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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 30 SEPTEMBER 2009

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 30 September 2009, and the unaudited consolidated results for the nine months ended 30 September 2009 together with the comparative figures for the previous period as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2009	2008	2009	2008
Note	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	2,262,944	2,363,765	5,359,143	7,279,860
Cost of goods sold	<u>(2,142,268)</u>	<u>(2,219,074)</u>	<u>(5,062,615)</u>	<u>(6,895,081)</u>
Gross profit	120,676	144,691	296,528	384,779
Other income	4,033	5,279	10,885	14,075
Other gains/(losses) – net	8,714	(6,521)	31,308	39,285
Selling and distribution expenses	(45,531)	(53,525)	(108,459)	(129,454)
Administrative expenses	(23,128)	(30,341)	(64,537)	(82,837)
Research and development expenses	<u>(17,841)</u>	<u>(18,138)</u>	<u>(50,045)</u>	<u>(50,803)</u>
Operating profit	<u>46,923</u>	41,445	<u>115,680</u>	175,045
Finance income	1,482	518	3,368	1,420
Finance costs	<u>(2,939)</u>	<u>(12,736)</u>	<u>(10,828)</u>	<u>(41,058)</u>
Finance costs – net	(1,457)	(12,218)	(7,460)	(39,638)
Share of profits less losses of associated companies	<u>841</u>	652	<u>2,364</u>	3,320
Profit before taxation	46,307	29,879	110,584	138,727
Taxation	<u>(6,282)</u>	1,463	<u>(14,959)</u>	(10,494)
Profit for the period	<u>40,025</u>	<u>31,342</u>	<u>95,625</u>	<u>128,233</u>

	<i>Note</i>	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2009 US\$'000	2008 US\$'000	2009 US\$'000	2008 US\$'000
Attributable to:					
Equity holders of the Company		39,497	31,352	94,148	128,170
Minority interests		528	(10)	1,477	63
		<u>40,025</u>	<u>31,342</u>	<u>95,625</u>	<u>128,233</u>
Earnings per share of profit attributable to equity holders of the Company	2				
– Basic		<u>1.87 cents</u>	US1.48 cents	<u>4.46 cents</u>	US6.32 cents
– Fully diluted		<u>1.73 cents</u>	US1.40 cents	<u>4.20 cents</u>	US5.79 cents
Dividends	3	<u>–</u>	<u>–</u>	<u>12,668</u>	<u>18,609</u>

Notes:

1. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit generated in Hong Kong profits tax for the period (three months ended 30 September 2008: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profits 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 profit and loss account represents:

	Three months ended 30 September	
	2009 US\$'000	2008 US\$'000
Current taxation – overseas taxation	5,944	2,540
Deferred taxation	338	(4,003)
Taxation charge	<u>6,282</u>	<u>(1,463)</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 30 September	
	2009	2008
Profit attributable to equity holders of the Company (<i>US\$'000</i>)	39,497	31,352
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,111,253	2,114,923
Basic earnings per share (<i>US cents per share</i>)	1.87	1.48

(b) Diluted

Diluted earnings per share is calculated 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 30 September	
	2009	2008
Profit attributable to equity holders of the Company (<i>US\$'000</i>)	39,497	31,352
Interest expense on convertible bonds (<i>US\$'000</i>)	2,557	2,557
Profit used to determine diluted earnings per share (<i>US\$'000</i>)	42,054	33,909
Weighted average number of ordinary shares in issue (<i>thousands</i>)	2,111,253	2,114,923
Adjustments for		
– assumed conversion of convertible bonds (<i>thousands</i>)	313,289	313,289
– share options (<i>thousands</i>)	–	–
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	2,424,542	2,428,212
Diluted earnings per share (<i>US cents per share</i>)	1.73	1.40

3. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2009 (three months ended 30 September 2008: Nil).

BUSINESS REVIEW

Evidence is mounting that the worst of the global economic downturn is now behind us. Yet it still seems unlikely that fully-fledged economic expansion will resume any time soon. Even so, the third quarter of 2009 was a very strong period for the TFT-LCD industry in every respect.

The supply of LCD panels remained tight, and prices rose by more than 10 percent on average during this period, due to the decisions of distributors and retailers to stock up extra units ahead of the fourth quarter peak season, just in case there might be a shortfall in LCD panel supplies.

Sales of LCD TVs were brisk, with the market registering year-on-year growth of 40 percent during the third quarter. A lot of this demand was attributable to major TV brands in China building up stocks in anticipation of booming sales over the October National Day holidays. It also reflected a seasonal upturn in demand in the US and Europe.

On the other hand, the market for PC monitors remained muted. Corporate customers, who normally account for 60 percent of sales, refrained from making major IT purchases because of the uncertain economic outlook. Although there was some recovery in demand among end-users in the US and Asia (excluding Japan), there was still a year-on-year decline in Europe, Latin America and Japan. According to *Display Search*, worldwide sales of PC monitors are expected to drop by 9 percent this year to 160 million units.

As a result of increased orders and higher average selling prices (ASPs), the Group achieved consolidated revenue of US\$2.3 billion during the third quarter of 2009. This figure was 31.8 percent higher than the US\$1.7 billion recorded in the previous quarter, but it was 4.3 percent lower than its turnover of US\$2.4 billion during the third quarter of 2008. Profit attributable to equity holders increased by 26.0 percent on a year-on-year basis to US\$39.5 million (3Q2008: US\$31.4 million), representing basic earnings per share of US1.87 cents (3Q2008: US1.48 cents).

Pressured by the higher cost of key component on the one hand, and resistance to price increases by consumers on the other, system integrators such as TPV were obliged to absorb part of the increased cost themselves, in order to win sales. As a result, the Group's gross profit margin declined to 5.3 percent in the third quarter, down from 6.6 percent in the previous three months and 6.1 percent on the figure for the same period last year.

TPV shipped 12.0 million PC monitor units and 2.6 million LCD TV units during the third quarter, generating sales of US\$1.4 billion and US\$769.5 million, and accounting for 62.3 percent and 34.0 percent of its consolidated revenue, respectively. Higher prices for LCD panels pushed up the ASP of PC monitors to US\$117.8, compared with US\$104.6 during the second quarter of 2009 and US\$145.3 in the third quarter last year. The ASP for LCD TVs was US\$300.0, compared with US\$266.9 in the previous quarter and US\$305.6 in the same months of 2008.

Buoyed by the government's various fiscal stimulus programmes, the Group's sales in China remained a key driver of its global business, accounting for US\$659.2 million or 29.1 percent of the third quarter revenue, compared with US\$585.6 million (34.1 percent) during the previous quarter and US\$572.2 million (24.2 percent) in the same months last year.

The successful ramp-up of the Group's production plant in Poland resulted in a surge in the flow of orders from Europe, which overtook those from the PRC in terms of their value, and accounted for US\$697.7 million (30.8 percent) of its total revenue during the third quarter, compared with US\$336.4 million (19.6 percent) in the second quarter and US\$626.4 million (26.5 percent) in the third quarter of 2008.

Meanwhile, revenue from the North American market remained relatively flat at US\$495.6 million, compared with US\$494.7 million in the second quarter, and its contribution to the Group's business fell to 21.9 percent from 28.8 percent.

Revenue from other parts of the world, in particular Brazil, increased significantly in quarter-on-quarter terms to US\$410.4 million (18.1 percent), up from US\$299.7 million (17.5 percent). The figure for a year earlier was US\$510.2 million (21.6 percent).

PROSPECTS

Industry analysts have forecast that shipments of monitor and TV panels will be 11% lower during the fourth quarter of 2009 than they were in the third. Apart from last year, with its exceptional economic conditions, 2009 will thus become the first year in the industry's history when the fourth quarter sales volume will fall below that of the third. Panel prices are expected to fall by 5 to 10 percent in the fourth quarter. However, with panel makers adopting more disciplined approaches in their production planning, panel prices are expected to hold firm in the first half of 2010.

The Group recently established joint ventures with LG Display Co., Ltd. to manufacture LCD modules and assemble monitor and TV sets in Fuqing and Xiamen. The JV plants are expected to ramp up in the second quarter of 2010. In addition, its recently purchased plant in Mexico is scheduled to start production in the fourth quarter, which will boost the Group's total annual capacity by 3 million units.

In October, the Group entered into a preliminary joint venture agreement with Inventec Corporation, a leading notebook manufacturer from Taiwan, to engage in the design and manufacturing of the all-in-one PC. The joint venture is expected to commence operation as soon as all the statutory approvals are obtained.

Leveraging on the above-mentioned strategic moves, the Group will continue to enhance its product platforms and cost competitiveness, so as to achieve sustainable returns for its shareholders.

As at the date of this announcement, the Board of the Company comprises an executive director, namely Dr. Hsuan, Jason, and nine non-executive directors, namely Mr. Liu Liehong, Mr. Lu Ming, Ms. Wu Qun, Mr. Xu Haihe, Mr. Du Heping, Mr. Tam Man Chi, Mr. Maarten Jan de Vries, 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, 24 November 2009