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 2014

FINANCIAL HIGHLIGHTS

Unaudited results for the nine months ended 30 September

	2014 ***(HK$M)***	2013 *(HK$M)*	**Change**
Turnover	**23,601**	27,888	(15.4%)
Gross profit	**3,831**	4,100	(6.6%)
Operating profit	**494**	220	+124.5%
Net profit after tax			
– for the period	**239**	133	+79.7%
– from continuing operations	**239**	45	+431.1%
Profit attributable to owners of the parent			
– for the period	**228**	112	+103.6%
– from continuing operations	**228**	40	+470.0%
Basic earnings per share *(HK cents)*			
– for the period	**17.21**	8.39	+105.1%
– from continuing operations	**17.21**	3.04	+466.1%

HIGHLIGHTS

- For the nine months ended 30 September 2014, the Group recorded a turnover of approximately HK$23,601 million, down by 15.4% year-on-year. Gross profit amounted to approximately HK$3,831 million, down by 6.6% year-on-year. Gross profit margin increased from 14.7% to 16.2% year-on-year while expense ratio increased from 14.4% to 15.0% year-on-year. Operating profit was approximately HK$494 million, up by 124.5% year-on-year. Net profit after tax from continuing operations was approximately HK$239 million, up by 431.1% year-on-year. Profit attributable to owners of the parent from continuing operations was approximately HK$228 million, up by 470.0% year-on-year.

- The Group sold a total of 11.90 million sets of LCD TVs for the nine months ended 30 September 2014, down by 1.5% year-on-year. This is mainly due to the continuous weak market demand arising from the withdrawal of the energy saving home appliances subsidy policy at the end of May last year. The Group sold 5.78 million sets of LCD TVs in the PRC Market, down by 17.7% year-on-year; and 6.12 million sets of LCD TVs in the Overseas Markets, up by 20.9% year-on-year, of which the sales volume of LCD TVs in the Strategic OEM business rose by 89.4% year-on-year to 1.95 million sets.

- For the nine months ended 30 September 2014, the accumulated number of activated smart TV users of the Group from Huan Technology Co., Ltd. ("Huan") was 1,768,842 and the historical accumulated total number of such activated smart TV users as at September 2014 was 6,041,181 and the daily average number of active users for 7 days was 2,000,923, which reflected a preliminary progress of the Group's operational strategy by using smart products as an entry point to nurture contribution from average revenue per user ("ARPU") value.

- According to the latest DisplaySearch report, the Group ranked No.4 in the global LCD TV market with a market share of 5.5% during the first half of 2014. Meanwhile the Group ranked No.1 in the PRC LCD TV market with a market share of 17.1%.

- In September 2014, the Group joined forces with Hunan Broadcasting System ("HBS"), the most powerful entertainment platform in the PRC, to launch TCL Mango TV+, creating new trendy product for home entertainment. In the same month, the Group rolled out the world's first TV set which embedded Wechat function.

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 2014 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Nine months ended 30 September		Three months ended 30 September	
		2014	2013	**2014**	2013
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS					
TURNOVER	3	**23,601,250**	27,887,674	**8,398,432**	9,810,379
Cost of sales		**(19,770,638)**	(23,787,689)	**(6,949,998)**	(8,550,720)
Gross profit		**3,830,612**	4,099,985	**1,448,434**	1,259,659
Other revenue and gains		**570,849**	450,278	**163,721**	169,751
Selling and distribution expenses		**(2,828,174)**	(3,252,580)	**(1,051,684)**	(1,131,260)
Administrative expenses		**(715,339)**	(758,787)	**(274,638)**	(248,568)
Research and development costs		**(312,909)**	(294,344)	**(100,395)**	(140,028)
Other operating expenses		**(50,954)**	(24,557)	**(662)**	(20,940)
		494,085	219,995	**184,776**	(111,386)
Finance costs		**(139,372)**	(116,119)	**(40,454)**	(46,541)
Share of profits and losses of:					
Joint ventures		**(10,999)**	(1,502)	**(5,794)**	(104)
Associates		**(451)**	11,520	**802**	184
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**343,263**	113,894	**139,330**	(157,847)
Income tax credit/(expense)	4	**(104,365)**	(69,236)	**(68,292)**	7,869
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**238,898**	44,658	**71,038**	(149,978)
DISCONTINUED OPERATION					
Profit for the period from a discontinued operation	5	**–**	88,722	**–**	12,273
PROFIT/(LOSS) FOR THE PERIOD		**238,898**	133,380	**71,038**	(137,705)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Cash flow hedge:					
Effective portion of change in fair value of the hedging instruments arising during the period		**42,386**	(18,253)	**41,621**	(18,347)
Reclassification adjustments for losses included in the condensed consolidated statement of profit or loss		**21**	–	**–**	–
		42,407	(18,253)	**41,621**	(18,347)

	Notes	Nine months ended 30 September 2014 (unaudited) *HK$'000*	2013 (unaudited) *HK$'000*	Three months ended 30 September 2014 (unaudited) *HK$'000*	2013 (unaudited) *HK$'000*
Exchange fluctuation reserve:					
Translation of foreign operations		**(27,321)**	106,055	**12,658**	21,265
Release upon liquidation of subsidiaries		**(158,931)**	–	**–**	–
Release upon derecognition and deemed partial disposal of associates		**276**	–	**1**	–
		(185,976)	106,055	**12,659**	21,265
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(143,569)**	87,802	**54,280**	2,918
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**95,329**	221,182	**125,318**	(134,787)
Profit/(loss) attributable to:					
Owners of the parent		**227,558**	111,529	**58,684**	(142,067)
Non-controlling interests		**11,340**	21,851	**12,354**	4,362
		238,898	133,380	**71,038**	(137,705)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		**85,105**	194,472	**112,835**	(139,827)
Non-controlling interests		**10,224**	26,710	**12,483**	5,040
		95,329	221,182	**125,318**	(134,787)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7				
Basic					
– For profit for the period		**HK17.21 cents**	HK8.39 cents		
– For profit from continuing operations		**HK17.21 cents**	HK3.04 cents		
Diluted					
– For profit for the period		**HK17.21 cents**	HK8.29 cents		
– For profit from continuing operations		**HK17.21 cents**	HK3.00 cents		

Details of the dividends are disclosed in note 6.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2014 (unaudited) HK$'000	31 December 2013 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,342,788**	2,407,598
Prepaid land lease payments		**152,270**	156,306
Goodwill		**140,887**	119,638
Other intangible assets		**1,456**	280
Investment in joint ventures		**67,156**	8,333
Investments in associates		**544,703**	512,871
Available-for-sale investments		**111,982**	6,677
Deferred tax assets		**24,575**	18,485
Total non-current assets		**3,385,817**	3,230,188
CURRENT ASSETS			
Inventories		**3,763,343**	4,971,680
Trade receivables		**4,344,221**	3,797,379
Bills receivable		**4,381,390**	5,158,738
Other receivables		**1,885,811**	1,920,027
Tax recoverable		**15,626**	29,969
Pledged deposits		**44,416**	–
Cash and bank balances		**3,457,733**	3,047,524
Total current assets		**17,892,540**	18,925,317
CURRENT LIABILITIES			
Trade payables		**5,794,313**	5,472,647
Bills payable		**2,802,936**	5,108,314
Other payables and accruals		**3,299,270**	4,067,483
Interest-bearing bank and other borrowings	8	**2,765,116**	870,343
Due to TCL Corporation	9	**–**	24,933
Due to T.C.L. Industries	9	**388,155**	387,710
Tax payable		**156,731**	142,551
Provisions		**354,358**	436,629
Total current liabilities		**15,560,879**	16,510,610
NET CURRENT ASSETS		**2,331,661**	2,414,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,717,478**	5,644,895

	Notes	**30 September 2014 (unaudited)** ***HK$'000***	31 December 2013 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,717,478**	5,644,895
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	8	**1,039,030**	1,132,012
Deferred tax liabilities		**27,206**	30,502
Total non-current liabilities		**1,066,236**	1,162,514
Net assets		**4,651,242**	4,482,381
EQUITY			
Equity attributable to owners of the parent			
Issued capital	10	**1,333,599**	1,333,599
Reserves		**3,190,115**	3,024,687
		4,523,714	4,358,286
Non-controlling interests		**127,528**	124,095
Total equity		**4,651,242**	4,482,381

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 2013, 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC) – Int 21	*Levies*

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.

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 – manufacture and sale of television sets in:

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

– the Overseas markets

(b) AV segment – manufacture and sale of audio-visual ("AV") products (discontinued during the year ended 31 December 2013 (note 5)); and

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

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

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

	Nine months ended 30 September											
	Continuing operations								**Discontinued operation**			
	Television – PRC market		**Television – Overseas markets**		**Others**		**Total continuing operations**		**AV**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	(unaudited)	(unaudited)	**(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*	***HK$'000***	*HK$'000*
Sales to external customers	**13,783,344**	18,352,079	**9,164,302**	8,645,064	**653,604**	890,531	**23,601,250**	27,887,674	**–**	2,220,838	**23,601,250**	30,108,512
Segment results	**449,388**	397,045	**(6,946)**	(129,220)	**(33,304)**	(47,974)	**409,138**	219,851	**–**	91,798	**409,138**	311,649
Corporate income/ (expenses), net							**30,912**	(33,113)	**–**	–	**30,912**	(33,113)
Finance costs							**(139,372)**	(116,119)	**–**	(6,707)	**(139,372)**	(122,826)
Interest income							**54,035**	33,257	**–**	20,507	**54,035**	53,764
Share of profits and losses of:												
Joint ventures	**–**	–	**(1,754)**	(1,502)	**(9,245)**	–	**(10,999)**	(1,502)	**–**	–	**(10,999)**	(1,502)
Associates	**(22,690)**	2,000	**–**	–	**22,239**	9,520	**(451)**	11,520	**–**	66	**(451)**	11,586
Profit before tax							**343,263**	113,894	**–**	105,664	**343,263**	219,558
Income tax expense							**(104,365)**	(69,236)	**–**	(16,942)	**(104,365)**	(86,178)
Profit for the period							**238,898**	44,658	**–**	88,722	**238,898**	133,380

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 2013: 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	
	2014	2013
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**13,314**	3,284
Current – Elsewhere	**100,013**	31,066
Deferred	**(8,962)**	34,886
Total tax charge for the period from continuing operations	**104,365**	69,236

5. DISCONTINUED OPERATION

On 15 August 2013, the Company completed the spin-off (the "AV Spin-off") of its business in relation to the manufacture and sale of AV products through a separate listing of its wholly-owned subsidiary, Tonly Electronics Holdings Limited ("Tonly Holdings") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Further details of the AV Spin-off are set out in the listing document of Tonly Holdings dated 17 July 2013. Upon the completion of the AV Spin-off, the Company distributed its entire interest in Tonly Holdings as a special interim dividend by way of distribution in specie to the Company's qualifying shareholders and Tonly Holdings ceased to be a subsidiary of the Company thereafter.

The results of Tonly Holdings and its subsidiaries attributable to the Group for the period up to the completion date of spin-off which have been included in the condensed consolidated statement of profit or loss and other comprehensive income as discontinued operation are presented below:

	Nine months ended 30 September 2013 (unaudited) *HK$'000*
Turnover	2,220,838
Cost of sales	(1,942,223)
Gross profit	278,615
Other revenue and gains	126,125
Selling and distribution expenses	(81,525)
Administrative expenses	(100,418)
Research and development costs	(109,975)
Other operating expenses	(517)
	112,305
Finance costs	(6,707)
Share of profit of an associate	66
Profit before tax from the discontinued operation	105,664
Income tax expense	(16,942)
Profit for the period from the discontinued operation	88,722
Profit attributable to:	
Owners of the parent	71,140
Non-controlling interests	17,582
	88,722

	Nine months ended 30 September 2013 (unaudited)
Earnings per share from the discontinued operation:	
Basic	HK5.35 cents
Diluted	HK5.29 cents

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Nine months ended 30 September 2013 (unaudited) *HK$'000*
Earnings	
Profit attributable to ordinary equity holders of the parent from the discontinued operation, used in the basic and diluted earnings per share calculation	71,140

	Number of shares Nine months ended 30 September 2013 (unaudited)
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 7)*	1,328,868,255
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 *(note 7)*	15,961,045
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *(note 7)*	1,344,829,300

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2014 (30 September 2013: Nil).

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

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

	Nine months ended 30 September	
	2014	2013
	(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:		
From continuing operations	**227,558**	40,389
From a discontinued operation *(note 5)*	**–**	71,140
	227,558	111,529

	Number of shares Nine months ended 30 September	
	2014	2013
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	**1,321,961,549**	1,328,868,255
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	**–**	15,961,045
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	**1,321,961,549**	1,344,829,300

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 September 2014 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during the period.

8. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 September 2014 (unaudited) *HK$'000*	31 December 2013 (audited) *HK$'000*
Current		
Bank loans – unsecured	**2,417,539**	825,343
Trust receipt loans – unsecured	**189,012**	–
Loans from an associate – unsecured	**158,565**	45,000
	2,765,116	870,343
Non-current		
Bank loans – unsecured	**1,039,030**	1,132,012
	3,804,146	2,002,355
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,606,551**	825,343
In the second year	**1,039,030**	207,385
In the third to fifth years, inclusive	**–**	924,627
	3,645,581	1,957,355
Loans from an associate repayable:		
Within one year	**158,565**	45,000
	3,804,146	2,002,355

Notes:

(a) As at 30 September 2014, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) TCL Corporation ("TCL Corporation", the ultimate holding company of the Company), has guaranteed certain of the Group's bank loans up to HK$511,095,000 (31 December 2013: HK$302,207,000) as at the end of the reporting period.

9. 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. The amount due to T.C.L. Industries is unsecured, repayable within one year and bears interest at a fixed rate of 1.485% per annum (31 December 2013: an aggregate amount of HK$24,933,000 due to TCL Corporation and an aggregate amount of HK$387,710,000 due to T.C.L. Industries bore interest at fixed rates of 6.60% and 1.485% per annum, respectively).

10. SHARE CAPITAL

	30 September 2014 (unaudited) ***HK$'000***	31 December 2013 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,333,598,514 shares of HK$1.00 each	**1,333,599**	1,333,599

BUSINESS REVIEW

For the nine months ended 30 September 2014, the Group recorded a turnover of approximately HK$23,601 million, down by 15.4% year-on-year. Gross profit amounted to approximately HK$3,831 million, down by 6.6% year-on-year. Gross profit margin increased from 14.7% to 16.2% year-on-year while expense ratio increased from 14.4% to 15.0% year-on-year. Operating profit was approximately HK$494 million, up by 124.5% year-on-year. Net profit after tax from continuing operations was approximately HK$239 million, up by 431.1% year-on-year. Profit attributable to owners of the parent from continuing operations was approximately HK$228 million, up by 470.0% year-on-year. The Group's basic earnings per share and basic earnings per share from continuing operations were HK17.21 cents and HK17.21 cents, respectively (Basic earnings per share and basic earnings per share from continuing operations for the same period of 2013: HK8.39 cents and HK3.04 cents, respectively).

For the three months ended 30 September 2014, the Group recorded a turnover of approximately HK$8,398 million, down by 14.4% year-on-year. Gross profit amounted to approximately HK$1,448 million, up by 14.9% year-on-year. Gross profit margin increased by 4.4 percentage points to 17.2% compared with the same period last year. Operating profit was approximately HK$185 million while a loss of approximately HK$111 million had been recorded for the same period last year. Net profit after tax from continuing operations was approximately HK$71 million, while a loss of approximately HK$150 million had been recorded for the same period of last year. Profit attributable to owners of the parent from continuing operations was approximately HK$59 million, while a loss of approximately HK$152 million had been recorded for the same period of last year. The Group's basic earnings per share and basic earnings per share from continuing operations for the third quarter were HK4.44 cents and HK4.44 cents, respectively (Basic loss per share and basic loss per share from continuing operations for the same period of 2013: HK10.66 cents and HK11.42 cents, respectively).

For the nine months ended 30 September 2014, demand of the LCD TV market in the PRC remained weak mainly attributable to withdrawal of the energy saving home appliances subsidy policy. Also, competition was intensified by the participation of internet IT enterprises in the TV industry. The traditional TV industry has faced with changing industry landscapes and competition shifted to one among product ecosystems rather than one among terminal products.

During the period under review, the Group steadily progressed the implementation of the “double +” strategy which focuses on “intelligence + internet” and “products + services”. The Group established a new business model that features a product-and-user-oriented approach, seeking to realise breakthroughs in its strategic transformation in the internet era by product mix optimisation, organizational restructuring adjustment and cost control measures, with an aim to gradually becoming a global entertainment technology enterprise. In July 2014, the Group became the exclusive collaborative partner from the TV industry for “The Voice of China”, the hottest professional music show in the PRC, accelerating the rapid rise of popularity of TV+. In addition, the Group continued its efforts in the establishment of the “TCL Game TV Ecosystem Strategic Alliance”, which were enrolled by renowned game developers including Gameloft, JJ International Company and Rovio etc. Meanwhile, the Group debuted a new product, 7V Box, an eyebrow-raiser among industry peers and consumers. In September 2014, the Group joined forces with HBS, the most powerful entertainment platform in the PRC, to launch TCL Mango TV+, creating new trendy product for home entertainment. In the same month, the Group rolled out the world’s first TV set which embedded Wechat function.

The Group sold a total of 11.90 million sets of LCD TVs during the nine months ended 30 September 2014, down by 1.5% year-on-year. This is mainly due to the continuous weak market demand arising from the withdrawal of the energy saving home appliances subsidy policy at the end of May last year. The Group sold 5.78 million sets of LCD TVs in the PRC Market, dropped by 17.7% year-on-year; and 6.12 million sets of LCD TVs in the Overseas Markets, up by 20.9% year-on-year, of which the sales volume of LCD TVs in the Strategic OEM business grew by 89.4% year-on-year to 1.95 million sets.

According to the latest DisplaySearch report, the Group ranked No.4 in the global LCD TV market with a market share of 5.5% in the first half of 2014. Meanwhile the Group ranked No.1 in the PRC LCD TV market with a market share of 17.1%.

The Group had sped up its organizational reform, which primarily focused on improving the operations in the PRC Market, enhancing operational capabilities and leveraging its advantages of having a vertically-integrated industry chain to beef up its product competitiveness. Meanwhile, it also improved its capabilities in supply chain management, lowered production costs and tightly controlled its expense ratios.

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

	First three quarters of 2014 *('000 sets)*	First three quarters of 2013 *('000 sets)*	**Change**
LCD TVs	**11,903**	12,085	(1.5%)
of which: LED backlight LCD TVs	**11,869**	11,569	+2.6%
Smart TVs	**2,475**	1,782	+38.9%
– PRC Market	**5,781**	7,022	(17.7%)
– Overseas Markets	**6,122**	5,063	+20.9%
CRT TVs	**153**	895	(82.9%)
– PRC Market	**–**	18	(100.0%)
– Overseas Markets	**153**	877	(82.6%)
Total TV sales volume	**12,056**	12,980	(7.1%)

	Accumulated total as at September 2014	**September 2014**	**First three quarters of 2014**	First three quarters of 2013	**Year-on-year change**
Number of TCL activated smart TV users	**6,041,181**	**N/A**	**1,768,842**	1,315,311	+34.5%
Daily average number of active users for 7 days	**N/A**	**2,000,923**	**N/A**	N/A	N/A

The PRC Market

During the first three quarters of 2014, the Group sold 5.78 million sets of LCD TVs in the PRC Market, down by 17.7% year-on-year. Although turnover in the PRC Market dropped 24.9% year-on-year to HK$13,783 million, gross profit margin increased from 18.2% for the same period last year to 20.9%, up by 2.7 percentage points year-on-year. The Group continued to optimize its product mix with the launch of a series of large-sized and high-end new products during the third quarter. The gross profit margin for the third quarter in the PRC Market increased to 21.8% from 15.8% for the same period last year, up by 6.0 percentage points year-on-year. Operating results increased from HK$397 million for the same period last year to HK$449 million, up by 13.1% year-on-year.

The Group launched a total of 14 new products in 7 series in the third quarter, including 7 models of 4K ultra high-definition TVs to satisfy the growing market demand for large-sized 4K ultra high-definition TVs. During the period under review, the Group continued to groom TCL-iQIYI TV+ as the major product line with the launch of a new concept of TV+ Home Entertainment TVs while persistently enhanced product competitiveness. The sales volume of smart TVs for the first three quarters of 2014 increased to 2.29 million sets from 1.67 million sets for the same period last year, contributing to 39.6% of the total LCD TV sales volume in the PRC Market. For the nine months ended 30 September 2014, the accumulated number of activated smart TV users of the Group from Huan was 1,768,842, the historical accumulated total number of such activated smart TV users as at September 2014 was 6,041,181 and the daily average number of active users for 7 days was 2,000,923, which reflected a preliminary progress of the Group's operational strategy by using smart products as an entry point to nurture contribution from ARPU value.

In September 2014, the Group jointly launched TV+ Home Entertainment TV – TCL Mango TV+ with HBS, the most powerful entertainment platform in the PRC, creating a new trendy product for home entertainment that completes its strategic layout of the ecosystem in the industry. TCL Mango TV+ owns exclusive rights of "Mango TV" and "Sneak Peek". Apart from possessing such content resources including Phoenix Satellite military programmes and SBS, etc., TCL Mango TV+ has exclusive online broadcasting rights to popular programmes of HBS, and is also the unique internet TV broadcasting platform for the above content resources.

The Group hosted an event "TV+ Home Entertainment TV Beyond Your Imagination – The First Wechat-linked TV" during the period under review and announced the first upgrade of value-added applications on its TV+ Home Entertainment TV, pioneered the embedding of Wechat function in a TV set. Through the connectivity to Wechat, TV+ Home Entertainment TV features 6 innovative functions including "We-social", "We-operation", "We-video", "We-channel", "We-home" and "We-service", etc., providing users with revolutionary experiences of video-on-demand, tailor-made programme list and convenient after-sale services, etc. It provides users with value-for-money product experiences and leads the industry back to the era of high value products.

In addition, the Group participated in the 12th China Digital Entertainment Expo & Conference ("China Joy") in Shanghai, the PRC. The Group joined forces with China Unicom Broadband and ATET once again and announced the establishment of the largest Game TV ecosystem in the PRC, with renowned game developers including Gameloft, JJ International Company, Rovio, Marmalade, Cyberfront Korea and J-FLOW, etc. to enroll to "TCL Game TV Ecosystem Strategic Alliance", as a move to further facilitate the all-round development of the said ecosystem. Meanwhile, the Group debuted a new product, 7V Box, in China Joy. Unparalleled edges with its ultimate premium appearance and control experience, innovative cross-screen interactive functions, as well as a vast volume of video game content, etc., the new product raised the eyebrows of industry peers and consumers.

With respect to marketing promotion, the Group joined forces with "The Voice of China", the hottest professional music show in the PRC, to host a major press conference in July 2014 to announce TCL has become the "exclusive collaborative partner from the TV industry for The Voice of China – Season 3". TV+ was debuted officially at "The Voice of China" aiming to accelerate the rapid rise of the popularity of TV+ and the sales volume of TV+ for the third quarter grew significantly. The collaboration with "The Voice of China" was only a solid step forward for the Group's transformation into an entertainment enterprise, and the Group will continue to strengthen its foothold in the entertainment fields such as music after videos and games. In addition, the Group actively carried on the strategic transformation of the "intelligence + internet" strategy, the establishment of a new business model of "product + services" to strengthen its user-centric competence in operations and services. On 28 September of this year, the Group hosted its first TCL "T-fans Festival" with a theme "Live with colours" in Shenzhen, the PRC. More than 100 "T-fans" representatives from all over the PRC attended the festival and visited the production lines for LCD screens of TCL Corporation's Shenzhen China Star Optoelectronics Technology Co., Ltd. and Shenzhen TCL Industrial Institute Limited.

Overseas Markets

For the nine months ended 30 September 2014, capitalizing on the enhancement in coverage and popularity in the Overseas Markets, the Group's Overseas Markets achieved steady growths both in turnover and gross profit margin. Turnover in the Overseas Markets as a whole increased by 6.0% year-on-year to HK$9,164 million and gross profit margin increased to 10.6% from 8.5% for the same period last year, up by 2.1 percentage points year-on-year. Operating loss narrowed from HK$129 million for the same period last year to HK$7 million.

During the first three quarters of 2014, the sales volume of LCD TVs increased by 20.9% year-on-year to 6.12 million sets. Of which, sales volume of LCD TVs in Emerging Markets reached 3.34 million sets during the period under review, up by 0.6% year-on-year. The sales volume of LCD TVs in the Strategic OEM business increased by 89.4% year-on-year.

During the period under review, the Group continued its focus on large-sized products, 4K ultra high-definition TVs and smart TVs in the Overseas Markets and proactively adjusted its product mix, with a growing proportion of TCL brand products' sales volume. The Group has not only reinforced its strategic cooperation with Amazon in the North American Market, but also actively explored other sales channels, and further expanded into the smart TV market in North America. Meanwhile, TCL Roku smart TVs were officially launched in August 2014 and received good response from the market. TCL Roku smart TV offers streaming media resources with over 1,000 channels in the North American Market, thereby established a foothold and pioneered a new model of cross-industry cooperation between a TV manufacturer and an internet content provider in North America.

R&D

During the period under review, the Group sought to enhance its core competitiveness by integrating its visionary product technologies with technological innovations. In September 2014, the Group participated in the 54th International Consumer Electronics ("IFA") in Berlin, Germany with its strongest products and services line-up. With its R&D achievements in display technologies, the Group won the "Quantum Dot Display Tech Gold Award" under the "2014 IFA Product Technical Innovation Awards" at the IFA, showcasing its technological strengths and creativity of its brand to the world.

At the IFA, the Group showcased its full series of 4K ultra high-definition products, the first 55-inch OLED TV and 55-inch QD TV. that adopts the quantum dot display technology, etc.. Apart from the strong product series, the Group showcased to visitors advanced technologies including the award-winning quantum dot display technology. The quantum dot display technology represents a major breakthrough in colour performance, which will bring about new experience in display effects. The "pure" colours generated by the quantum dots present richer colour and 3D-like image, enhancing the clarity of visual image. The contrast range of quantum dot display screens is wider with more accurate colour display reproduction, enabling screens to reproduce authentic colours as close to the reality as possible and deliver perfect image quality. Meanwhile, their prices are far lower than OLED products, making them ready to become the mainstream trend in display area for the future. Compared to LED display technology, TCL's quantum dot display screen QLED has the best colour display performance with brighter images, richer colour and lower energy consumption. This is an important step to TCL in upgrading the image quality of its TVs. Starting from this footing, the Group will intensify its efforts in developing cross-screen integrated products and multimedia business.

Outlook

Looking ahead, the global economy is expected to continue its moderate recovery. The TV industry in the PRC, after having experienced a rapid growth, is expected to slow down in its market growth. Moreover, the cross-industry participation from internet companies into the TV industry intensifies market competition, inflicting pressure on product prices and posing more challenges to the outlook of the TV industry.

Nevertheless, as the pillar theme of striving to grow with stability for the PRC economy remains intact, urbanization development and steady increasing disposable income are expected to be the drivers of steady development of the TV industry. However, in the short term, the TV industry in PRC will still be affected by weak market demand and the global shortage of screen supply. Therefore, the Group has lowered its annual sales volume target of LCD TVs to 17.00 million sets. In response to the market demand, the Group will strive towards enhancing product competitiveness with a focus on Big Screen, Ultra high-definition and Smart TVs – BUS-oriented. Meanwhile, The Group will work diligently to enhance its fundamental capabilities and continue to proactively implement "double +" transformation strategy, which encompasses "intelligence +

internet" and "products + services". By shifting from a product-oriented approach to a product-and-user-oriented approach, the Group seeks to develop smart products and services that deliver exquisite experience and provide users a comprehensive entertainment solution, which is expected to become a profit growth driver for the TV enterprise.

In the PRC Market, the Group will further strengthen promotion of TV+ Home Entertainment TVs, enrich its innovative internet product planning and continuously expand service content, striving to bring exquisite experience to users. Meanwhile, the Group will continue to deepen sales channel and organizational reforms to flatten its enterprise structure further in order to boost terminal sales capability and agility to changes in the market. For the Overseas Markets, the Group will seek to bring customers more satisfying innovative products and services by improving its overseas sales channels development, strengthening R&D and innovation in product technologies and facilitating vertical integration of the industry chain. Furthermore, the Group proactively exploits synergies with other businesses of TCL Corporation. Products like TCL branded mobile phones and air conditioners, etc. will be introduced in such markets as Southeast Asia, etc., to raise the overall influence of the TCL brand overseas.

With respect to the "intelligence + internet" strategy, with the prevailing popularity in application of internet technologies, the Group will on one hand apply an internet-oriented thinking in R&D, manufacturing and marketing to cater to customer demand, while on the other hand step up the establishment of an internet ecosystem by consolidating its hardware business development, expanding and enhancing its service and content, deepening cross-industry strategic cooperations with iQIYI, Tencent and IMAX, etc. with an aim to developing cross-industry smart terminal products which will embody the integration of "platform, content, terminal and application". Also, the Group will foster its electronic commerce business development via an online-to-offline platform with better cost advantages that help implement a marketing strategy combining traditional media with new media. This will not only reinforces the existing distribution channels, but also enhances sales efficiency by bringing consumers closer through internet application tools. Furthermore, the Group will continue to consolidate its product lines of the existing new internet business, such as games, OTT, 7V box, etc., through establishment of an internet business unit and expand the revenue streams by adding interactive functions from "TV+" service system. In the future, the Group will further enhance its product capabilities for the new businesses, creating exquisite products and user experiences and achieving new growth drivers based on internet-based operations.

With respect to the "product + services" strategy, the Group will endeavor its best efforts in establishing a mechanism that identifies consumer insights and user experiences and continue to improve its product competitiveness. The Group will proactively develop smart TVs, game consoles, OTT set-top boxes to be operated on smart service platforms, IMAX premium private theatre systems, etc., with exquisite experience. The Group will cooperate with TCL Communication Technology Holdings

Limited ("TCL Communication") to jointly launch high-resolution video conferencing systems. The Group will organize its service business layout along the 4 smart service platforms including the video platform, the game platform, the education platform and the living platform. The Group will reinforce horizontal alliances and core cross-industry cooperations in video platform and game platform, promote implementation of the education platform and the living platform so as to provide users a comprehensive entertainment solution and strive to achieve further breakthroughs in establishing recurring income streams and revenue-sharing models for its businesses.

Meanwhile, the Group will persistently implement its international branding strategy, consolidate its resources all over the world and continue to strengthen its business in the Overseas Markets, exploiting further synergies in the industry and develop TCL into a leading global brand and strive to increase the global market share and awareness of the TCL brand. The Group will implement its own strategic transformation with the "double +" strategy, namely the combination of "intelligence + internet" and "products + services", by fully capitalizing on TCL Corporation's resource advantages. It will establish a new organizational structure and enhance its capability for implementing the strategic transformation with an aim to gradually transforming into a global entertainment technology enterprise and creating long-term enterprise value and returns for shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 31 March 2014, US Moka Limited ("US Moka", a wholly-owned subsidiary of the Company) and Sanyo Manufacturing Corporation ("SMC", an independent third party) entered into two agreements, namely: (i) the asset purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire the assets comprising certain pieces of land (the "Land") located at the Industrial Development Zone known as Ciudad Industrial Nueva Tijuana in Baja California Mexico, with a total area of about 79,131.79 square meters; all the buildings erected on the Land; and the machinery and any other supplementary tools (collectively, the "Sanyo Assets") operated in Sanyo Manufacturing, S.A. de C.V. ("SMSA", a non-wholly owned subsidiary of SMC) at a consideration of US$13,200,000 (equivalent to approximately HK$102,339,000); and (ii) the stock purchase agreement pursuant to which SMC agreed to sell and US Moka agreed to acquire 45,000 shares in SMSA, representing 90% of the equity interest of SMSA at a consideration of US$1,950,000 (equivalent to approximately HK$15,119,000), subject to certain consideration adjustments. The total consideration was US$15,150,000 (equivalent to approximately HK$117,458,000), subject to certain considenration adjustments. The acquisition was completed on 30 April 2014.

On 24 April 2014, TCL Optoelectronics Technology (Huizhou) Co., Ltd. ("TOT", a wholly-owned subsidiary of the Company) and CPT Display Technology (Shenzhen) Limited ("CPT Display", a non wholly-owned subsidiary of TCL Corporation) entered into two agreements, namely: (i) the acquisition agreement pursuant to which CPT Display agreed to sell and TOT agreed to purchase production lines owned by CPT Display for aging in manufacture of backlight module at a consideration of RMB45,000,000 (equivalent to approximately HK$56,700,000); and (ii) the disposal agreement pursuant to which TOT agreed to sell and CPT Display agreed to purchase production lines owned by TOT for bonding in manufacture of backlight module at a consideration of RMB116,514,000 (equivalent to approximately HK$146,800,000). The transaction was completed on 30 April 2014 and no gain/loss was recorded.

On 24 April 2014, TCL King Electrical Appliances (Huizhou) Company Limited ("TCL King", a wholly-owned subsidiary of the Company) entered into a capital increase agreement with TCL Corporation, Huizhou TCL Mobile Communication Co., Ltd. (a wholly-owned subsidiary of TCL Communication), TCL Air-conditioner (Zhongshan) Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), TCL Home Appliance (Hefei) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Foshan TCL Household Appliances (Nanhai) Co., Ltd. (a wholly-owned subsidiary of TCL Corporation), Huizhou TCL Light Electrical Appliances Co., Ltd. (a non wholly-owned subsidiary of TCL Corporation), Huizhou Pengpeng Keji Investment Partnership (Limited Partnership) (46.20% equity interest owned by Mr. Shi Wanwen, a non-executive director of the Company), Huizhou Wuheshen Keji Investment Partnership (Limited Partnership) (60%, 20% and 20% equity interest owned by Mr. Yang Bin (a director of three subsidiaries of the Company), Mr. Liu Wenwu and Mr. Wen Aijin (the senior management of Huizhou Kuyu Network Technology Co., Ltd. ("Kuyu"), respectively) and Kuyu, pursuant to which TCL King agreed to inject RMB80,000,000 (equivalent to approximately HK$100,781,000) in cash to Kuyu as its registered capital and therefore held 16% equity interest in the enlarged registered capital of Kuyu. The transaction was completed on 27 June 2014.

On 2 December 2013, TCL Electrical Appliance Sales Co., Ltd. ("Sales Co", a wholly-owned subsidiary of the Company) entered into an equity transfer agreement with Toshiba Corporation, an independent third party, pursuant to which Sales Co agreed to acquire an additional 21% equity interest in Toshiba Visual Products (China) Co., Ltd. ("Toshiba Visual", a former 49% owned associate of Sales Co) at nil consideration. The equity transfer was completed on 9 May 2014 and Toshiba Visual became a subsidiary of the Group since then. The equity transfer was regarded as a business combination achieved in stages. The Group accordingly remeasured the fair value of its previously held equity interest in Toshiba Visual at the equity transfer date and recognised the resulting gain of HK$49,307,000 in the condensed consolidated statement of profit or loss and other comprehensive income.

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 2014 amounted to HK$3,457,733,000, of which 0.3% was maintained in Hong Kong dollars, 31.9% in US dollars, 65.0% in Renminbi, 1.3% in Euro and 1.5% 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 2013 and there was no asset held under finance lease as at 30 September 2014.

As at 30 September 2014, the Group's gearing ratio was 15.3% which is calculated based on the Group's net borrowing of approximately HK$690,152,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$4,523,714,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 30 September 2014, certain time deposits of the Group amounting to HK$44,416,000 were pledged for certain bills payable amounting to HK$44,134,000.

Capital Commitments and Contingent Liabilities

As at 30 September 2014, the Group had capital commitments of approximately HK$70,258,000 (31 December 2013: HK$175,256,000) and HK$290,502,000 (31 December 2013: HK$385,484,000) 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 2013.

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 emphasizes on 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 25,966 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 33,730,214 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

Pursuant to the rules of the Award Scheme adopted by the Company on 6 February 2008, the Company purchased from the market a total of 2,100,000 shares being the awarded shares. The total amount paid to acquire such shares during the period was about HK$6,372,000. 19,463,000 awarded shares had been awarded and vested for the period ended 30 September 2014.

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 period ended 30 September 2014, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from the Code Provisions A.6.7, D.1.4, E.1.2 and F.1.1. The reasons for the deviation from the Code Provision D.1.4 and F.1.1 remain the same as those stated in the Company's 2013 annual report and the reasons for the deviation from the Code Provision A.6.7 and E.1.2 remain the same as those stated in the Company's 2014 interim report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2014, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Mr. TANG Guliang (Chairman), Ms. WU Shihong and Dr. TSENG Shieng-chang Carter, all being independent non-executive directors of the Company, and Mr. HUANG Xubin, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a model code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the required standard as set out in the "Model Code for Securities Transactions by directors of Listed Issuers" (the "Model Code"). Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the period under review.

On behalf of the Board
LI Dongsheng
Chairman

Hong Kong, 23 October 2014

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, HAO Yi and YAN Xiaolin as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin and SHI Wanwen as non-executive directors and TANG Guliang, Robert Maarten WESTERHOF, WU Shihong and TSENG Shieng-chang Carter as independent non-executive directors.