# 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 2012

**FINANCIAL HIGHLIGHTS**
*Unaudited results for the three months ended 31 March*

| | **2012** **(HK$M)** | 2011 (HK$M) | **Change** |
|---|---|---|---|
| Turnover | **8,302** | 6,581 | +26.2% |
| Gross profit | **1,497** | 1,054 | +42.0% |
| Operating profit | **480** | 145 | +231.0% |
| Profit attributable to owners of the parent | **309** | 34 | +808.8% |
| Basic earnings per share *(HK cents)* | **24.32** | 3.13 | +677.0% |

**HIGHLIGHTS**

- For the three months ended 31 March 2012, the Group recorded a turnover of approximately HK$8,302 million, up by 26.2% year-on-year. Gross profit amounted to approximately HK$1,497 million, up by 42.0% year-on-year. Operating profit reached approximately HK$480 million, up by 231.0% year-on-year. Profit attributable to owners of the parent reached approximately HK$309 million, a significant increase of 808.8% year-on-year.

- The sales volume of overall LCD TV reached 3.22 million sets, an increase of 67.0% year-on-year. The sales volume of LCD TVs in the PRC Market and Overseas Markets rose by 28.2% and 153.4% year-on-year, respectively, in which the sales volume of LCD TVs in the Emerging Markets alone soared 181.3% year-on-year.

- The product mix has continuously been optimized. Sales volume of LED backlight LCD TVs accounted for 62.8% and 65.2% of overall LCD TV sales volume and LCD TV sales volume in the PRC Market, respectively. Sales volume of smart & internet TVs and 3D TVs accounted for 32.3% and 13.2% of LCD TV sales volume in the PRC Market, respectively.

- AV business maintained healthy profitable growth thanks to improved operational efficiency and effective cost control as well as the strategy of diversifying its products and customer base.

- The one-off gain on the acquisition of entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd. amounted to approximately HK$144 million. The acquisition was completed on 18 January 2012.

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 2012 with comparative figures for the previous period as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | | Three months ended 31 March | |
|---|---|---|---|
| | | **2012** | 2011 |
| | | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| TURNOVER | 3 | **8,302,189** | 6,581,081 |
| Cost of sales | | **(6,805,441)** | (5,527,092) |
| Gross profit | | **1,496,748** | 1,053,989 |
| Other revenue and gains | | **296,443** | 175,719 |
| Selling and distribution costs | | **(1,064,426)** | (815,566) |
| Administrative expenses | | **(173,843)** | (181,773) |
| Research and development costs | | **(71,765)** | (55,792) |
| Other operating expenses | | **(3,080)** | (32,039) |
| | | **480,077** | 144,538 |
| Finance costs | | **(107,118)** | (101,391) |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | **212** | (853) |
| Associates | | **(23,295)** | 14,451 |
| PROFIT BEFORE TAX | | **349,876** | 56,745 |
| Income tax expense | 4 | **(38,615)** | (19,561) |
| PROFIT FOR THE PERIOD | | **311,261** | 37,184 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Exchange fluctuation reserve: | | | |
| Translation of foreign operations | | **(2,098)** | 21,234 |
| Release upon liquidation of a jointly-controlled entity | | **–** | (23,828) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | | **(2,098)** | (2,594) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **309,163** | 34,590 |

| | Notes | Three months ended 31 March **2012** **(unaudited)** ***HK$'000*** | 2011 (unaudited) *HK$'000* |
|---|---|---|---|
| Profit attributable to: | | | |
| Owners of the parent | | **308,856** | 34,048 |
| Non-controlling interests | | **2,405** | 3,136 |
| | | **311,261** | 37,184 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **306,689** | 30,622 |
| Non-controlling interests | | **2,474** | 3,968 |
| | | **309,163** | 34,590 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 6 | | |
| Basic | | **HK24.32 cents** | HK3.13 cents |
| Diluted | | **HK24.26 cents** | HK3.13 cents |

Details of the dividends are disclosed in note 5.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **31 March 2012 (unaudited)** *HK$'000* | 31 December 2011 (audited) *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **1,961,796** | 1,342,461 |
| Prepaid land lease payments | | **144,942** | 87,076 |
| Goodwill | | **119,638** | 119,638 |
| Other intangible assets | | **530** | 594 |
| Investment in a jointly-controlled entity | | **7,183** | 6,840 |
| Investments in associates | | **180,751** | 190,478 |
| Available-for-sale investments | | **6,677** | 6,677 |
| Deferred tax assets | | **32,065** | 42,967 |
| Total non-current assets | | **2,453,582** | 1,796,731 |
| CURRENT ASSETS | | | |
| Inventories | | **3,902,398** | 4,298,384 |
| Trade receivables | | **3,396,759** | 3,795,014 |
| Bills receivable | | **5,168,838** | 7,575,284 |
| Other receivables | | **1,750,269** | 1,930,424 |
| Tax recoverable | | **43,764** | 28,253 |
| Pledged deposits | | **1,380,072** | 255,770 |
| Cash and bank balances | | **5,491,808** | 4,452,001 |
| Total current assets | | **21,133,908** | 22,335,130 |
| CURRENT LIABILITIES | | | |
| Trade payables | | **5,239,526** | 6,725,368 |
| Bills payable | | **4,637,211** | 5,268,877 |
| Other payables and accruals | | **3,416,838** | 3,608,742 |
| Interest-bearing bank and other borrowings | 7 | **3,603,354** | 2,623,940 |
| Due to TCL Corporation | 8 | **133,535** | 131,978 |
| Due to T.C.L. Industries | 8 | **740,022** | 971,163 |
| Tax payable | | **165,344** | 169,690 |
| Provisions | | **290,715** | 248,783 |
| Total current liabilities | | **18,226,545** | 19,748,541 |
| NET CURRENT ASSETS | | **2,907,363** | 2,586,589 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **5,360,945** | 4,383,320 |

| | Notes | **31 March 2012 (unaudited)** *HK$'000* | 31 December 2011 (audited) *HK$'000* |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **5,360,945** | 4,383,320 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 7 | **699,638** | 710,928 |
| Deferred tax liabilities | | **35,205** | 13,790 |
| Pensions and other post-employment benefits | | **5,115** | 5,917 |
| Total non-current liabilities | | **739,958** | 730,635 |
| Net assets | | **4,620,987** | 3,652,685 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 9 | **1,319,490** | 1,072,276 |
| Reserves | | **3,166,617** | 2,461,376 |
| | | **4,486,107** | 3,533,652 |
| **Non-controlling interests** | | **134,880** | 119,033 |
| Total equity | | **4,620,987** | 3,652,685 |

*Notes:*

## 1. BASIS OF PREPARATION

The accounting policies and the basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These condensed consolidated financial statements have been prepared under the historical cost convention, except for the derivative financial instruments, which have been measured at fair value. These condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes: Deferred Tax – Recovery of Underlying Assets* |

Other than as further explained below regarding the impact of HKFRS 7 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these condensed financial statements.

The principal effects of adopting HKFRS 7 Amendments are as follows:

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g. securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

– the Overseas markets

(b) AV segment – manufactures and sells audio-visual products; and

(c) Others segment – comprises of information technology and other businesses, including sales of white goods, mobile phones and air conditioners.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income, finance costs, share of profits and losses of jointly-controlled entities and associates as well as head office and corporate income and expenses are excluded from such measurement.

Information regarding these reportable segments, together with their related comparative information, is presented below.

| | Three months ended 31 March (unaudited) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Television – PRC market | | Television – Overseas markets | | AV | | Others | | Consolidation | |
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Sales to external customers | **4,508,869** | 4,046,458 | **2,788,947** | 1,487,080 | **693,180** | 918,947 | **311,193** | 128,596 | **8,302,189** | 6,581,081 |
| Segment results | **215,718** | 161,584 | **44,680** | (89,644) | **36,277** | 21,031 | **(15,303)** | 2,492 | **281,372** | 95,463 |
| Bank interest income | | | | | | | | | **21,064** | 19,806 |
| Corporate income, net | | | | | | | | | **177,641** | 29,269 |
| Finance costs | | | | | | | | | **(107,118)** | (101,391) |
| Share of profits and losses of: | | | | | | | | | | |
| Jointly- controlled entities | **–** | (446) | **212** | (407) | **–** | – | **–** | – | **212** | (853) |
| Associates | **(26,867)** | 12,360 | **–** | – | **–** | – | **3,572** | 2,091 | **(23,295)** | 14,451 |
| Profit before tax | | | | | | | | | **349,876** | 56,745 |
| Income tax expense | | | | | | | | | **(38,615)** | (19,561) |
| Profit for the period | | | | | | | | | **311,261** | 37,184 |

## 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2011: 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.

| | Three months ended 31 March | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | **11,276** | 2,754 |
| Current – Elsewhere | **17,633** | 16,138 |
| Deferred | **9,706** | 669 |
| Total tax charge for the period | **38,615** | 19,561 |

5. **DIVIDENDS**

The Board does not recommend the payment of any dividend for the three months ended 31 March 2012 (31 March 2011: Nil).

6. **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculations of basic and diluted earnings per share amounts are based on:

| | **Three months ended 31 March** | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent, used in basic and diluted earnings per share calculations | **308,856** | 34,048 |

| | **Number of shares Three months ended 31 March** | |
|---|---|---|
| | **2012** | 2011 |
| | **(unaudited)** | (unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation | **1,270,144,701** | 1,086,460,878 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Assumed issue at no consideration on deemed exercise of all share options outstanding during the period | **2,819,270** | 1,685,898 |
| Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation | **1,272,963,971** | 1,088,146,776 |

## 7. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **31 March 2012 (unaudited)** *HK$'000* | 31 December 2011 (audited) *HK$'000* |
|---|---|---|
| **Current** | | |
| Bank loans – secured | **863,100** | 606,404 |
| Bank loans – unsecured | **2,417,018** | 1,701,537 |
| Advances from banks as consideration for the Recognised Factored Receivables – unsecured | **–** | 74,047 |
| Trust receipt loans – unsecured | **282,636** | 201,352 |
| Loans from an associate – unsecured | **40,600** | 40,600 |
| | **3,603,354** | 2,623,940 |
| **Non-current** | | |
| Bank loans – secured | **204,787** | 154,131 |
| Bank loans – unsecured | **494,851** | 556,797 |
| | **699,638** | 710,928 |
| | **4,302,992** | 3,334,868 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | **3,562,754** | 2,583,340 |
| In the second year | **389,448** | 276,837 |
| In the third to fifth year, inclusive | **310,190** | 434,091 |
| | **4,262,392** | 3,294,268 |
| Loans from an associate repayable: | | |
| Within one year | **40,600** | 40,600 |
| | **4,302,992** | 3,334,868 |

*Notes:*

(a) As at 31 March 2012, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) Certain of the Group's bank loans are secured by:

(i) pledge of the Group's prepaid land lease payments, buildings and plant and machinery situated in the PRC, which had aggregate carrying amounts at the end of the reporting period of approximately HK$75,942,000 (31 December 2011: HK$23,566,000), HK$400,210,000 (31 December 2011: HK$249,162,000) and HK$97,580,000 (31 December 2011: HK$100,917,000), respectively.

(ii) pledge of certain of the Group's time deposits amounting to HK$422,740,000 (31 December 2011: HK$255,770,000).

(iii) pledge of certain of the Group's bills receivable amounting to HK$246,731,000 (31 December 2011: HK$246,609,000).

(c) Certain subsidiaries of the Group have entered into receivables purchase agreements with banks for the factoring of trade receivables with certain designated customers. At 31 December 2011, trade receivables factored to banks aggregated to HK$74,047,000 was included in the balance of trade receivables (the "Recognised Factored Receivables") because the derecognition criteria for financial assets were not met. Accordingly, the advances from a bank of approximately HK$74,047,000 received by the Group as consideration for the Recognised Factored Receivables at 31 December 2011 were recognised as liabilities and included in "interest-bearing bank and other borrowings".

(d) TCL Corporation has guaranteed certain of the Group's bank loans up to HK$2,655,504,000 (31 December 2011: HK$1,799,996,000) as at the end of the reporting period.

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

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

The amounts are unsecured and repayable within one year. An aggregate amount of HK$133,535,000 due to TCL Corporation and an aggregate amount of HK$740,022,000 due to T.C.L. Industries bear interest at fixed rates ranging from 7.63% to 8.20% per annum and fixed rates ranging from 2.65% to 6.00% per annum, respectively (31 December 2011: an aggregate amount of HK$131,978,000 due to TCL Corporation and an aggregate amount of HK$971,163,000 due to T.C.L. Industries bore interest at fixed rate of 7.63% per annum and fixed rates ranging from 2.28% to 6.00% per annum, respectively).

## 9. SHARE CAPITAL

| | **31 March 2012 (unaudited)** *HK$'000* | 31 December 2011 (audited) *HK$'000* |
|---|---|---|
| Authorised: | | |
| 2,200,000,000 (31 December 2011: 2,200,000,000) shares of HK$1.00 each (31 December 2011: HK$1.00 each) | **2,200,000** | 2,200,000 |
| Issued and fully paid: | | |
| 1,319,489,764 (31 December 2011: 1,072,275,768) shares of HK$1.00 each (31 December 2011: HK$1.00 each) | **1,319,490** | 1,072,276 |

During the period, the movements in share capital account were as follows:

(a) On 27 June 2011, the Company entered into an acquisition agreement with TCL Corporation, pursuant to which the Company agreed to acquire the entire equity interest of TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd. (collectively the "TOT Entities") from TCL Corporation. The acquisition of the TOT Entities was completed on 18 January 2012 (the "Completion Date"). The purchase price was settled by the issue and allotment of 246,497,191 new shares of the Company at an issue price of HK$3.20 per share on the Completion Date.

(b) During the three months ended 31 March 2012, the subscription rights attaching to 716,805 share options were exercised at the subscription price of HK$2.45 per share, resulting in the issue of 716,805 shares of HK$1.00 each for a total cash consideration of HK$1,756,000 before expenses.

## BUSINESS REVIEW

For the three months ended 31 March 2012, despite slow demand growth in the global TV market due to the sluggish economic environment, the Group firmly enhanced "speed and efficiency" in its operational and marketing strategies and focused on strengthening product competitiveness as well as continuously optimizing its sales channels and achieving balanced development in sales, scale, profitability and branding. For the three months ended 31 March 2012, the Group recorded a turnover of approximately HK$8,302 million, up 26.2% compared with the same period of 2011. Gross profit was approximately HK$1,497 million, up 42.0% year-on-year.

Meanwhile, the Group enhanced its operational capability by streamlining its product portfolio, improving its product turnover rate and enhancing its production efficiency. The gross profit margin improved to 18.0% from 16.0% in the same period of last year. Expense ratio decreased to 14.9% from 15.2% in the same period of last year. Operating profit and profit attributable to owners of the parent reached approximately HK$480 million and HK$309 million, up by 231.0% and 808.8% from the same period of last year, respectively, including the one-off gain of approximately HK$144 million arising from the acquisition of entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd., completed on 18 January 2012. Basic earnings per share was HK24.32 cents (The first quarter of 2011: basic earnings per share of HK3.13 cents).

During the period under review, the Group was dedicated to the optimization of its products, marketing strategies, sales channels and brand influence. The Group's overall sales volume of LCD TVs increased by 67.0% year-on-year to 3.22 million sets. The Group recorded remarkable sales performance in the PRC Market and Emerging Markets, which saw a year-on-year growth of 28.2% and 181.3%, respectively, in terms of sales volume of LCD TVs. According to the latest DisplaySearch report, the Group's global LCD TV market share in 2011 was 4.9%, propelling its ranking to No.7 from No.10 in 2010.

In addition, impacted by the gradual shrinking DVD player market, sales volume of AV products decreased by 23.5% year-on-year to 3.37 million sets. Nevertheless, AV business maintained healthy profitable growth thanks to improved operational efficiency and effective cost control.

### TV Business

The Group sold 3.22 million sets of LCD TVs in the first quarter of 2012, up 67.0% from the same period of last year. Sales volume of LCD TVs in the PRC Market and Overseas Markets increased by 28.2% and 153.4% year-on-year to 1.71 million sets and 1.51 million sets, respectively. Meanwhile, the Group continued to increase the proportion of the sales volume of LED backlight LCD TVs to the total LCD TV sales volume while actively promoted 3D TVs and smart TVs. During the period under review, the proportion of the sales volume of LED backlight LCD TVs as a percentage of the total LCD TV sales volume increased to 62.8%. The proportion of the sales volume of smart & internet TVs and 3D TVs as a percentage of the total LCD TV sales volume also recorded significant increase.

The Group remained dedicated to increasing the proportion of the high-end products and produced value-for-money products through strategies including technological innovation, cost optimization and price adjustment in order to further strengthen product competitiveness. During the period under review, the Group launched 3 series featuring 8 new products in the PRC Market, of which 2 series featuring a total of 6 products, namely E5390 and E4300, are 3D TVs.

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

| | **First quarter of 2012** *('000 sets)* | First quarter of 2011 *('000 sets)* | **Change** |
|---|---|---|---|
| **LCD TVs** | **3,219** | 1,928 | +67.0% |
| of which: LED backlight LCD TVs | **2,022** | 599 | +237.6% |
| Smart & internet TVs | **551** | 84 | +556.0% |
| 3D TVs | **250** | 0.5 | +49,900.0% |
| – PRC | **1,706** | 1,331 | +28.2% |
| – Overseas | **1,513** | 597 | +153.4% |
| **CRT TVs** | **765** | 1,163 | (34.2%) |
| – PRC | **86** | 377 | (77.2%) |
| – Overseas | **679** | 786 | (13.6%) |
| **Total TV sales volume** | **3,984** | 3,091 | +28.9% |
| **Total AV products sales volume** | **3,368** | 4,403 | (23.5%) |

**The PRC Market**

During the period under review, the Group's sales volume and turnover in the PRC Market continued to record satisfactory growth. Sales volume of LCD TVs reached 1.71 million sets, up 28.2% from the same period of last year of which sales volume of LED backlight LCD TVs increased from 0.40 million sets in the same period of last year to 1.11 million sets in the first quarter of this year, a significant increase of 176.2%. Sales volume of LED backlight LCD TVs as a percentage of LCD TV sales volume in the PRC Market also increased to 65.2% in the first quarter of this year. Turnover increased by 11.4% year-on-year to HK$4,509 million. The PRC Market remains the Group's major source of income.

In order to respond to development trends in the industry, the Group continued to improve its product mix, actively promoted 3D TVs and smart & internet TVs, implemented product differentiation and improved price competitiveness. The PRC CCTV's first 3D TV channel officially commenced its trial broadcast on 1 January 2012. Being an exclusive partner of the CCTV 3D TV channel, the Group capitalized on the booming 3D TV market. In the first quarter of this year, sales volume of 3D TVs amounted to 0.22 million sets. Sales volume of 3D TVs as a percentage of LCD TV sales volume in the PRC Market increased to 13.2%. Sales volume of smart & internet TVs amounted to 0.55 million sets, accounting for 32.3% of LCD TV sales volume in the PRC Market.

In addition, the Group continued to strengthen the establishment of its sales channels, to increase the number of its points of sales in third-tier to sixth-tier markets and establish specialty stores. At the same time, the Group remained committed to enhancing "speed and efficiency", streamlined its product portfolio and focused on producing and promoting its flagship products in order to shorten production cycles and increase production efficiency. Along with lowering production costs through the resources integration, the overall competitiveness was also further strengthened.

**Overseas Markets**

During the period under review, the Group was committed to adopting a stable and healthy operational strategy in the Overseas Markets and enhancing operational efficiency and profitability through "speed and efficiency". In addition to continuous strong growth in sales volume in the Emerging Markets and remarkable results in the optimization of its strategic OEM customer base, the Group actively capitalized on the opportunities brought by the UEFA EURO in European Market, along with the improvement of the product mix, the turnover in the Overseas Markets reached HK$2,789 million, up 87.6% from the corresponding period of last year. Sales volume of LCD TVs in the Overseas Markets reached 1.51 million sets, representing a year-on-year increase of 153.4%, of which sales volume of LED backlight LCD TVs grew to 0.91 million sets from 0.20 million sets in the same period last year, accounting for 60.1% of sales volume of LCD TVs in the Overseas Markets.

Emerging Markets have been the Group's major overseas market and have become a new growth driver to its business apart from the PRC Market. In addition to expanding its businesses for LCD TVs and LED backlight LCD TVs, the Group promoted smart TV products to cope with market demand and actively engaged in efforts to expand its market share. The Group continued to improve the brand image of its key stores in key cities, as well as vigorously exploring new sales channels. Therefore, the Group's brand image was enhanced while its sales volume was boosted. Sales volume of LCD TVs in the Emerging Markets reached 0.89 million sets in the first quarter of 2012, up 181.3% from the corresponding period of last year, with good sales performance in areas such as Africa, Brazil and Thailand.

In addition, the Group's strategic OEM business showed results after the optimization of its customer base, leading to continuous growth in LCD TV sales volume. In European Market, the Group launched marketing and promotion projects for the 2012 UEFA EURO and London Olympic Games. Leveraging the increased market demand stimulated by the UEFA EURO, the Group took full advantage of the sales opportunities not only to boost its sales volume but also to gain positive market feedback on its new products. In North American Market, the Group continued to deepen its strategic cooperation with Amazon while establishing solid cooperation with other channel suppliers to boost sales volume and to form a foundation to promote the TCL brand.

**AV Business**

Under the influence of the volatile global economy and the continued shrinking DVD player market, the total sales volume of AV products recorded a decline compared with the same period of last year. However, during the period under review, sales volume of blue ray products and electro-acoustic products increased by over 80% and 30%, respectively. These two types of products will support the long-term development of AV business. The Group continued to carry out the strategy of diversifying its products and customer base. In addition, it further strengthened its R&D capabilities and its product competitiveness and launched 25 new product series during the period under review. AV business maintained healthy profitable growth thanks to improved operational efficiency and effective cost control.

**R&D**

The Group has always been dedicated to strengthening its capabilities in innovation and R&D. It continued to increase resources on R&D and adjusting its product mix and layout in an effort to boost the proportion of middle to high-end products among the Group's products. In addition, the Group consolidated the exploitation of smart applications as well as the introduction of products, of which E5390 series recognizes cross-applications of control and functions thanks to the successful introduction of Android 4.0 application software as well as TV smart point of reading educational system. On 10 April 2012, the Group launched a number of globally innovative new products, including V7500, the first 3D smart "cloud" TV in the world with a smart TV operating system, STV OS, and E5390, the first 3D smart "cloud" TV in the world with TV smart point of reading educational system. The Group consolidated its industry leading position leveraging the layout of its full cloud strategy and full cloud product series. The Group applied for a total of 48 patents during the period under review. As smart TV is becoming the major technological trend for the future TV industry, the Group will continue to strengthen its development of smart applications in order to further improve the competitiveness of functions of its smart TVs while further expanding the smart TV market.

**Outlook**

Looking ahead, the operating environment of the global TV industry is still full of challenges as it is influenced by the unstable global economy, the ongoing regulation of the property markets in the PRC, as well as new competitors which are making aggressive advances into the TV market. However, driven by further urbanization in the PRC and the replacement demand of traditional CRT TVs, market demand for LCD TV products will remain strong. Therefore, the Group will continue to carry out "speed and efficiency" in its operational and marketing strategies, strengthen the innovation capability in its product technology and will fully utilize the advantages of its vertically-integrated industry chain in order to realize global industry chain integration, global sales and marketing system establishment and product mix optimization while further enhancing its core competency and profitability.

In terms of TV business, LED backlight LCD TVs have become a mainstream in the market. In addition to further increasing the sales volume proportion of LED backlight LCD TVs, the Group will continue to step up the development and promotion of high-end products such as 3D TVs and smart "cloud" TVs. Furthermore, the Group aims to enhance the user experience through the improvement of the product quality and functions, and further strengthening smart applications of Android, which would therefore improve overall product competitiveness and profitability. In the PRC Market, the Group will leverage the "innovation of full-scale cloud technology, integration of full-scale cloud resources, orientation of full-scale cloud market and synergy of full-scale cloud industry" as a driving force, which will support the theme of full range of cloud products category, including six series of 3D smart "cloud" TVs, namely Cloud•Bo V8200S, Cloud•Feng V7500, Cloud•Yue E5390, Cloud•Zhuo V7300, Cloud•Ya F3390 and Cloud•Shang E5300. In addition, the Group will focus on four major core areas – products, price, place and promotion – to carry out "full cloud strategies" in the future and to build up core competitive advantages in the cloud age. The Group will seize the opportunity of sales promotion for various "golden festivals and holidays" in the second quarter by launching large-scale marketing and promotional activities, in order to achieve aims of increasing its sales volume and market share at the same time. On the other hand, the Group will continue to strengthen the establishment of its channels and boosting sale growth in third-tier to sixth-tier cities as well as rural markets so as to increase its growth in sale volume and market share.

In the Overseas Markets, the Group will continue to implement stable and healthy operational strategies. It will substain continuous growth in the Emerging Markets while further enhancing its operational efficiency in Europe and North America with an aim to turn around its overall business in the Overseas Markets in the whole year of 2012. Apart from striving onwards to boost sales volume in profitable Emerging Markets such as Brazil, Central America and Africa, the Group will also step up its effort on its brand promotion and invest more resources into the Emerging Markets. From the second quarter onwards, the Group will launch international marketing and promotional projects through large scale international sports events such as the 2012 UEFA EURO and London Olympic Games in order to build up its global and youthful brand image, which would therefore strengthen its brand influence and awareness. Meanwhile, the Group will continue to strengthen the establishment of sales channel in the key markets in the PRC and overseas, enhance its customer base and improve its sales capability.

In terms of AV business, the Group will continue to strengthen its strategic partnership with existing major customers and will endeavour to expand its customer base. The Group will continue to diversify its products, boost investment in R&D to enhance the overall competitiveness of its new products and continue to optimize its global supply chain. Also, in order to improve the competitiveness of its products and its cost advantages, the Group will step up investment in the R&D of software and electro-acoustic and will develop own-branded products such as satellite boxes.

In view of the intensified competition in TV industry, the Group has been dedicated to implementing its long-term development strategy that focuses on "integration, innovation and internationalization". Coupled with the acquisition of entire equity interest in TCL Optoelectronics Technology (Huizhou) Co., Ltd. (which is mainly engaged in the production of LCD modules) on 18 January 2012 and the synergy from the 8.5-generation LCD panel production plant operated by Shenzhen Huaxing Photoelectrics Technology Company Limited, a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (South Korea), the Group will continue to improve its vertically-integrated industry chain, step up its R&D effort in product technology, and further optimize its product mix to strengthen its overall competitiveness, all in an effort to enhance its leading position in the TV market. While laying solid foundation for long-term consistent development, the Group will also remain devoted to creating better return for its shareholders.

## FINANCIAL REVIEW

### Significant Investments, Acquisitions and Disposals

The acquisition of the TOT Entities was completed on 18 January 2012. The purchase price was settled by the issue of 246,497,191 new shares of the Company at an issue price of HK$3.20 per share on the Completion Date. The aggregate fair value of the consideration shares issued is approximately HK$638,428,000 and a gain on the acquisition of approximately HK$143,749,000 was recognized during the period.

On 20 January 2012, the Group entered into a share transfer agreement with Huizhou Techne Corporation ("Huizhou Techne"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Huizhou Techne agreed to sell the entire equity interest in Huizhou Keda Precision Parts Co., Ltd., a wholly owned subsidiary of Huizhou Techne, at a cash consideration of approximately RMB6,848,000 (equivalent to approximately HK$8,415,000).

### Liquidity and Financial Resources

The Group's principal financial instruments comprise of 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 31 March 2012 amounted to HK$5,491,808,000, of which 0.4% was maintained in Hong Kong dollars, 31.6% in US dollars, 61.6% in Renminbi, 5.6% in Euro and 0.8% held in other currencies for the overseas operations.

There was no material change in available credit facilities when compared with the year ended 31 December 2011 and there was no asset held under finance lease as at 31 March 2012.

As at 31 March 2012, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of HK$6,871,880,000 were higher than the total interest-bearing borrowings of HK$5,176,549,000. The maturity profile of the borrowings ranged from one to three years.

**Pledge of Assets**

As at 31 March 2012, saved as disclosed in note 7, certain bills receivable and time deposits of the Group amounting to HK$844,307,000 and HK$957,332,000, respectively, were pledged for certain bills payable and banking facilities amounting to HK$1,451,935,000 and HK$319,516,000, respectively.

**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 2011.

**Foreign Exchange Exposure**

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

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

**Employee and Remuneration Policy**

The Group had a total of 28,236 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operation. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the performance of individual and the Company. 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 58,107,718 shares remained outstanding at the end of reporting period.

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

## PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the three months ended 31 March 2012.

## 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 three months ended 31 March 2012, complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the three months ended 31 March 2012, including the accounting principles adopted by the Group, with the Company's management.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

On behalf of the Board
**LI Dongsheng**
*Chairman*

Hong Kong, 26 April 2012

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