TCL Multimedia Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1070)

RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

FINANCIAL HIGHLIGHTS

Unaudited results for the nine months ended 30 September

	2006 **(HK$ million)**	2005 (HK$ million)
Turnover	**21,383**	22,419
Loss from operating activities	**(611)**	(224)
Loss for the period attributable to equity holders of the parent	**(1,519)**	(275)
Basic loss per share *(HK cents)*	**(38.91)**	(9.23)

Operational Highlights

– Maintained market leadership in the PRC despite keen competition
– Formulated restructuring plan for the European operation
– Improved profitability in the North America market
– Sustained strong growth in both Emerging Markets and Strategic OEM business

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 2006 with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**9 months ended 30 September 2006 (unaudited)** ***HK$'000***	9 months ended 30 September 2005 (unaudited) (restated) *HK$'000*	**3 months ended 30 September 2006 (unaudited)** ***HK$'000***	3 months ended 30 September 2005 (unaudited) (restated) *HK$'000*
CONTINUING OPERATIONS					
TURNOVER	2	**21,382,504**	22,418,960	**6,899,740**	7,811,547
Cost of sales		**(18,064,523)**	(18,790,240)	**(5,830,105)**	(6,680,053)
Gross profit		**3,317,981**	3,628,720	**1,069,635**	1,131,494
Other revenue and gains		**145,947**	119,392	**53,566**	44,314
Selling and distribution costs		**(2,809,454)**	(2,741,108)	**(866,460)**	(897,075)
Administrative expenses		**(723,209)**	(784,620)	**(223,382)**	(257,388)
Research and development costs		**(312,262)**	(382,000)	**(111,452)**	(156,001)
Other operating expenses		**(229,613)**	(64,349)	**(4,314)**	(29,986)

	Notes	9 months ended 30 September 2006 (unaudited) HK$'000	9 months ended 30 September 2005 (unaudited) (restated) HK$'000	3 months ended 30 September 2006 (unaudited) HK$'000	3 months ended 30 September 2005 (unaudited) (restated) HK$'000
LOSS FROM OPERATING ACTIVITIES	2	**(610,610)**	(223,965)	**(82,407)**	(164,642)
Gain on disposal of an equity investment		**3,179**	–	**–**	–
Fair value losses of equity investments at fair value through profit or loss		**(37,653)**	(34,195)	**(397)**	(22,859)
Impairment of assets and write-down/release of write-down of inventories to net realizable value	3	**(618,134)**	–	**247,000**	–
Finance costs		**(188,486)**	(108,730)	**(62,247)**	(41,648)
Share of profits and losses of jointly-controlled entities		**450**	2,647	**552**	1,210
PROFIT/(LOSS) BEFORE TAX		**(1,451,254)**	(364,243)	**102,501**	(227,939)
Tax	4	**(83,958)**	(74,062)	**(16,651)**	(20,459)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**(1,535,212)**	(438,305)	**85,850**	(248,398)
DISCONTINUED OPERATIONS					
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	5	**21,737**	42,142	**(2,574)**	9,926
PROFIT/(LOSS) FOR THE PERIOD		**(1,513,475)**	(396,163)	**83,276**	(238,472)
ATTRIBUTABLE TO:					
Equity holders of the parent		**(1,518,808)**	(274,717)	**80,781**	(179,090)
Minority interests		**5,333**	(121,446)	**2,495**	(59,382)
		(1,513,475)	(396,163)	**83,276**	(238,472)
INTERIM DIVIDEND	6	**Nil**	Nil		
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7				
Basic loss per share		**HK(38.91) cents**	HK(9.23) cents		
Basic loss per share from continuing operations		**HK(39.44) cents**	HK(10.77) cents		
Diluted loss per share		**N/A**	HK(9.61) cents		
Diluted loss per share from continuing operations		**N/A**	HK(10.79) cents		

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2006 (unaudited) HK$'000	31 December 2005 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,985,048**	2,722,422
Prepaid land lease payments		**83,752**	62,623
Goodwill		**119,638**	206,639
Other intangible assets		**68,795**	91,993
Interests in jointly-controlled entities		**106,821**	157,088
Available-for-sale equity investments		**2,325**	14,773
Long term receivables		**159,181**	358,774
Prepaid royalty		**574,690**	563,674
Deferred tax assets		**25,785**	27,690
Total non-current assets		**3,126,035**	4,205,676
CURRENT ASSETS			
Inventories		**3,184,738**	4,599,339
Trade and bills receivables		**4,632,147**	6,036,973
Other receivables		**875,255**	1,270,343
Tax recoverable		**37,286**	39,089
Equity investments at fair value through profit or loss		**78**	47,594
Pledged deposits		**14,329**	90,165
Cash and bank balances		**1,399,669**	1,861,957
Total current assets		**10,143,502**	13,945,460
CURRENT LIABILITIES			
Trade and bills payables		**5,099,833**	6,867,142
Tax payable		**118,018**	145,985
Other payables and accruals		**1,626,795**	1,916,671
Provisions		**215,950**	197,402
Interest-bearing bank and other borrowings	8	**2,483,371**	3,481,045
Due to a shareholder/minority shareholder		**461,447**	536,364
Due to the immediate holding company		**302,167**	–
Due to the ultimate holding company		**130,660**	717,863
Total current liabilities		**10,438,241**	13,862,472
NET CURRENT ASSETS/(LIABILITIES)		**(294,739)**	82,988
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,831,296**	4,288,664
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**22,789**	24,057
Pensions and other post-employment benefits		**183,298**	165,615
Total non-current liabilities		**206,087**	189,672
Net assets		**2,625,209**	4,098,992
EQUITY			
Equity attributable to equity holders of the parent:			
Issued capital		**390,295**	390,295
Reserves		**2,138,246**	3,600,221
		2,528,541	3,990,516
Minority interests		**96,668**	108,476
Total equity		**2,625,209**	4,098,992

Notes to the condensed consolidated financial statements

1. **Basis of preparation**

The Directors are responsible for the preparation of the Group's unaudited quarterly financial statements. These unaudited quarterly financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited quarterly condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations, that affect the Group and are adopted the first time for the current period's financial statements:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited quarterly condensed consolidated financial statements.

2. **Segment information**

An analysis of the Group's turnover and profit/(loss) from operating activities by principal activities for the nine months ended 30 September 2006 is as follows:

For nine months ended 30 September 2006

	Continuing Operations				Discontinued Operations	Total
	Television (unaudited) *HK$'000*	Other audio-visual products (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Sub-total (unaudited) *HK$'000*	Computers (unaudited) *HK$'000*	(unaudited) *HK$'000*
Turnover	19,250,472	1,620,572	511,460	21,382,504	1,589,753	22,972,257
Results	(563,992)	53,087	(18,360)	(529,265)	23,932	(505,333)
Interest income				16,870	857	17,727
Corporate expenses				(98,215)	–	(98,215)
Profit/(loss) from operating activities				(610,610)	24,789	(585,821)

For nine months ended 30 September 2005

	Continuing Operations				Discontinued Operations	Total
	Television (unaudited) *HK$'000*	Other audio-visual products (unaudited) *HK$'000*	Others (unaudited) *HK$'000*	Sub-total (unaudited) *HK$'000*	Computers (unaudited) *HK$'000*	(unaudited) *HK$'000*
Turnover	20,442,986	1,684,785	291,189	22,418,960	1,621,178	24,040,138
Results	(184,561)	44,156	(4,525)	(144,930)	44,262	(100,668)
Interest income				15,083	2,340	17,423
Corporate expenses				(94,118)	–	(94,118)
Profit/(loss) from operating activities				(223,965)	46,602	(177,363)

3. Impairment of assets and write-down of inventories to net realizable value

	Nine months ended 30 September	
	2006 (unaudited) ***HK$'000***	2005 (unaudited) *HK$'000*
Impairment of:		
Property, plant and equipment	**225,000**	–
Long term receivables		
– Angers factory assets receivable	**79,000**	–
– Trademark fee reinvestment	**43,775**	–
Other receivables		
– Trademark fee reinvestment (current portion)	**18,359**	–
	366,134	–
Write-down of inventories to net realizable value	**252,000**	–
Total	**618,134**	–

In view of the poor financial performance in Europe, the Group performed a critical assessment of its investment in Europe and estimated the recoverable amounts of certain European assets.

Under the circumstances that the existing business model in Europe may be changed significantly, the estimated recoverable amount of (a) part of the Angers factory assets to be transferred from Thomson S.A. ("Thomson") within five years from 30 July 2004 (under the Agreement relating to Thomson Television Angers dated 30 July 2004) and (b) the trademark fee reinvestment receivable by the Group from Thomson during the period from July 2006 to July 2009 for general brand awareness advertising (pursuant to the Thomson Trademark License Agreement dated 30 July 2004), will be lower than their respective carrying amounts. Moreover, the value in use of certain property, plant and equipment in Europe for the next few years are expected to be lower than their carrying amounts due to lower utilization rate of production capacity based on latest forecast. Having taken the current changes in market price into consideration, certain inventories of the European business are written down to their net realizable values.

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof:

	Nine months ended 30 September 2006 (unaudited) *HK$'000*	2005 (unaudited) (restated) *HK$'000*
Current:		
Hong Kong	**9,601**	9,999
Elsewhere	**75,916**	74,425
Deferred	**(1,559)**	(10,362)
	83,958	74,062

5. Discontinued operations

On 21 June 2006, the Company and T.C.L. Industries Holdings (H.K.) Limited ("T.C.L. Industries"), a controlling shareholder of the Company, entered into a sale and purchase agreement pursuant to which the Company agrees to sell, and to procure its relevant subsidiaries to sell, and T.C.L. Industries agrees to purchase (i) the entire issued share capital of TCL Computer Technology (BVI) Co., Ltd., (ii) the entire issued share capital of TCL Education Web Limited and (iii) the 65% equity interest in Shenzhen TCL Central R&D Co., Ltd. Further details of the disposal are set out in the Company's announcement dated 23 June 2006 and circular dated 17 July 2006.

The resolution for approving the disposal was passed at the extraordinary general meeting of the Company on 7 August 2006 and the disposal was completed on 8 September 2006.

6. Interim dividend

The directors of the Company do not recommend the payment of any interim dividend for the nine months ended 30 September 2006 (2005: Nil).

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

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

	Nine months ended 30 September 2006 (unaudited) *HK$'000*	2005 (unaudited) *HK$'000*
Loss		
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic loss per share calculation		
– continuing operations	**(1,539,500)**	(320,669)
– discontinued operations	**20,692**	45,952
	(1,518,808)	(274,717)
Effect of dilutive potential ordinary shares: Adjustment to minority interest upon exercise of the Exchange Option[@]	**–**	(100,372)
Loss for the purposes of diluted loss per share	**(1,518,808)**	(375,089)

	Number of shares Nine months ended 30 September **2006**	2005
Shares		
Weighted average number of ordinary shares in issue during the period used in basic loss per share calculation	**3,902,951,727**	2,976,492,754
Weighted average number of ordinary shares: Assumed issued on deemed exercise of the Exchange Option@ outstanding during the period	**–**	926,242,648
Weighted average number of ordinary shares used in diluted loss per share calculation	**3,902,951,727**	3,902,735,402

@ Pursuant to an exchange option agreement dated 30 July 2004 entered into between the Company and Thomson, the Company granted an option (the "Exchange Option") to Thomson, the then minority shareholder of a subsidiary of the Company TTE Corporation ("TTE"), to exchange all of Thomson's interest in TTE for new shares issued by the Company. On 10 August 2005, Thomson exercised its Exchange Option and 1,144,182,095 new shares were issued to Thomson.

A diluted loss per share amount for the period ended 30 September 2006 has not been disclosed, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

8. Interest-bearing bank and other borrowings

	30 September 2006 (unaudited) *HK\$'000*	31 December 2005 (audited) *HK\$'000*
Current		
Bank overdrafts – secured	**95,870**	83,472
Bank overdrafts – unsecured	**–**	57,995
Bank loans – secured	**24,268**	19,382
Bank loans – unsecured, on demand	**1,126,852**	1,538,300
Bank loans – unsecured	**193,235**	328,625
Advances from banks as consideration for factored receivables and discounted bills	**848,672**	828,433
Advances from factoring company as consideration for factored receivables	**95,823**	302,621
Trust receipt loans – secured	**3,960**	48,706
Trust receipt loans – unsecured	**94,691**	273,511
	2,483,371	3,481,045

Notes:

(a) The Group's overdraft facilities amounting to HK\$196,460,000 (31 December 2005: HK\$175,443,000), of which HK\$95,870,000 (31 December 2005: HK\$141,467,000) had been utilized as at the balance sheet date, are secured by the pledge of certain of the Group's time deposits, inventories, and property, plant and equipment amounting to Nil (31 December 2005: HK\$59,911,000), HK\$49,648,000 (31 December 2005: Nil) and Nil (31 December 2005: HK\$90,090,000), respectively.

(b) Certain bank loans of the Group are secured by the pledge of certain of the Group's time deposits and property, plant and equipment amounting to HK\$10,000,000 (31 December 2005: HK\$30,254,000) and HK\$86,884,000 (31 December 2005: Nil), respectively.

(c) As at 30 September 2006, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(d) Except for unsecured bank loans of HK$193,235,000 (31 December 2005: secured bank loans of HK$19,382,000, overdrafts of HK$83,472,000 and unsecured bank loans of HK$328,625,000), all other borrowings of the Group bear interest at floating rates.

In addition, TCL Corporation, the ultimate holding company, has guaranteed certain of the Group's bank loans up to HK$152,753,000 (31 December 2005: HK$91,267,000) as at the balance sheet date.

Breach of loan covenants

As at 30 September 2006, in respect of certain bank loans with an aggregate carrying amount of HK$1,126,852,000, the Group breached certain financial covenants of the banks loans. Since the lenders have not agreed to waive their right to demand immediate payment as at the balance sheet date, the loans have been classified as current liabilities in these financial statements at 30 September 2006.

BUSINESS REVIEW

In the third quarter of 2006, the Group continued to operate under a tough market environment. A series of business strategies were implemented to strengthen its competitiveness in the international marketplace and to cope with industry challenges. The Group is pleased with its overall results in the third quarter. Its performance in the PRC market was in line with management's expectation. In the North America market, operating results of the Group continued to improve. Profit for the third quarter of 2006 attributable to equity holders of the parent amounted to HK$81 million.

TV Business

TV business was the Group's major revenue source, accounting for 88% of the Group's total turnover in the third quarter of 2006. A total of 5.5 million units of TVs were sold during the period, representing a year-on-year decrease of 14% and generating sales revenue of HK$6,055 million (3Q2005: HK$6,999 million).

The demand for flat panel TVs grew rapidly in the period under review and the Group recognized it as the growth engine of the global market in the next few years. To be better positioned to meet this global trend, the Group continued to enhance its product mix. More than 50 new models, of which half were flat panel TV models, were launched in the third quarter.

According to the latest iSuppli data, the Group ranked amongst the top three global players by volume, with a 9% market share in the second quarter of 2006.

Unaudited results for the three months ended 30 September

	2006 **('000)**	2005 ('000)	Change
TV Unit Sales	**5,515**	**6,423**	**-14%**
The PRC	**2,021**	2,279	-11%
Europe and North America	**999**	1,434	-30%
Emerging Markets and Strategic OEM	**2,495**	2,710	-8%
PC Unit Sales*	**128**	**186**	**n.a.**

* Note: For PC unit sales, September 2006 shipment is not included in the above table as disposal of the business unit was completed in early September 2006.

The PRC Market

In the third quarter of 2006, competition in the PRC TV market, especially for the LCD TV segment, remained keen. Domestic and foreign TV players introduced series of price-cutting promotions as usual, with the aim of boosting product sales and capturing more market shares. This led to a general decline in the selling price of all product categories. In view of the rapidly declining LCD TV prices, consumers have put their purchases on hold to wait for the product prices to bottom out. In line with these market changes, the PRC TV market recorded a year-on-year decline of 9% by volume in the first eight months of 2006, according to the Ministry of Information Industry (MII).

Under the prevailing market environment, the Group's TV unit sales in the third quarter of 2006 declined by 11% year-on-year to 2.0 million sets. Sales revenue derived from the PRC market amounted to HK$2,720 million and accounted for 45% of total TV sales. Notwithstanding this, the Group continued to maintain its leading position with a market share of 20% by sales volume, according to MII, Jan-Aug 2006.

During the period under review, the Group implemented a series of measures to maintain its leading market position, such as improving sales and marketing support, strengthening the relationship with distributors of all levels, and most importantly, enhancing product mix by introduction of more high-end products, including LCD TV products.

The Group's LCD TV unit sales experienced a strong growth and accounted for 38% of the total revenue of the PRC market in the period under review. According to the August 2006 report by China Market Monitor, the Group captured over 12% share in the PRC LCD market and ranked the third among all players in the PRC.

In spite of the tough market environment, the Group's TV business in the PRC maintained a solid performance and recorded an operating profit of HK$95 million in the third quarter of 2006.

European and North America Markets

Under a highly competitive operating environment in Europe and North America coupled with restructuring the European business, the Group sold a total of 1.0 million sets of TVs, as compared to 1.4 million sets in the same period last year. These, in aggregate, generated sales revenue of HK$2,011 million (3Q2005: HK$3,089 million) and accounted for 33% of the total turnover of the Group's TV business (3Q2005: 44%).

European Market

Market demand for flat panel TVs continued to grow tremendously. According to the GfK report for the period from July to August 2006, flat panel TVs accounted for 81% of the market by sales value.

The Group's greatest challenge in this market is to adapt to the rapidly changing consumer appetite while striving to achieve a turnaround of this loss-making business. Management's efforts were directed to restructuring the business to reverse the loss-making trend of the operation and to attain profitability. The restructuring plan, which will take place over several months, has been formulated and involves a re-scaling of operations and organizational restructuring under a new business model. The full details are being developed and will be ready in late October. It is expected that an announcement in relation thereto will be made by the Company at that time.

In the process of transition, the Group encountered certain obstacles in adhering to its product launch schedules due to mismatch in back-end support, leading to a delay in addressing market needs. Despite these, the Group made progress in enhancing its product mix. During the third quarter of 2006, high-end TVs accounted for 54% of the Group's total sales value, compared with 36% in the same period of last year. The market share of the Group in Europe amounted to 5%. (Source: GfK report, July to August 2006, Europe 4 (France, Germany, Italy, Spain))

During the period under review, TTE participated in the IFA fair held in Berlin in September and received positive response from customers. Its dedication to R&D paid off in the introduction of several innovative and stylishly-designed flat panel products, which gained wide recognition in the press and industry. TTE was given two Janus awards by the French Institute of Design in September by the French Minister of Foreign Trade Ministry.

North America Market

Market competition continued to be keen, focused primarily on flat panel and DLP TV segments. In terms of market trends, the North America market is undergoing two major transitions – from analogue to digital TV and from CRT to flat panel TV.

Riding the rapidly changing market trends, the Group recorded sales and operating performances in line with expectations in the third quarter of 2006. The North America business has been effective in sustaining sales in mature product categories, while growing sales in the flat panel and DLP segments.

The business continued to foster strong ties with its customers, including mass merchants, national accounts and rental customers. The Group's product line continued to reinforce its "Affordable Digital Television for Every Room and Budget" positioning.

Meanwhile, it embarked on various marketing programmes to promote its DLP and flat panel products. In August 2006, the Group joined with Wal-Mart and Texas Instruments to execute a promotional campaign focused on RCA brand DLP televisions, leveraging the picture performance of DLP technology. This campaign resulted in a lift in sales for all RCA TV products during and after the promotion.

According to Synovate data on consumer purchases of TVs from May to July, the RCA brand ranked the third in the U.S. market with a total television share of 9%.

Emerging Markets and Strategic OEM

The Emerging Markets and the Strategic OEM businesses achieved remarkable results in the period under review. Total TV unit sales of these two business units amounted to 2.5 million sets, resulting in sales revenue of HK$1,324 million and accounting for 22% of the Group's overall TV sales revenue. These two markets posted an impressive operating profit of HK$68 million.

Fierce competition in emerging markets prevailed in the third quarter as global players continued to ride on the post-World Cup impact to boost sales. The Group maintained its leading market position in a number of markets and was one of the top-tier players in Vietnam, Thailand, the Philippines, Australia and Indonesia.

In the Strategic OEM business, the Group commenced shipment to a major new international customer while further expanding its geographical coverage by collaborating with a renowned global brand. In addition, the Group continued to maintain amicable strategic relationship with its existing clients. Efforts to build strong relationships with major stores in Europe and Russia also began to pay off.

PC Business

To focus on the TV business, its core business, the Group completed the disposal transaction of the PC and other non-core businesses in early September. Thus, only two months' results of this business unit were included in the third quarter results of the Group.

In July and August 2006, 128,000 units of PCs were sold. Sales performance was slightly below expectation as competition was ferocious and key market players were lowering prices to clear inventory. The Group's desktop PC unit sales experienced a mild year-on-year decline while notebook PC unit sales recorded a strong growth in the period under review.

Outlook

The Group expects to see even keener competition in the fourth quarter of 2006 which is the peak season of a year for the TV industry. However, as the new business strategy and restructuring plan of the European business unit will be implemented progressively from the fourth quarter onwards, the Group's operating performance is expected to improve gradually.

Going into the fourth quarter, the Group will continue to solidify its leadership in the PRC market, enhance its profitability in North America and eventually restore its overall profitability within the shortest period possible.

On the product front, flat panel TVs are taking the leads in the main stream product market across different regions. The Group will further enhance its product development and promotion of flat panel TV to uplift its brand image and to reinforce its market competitiveness. In parallel with its determination to gain share in the flat panel TVs segment, the Group will continue to maintain its competitive advantage in the CRT segment to achieve sustainable growth. More emphasis will also be placed on enhancing product development and rollout planning, supply chain management, cost control and operation efficiency.

Looking into the future, the Group anticipates that with a solid base set in 2006 after carrying out all the above strategies, it is well poised to show progressive improvements in 2007.

FINANCIAL REVIEW

The Group recorded a profit attributable to equity holders of the parent of HK$81 million for the third quarter of 2006, as compared to a loss attributable to equity holders of the parent of HK$179 million in the same period of previous year. The profit for the period mainly resulted from the combined effects of the stable financial performance in the PRC market, the improved financial performance of the North America market and the lessening of negative impact of the European operation of the Group.

Significant Investments and Acquisitions

There was no significant investment and acquisition from the 2006 interim report date to the date of this announcement except for the completion of disposal of non-core businesses as disclosed in note 5 to the condensed consolidated financial statements.

Liquidity and Financial Resources

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

The cash and bank balance as at the period end amounted to HK$1,414 million, of which 1% was maintained in Hong Kong dollars, 19% in US Dollars, 62% in Renminbi, 6% in Euro and 12% held in other currencies for the overseas operations.

There was no material change in available credit facilities when compared with the year ended 31 December 2005 and there was no asset held under finance lease at the period end.

At the period end, the Group's gearing ratio was 0.78 which is calculated based on the Group's net borrowings of approximately HK$1,964 million (calculated as total interest-bearing borrowings less cash and bank balances) and the equity attributable to equity holders of the Company of approximately HK$2,529 million.

Going Concern Assumption

As a result of the unsatisfactory financial performance, for the nine months under review the Company breached certain financial covenants under (i) the Facility Agreement dated 23 December 2002 (as amended and supplemented) in relation to HK$400 million Term Loan Facility and (ii) the Dual Currency Facilities Agreement dated 16 November 2004 in relation to US$180 million Term and Revolving Loan Facilities (collectively the "Loan Agreements"), both entered into by the Company as borrower. The Group has commenced certain measures to negotiate with its creditors with a view to rescheduling some of its indebtedness in particular for its European operation. Under the Loan Agreements, the aforesaid constituted events of default which would entitle the relevant banks to declare that all the outstanding loans are immediately due and payable.

The aggregate amount outstanding under the Loan Agreements as at 30 September 2006 was HK$1,127 million, indicating a decrease by 26% from the amount disclosed in the Company's results announcement for the 6 months ended 30 June 2006. If the banks are to take action in respect of any of the events of default, there would be fundamental uncertainty as to the Group's ability to continue operation as a going concern. Nevertheless, the directors of the Company are of the view that it is appropriate to adopt the going concern basis in preparing the financial statements based on the followings:

(a) As at 30 September 2006, the Group's current liabilities exceeded its current assets by approximately HK$295 million. It mainly resulted from (i) classification as current liabilities of the outstanding loans under the Loan Agreements as a consequence of the said event of default, and (ii) the substantial impairment and write-down made by the Company for its investment in Europe. The impairment and write-down though had significant impact on the financial statements of the Group, they did not have adverse impact on cash flows of the Group.

(b) The Group is now actively exploring the availability of various options of fund raising to help improve the financial position of the Group and in the process of negotiating with the relevant banks to restructure the loans.

(c) Restructuring plan of the European operation has been formulated and will be implemented in the near future. It is expected that certain non-current assets of the Group will be realized, which will help increase working capital of the Group.

Having considered the above, the directors of the Company are confident that it is unlikely that the banks will declare the outstanding loans under the Loan Agreements to become immediately due and payable. As the Group has adequate resources to continue in operational existence for the foreseeable future, the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Capital Commitments and Contingent Liabilities

There was no significant change in capital commitments and contingent liabilities of the Group compared to the position outlined in the annual report for 2005.

Foreign Exchange Exposure

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

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

Employee and Remuneration Policy

The Group had a total of 25,000 dynamic and talented employees. They were all dedicated to advancing the quality and reliability of our operations. Remuneration policy was reviewed regularly, making reference to current legislation, market condition and both the individual and company performance. In order to align the interests of staff with those of shareholders, share options were granted to employees under the Company's share option schemes. Options for subscribing for a total of 139,970,000 shares remained outstanding at the period end.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company has not, for the nine months ended 30 September 2006, complied with the code provisions of the Code of Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, save for (i) the deviation from code provision B.1.1 of the CG Code as disclosed in the Company's interim report for the 6 months ended 30 June 2006 dated 30 August 2006, which has been ratified since 12 October 2006 after Ms. Lu Zhong Li's resignation from the remuneration committee of the Company and thereafter the committee consists of Mr. Albert T. da Rosa, Junior, Mr. Tang Guliang and Mr. Wang Bing as members, and thus over half of the members of the committee are independent non-executive directors; (ii) the deviation from code provision A.2.1 of the CG Code because Mr. Li Dong Sheng has taken up the roles of both the Chairman and the Managing Director of the Company since 20 July 2006 after the resignation of Mr. Yan Yong from being the Managing Director of the Company, and (iii) the deviation from code provision A.4.2 of the CG Code since Mr. Shi Wanwen, who was elected as an executive director of the Company on 30 June 2006, was not subject to election by shareholders at the extraordinary general meeting of the Company held on 7 August 2006, i.e. the first general meeting held after his appointment. Mr. Shi will be subject to election in the next extraordinary general meeting of the Company.

REVIEW OF ACCOUNTS

The quarterly results have been reviewed by the Audit Committee established in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code. The Audit Committee comprises Tang Guliang and Wang Bing, the independent non-executive directors, and Albert Thomas da Rosa, Junior, a non-executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct regarding securities transactions by directors of the Company on the same terms as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, there has not been any non-compliance with the 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 Dong Sheng
Chairman

Hong Kong, 20 October 2006

As at the date of this announcement, the Board comprises Li Dong Sheng, Lu Zhong Li, Wang Kang Ping, Shi Wanwen and Yuan Bing as executive directors, Albert Thomas da Rosa, Junior, Alastair Kenneth Ruskin Campbell and Didier Trutt as non-executive directors, and Tang Guliang, Wang Bing and Robert Maarten Westerhof as independent non-executive directors.

Please also refer to the published version of this announcement in South China Morning Post - Classified.