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TPV

TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 903)

UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2010

QUARTERLY RESULTS

The board of directors (the “Board”) of TPV Technology Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (“TPV” or the “Group”) for the three months ended 31st March 2010 together with the comparative figures for the previous period as follows:

	<i>Notes</i>	Unaudited Three months ended 31st March 2010 US\$'000	2009 US\$'000
Revenue		2,385,456	1,379,807
Cost of goods sold		<u>(2,245,473)</u>	<u>(1,316,398)</u>
Gross profit		----- 139,983	----- 63,409
Other income		----- 8,069	----- 2,589
Realized and unrealized gains on foreign exchange forward contracts — net		10,840	15,629
Net exchange gains		(8,041)	1,676
Others		<u>2,966</u>	<u>(168)</u>
Other gains — net		----- 5,765	----- 17,137
Selling and distribution expenses		(57,861)	(27,198)
Administrative expenses		(25,476)	(18,812)
Research and development expenses		<u>(20,685)</u>	<u>(15,825)</u>
Operating profit		----- 49,795	----- 21,300
Finance income		852	553
Finance costs		<u>(3,094)</u>	<u>(4,624)</u>
Finance costs — net		----- (2,242)	----- (4,071)
Share of profit of associated companies		<u>88</u>	<u>596</u>
Profit before taxation		47,641	17,825
Taxation	1	<u>(7,422)</u>	<u>(2,408)</u>
Profit for the period		<u><u>40,219</u></u>	<u><u>15,417</u></u>

		Unaudited	
		Three months ended	
		31st March	
		2010	2009
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Attributable to:			
Equity holders of the Company		40,200	14,884
Minority interest		19	533
		<u>40,219</u>	<u>15,417</u>
Earnings per share of profit attributable to equity holders of the Company			
— Basic	2	<u>US 1.87 cents</u>	<u>US0.71 cent</u>
— Fully diluted		<u>US 1.73 cents</u>	<u>US0.72 cent</u>
Dividends	3	<u>—</u>	<u>—</u>

CONSOLIDATED BALANCE SHEET

		As at	As at
		31st March	31st December
		2010	2009
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
ASSETS			
Non-current assets			
Intangible assets		407,232	408,045
Property, plant and equipment		397,675	366,845
Land use rights		19,922	23,797
Investment properties		11,899	11,899
Interests in associated companies		32,904	18,006
Available-for-sale financial assets		3,123	3,177
Deferred income tax assets		<u>16,496</u>	<u>11,690</u>
		<u>889,251</u>	<u>843,459</u>
Current assets			
Inventories		1,166,829	856,213
Trade receivables		1,709,294	1,881,460
Deposits, prepayments and other receivables		272,438	280,885
Financial assets at fair value through profit or loss		2,715	2,920
Current income tax recoverable		1,385	657
Derivative financial instruments		7,902	18,832
Cash and cash equivalents		<u>407,717</u>	<u>270,438</u>
		<u>3,568,280</u>	<u>3,311,405</u>
Total assets		<u>4,457,531</u>	<u>4,154,864</u>

	<i>Note</i>	As at 31st March 2010 US\$'000	As at 31st December 2009 US\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		23,458	21,112
Other reserves		1,678,348	1,454,913
Proposed final dividend		<u>—</u>	<u>29,558</u>
		1,701,806	1,505,583
Minority interest		<u>3,257</u>	<u>2,039</u>
Total equity		<u>1,705,063</u>	<u>1,507,622</u>
LIABILITIES			
Non-current liabilities			
Borrowings		6,124	6,124
Pension obligations		5,062	5,061
Other payables and accruals		<u>22,330</u>	<u>28,759</u>
		<u>33,516</u>	<u>39,944</u>
Current liabilities			
Trade payables		2,019,848	1,931,721
Other payables and accruals		402,179	367,299
Current income tax liabilities		14,104	14,220
Warranty provisions		73,872	67,272
Derivative financial instruments		341	17,574
Borrowings		<u>208,608</u>	<u>209,212</u>
		<u>2,718,952</u>	<u>2,607,298</u>
Total liabilities		<u>2,752,468</u>	<u>2,647,242</u>
Total equity and liabilities		<u>4,457,531</u>	<u>4,154,864</u>
Net current assets		<u>849,328</u>	<u>704,107</u>
Total assets less current liabilities		<u>1,738,579</u>	<u>1,547,566</u>

Notes:

1. Taxation

No provision was made for Hong Kong profits tax as the Group has no profit assessable to Hong Kong profits tax for the period (three months ended 31st March 2009: Nil).

Taxation on overseas profits was calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Three months ended	
	31st March	
	2010	2009
	US\$'000	US\$'000
Overseas taxation		
— current year	12,228	(1,270)
Deferred taxation relating to the origination and reversal of temporary differences	(4,806)	<u>3,678</u>
Taxation charge	<u>7,422</u>	<u>2,408</u>

2. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended	
	31st March	
	2010	2009
Profit attributable to equity holders of the Company (US\$'000)	40,200	14,884
Weighted average number of ordinary shares in issue (thousands)	2,150,350	2,111,253
Basic earnings per share (US cents per share)	1.87	0.71

(b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Three months ended	
	31st March	
	2010	2009
Profit attributable to equity holders of the Company (<i>US\$'000</i>)	40,200	14,884
Interest expense on convertible bonds (<i>US\$'000</i>)	2,373	<u>2,557</u>
Profit used to determine diluted earnings per share (<i>US\$'000</i>)	42,573	<u>17,441</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,150,350	2,111,253
Adjustments for:		
— assumed conversion of convertible bonds (<i>thousands</i>)	313,289	<u>313,289</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	2,463,639	<u>2,424,542</u>
Diluted earnings per share (<i>US cents per share</i>)	1.73	<u>0.72</u>

3. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2010 (three months ended 31st March 2009: Nil).

4. Comparatives

Certain comparative figures have been reclassified in order to conform to the current period's presentation.

BUSINESS REVIEW

Demand for TFT-LCD display products traditionally reaches its lowest ebb in the first quarter of the year, following the busy Christmas peak season. However, this pattern was less pronounced in 2010, partly due to aggressive restocking by channels in the wake of increased corporate spending in the months ahead, and, perhaps more importantly, it was the result of continued brisk demand for LCD TVs in China during the Chinese New Year holidays. Because of these two factors, the quantity of PC monitors shipped worldwide during the first quarter of 39.9 million units was only 7 percent lower than that of fourth quarter 2009. Traditionally, the seasonal downward adjustment in the first quarter could be as high as 20 percent. On the other hand, global TV shipments declined by 21 percent in the first quarter of 2010, compared to the normal decline of almost 30 percent.

In addition, the aggressive restocking mentioned above pushed the prices of monitor panels up by an average of 10 percent, and it kept the prices of TV panels stable during the first quarter of 2010.

Company performance

TPV achieved consolidated revenue of US\$2.4 billion during the first quarter of 2010. This was 72.9 percent higher than the US\$1.4 billion recorded in the same period of last year. Net profit attributable to equity holders for the quarter jumped 170.1 percent year-on-year to US\$40.2 million, which translated to a basic earnings per share of US1.87 cents (1Q 2009: US0.71 cent). The gross profit (GP) margin for the quarter was 5.9 percent, which was 60 basis points lower than the 6.5 percent recorded in the previous quarter, but a significant improvement on the GP margin of 4.6 percent achieved a year earlier.

TPV shipped 12.7 million units of PC monitors during the quarter under review, a year-on-year increase of 29.9 percent. Higher panel prices lifted up the average selling price (ASP) of its monitor products to US\$117.1, compared to US\$114.7 in the fourth quarter or US\$102.2 in the first quarter of last year. As a result, the monitor business unit generated a revenue of US\$1.5 billion, or approximately 62.3 percent of the Group's consolidated revenue.

The Group also shipped 2.7 million units of LCD TVs, 86.2 percent more than the 1.5 million units in the same period of 2009. Its total revenue from these amounted to US\$759.2 million, 116.3 percent more than the US\$351.1 million for the first quarter of 2009. This accounted for 31.8 percent of its consolidated revenue, up from 25.4 percent in the same months last year. The ASP of LCD TVs was US\$277.8, compared to US\$239.2 in the same months of 2009 and US\$294.4 in the fourth quarter of 2009.

The revenue TPV derived from Europe amounted to US\$805.3 million, or 33.8 percent of its global turnover (1Q 2009: 22.1 percent). This was the result of a sizeable and rapid growth in its revenue base, due to an increase in the output of its Poland plant and the incremental revenue generated by its newly licensed Philips brand monitor business. The China market remained extremely buoyant, accounting for US\$661.1 million or 27.7 percent of TPV's total revenue (1Q 2009: US\$442.0 million or 32.0 percent). Sales in North America amounted to US\$422.1 million, a year-on-year increase of 10.4 percent. However, the growth in North America was eclipsed by the spectacular performance of the European and China markets, which lowered North America's contribution to the Group's consolidated revenue to 17.7 percent, compared to 27.7 percent a year earlier. The rest of the world, led by Brazil, accounted for US\$497.0 million or 20.8 percent of the Group's revenue (1Q 2009: 18.1 percent).

Last year, the Group established two joint ventures (JVs) with LG Display Co., Ltd (LGD) to strengthen its supply chain and enhance its cost structure and product deliveries. The two JVs have been duly incorporated and they have both obtained business licences to commence operations. In fact, the TV JV in Xiamen has commenced production and it delivered its first LCD TV shipment in April. The monitor JV in Fuqing started operations in May.

In addition, the Group entered into an agreement with AU Optronics (AUO) in March 2010 to establish a JV that will engage in TFT-LCD module assembly and TV original design manufacturing (ODM) in Gorzow, Poland. The strategic intention of the new JV will be to combine the strength of AUO's leading LCD panel technology with TPV's well-branded image and business infrastructure in Europe to better serve the growing outsourcing requirements of international TV brands in the region. The JV will have an initial capital of US\$40 million, of which TPV and AUO will contribute 49 percent and 51 percent, respectively.

The mandatory general offer made by CEIEC (H.K.) Limited (CEIEC), an indirectly wholly owned subsidiary of China Electronics Corporation (CEC), and Mitsui & Co., Ltd. (Mitsui) closed in late April 2010, following which CEC's shareholding in TPV increased to 35.06 percent, while Mitsui has become a 15.05 percent shareholder. The Group is confident that the new shareholder structure will bring strategic benefits for its long-term growth.

PROSPECTS

A number of uncertainties are casting dark shadows over the world economy in the coming months. Many economists fear that the financial crisis, which has already begun to affect some European Union (EU) countries, may spread to other parts of Europe and further afield. It is also unclear whether the new UK government can develop effective policies to lower the country's huge deficit. The US economic recovery remains fragile; and inflation could pose a threat to China. It is impossible to predict how all these factors might affect consumer spending and corporate demand in the coming months.

Despite the uncertainties that clouded the major economies, the Group believes that the trend towards TV outsourcing by major TV brands is irreversible, and it will gain further momentum and ensure a healthy stream of business for system integrators like TPV. As such, TPV will continue to forge ahead with its capital projects to streamline cost structure and enhance operational efficiency. The Group will also collaborate with key suppliers to optimize supply chain and apply its business philosophy — "Together We Thrive".

As at the date of this announcement, the Board comprises an executive director, namely Dr. Hsuan, Jason, and eight non-executive directors, namely Mr. Liu Liehong, Mr. Lu Ming, Ms. Wu Qun, Mr. Xu Haihe, Mr. Du Heping, Mr. Tam Man Chi, Mr. Robert Theodoor Smits and Mr. Chen Yen-Sung, Eddie, and three independent non-executive directors, namely Mr. Chan Boon-Teong, Dr. Ku Chia-Tai and Mr. Wong Chi Keung.

On behalf of the Board
Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 3rd June 2010