the basis of a risk and return analysis. Items were reported on the basis of the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker or an authorised qualified staff of the entity. Items are reported based on internal reporting.

HKAS 23 (Revised), HK(IFRIC) – Int 11 and HK(IFRIC) – Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 March 2007 and 1 January 2008 respectively.

The Group is in process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. Segment information

An analysis of the Group's turnover and segment results by principal activities for the nine months ended 30 September 2007 and 2006 are as follows:

	Turnover		Segment Results	
	2007	2006	**2007**	2006
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:				
Television	**12,519,868**	19,250,472	**1,460**	(560,813)
Home networking	**2,186,037**	1,620,572	**82,967**	53,087
Others	**260,903**	551,053	**(5,557)**	(9,645)
	14,966,808	21,422,097	**78,870**	(517,371)
Discontinued operation:				
Computer	**–**	1,568,162	**–**	5,501
	14,966,808	22,990,259	**78,870**	(511,870)
Interest income			**16,104**	19,496
Corporate expenses			**(160,521)**	(98,215)
Fair value losses of equity investments at fair value through profit or loss			**–**	(37,653)
Fair value gain on the derivative component of Convertible Bonds			**287,469**	–
Costs in connection with the restructuring and winding-down of EU business, net			**–**	(618,134)
Finance costs			**(161,012)**	(183,614)
Share of profits and losses of:				
Jointly-controlled entities			**(907)**	1,023
An associate			**1,127**	–
Profit/(loss) before tax			**61,130**	(1,428,967)
Tax			**(58,780)**	(84,508)
Profit/(loss) for the period			**2,350**	(1,513,475)

5. Costs in connection with the restructuring and winding-down of the EU Business, net

	Nine months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Impairment of:		
Items of property, plant and equipment	**–**	225,000
Long term receivables		
– Angers factory assets receivable	**–**	79,000
– Trademark fee reinvestment	**–**	43,775
Other receivables		
– Trademark fee reinvestment (current portion)	**–**	18,359
	–	366,134
Write-down of inventories to net realizable value	**–**	252,000
Total	**–**	618,134

On 24 May 2007, a wholly owned subsidiary of the Group – TTE Europe SAS ("TTE Europe") filed a declaration of insolvency to the French court and the French court appointed a judicial liquidator (the "Liquidator") to take control over TTE Europe on 29 May 2007. Formal insolvency proceedings then commenced on 29 May 2007 and the Liquidator is now the sole person being responsible for winding-up TTE Europe by liquidating its assets and making payment to its creditors. The Group has since 29 May 2007 deconsolidated TTE Europe and its subsidiaries (collectively the "EU Group") from the Group's financial statements.

6. Finance costs

	Nine months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Convertible Bonds	**31,369**	–
Bank loans and overdrafts	**112,748**	138,780
Other loan wholly repayable within five years	**650**	7,452
Loan from a shareholder	**–**	20,495
Loan from an associate	**7,397**	–
Loan from the immediate holding company	**2,482**	–
Loan from the ultimate holding company	**6,366**	16,887
	161,012	183,614
Attributable to:		
A discontinued operation *(note 8)*	**–**	765
Continuing operations reported in the condensed consolidated income statement	**161,012**	182,849
	161,012	183,614

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	Nine months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current:		
Hong Kong	**6,215**	9,601
Elsewhere	**53,985**	76,466
Deferred	**(1,420)**	(1,559)
	58,780	84,508

8. Discontinued operation

On 21 June 2006, the Company and T.C.L. Industries Holdings (H.K.) Ltd ("T.C.L. Industries") entered into a sale and purchase agreement and pursuant to which the Company, inter alia, disposed of its entire interest in TCL Computer Technology (BVI) Co., Ltd. ("Computer Technology") to T.C.L. Industries for a consideration of HK$283 million. Computer Technology and its subsidiaries were principally engaged in the manufacture and sale of computer related products and represented a separate business segment, the Computer segment, of the Group that was part of the PRC operations. The disposal was completed on 8 September 2006.

The result of the Computer segment is presented below:

	Nine months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Turnover	**–**	1,568,162
Other revenue and gains	**–**	12,357
Expenses	**–**	(1,572,392)
Finance costs	**–**	(765)
Profit before tax from the discontinued operation	**–**	7,362
Tax	**–**	–
Profit for the period from the discontinued operation	**–**	7,362

9. Dividend

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

10. Loss per share attributable to ordinary equity holders of the parent

The calculation of basic and diluted loss per share are based on:

	Nine months ended 30 September	
	2007	2006
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation:		
From continuing operations	**(2,037)**	(1,526,170)
From a discontinued operation	**–**	7,362
	(2,037)	(1,518,808)

	Number of shares Nine months ended 30 September	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the period used in basic and diluted loss per share calculation	**4,474,812,786**	3,902,951,727

Diluted loss per share amounts for the period ended 30 September 2007 and 30 September 2006 have not been disclosed, as the share options and Convertible Bonds outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

11. Interest-bearing bank and other borrowings

	30 September 2007 (unaudited) *HK$'000*	31 December 2006 (audited) *HK$'000*
Current		
Bank overdrafts – secured	**–**	53,048
Bank loans – secured	**–**	6,475
Bank loans – unsecured, on demand	**–**	1,114,831
Bank loans – unsecured	**456,459**	412,159
Advances from banks as consideration for Factored Receivables	**503,163**	764,384
Trust receipt loans – secured	**–**	6,785
Trust receipt loans – unsecured	**6,721**	79,327
Loan from TCL Finance	**129,999**	187,027
Other Loan	**–**	36,546
	1,096,342	2,660,582

Notes:

(a) As at 30 September 2007, the Group does not have any overdraft facilities available (31 December 2006: the Group's overdraft facilities amounting to HK$53,048,000, of which HK$53,048,000 had been utilized as at the balance sheet date, were secured by the pledge of certain of the Group's inventories amounting to HK$53,292,000).

(b) All of the Group's bank loans are unsecured (31 December 2006: certain of the Group's bank loans are secured by the pledge of certain of the Group's time deposits and items of property, plant and equipment amounting to HK$10,000,000 and HK$92,834,000 respectively).

(c) As at 30 September 2007, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(d) Except for the unsecured bank loans with an aggregate carrying amount of HK$456,459,000 and the loan from TCL Finance Co., Ltd. ("TCL Finance") of HK$129,999,000 (31 December 2006: unsecured bank loans with an aggregate carrying amount of HK$412,159,000, the loan from TCL Finance of HK$187,027,000 and other loan of HK$36,546,000), all other borrowings of the Group bear interest at floating rates.

(e) The Syndication Loans were repaid in full on 12 July 2007.

In addition, TCL Corporation, the ultimate holding company, has guaranteed certain of the Group's bank loans up to HK$357,617,000 (31 December 2006: HK$315,657,000) as at the balance sheet date.

12. Convertible Bonds

On 18 May 2007, the Company entered into a purchase agreement (the "Purchase Agreement") with Deutsche Bank AG, London (the "Purchaser"), whereby the Company agreed to issue and the Purchaser, subject to the satisfaction of the conditions precedent of the Purchase Agreement, agreed to subscribe and pay for or to procure subscribers to subscribe and pay for the secured Convertible Bonds due 2012 (the "Bonds") with an aggregate principal amount of US$140 million (equivalent to approximately HK$1,095 million). The completion of the Purchase Agreement took place and the Bonds were issued on 12 July 2007.

Principal terms of the Bonds:

(i) Bondholders may convert at any time from 30 trading days after the closing date up to the closing of business on the maturity date at the initial conversion price of HK$0.40. As set out in the Company's announcement dated 16 August 2007, the conversion price had been adjusted from the initial conversion price of HK$0.40 per share to HK$0.65 per share with effect from 16 August 2007 (and further annual resets in accordance with the terms of the Bonds) pursuant to the terms and conditions of the Bonds;

(ii) On or at any time after the 2nd anniversary date of the closing date and prior to the maturity date, the Company may redeem the Bonds in whole at the early redemption amount provided the closing prices for each of any 20 trading days falling within a period of 30 consecutive trading days was at least 130% of the conversion price in effect on such trading day, or at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled;

(iii) Bondholders shall have the right to require the Company to redeem all or some of their Bonds at the early redemption amount in the event that the closing price for each of any 20 trading days falling within a period of 30 consecutive trading days was at least 30 % below the conversion price in effect on such trading day; and

(iv) Unless previously redeemed, converted or purchased and cancelled, each Bond shall be redeemed at 137.50% of its principal amount on the fifth anniversary of the issue date.

The Bonds bear interest at the rate of 4.5% per annum on the principal amount outstanding. The interest will be payable by the Company quarterly in arrears. The Bonds will be redeemed on maturity at a value equal to the aggregate of (1) its principal amount outstanding; (2) the interest accrued.

The proceeds from the issuance of the Bonds of US$ 140 million (equivalent to approximately HK$1,095 million) have been split into liability and derivative components. On issuance of the convertible bonds, the fair value of the derivative is determined by using the Binomial Option Pricing Model; and such a value is carried as derivative component of the liability until extinguished on conversion or redemption. The derivative component is measured at fair value on the issuance date and any subsequent changes in fair values of the derivative component as at the balance date sheet are recognised in the consolidation income statement.

In view of the share price of the Company dropped from HK$0.68 per share on the Bonds's issue date 12 July 2007 to HK$0.465 per share on the balance sheet date 30 September 2007, a fair value gain on the derivative component of Convertible Bonds amounting to HK$287,469,000 is resulted and credited to the consolidated income statement. Such fair value gain does not have impact on the Group's cashflow and operations.

The remainder of the proceeds is allocated to debt element of the Convertible Bonds, net of transaction costs, and is recorded as the liability component. The liability component is subsequently carried at amortised cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the liability component through the maturity date.

If the Convertible Bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the Convertible Bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the income statement.

13. Share capital

	No. of shares	HK$'000
Authorized:		
Ordinary shares of HK$ 0.10 each at 31 December 2006 and 1 January 2007	8,000,000,000	800,000
Increase during the period	14,000,000,000	1,400,000
Ordinary share of HK$ 0.10 each at 30 September 2007	22,000,000,000	2,200,000
Issued and fully paid:		
Ordinary shares of HK$ 0.10 each at 31 December 2006 and 1 January 2007	3,902,951,727	390,295
Shares allotted and issued pursuant to completion of Rights issue	1,951,475,863	195,148
At 30 September 2007	5,854,427,590	585,443

Pursuant to the resolution passed by the Company's shareholders on 21 June 2007, the authorized share capital of the Company was increased from HK$800,000,000 to HK$2,200,000,000 by the creation of an additional 14,000,000,000 shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

On 15 May 2007, the Company proposed to raise not less than approximately HK$781 million (before expenses) by issuing not less than approximately 1,951 million new ordinary shares of the Company and to raise not more than approximately HK$808 million by issuing not more than approximately 2,019 million new ordinary shares of the Company at a subscription price of HK$0.4 per share (the "Rights Share") on the basis of one Rights Share for every two existing shares (the "Rights Issue"). Any Rights Share not taken up by the existing shareholders would be fully underwritten by T.C.L. Industries pursuant to the terms and conditions of the Underwriting Agreement dated 15 May 2007.

The Rights Issue became unconditional on 11 July 2007 and the Company raised a total of approximately HK$781 million (before expenses) by the issue of approximately 1,951 million Rights Shares.

Further details of the Rights Issue are set out in the Company's announcements dated 15 May 2007 and 12 July 2007 and circular dated 5 June 2007.

14. Comparative amounts

The comparative income statement has been re-presented as if the operation discontinued during 2006 had been discontinued at the beginning of the comparative period (note 8).

BUSINESS REVIEW

During the period from 1 July to 30 September 2007, the Group strengthened its leading market position in the PRC and continued to consolidate its presence in the overseas markets, while proactively upgrading its manufacturing operations in preparation for the end-of-year seasonal upswing in sales.

In line with the Group's managed transition and aim of rationalizing operations to raise operating efficiency in all areas, despite the Group's turnover for the period under review declined by 21%, to HK$5,456 million, compared to the same period in 2006. However, supply chain improvements and improved focus in sales and distribution enabled the Group to record an operating profit of HK$26 million, compared to an operating loss of HK$94 million in the same period last year.

Thus, for the nine months ending 30 September 2007, the Group recorded a pre-tax profit of HK$61 million compared to a loss of HK$1,436 million in the same period in 2006. Much of the loss in the same period last year was due to European operations, which the Group has restructured and re-launched under a new business model. The legacy European operations were deconsolidated from the Group's financial statements in May 2007.

TV Sales

During the third quarter, the Group sold a total of 3,865,000 TV sets, a year-on-year decline of 29.9%. This brings the Group's total TV sales volume for the year-to-date to 10,933,000, a 69% achievement of the Group's year-end target. For the year to date revenue from TV sales amounted to HK$12,520 million, accounting for 84% of the Group's total revenue. The balance of the Group's sales were primarily for Home Networking products, indicating continued strong growth in this product area.

Gross margin of TV Sales for the period was 19%. Capitalising on its economies of scale in production and flexible manufacturing facilities, the Group managed to capture the opportunities arising from the greater consumer preference for LCD and larger screen TVs. Sales volume of the Group's LCD TVs recorded significant increases in China, the Emerging Markets and other key regions.

Price and feature competition in the TV industry remained severe. In response, the Group launched a number of new TV models during the period, with favorable market reception for its high-end products such as digital CRT TV, extra slim CRT TV and large screen (over 42 inch) LCD TV products.

Unaudited Sales Volume by region for the three months ended 30 September is indicated below

	2007 *('000)*	2006 *('000)*	**Change**
TV Unit Sales (TOTAL)	**3,865**	5,515	-29.9%
The PRC	**1,733**	2,021	-14.3%
Europe	**213**	262	-18.7%
North America	**354**	737	-52.0%
Emerging Markets	**815**	1,104	-26.2%
Strategic OEM	**750**	1,391	-46.1%
Home Networking Unit Sales	**6,988**	3,907	+78.9%

The PRC Market

The Group sold 1,733,000 TV sets to the PRC Market in the third quarter, maintaining its position as the undisputed market leader in the Country in terms of sales volume, according to the Ministry of Information Industry (MII). For the period under review, an overall market share of the Group is 18.8%. Sales generated from the PRC Market amounted to HK$2,476 million, accounting for 57% of the Group's total TV sales in this quarter.

The PRC Market reported modest retreats in its gross profit and operating profit to HK$615 million and HK$185 million respectively, due primarily to increases in the proportion of LCD TV sales, which carry lower margins than CRT TVs. In response to changing consumer preferences, the Group's output of LCD TVs has been steadily rising, recording an 88% increase year-on-year in the first three quarters of 2007. Although the costs of some raw materials and component costs have declined, competition in the LCD TV market space, especially around price, remains intense.

Going forward, the Group's strategy in the PRC Market is to continually increase the proportion of high-end TVs, which are priced close to comparable items of top tier competitors, while maintaining a steady hold on the faster moving mass-market TV segment. The Group's high brand recognition in the PRC enabled it to make gains, especially in the large screen (over 42'') market segment.

European Markets

During the period under review, the Group made good progress in its effort to re-model European operations following a series of restructuring and consolidation measures. Although the Europe unit is not expected to be solidly profitable on a yearly basis until 2008, the Management was pleased to see the Borderless Centralized Business Model taking root, thereby enabling the Group to re-establish profitable relationships with major European retailers.

In the period under review, the European business unit achieved sales revenues of HK$227 million with a sales volume of 213,000 sets. Over 80% of the sales were attributed to the top 15 customers, exhibiting a high degree of sales efficiency. At the same time, branded products accounted for over 75% of the total sales, thereby enabling the Group to benefit from higher gross margins than OEM sales.

North American Markets

The Group's North America unit continued to adapt to changes in consumer preference with an adjusted product mix and by upgrading operational efficiency. Sales volume in the North America market declined to 354,000 units in the third quarter, a 52.0% year-on-year decline, due primarily to lower demand for PTV (Projection TV) and a consumer preference for flat panel products. Despite the market changes, the Group was able to raise its CRT TV average selling price by selling more digital CRT TV products. As a result of these changes, the Group's North America unit gross margin narrowed to 9.5%.

Going forward the Group's ability to actively promote its LCD product range to the North America market will be somewhat tied to the general shortage in supply of flat panel components facing the industry overall. As such, much depends on the Group's ability to work with strategic partners to stabilize its supplies in this area. At the same time, and in line with more demanding market environment, the Group's North America business unit continued to enhance cost-effectiveness in established areas such as IT and warehousing.

Emerging Markets

The realignment of the Group's operations in the Emerging Markets began to generate results in the period under review, meeting management expectations and exceeding 2nd quarter 2007 revenue by 17.1%. With stronger sales of high end products, the unit achieved operating profits in August and September of the period under review. For the third quarter, the Group sold 815,000 TV sets to the Emerging Markets, a 26.2% decrease year-on-year, and total revenues were HK$514 million. Although the unit recorded an operating loss of HK$1 million for the period under review, this was a significant improvement on the operating loss of HK$23 million in the first half of the year. The improvement was due primarily to the concerted efforts of the Group to close certain loss-making overseas offices and raise overall operating efficiency.

Also on a positive note, the streamlining of operations enabled the Emerging Markets unit to enhance its product mix to push higher-end products, resulting in a 70% year-on-year growth in sales volume of LCD TVs. In addition, the Group further strengthened its market position in core countries such as the Philippines where it is ranked #4 in market share, with 12.2%, and Australia where it is ranked #5, with a market share of 6.9%.

Strategic OEM

As expected, the Group's TV OEM operations keep pace with the overall market trend of declining CRT TV product demand. While the Group may benefit somewhat from the exit of major players from the CRT OEM market, but faces strong pressure in building a strong competitive profile in the LCD TV OEM business. During the period under review, the Group's S-OEM unit sold 750,000 TV sets, a year-on-year decline of around 46.1%, which was largely expected by the management. To make up for the shortfall, the Group continued its efforts to expand its product line to include wall mounted TVs and other diversified products and to secure orders for LCD products.

At the same time, the Group is continuing efforts to achieve significant cost reductions in chassis, components and other areas so as to maintain a competitive edge. With clear challenges ahead, the S-OEM incurred an operating loss of HK$10 million for the third quarter 2007.

Home Networking Products

The consolidation of the home networking products industry has led to further concentration of orders to a few major players in the market. Given the Group's core capabilities in the OEM business model, the Group's home networking unit continued to record strong growth, with a 64% rise in revenue, to HK$1,014 million. The unit recorded an operating profit of HK$49 million.

Major Transactions and Operational Enhancements

In line with the Group's long-term strategy of building core competitiveness in the global TV market from its home base in China, it proceeded with a number of significant events and upgrades during the quarter under review.

The Group continued with proactive addressing of research and development needs, and the culmination of a cross-platform project enabled the Group to see a significant decrease in the R&D product development cycle, from nine to six months for LCD products. The Group meanwhile continued to concentrate the majority of R&D operations from its headquarters in Shenzhen, which helped to reduce recurring R&D expenses by approximately 68% for the year to date.

Alongside upgrades in R&D, the Group continued to seek additional efficiencies in manufacturing operations. During the third quarter, the Group entered a multi-year manufacturing services agreement with T&A Mobile Phones International ("T&A"), a wholly owned subsidiary of TCL Communications Technology Holdings Limited. The agreement, signed on 10 September 2007, provides for T&A to procure manufacturing services from the Group, through the Group's manufacturing facility at Juarez, Mexico.

Also in September, the Group entered into an agreement with its shareholders, TCL Corporation and TCL Industries, to procure 100% of the shares of Shenzhen Asic Microelectronics Ltd. ("Asic Microelectronics"), a producer of integrated circuits primarily used in remote control devices. The clear synergies between the Group's core TV products and the technology and production capabilities of Asic Microelectronics convinced the management to proceed with the transaction following an independent valuation. The total consideration paid for Asic Microelectronics was HK$25.75 million.

Lastly, on 28 September 2007, TCL King Electronics (Huizhou) Ltd ("TCL King"), a wholly-owned subsidiary of the Group, agreed to transfer its right to a Huizhou land parcel, to the Huizhou Land Reserve Centre (惠州市土地儲備中心) ("Huizhou Land Reserve Centre") for a total consideration of RMB162,281,752 (equivalent to approximately HK$167,150,205). The agreement was pursuant to a change in government planning under which the Huizhou Land Reserve Centre asserted its right to take up the parcel upon payment of consideration at market price. As the land parcel and facilities thereon were not considered by the management to be of core importance to the Group's future LCD manufacturing footprint, the management accepted the Government attractive offer for the parcel. Such land parcel and factories have been in use for over ten years. Since the individual factory each occupies a relatively small area, their structural design and lay-outs together with the conditions of logistic facilities cannot meet with the future panel production requirements. Some of the factories and land parcel in the vicinity are in fact vacant. Upon Completion of the sale of the factory area, depending on actual requirements at that time, the Group could lease-back some of the existing factories. At the same time, the Government has made a commitment to the Group to the extent that it will allow the Group to lease an area close to the original location for the purpose of building new factories. The above-mentioned disposal of factories and land, together with the reconstruction plan are beneficial to the Group, for it will enhance future production efficiency.

Outlook

The TV industry remains challenging. The decline in average selling price of LCD TV not only adds pressure on manufacturers' profit margins, but also expedites the decline in demand for CRT TV products and their replacement in the market by flat panel products.

As such, the Group's major challenge is to use its position of strength as the world's CRT TV leader while building up its competitive profile in flat panel products. In addition to introduction of HD, large screen and leading edge LCD TVs, the Group is also leveraging its research and development capability to grow sales of advanced CRT TVs, which carry good value propositions, especially in developing markets. Thus, the PRC and Emerging Markets will continue to play important roles in anchoring the Group's global position and enabling it to reach more deeply and profitably abroad.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

As part of the Group's restructuring and cost-cutting measures, the amicable winding-down of the loss-making Europe Business unit ("EU Business") ended on 24 May 2007 when the legal entity housing that unit – TTE Europe filed a declaration of insolvency to the French Commercial Court. Subsequently, on 29 May 2007, the Court appointed a judicial liquidator to take control of TTE Europe. The liquidation of TTE Europe is not expected to have a material adverse financial impact to the Group.

On 27 September 2007, TCL King, a wholly owned subsidiary of the Company entered into two separate equity transfer agreements with TCL Corporation and T.C.L. Industries respectively to acquire 75% and 25% equity interest in Asic Microelectronics. Upon completion of the Acquisition on the same date, Asic Microelectronics has become a wholly-owned subsidiary of the Company.

On 28 September 2007, Huizhou Land Reserve Centre, a governmental department of Huizhou, PRC and TCL King, entered into a land use right transfer agreement (the "Agreement"), pursuant to which TCL King agreed to dispose of the land use right of the several parcels of land located at Section 12 and Section 13 Zhongkai District, Huizhou, PRC together with the buildings situated thereon (the "Land") to Huizhou Land Reserve Centre for a total consideration of RMB162,281,752 (equivalent to approximately HK$167,150,205). The proceeds of the disposal will be used as general working capital of the Group. The disposal was mainly due to the change in town planning policies adopted by the local government. Considering the disposal would not have any adverse impact on the business of the Group, but would rather generate profit for the Group and improve the assets structure, the Director viewed the disposal was in the interests of the Company and shareholders of the Company.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, cash and short-term deposits. The main objective for the use of these financial instruments is to maintain a continuity of funding and flexibility at the lowest cost possible.

The cash and bank balance as at the year end amounted to HK$940 million, of which 1% was maintained in Hong Kong dollars, 18% in US Dollars, 68% in Renminbi, 2% in Euro and 11% 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 2006 and there was no asset held under finance lease at the period end.

At the period end, the Group's gearing ratio was 46% which is calculated based on the Group's net borrowing of approximately HK$1,107million (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the Company of approximately HK$2,432million.

Capital Commitments and Contingent Liabilities

There was no significant change in capital commitments and contingent liabilities of the Group compared to the position outlined in the annual report for 2006.

Foreign Exchange Exposure

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

It is the Group's policy to centralize foreign currency management to monitor the company's total foreign currency exposure, to net off affiliate positions and to consolidate hedging transactions with banks. The Group emphasizes the importance of trading, investing and borrowing in functional currency to achieve natural hedging.

Employee and Remuneration Policy

The Group had a total of 23,000 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 company 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 403,592,780 shares remained outstanding at the period end.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, throughout the period ended 30 September 2007, complied with the code provisions of the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange ("Listing Rules"), save for the deviation from code provision A.2.1 of the CG Code because Mr. Li Dongsheng has taken up the roles of both the chairman and the managing director of the Company, which was thereafter ratified upon Mr. Leong Yue Wing's appointment as chief executive officer and executive director of the Company with effect from 1 October 2007 and Mr. Li Dongsheng will no longer be the managing director of the Company, but remain as the chairman of the Board.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the period ended 30 September 2007, 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 as set out in Appendix 10 of the Listing Rules.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 29 October, 2007

As at the date of this announcement, the Board comprises Li Dongsheng, Lu Zhongli, Wang Kangping, Shi Wanwen, Yuan Bing and Leong Yue Wing as executive directors, Albert Thomas da Rosa, Junior as non-executive director and Tang Guliang, Robert Maarten Westerhof and Wu Shihong as independent non-executive directors.