TCL MULTIMEDIA TECHNOLOGY HOLDINGS LIMITED
TCL多媒體科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01070)

RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2008

FINANCIAL HIGHLIGHTS

Results for the three months ended 31 March

	2008 *(HK$M)*	2007 *(HK$M)*	Change
Turnover	**5,500**	5,019	+10%
Gross profit	**1,015**	915	+11%
Profit/(loss) before the effects of convertible bonds	**54**	(66)	N/A
Effects of convertible bonds:			
– Fair value gain on the derivative component of convertible bonds	**155**	–	N/A
– Interest on convertible bonds	**(39)**	–	N/A
Profit/(loss) for the period	**170**	(66)	N/A
Profit/(loss) attributable to equity holders of the parent	**168**	(67)	N/A
Basic earnings/(loss) per share *(HK cents)*	**2.87**	(1.51)	N/A

Highlights

- The Group records a profit before the effects of convertible bonds of HK$54 million on continued operational improvement
- Sales revenue of LCD products surge, record 98% year-on-year growth
- The Group retains market leadership in PRC market with 18.4% market share
- New Europe business records profit for 2nd consecutive quarter
- North America unit improves operations, increases sales revenue by 31% year-on-year on strong sales of LCD TVs
- Home Networking sales increase 11% on good reception of new products

The Board of Directors (the "Board") of TCL Multimedia Technology Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2008 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March	
		2008	2007
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	2	**5,500,346**	5,019,026
Cost of sales		**(4,484,895)**	(4,103,705)
Gross profit		**1,015,451**	915,321
Other revenue and gains		**50,113**	32,584
Selling and distribution costs		**(744,140)**	(683,459)
Administrative expenses		**(172,656)**	(218,605)
Research and development costs		**(51,512)**	(15,209)
Other operating expenses		**(213)**	(23,471)
		97,043	7,161
Finance costs excluding interest on convertible bonds		**(27,933)**	(43,256)
Share of profits and losses of:			
Jointly-controlled entities		**(5,530)**	(1,368)
Associates		**82**	131
		63,662	(37,332)
Fair value gain on the derivative component of convertible bonds		**155,336**	–
Interest on convertible bonds		**(39,174)**	–
PROFIT/(LOSS) BEFORE TAX		**179,824**	(37,332)
Tax	3	**(9,567)**	(28,694)
PROFIT/(LOSS) FOR THE PERIOD		**170,257**	(66,026)
ATTRIBUTABLE TO:			
Equity holders of the parent		**167,600**	(67,280)
Minority interests		**2,657**	1,254
		170,257	(66,026)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	5		
Basic		**HK 2.87 cents**	HK (1.51)cents
Diluted		**HK 0.74 cents**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 March 2008 (unaudited) HK$'000	31 December 2007 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,679,992**	1,667,073
Prepaid land lease payments		**77,834**	75,539
Goodwill		**119,638**	119,638
Other intangible assets		**40,967**	42,532
Interests in jointly-controlled entities		**113,886**	115,571
Interests in associates		**81,739**	78,595
Available-for-sale investments		**1,008**	1,008
Prepaid royalty		**171,869**	189,235
Deferred tax assets		**17,450**	16,852
Total non-current assets		**2,304,383**	2,306,043
CURRENT ASSETS			
Inventories		**3,265,453**	3,229,362
Trade receivables		**2,423,148**	2,734,187
Bills receivable		**339,432**	613,408
Other receivables		**856,249**	786,336
Tax recoverable		**24,524**	15,196
Cash and bank balances		**817,599**	1,095,341
Total current assets		**7,726,405**	8,473,830
CURRENT LIABILITIES			
Trade payables		**3,558,383**	4,136,749
Bills payable		**275,871**	272,988
Tax payable		**114,197**	95,963
Other payables		**1,379,323**	1,483,901
Provisions		**341,657**	349,914
Interest-bearing bank and other borrowings	6	**723,870**	913,525
Due to TCL Corporation	7	**224,997**	220,359
Total current liabilities		**6,618,298**	7,473,399
NET CURRENT ASSETS		**1,108,107**	1,000,431
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,412,490**	3,306,474

	Notes	**31 March 2008 (unaudited)** *HK$'000*	31 December 2007 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,412,490**	3,306,474
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	6	**133,676**	131,041
Liability component of convertible bonds	8	**532,237**	506,698
Derivative component of convertible bonds	8	**218,374**	374,514
Deferred tax liabilities		**13,196**	13,772
Pensions and other post-employment benefits		**17,591**	16,875
Total non-current liabilities		**915,074**	1,042,900
Net assets		**2,497,416**	2,263,574
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**583,524**	583,772
Reserves		**1,802,630**	1,575,284
		2,386,154	2,159,056
Minority interests		**111,262**	104,518
Total equity		**2,497,416**	2,263,574

Notes:

1. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and the basis of preparation adopted in the preparation of these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2007.

2. **SEGMENT INFORMATION**

The following table presents revenue and profit/(loss) information for the Group's business segments for the three months ended 31 March 2008 and 2007.

	Segment Revenue		**Segment Results**	
	2008	2007	**2008**	2007
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Television	**4,799,824**	4,445,734	**102,375**	40,118
Home Networking	**526,241**	473,143	**12,698**	7,822
Others	**174,281**	100,149	**(1,655)**	4,231
	5,500,346	5,019,026	**113,418**	52,171
Bank interest income			**2,530**	5,550
Corporate expenses			**(18,905)**	(50,560)
Finance costs excluding interest on convertible bonds			**(27,933)**	(43,256)
Share of profits and losses of :				
Jointly- controlled entities			**(5,530)**	(1,368)
Associates			**82**	131
			63,662	(37,332)
Fair value gain on the derivative component of convertible bonds			**155,336**	–
Interest on convertible bonds			**(39,174)**	–
Profit/(loss) before tax			**179,824**	(37,332)
Tax			**(9,567)**	(28,694)
Profit/(loss) for the period			**170,257**	(66,026)

3. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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:

	Three months ended 31 March	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**1,878**	2,459
Current – Elsewhere	**8,648**	20,234
Deferred	**(959)**	6,001
Total tax charge for the period	**9,567**	28,694

4. DIVIDEND

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

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

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

	Three months ended 31 March	
	2008	2007
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**167,600**	(67,280)
Interest on convertible bonds	**39,174**	–
Less: Fair value gain on the derivative component of convertible bonds	**(155,336)**	–
Profit/(loss) for the purpose of diluted earnings/(loss) per share	**51,438**	(67,280)

	Number of shares Three months ended 31 March 2008	2007 (restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings/(loss) per share calculation	**5,836,442,777**	4,460,516,259*
Effect of dilution – weighted average number of ordinary shares:		
Deemed conversion of all convertible bonds	**1,090,494,462**	–
Weighted average number of ordinary shares in issue during the period used in diluted earnings/(loss) per share calculation	**6,926,937,239**	4,460,516,259*

* Restated to take into account the retrospective adjustment to the number of shares outstanding before the rights issue completed on 12 July 2007 to reflect the bonus element inherent in the rights issue.

The share options outstanding during the period ended 31 March 2008 and 2007 had an anti-dilutive effect on the basic earnings/(loss) per share and were therefore, ignored in the calculation of diluted earnings/(loss) per share.

Diluted loss per share amount for the period ended 31 March 2007 has not been disclosed, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

6. **INTEREST-BEARING BANK AND OTHER BORROWINGS**

	31 March 2008 (unaudited) *HK$'000*	31 December 2007 (audited) *HK$'000*
Current		
Bank loans – unsecured	**124,954**	226,300
Advances from banks as consideration for factored receivables	**533,586**	610,306
Trust receipt loans- unsecured	**65,330**	76,919
	723,870	913,525
Non-current		
Loan from TCL Finance Co., Ltd.	**133,676**	131,041
	857,546	1,044,566

Note: As at 31 March 2008, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

7. **DUE TO TCL CORPORATION**

T.C.L. Industries Holdings (H.K.) Ltd. ("T.C.L. Industries") is the shareholder of the company and TCL Corporation is the holding company of T.C.L. Industries.

8. **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 23 August 2007 up to the closing of business on 12 July 2012 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 12 July 2009 and prior to 12 July 2012, 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 issue of the Bonds on 12 July 2007 of US$140 million (equivalent to approximately HK$1,095 million) were split into the liability and the derivative components. On issuance of the Bonds, the fair value of the derivative components is determined using an option pricing model and this amount is carried as a derivative component of the Bonds until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component of the Bonds, net of transaction costs, and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The fair value of the derivative component is remeasured at each balance sheet date and any gains or losses arising from changes in fair value are recognised in the income statement.

The fair values of the derivative component at 31 March 2008 is determined using the applicable option pricing model. Changes in fair value of the derivative component between the balance sheet dates is recognised in the income statement.

The Company is actively negotiating with bondholders to reach an agreement on a restructuring plan of the early redemption of the Bonds. The controlling shareholder, TCL Corporation, has committed to provide support on the restructuring plan.

BUSINESS REVIEW

For the three months ended 31 March 2008, the Group continued to improve its performance, recording a profit before the effects of convertible bonds of HK$54 million (compared to a loss before the effects of convertible bonds of HK$66 million in the first quarter of 2007). Revenue for the period was HK$5,500 million, which represented a modest 10% increase from that of the same period last year.

During the period under review and amidst tight market conditions, the Group actively pursued its aim of expanding its presence in the LCD TV market space, recording a 98% year-on-year increase in sales revenue attributable to LCD and making substantial gains in LCD TV sales in overseas markets of North America and Europe.

In its efforts to continually upgrade operations, the Group faced a harsher economic environment characterized by a weak US Dollars, strong Renminbi, rising energy costs, and increases in the costs of key raw materials. By strengthening control over its supply chain, the Group was able to partly offset the negative impact of the market environment to achieve an overall net profit.

Sales by Product Type

As announced with its sales volume targets, the Group's expectation in 2008 is that sales volume will be relatively stable, but will shift in makeup, with a much larger portion taken up by LCD TVs. Thus, in the period under review, the Group sold a total of 3,536,000 TV sets, which is 13% fewer sets than it sold in the same period in 2007. However, the number of LCD TVs rose to account for 15% of total sales volume, compared to 3% in the same period in 2007. As a result, the Group's revenue from TV products increased to HK$4,800 million, a 8% increase year-on-year. Revenues from TV sales accounted for 87% of the Group's total revenue.

The Group's sales of home networking products continued to expand due to strong response from current customers and several significant new orders. Sales volume increased to 3,329,000 sets, driving growth in revenues for home networking products to HK$526 million, a 11% increase year-on-year.

Sales Volume by region for the three months ended 31 March is indicated below

	2008 **('000)**	2007 ('000)	Change
TV Unit Sales (TOTAL)	**3,536**	4,085	(13%)
The PRC	**1,899**	2,126	(11%)
Europe	**131**	155	(15%)
North America	**496**	364	+36%
Emerging Markets	**695**	854	(19%)
Strategic OEM	**315**	586	(46%)
Home Networking Unit Sales	**3,329**	2,876	+16%

The PRC Market

The Group sold 1,899,000 TV sets to the PRC Market during the period under review, maintaining its leadership position in the PRC market in terms of sales volume. Heavy discounting and fierce promotions of LCD TVs by foreign brands had some impact on the Group's LCD TV sales and revenues. Heavy snowstorms in China also affected sales volume. However, the Group's advanced and extra slim CRT TVs continued to make strong sales gains, thereby boosting overall revenue.

The Group continued to refine its marketing strategies to capture new sales opportunities, such as in 3rd and 4th tier cities as well as department and chain stores in 1st and 2nd tier cities. Together with concurrent efforts to improve product quality and reliability, the Group looks forward to a strong selling period in the run-up to the Beijing Olympics this summer.

European Markets

During the period under review, the Group's new European business continued to take shape, selling 131,000 TV sets for total sales revenue of HK$342 million. A higher portion of LCD TVs within overall sales resulted in an increase in revenue of 157% year-on-year.

Despite heavy competition from international competitors in the LCD market space, the Group's European Market Unit will continue its efforts to grow its sales of flat panel products, especially in the lead-up to the European football cup. The Group is also well positioned to continue its expansion into the Central Asian market and, with its new Digital Video Broadcasting ("DVB-T") standard products, into markets that have transitioned to digital television.

North American Markets

The Group's North American business unit both exceeded sales and revenues targets during the period under review, despite the downturn in consumer and business confidence and a shrinkage of consumer credit. The Group sold a total of 496,000 TV sets to the North American market, a 36% increase year-on-year, largely due to favorable reception of the 2008 product line and better product availability. Sales volume of LCD TVs increased by over 14 times.

In terms of market share, the Group remained the CRT market leader in North American Markets, with 20% market share.

Sales revenue reached HK$919 million, a 31% increase year-on-year. The Group's business realignment and supply chain adjustments in 2007 enabled it to improve its operating efficiency and position.

Emerging Markets

During the period under review, the Group's Emerging Markets unit continued to work hard to consolidate gains following last year's re-organization and business model changes. In line with the management's aim of stabilizing operations before expanding sales, the Emerging Markets unit recorded revenue of HK$403 million during the period under review, which was in line with management expectations. The unit decreased its operating loss by 27% year-on-year, to HK$23 million. However, this result was adversely affected by several currency fluctuations vis a vis the Hong Kong dollar.

CRT TVs continued to dominate sales to developing countries, accounting for 84% of total TV sales revenue in the Emerging Markets.

Strategic OEM

In the first quarter in 2008, the Group successfully launched its manufacturing of LCD products, and secured several new orders for LCD TV units from other customers. 42% of sales volume was derived from LCD TV sales, compared to zero the year before. Total sales revenue for OEM TV products amounted to HK$264 million.

Home Networking Products

During the period under review, the sales volumes of the Group's home networking products continued to advance, led by DVD players and newly launched digital picture frame products. Overall sales volume was 3,329,000 units, a 16% increase year–on-year.

Even though impacts from the China snowstorms and rising costs of energy and core commodities put pressure on the Group's margins, the HN unit still recorded an operating profit of HK$13 million, representing a 63% increase as compared to the same period in 2007.

R&D

The Group's recent research and development initiatives have focused on enhancing the environmental friendliness of products and in boosting the multimedia capabilities of products, for instance by applying 3D and High Definition ("HD") technologies. The Group has also extended its program of recycling and reducing waste produced in the manufacturing process.

Concurrently, the Group has launched a unit focused on innovation and product quality.

Outlook

The Olympic Games in August and the coming European football cup are expected to drive sales of TVs both in the domestic and overseas markets, and overall, consumers will continue to increasingly purchase flat panel products.

All manufacturers will attempt to take advantage of these trends, and thus price pressure will remain constant, despite rising commodity and energy costs.

The Group intends to mitigate these factors by continuing to focus on improving its supply chain efficiency and product quality and strongly controlling costs. With its eye on controlling costs, the Group will grow sales where sustainable, especially with a view to capturing new opportunities in all major global markets. Overall, the Group retains its cautious optimism that consistent progress in TV sales, including OEM business, and strong growth in home networking products will enable it to continue its improvement trend.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

There was no significant investment and acquisition for the period ended 31 March 2008.

Liquidity and Financial Resources

The Group's principal financial instruments comprise bank loans, factorings, convertible bonds, 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 period end amounted to HK$817,599,000, of which 1% was maintained in Hong Kong Dollars, 23% in US Dollars, 51% in Renminbi, 9% in Euro and 16% 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 2007 and there was no asset held under finance lease at the period end.

At the period end, the Group's gearing ratio was 39% which is calculated based on the Group's net borrowing of approximately HK$935,666,000 (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the parent of approximately HK$2,386,154,000.

Pledge of Assets

At 31 March 2008, none of the Group's assets were pledged to secure general banking facilities granted to the Group.

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 2007.

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 27,826 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 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 367,954,147 shares remained outstanding at the period end.

PURCHASES, SALE OR REDEMPTION OF SHARES

During the period under review, the Company repurchased 2,474,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate price of HK$983,440. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

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 31 March 2008, 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").

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for period ended 31 March 2008, 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 April 2008

As at the date of this announcement, the Board comprises Li Dongsheng, Leong Yue Wing, Yuan Bing, Shi Wanwen, Wang Kangping and Lu Zhongli 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.