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

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

RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

FINANCIAL HIGHLIGHTS
Unaudited results for the nine months ended 30 September

	2012 *(HK$M)*	2011 *(HK$M)*	**Change**
Turnover	**27,245**	22,517	+21.0%
Gross profit	**4,581**	3,514	+30.4%
Operating profit	**931**	691	+34.7%
Profit attributable to owners of the parent	**635**	391	+62.4%
Basic earnings per share *(HK cents)*	**48.72**	35.99	+35.4%

HIGHLIGHTS

- For the nine months ended 30 September 2012, the Group recorded turnover of approximately HK$27,245 million, up by 21.0% year-on-year. Gross profit was approximately HK$4,581 million, up by 30.4% year-on-year. Operating profit amounted to approximately HK$931 million, up by 34.7% year-on-year. Profit attributable to owners of the parent reached approximately HK$635 million, a significant increase of 62.4% year-on-year.

- The overall sales volume of LCD TVs reached 10.85 million sets, an increase of 51.5% year-on-year, of which the monthly sales volume of LCD TVs in September 2012 achieved a record high of 1.90 million sets after December 2011, up 43.8% year-on-year. The sales volume of LCD TVs in the PRC Market and Overseas Markets rose by 36.1% and 76.0% year-on-year, respectively, higher than the industry average, of which the sales volume of LCD TVs in the Emerging Markets increased by 76.3% year-on-year.

- The product mix has been continuously optimized. Sales volume of smart & internet TVs and 3D TVs accounted for 42.9% and 21.1% of the sales volume of LCD TVs in the PRC Market, respectively. Sales volume of LED backlight LCD TVs accounted for 71.3% and 75.0% of overall LCD TV sales volume and LCD TV sales volume in the PRC Market, respectively.

- The Group and Tencent Holdings jointly launched iCE SCREEN, the world's first large screen mobile entertainment smart "cloud" product, creating a new form of consumer electronic product. This innovative cross-industry integration model has also set a new benchmark in innovation in the consumer electronics industry and internet industry in the PRC.

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 2012 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Nine months ended 30 September		Three months ended 30 September	
		2012	2011	**2012**	2011
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	3	**27,244,649**	22,516,549	**10,864,723**	9,360,452
Cost of sales		**(22,663,563)**	(19,002,966)	**(9,057,625)**	(7,907,347)
Gross profit		**4,581,086**	3,513,583	**1,807,098**	1,453,105
Other revenue and gains		**467,502**	624,827	**83,376**	337,131
Selling and distribution costs		**(3,051,630)**	(2,614,000)	**(1,244,808)**	(1,086,325)
Administrative expenses		**(743,766)**	(617,124)	**(265,103)**	(299,024)
Research and development costs		**(296,464)**	(182,850)	**(119,084)**	(56,940)
Other operating expenses		**(26,189)**	(33,188)	**(12,365)**	–
		930,539	691,248	**249,114**	347,947
Finance costs		**(211,498)**	(209,396)	**(40,736)**	(49,196)
Share of profits and losses of:					
Jointly-controlled entities		**1,022**	(1,497)	**968**	(528)
Associates		**(23,740)**	11,738	**7,252**	10,356
PROFIT BEFORE TAX		**696,323**	492,093	**216,598**	308,579
Income tax expense	4	**(53,309)**	(93,773)	**(13,807)**	(46,482)
PROFIT FOR THE PERIOD		**643,014**	398,320	**202,791**	262,097
OTHER COMPREHENSIVE INCOME/(LOSS)					
Exchange fluctuation reserve:					
Translation of foreign operations		**(38,907)**	203,626	**(20,991)**	143,793
Release upon disposal and liquidation of subsidiaries		**44**	(130,893)	**44**	(130,893)
Release upon liquidation of a jointly-controlled entity		**–**	(23,828)	**–**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(38,863)**	48,905	**(20,947)**	12,900
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**604,151**	447,225	**181,844**	274,997

	Notes	Nine months ended 30 September 2012 (unaudited) HK$'000	Nine months ended 30 September 2011 (unaudited) HK$'000	Three months ended 30 September 2012 (unaudited) HK$'000	Three months ended 30 September 2011 (unaudited) HK$'000
Profit attributable to:					
Owners of the parent		**635,040**	390,969	**200,585**	259,790
Non-controlling interests		**7,974**	7,351	**2,206**	2,307
		643,014	398,320	**202,791**	262,097
Total comprehensive income attributable to:					
Owners of the parent		**597,287**	435,440	**180,052**	270,583
Non-controlling interests		**6,864**	11,785	**1,792**	4,414
		604,151	447,225	**181,844**	274,997
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6				
Basic		**HK48.72 cents**	HK35.99 cents		
Diluted		**HK48.37 cents**	HK35.93 cents		

Details of the dividends are disclosed in note 5.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2012 (unaudited) *HK$'000***	31 December 2011 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,233,926**	1,342,461
Prepaid land lease payments		**141,725**	87,076
Goodwill		**119,638**	119,638
Other intangible assets		**452**	594
Investment in a jointly-controlled entity		**8,208**	6,840
Investments in associates		**171,953**	190,478
Available-for-sale investments		**6,677**	6,677
Deferred tax assets		**48,079**	42,967
Total non-current assets		**2,730,658**	1,796,731
CURRENT ASSETS			
Inventories		**4,064,596**	4,298,384
Trade receivables		**4,139,982**	3,795,014
Bills receivable		**4,979,092**	7,575,284
Other receivables		**1,878,948**	1,930,424
Tax recoverable		**31,955**	28,253
Pledged deposits		**792,992**	255,770
Cash and bank balances		**3,398,953**	4,452,001
Total current assets		**19,286,518**	22,335,130
CURRENT LIABILITIES			
Trade payables		**6,362,658**	6,725,368
Bills payable		**4,368,519**	5,268,877
Other payables and accruals		**4,007,236**	3,608,742
Interest-bearing bank and other borrowings	7	**1,482,464**	2,623,940
Due to TCL Corporation	8	**–**	131,978
Due to T.C.L. Industries	8	**237,780**	971,163
Tax payable		**156,033**	169,690
Provisions		**345,865**	248,783
Total current liabilities		**16,960,555**	19,748,541
NET CURRENT ASSETS		**2,325,963**	2,586,589
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,056,621**	4,383,320

	Notes	30 September 2012 (unaudited) HK$'000	31 December 2011 (audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,056,621**	4,383,320
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**432,562**	710,928
Deferred tax liabilities		**36,996**	13,790
Pensions and other post-employment benefits		**5,753**	5,917
Total non-current liabilities		**475,311**	730,635
Net assets		**4,581,310**	3,652,685
EQUITY			
Equity attributable to owners of the parent			
Issued capital	9	**1,320,429**	1,072,276
Reserves		**3,135,917**	2,461,376
		4,456,346	3,533,652
Non-controlling interests		**124,964**	119,033
Total equity		**4,581,310**	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 also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 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 these new and revised HKFRSs has had no significant financial effect on these condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

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. The amendment does not result in additional disclosures to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

- the Overseas markets

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

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that 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.

	Nine months ended 30 September									
	Television – PRC market		Television – Overseas markets		AV		Others		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**15,242,138**	13,019,510	**8,657,453**	5,861,135	**2,403,426**	3,194,080	**941,632**	441,824	**27,244,649**	22,516,549
Segment results	**613,073**	389,453	**151,654**	(52,525)	**76,721**	55,684	**21,367**	16,168	**862,815**	408,780
Bank interest income									**74,314**	60,820
Corporate income/(expenses), net									**(6,590)**	221,648
Finance costs									**(211,498)**	(209,396)
Share of profits and losses of:										
Jointly-controlled entities	**–**	(446)	**1,022**	(1,051)	**–**	–	**–**	–	**1,022**	(1,497)
Associates	**(35,089)**	4,934	**–**	–	**–**	–	**11,349**	6,804	**(23,740)**	11,738
Profit before tax									**696,323**	492,093
Income tax expense									**(53,309)**	(93,773)
Profit for the period									**643,014**	398,320

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 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.

	Nine months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**13,871**	8,196
Current – Elsewhere	**43,929**	79,908
Deferred	**(4,491)**	5,669
Total tax charge for the period	**53,309**	93,773

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2012 (30 September 2011: Nil).

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

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

	Nine months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**635,040**	390,969

	Number of shares Nine months ended 30 September	
	2012	2011
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**1,303,538,917**	1,086,289,913
Effect of dilution – weighted average number of ordinary shares:		
Assumed ordinary shares issued at no consideration on deemed exercise of all share options outstanding during the period	**9,263,388**	1,790,208
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	**1,312,802,305**	1,088,080,121

7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2012 (unaudited) *HK$'000*	31 December 2011 (audited) *HK$'000*
Current		
Bank loans – secured	**61,140**	606,404
Bank loans – unsecured	**1,168,206**	1,701,537
Advances from banks as consideration for the Recognised Factored Receivables – unsecured	**–**	74,047
Trust receipt loans – unsecured	**253,118**	201,352
Loans from an associate – unsecured	**–**	40,600
	1,482,464	2,623,940
Non-current		
Bank loans – secured	**30,570**	154,131
Bank loans – unsecured	**401,992**	556,797
	432,562	710,928
	1,915,026	3,334,868
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,482,464**	2,583,340
In the second year	**432,562**	276,837
In the third to fifth year, inclusive	**–**	434,091
	1,915,026	3,294,268
Loans from an associate repayable:		
Within one year	**–**	40,600
	1,915,026	3,334,868

Notes:

(a) As at 30 September 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$22,334,000 (31 December 2011: HK$23,566,000), HK$237,001,000 (31 December 2011: HK$249,162,000) and HK$88,015,000 (31 December 2011: HK$100,917,000), respectively.

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

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

(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$945,543,000 (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$237,780,000 due to T.C.L. Industries bears interest at a fixed rate of 3.00% per annum (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 a fixed rate of 7.63% per annum and fixed rates ranging from 2.28% to 6.00% per annum, respectively).

9. SHARE CAPITAL

	30 September 2012 (unaudited) *HK$'000*	31 December 2011 (audited) *HK$'000*
Shares		
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:		
1,320,429,009 (31 December 2011: 1,072,275,768) shares of HK$1.00 each (31 December 2011: HK$1.00 each)	**1,320,429**	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. ("TOT") and its 60% owned-subsidiary, Huizhou TCL Coretronic Co., Ltd. ("Huizhou Coretronic") (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 nine months ended 30 September 2012, the subscription rights attaching to 1,656,050 share options were exercised at the subscription price of HK$2.45 per share, resulting in the issue of 1,656,050 shares of HK$1.00 each for a total cash consideration of HK$4,057,000 before expenses.

BUSINESS REVIEW

Despite the volatile economy that continued to affect the global TV market, the Group remained committed to "speed and efficiency" as a focus and implemented its development strategies of achieving "sales volume growth, transformation and sustainable profit growth" as it strived to optimize its product mix, explore sales channels and fully take advantages of vertical integration so as to enhance its core competitiveness and profitability. In the meantime, the Group maintained its focus on strengthening its supply chain management, lowering costs through resource integration and actively promoting the proportion of sales volume of its high-end products. For the nine months ended 30 September 2012, the Group recorded turnover of approximately HK$27,245 million, up 21.0% compared with the same period of 2011. Gross profit was approximately HK$4,581 million, up 30.4% year-on-year. Operating profit and profit attributable to owners of the parent reached approximately HK$931 million and HK$635 million, up 34.7% and 62.4% from the same period of last year, respectively. During the period under review, the Group's gross profit margin improved to 16.8% from 15.6% in the same period of last year, while its expense ratio decreased to 13.9% from 14.3% in the same period of last year. Basic earnings per share was HK48.72 cents (basic earnings per share was HK35.99 cents in the same period of 2011).

During the period under review, the Group achieved growth in its sales volume of LCD TVs by continously optimizing its product mix, expanding its sales channels, as well as implementing proactive marketing strategies. The Group sold a total of 10.85 million sets of LCD TVs in the first three quarters of 2012, up by 51.5% compared with the same period of last year. The sales volume of LCD TVs in the PRC Market and the Overseas Markets also recorded steady growth, which saw year-on-year growth of 36.1% and 76.0%, respectively. In addition, with the growing popularity of 3D TVs and smart & internet TVs, the sales volume of the Group's 3D TVs and smart & internet TVs in the PRC Market during the first three quarters rose 556.9% and 186.8% year-on-year, respectively. The proportion of sales volume of 3D TVs and smart & internet TVs to the total LCD TV sales volume in the PRC Market also increased. According to the latest DisplaySearch report, the Group's market share in the global LCD TV market was 5.3% in the second half of 2012, ranking No.5. The Group's market share in the PRC LCD TV market was 17.1%, ranking No.2. In addition, TCL remained the top TV brand in the PRC with a brand value of RMB58,326 million, allowing it to maintain its industry-leading position and ranking No.6 among the top 100 Chinese brands in the "2012 (18th) Most Valuable Chinese Brands Evaluation" jointly released by R&F Global Ranking Information Group Ltd. and Beijing Famous Brand Evaluation Co., Ltd..

The Group's AV Business maintained stable profitability. Despite the sales volume of AV products decreasing by 28.7% year-on-year to 11.12 million sets during the period under review, the Group continued to optimize its supply chain efficiency, accelerate its inventory turnover rate and enhance its product transformation. The commencement of mass production of intelligent accessories represented a new breakthrough in product transformation.

TV Business

For the nine months ended 30 September 2012, the Group sold a total of 10.85 million sets of LCD TVs, up 51.5% from the same period of last year, of which the monthly sales volume of LCD TVs in September 2012 achieved a record high of 1.90 million sets after December 2011, up 43.8% year-on-year. Sales volume of LCD TVs in the PRC Market and Overseas Markets increased by 36.1% and 76.0% year-on-year to 5.97 million sets and 4.88 million sets, respectively. Meanwhile, the sales volume of LED backlight LCD TVs maintained rapid growth. The proportion of the sales volume of LED backlight LCD TVs as a percentage of total LCD TV sales volume increased to 71.3%. The proportion of the sales volume of smart & internet TVs and 3D TVs as a percentage of total LCD TV sales volume also increased to 24.1% and 11.9%, respectively.

In the third quarter, the Group launched 7 product series featuring 18 new products in the PRC Market, including high-end product series featuring large-size 3D "cloud" TVs and edgeless 3D "cloud" TVs, all of which are 3D TVs and smart & internet TVs. Leveraging its market leading technology, the Group launched the smart "cloud" TV Cloud•Ping^2 V6500 series with the world's first dual-core 4D dual-display function and smart "cloud" TV Cloud•Chang E4500 series with the world's first dual-core processors featuring KTV function. In addition, the Group and Tencent Holdings jointly launched iCE SCREEN, the world's first large screen mobile entertainment smart "cloud" product. This successfully created a new form of consumer electronic product, marking a new epoch in the cross-industry integration between the consumer electronics industry and internet industry while also attracting attention around the world.

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

	First three quarters of 2012 ***('000 sets)***	First three quarters of 2011 *('000 sets)*	**Change**
LCD TVs	**10,849**	7,160	+51.5%
of which: LED backlight LCD TVs	**7,731**	2,709	+185.4%
Smart & internet TVs	**2,613**	894	+192.3%
3D TVs	**1,295**	193	+571.0%
– PRC	**5,971**	4,388	+36.1%
– Overseas	**4,878**	2,772	+76.0%
CRT TVs	**1,658**	3,343	(50.4%)
– PRC	**150**	821	(81.7%)
– Overseas	**1,508**	2,522	(40.2%)
Total TV sales volume	**12,507**	10,503	+19.1%
Total AV products sales volume	**11,115**	15,589	(28.7%)

The PRC Market

During the period under review, the Group's business in the PRC Market continued to record stable and healthy growth, and the product mix also continued to improve. The sales volume of LCD TVs reached 5.97 million sets in the first three quarters of 2012, up 36.1% from the same period last year. Of which, the sales volume of LED backlight LCD TVs grew to 4.48 million sets from 1.78 million sets in the same period last year. The sales volume of LED backlight LCD TVs as a percentage of sales volume of LCD TVs in the PRC Market also increased to 75.0% in the first three quarters of 2012. Turnover in the PRC Market increased by 17.1% year-on-year to HK$15,242 million and remains the Group's major source of income.

The Group continued to optimize its product mix and product differentiation, enhance price competitiveness and strengthen its marketing efforts, bringing the proportion of sales volume of high-end products, including 3D TVs and smart "cloud" TVs, increased significantly. Sales volume of 3D TVs increased from 0.56 million sets in the first half of 2012 to 1.26 million sets in the first three quarters of 2012, its proportion of the total LCD TV sales volume in the PRC Market up to 21.1%. Sales volume of smart & internet TVs amounted to 2.56 million sets. Sales volume of smart & internet TVs as a percentage of total LCD TV sales volume in the PRC Market also increased to 42.9%. At the same time, the Group continued to strengthen its supply chain management and lowered production costs through resource integration, which enhances product competitiveness and achieves balanced development in scale, profitability and brand enhancement.

In addition, the Group actively optimized its sales channels. Riding on TV replacement demand in third-tier to sixth-tier markets and rural markets in the PRC, the Group continued to improve network penetration and store efficiency in its rural distribution channels. The number of points of sales in the first three quarters of 2012 increased to approximately 28,500 in third-tier to sixth-tier markets and rural markets in the PRC, an increase of approximately 2,500 points of sales compared to the beginning of 2012. The Group was active in leveraging its dual brand strategy and the advantages of its sales channels to offer value-for-money products, thereby realizing growth in sales volume and profitability.

Overseas Markets

The Group remained committed to "speed and efficiency" as its core development strategy in order to enhance operational efficiency and profitability. Benefiting from its improved product mix, enhanced sales channels and effective marketing and promotion strategies, the Group's business maintained a favorable pace of growth in the Overseas Markets. During the period under review, turnover in the Overseas Markets reached HK$8,657 million, up 47.7% from the same period of last year. Sales volume of LCD TVs in the Overseas Markets reached 4.88 million sets, representing a year-on-year increase of 76.0%, of which sales volume of LED backlight LCD TVs grew significantly to 3.25 million sets from the 0.93 million sets in the same period last year. Sales volume of LED backlight LCD TVs accounted for 66.6% of total LCD TV sales volume in the Overseas Markets.

Emerging Markets remained the Group's primary contributor in the Overseas Markets and have become a new growth driver alongside the PRC Market. In view of the gradual rise in popularity and market demand for high-end TV products, the Group seized the opportunity for product transformation in the Emerging Markets by quickly launching new products, including various LED backlight LCD TVs, and proactively introducing 3D TVs and smart & internet TVs. In addition, the Group actively expanded its sales channels, focusing on enhancing the penetration rate and sales volume of chain store channels as well as exploring new media marketing via the internet. During the period under review, the sales volume of LCD TVs in the Emerging Markets reached 2.99 million sets, up 76.3% year-on-year, with strong sales performance in regions such as Thailand, Central America and South America.

In the European Market, the Group actively explored markets in Central and Northern Europe, as well as Poland. Coupled with the launch of movie and television marketing campaigns through "Batman" movie during the period under review, its sales volume increased significantly. Meanwhile, the Group also maintained inventory control in its sales channels and increased the proportion of the sales volume of new products to improve gross profit margins. On the other hand, the Group's strategic OEM business showed positive results and recorded continuous growth in LCD TV sales volume after the optimization of its customer base and attracting new customers.

AV Business

Due to the impact of the volatile global economy and the constantly shrinking traditional DVD player market, the total sales volume of AV products decreased by 28.7% year-on-year to 11.12 million sets during the period under review. Nevertheless, the Group proactively improved the efficiency of its supply chain and accelerated its inventory turnover rate while also launching intelligent accessories and high-end home theatre system products to optimize its product mix. In the third quarter, the Group launched 4 product series featuring 10 new products, achieving new breakthroughs in product transformation.

R&D

The Group has always been dedicated to strengthening its capabilities in self-innovation and R&D, as well as to committing more resources to R&D. The Group obtained 76 patents during the period under review, and also upgraded the full series of its 3D smart "cloud" TVs with dual-core processors and Android 4.0+ operating systems, firstly realizing enhancements in both software and hardware. The Group also launched the Cloud•Ping[2] V6500 series, the world's first dual-core 4D dual-display smart "cloud" TV, which utilizes dual-display technology that is classified as independent intellectual property rights. This technology not only enables users to enjoy two programmes simultaneously, but also offers a unique dual-display mode that allows them to watch multiple videos and use a variety of applications simultaneously, setting a new global benchmark for dual-display technology. Meanwhile, the Group also launched the Cloud•Chang E4500 series, the world's first dual-core smart "cloud" TV, to feature the premium Cloud•Shang KTV function, leveraging its network advantage to cater to consumers' desire to enjoy KTV entertainment at home. In addition, the Group and Tencent Holdings jointly launched the large screen mobile entertainment smart "cloud" product iCE SCREEN in August 2012, expanding to a new form of smart "cloud" product. Apart from standing out as an innovative product, iCE SCREEN was also launched through dual sales channels – the official TCL online store and QQ's online store, representing another innovation that shares sales channels and business models. This innovative cross-industry integration model has also set a new benchmark in innovation in the consumer electronics industry and internet industry in the PRC.

Outlook

Uncertainties in the global economy remain, which will continue to pose severe challenges to the TV industry. Nevertheless, urbanization in the PRC is progressing at a rapid pace, and the income per capita continues to rise. This will persistently drive demand to replace traditional CRT TVs in the PRC Market. In addition, the PRC government introduced a new energy-saving subsidy program to promote five types of home appliances, including flat panel TVs, which meet energy-saving standards. This will help boost the growth of the Group's TV business. At the same time, the Group's mature global sales networks has laid a solid foundation for growth in the Overseas Markets. As the fourth quarter, a traditional peak season for sales, approaches, the Group will adhere to "speed and efficiency" as its core development strategy and actively produce value-for-money products through strategies that include product innovation, cost optimization and price adjustment. The Group will also actively expand its sales channels and improve operational efficiency so as to further improve growth in sales volume with a larger market share.

For its TV business in the PRC Market, LED backlight LCD TVs have become mainstream, and the popularity of smart and internet TVs, 3D TVs and "cloud" TVs has been growing. The Group will adjust its product mix in response to changes in the TV market while constantly stepping up its efforts in R&D and marketing and continuing to strengthen its "full cloud strategies", including the upgrade of its full series of 3D smart "cloud" TVs equipped with dual-core CPUs, dual-core GPUs and Android 4.0+ operating systems to increase the proportion of sales volume of high-end products. Meanwhile, the Group is committed to lowering its costs through the integration of its industry chain, thus enhancing its overall competitiveness. Besides, the Group will constantly strengthen the establishment of its sales channels in third-tier to sixth-tier markets and rural markets and will fully expand its e-commerce business in order to further increase its share of the PRC Market.

The Group will continue to implement prudent operational strategies in the Overseas Markets. In the Emerging Markets, the Group will seize opportunities from the transition to high-end products and strive to increase the proportion of sales volume of LED backlight LCD TVs. It will continuously step up its efforts in brand promotion and marketing, and will develop online promotion channels with the specific aim of enhancing the globalized and youthful image of the TCL brand, which will further strengthen its brand influence and brand awareness. The Group will also put more effort into building sales channels in key Overseas Markets by increasing penetration to chain store channels in mature markets such as Australia and Thailand, and continuing to strengthen the advantages of traditional sales channels in developing markets such as the Philippines and Vietnam. In the European and North American markets, the Group will continue to put effort into improving its operational efficiency, speeding up the launch of new products and improving sales service standards. In addition, the Group will extend its co-operation with clients through events such as global distribution trade fairs and autumn trade fairs, while boosting sales growth in the Overseas Markets by expanding its global sales channels.

For AV business, the Group will continue to step up efforts in R&D to further enhance its capabilities in the technical design of intelligent accessories, especially in software development and in the R&D of electro-acoustic technology, to proactively launch intelligent accessories and to develop smart TV-related Sound Bar products for the diversification of the Group's product portfolio. The Group will continue to optimize its global supply chain and to lower its production costs so as to enhance its product competitiveness.

In October 2012, the 8.5-generation LCD panel production plant operated by Shenzhen China Star Optoelectronics Technology Co., Ltd., a joint venture among TCL Corporation (the Group's ultimate holding company), the Shenzhen Municipal Government and Samsung (Korea), reached full capacity and will commence mass production of 42-inch and 55-inch large-size LCD panels. Together with TOT (which is mainly engaged in the production of LCD modules), the Group's wholly-owned subsidiary, the synergy effects from vertical integration will become more apparent.

The Group is confident that it can achieve the 2012 full-year target of LCD TV sales volume of 15.20 million sets. It will continue to implement development strategies to achieve "sales volume growth, transformation and sustainable profit growth" in the future with a focus towards "speed and efficiency" so as to enhance the Group's leading position in the global TV market, to lay a solid foundation for long-term sustainable development and to create better returns 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 bargain purchase 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). The transaction was completed on 27 February 2012.

On 20 July 2012, the Group entered into an acquisition agreement with Coretronic (Suzhou) Co., Ltd. ("Suzhou Coretronic"), pursuant to which the Group agreed to acquire and Suzhou Coretronic agreed to sell 40% equity interest of Huizhou Coretronic, at a cash consideration of approximately RMB13,124,000 (equivalent to approximately HK$16,073,000). The transaction was completed on 22 August 2012.

On 20 September 2012, the Group entered into a club membership acquisition agreement with TCL Optoelectronics Tech (Shenzhen) Company Limited ("Shenzhen TCL Optoelectronics"), a non-wholly owned subsidiary of TCL Corporation, pursuant to which the Group agreed to acquire and Shenzhen TCL Optoelectronics agreed to sell the entire membership interests in the R&D Elite Club (including but not limited to the exclusive right to occupy and use the premises at Unit 102 (category B of 1st floor), the whole floor of 2nd to 5th and 9th to 12th floor of D4 building, TCL Science Park, No. 1001, Zhongshanyuan Road, Xili, Nanshan District, Shenzhen, PRC), at a cash consideration of approximately RMB186,819,000 (equivalent to approximately HK$228,441,000). The transaction was completed on 20 September 2012.

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 of the Group as at 30 September 2012 amounted to HK$3,398,953,000, of which 0.5% was maintained in Hong Kong dollars, 19.5% in US dollars, 75.4% in Renminbi, 3.4% in Euro and 1.2% was held in other currencies for the overseas operation.

There was no material change in the available credit facilities when compared with those for the year ended 31 December 2011 and there was no asset held under finance lease as at 30 September 2012.

As at 30 September 2012, the Group's gearing ratio was 0% since the Group's total pledged deposits and cash and bank balances of HK$4,191,945,000 were higher than the total interest-bearing borrowings of HK$2,152,806,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 30 September 2012, saved as disclosed in note 7, certain bills receivable and time deposits of the Group amounting to HK$291,742,000 and HK$792,992,000, respectively, were pledged for certain bills payable amounting to HK$1,107,239,000 (31 December 2011: Nil).

Capital Commitments and Contingent Liabilities

As at 30 September 2012, the Group had capital commitments of approximately HK$110,660,000 (31 December 2011: HK$9,256,000) and HK$531,753,000 (31 December 2011: HK$549,479,000) which were contracted but not provided for and authorized but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the annual report for 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 31,649 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 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 47,576,662 shares remained outstanding at the end of the reporting period.

A restricted share award scheme (the "Award Scheme") was also adopted by the Company on 6 February 2008 pursuant to which existing shares would be purchased by the trustee from the market out of cash contributed by the Group and be held on 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 nine months ended 30 September 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 nine months ended 30 September 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 (the "Listing Rules"), except that the Company has no formal letters of appointment for all directors and that the company secretary of the Company is not an employee of the Company. The reasons for such deviation have been stated in the interim report for 2012 of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the nine months ended 30 September 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 October 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.