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## **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)

(the “Company”, together with its subsidiaries, collectively the “Group”)

### **ANNOUNCEMENT ON BUSINESS UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2018**

This announcement is made by the Company on a voluntary basis.

The Board of the Company is pleased to announce a business update on certain latest unaudited financial and operational information of the Group for the three months ended 31 March 2018.

For the three months ended 31 March 2018:

**In the first quarter of 2018, the Group’s sales volume and turnover achieved the highest growth rates in the past five years. The PRC market stabilised and rebounded, while the overseas markets maintained strong growth. With the continuous enhancement in product mix, the average selling price (“ASP”) of self-branded products posted constant increases. The gross profit margin rose steadily, and costs were under sustained control, which altogether led to a remarkable increase in profitability:**

- The Group sold approximately 6.37 million sets of liquid-crystal-display (“LCD”) TVs, surged by 35.6% year-on-year and marking the highest growth in the past five years. Sales volume of LCD TVs in the PRC market stabilised and rebounded, representing a 9.6% year-on-year growth to approximately 2.43 million sets, while in the overseas markets, it surged by 58.7% year-on-year to approximately 3.94 million sets.
- The Group’s turnover reached approximately HK\$10.85 billion, representing a significant year-on-year increase of 28.0% which achieved the highest growth in the past five years. Gross profit grew by 28.8% year-on-year to approximately HK\$1.72 billion.

- With the benefit of the continuous increase in product competitiveness and sustainable enhancement in product mix, the ASP of the Group's self-branded products rose continuously, among which the ASP (excluding ODM business) in the PRC market and the overseas markets increased by 9.8% and 6.5% year-on-year, respectively.
- The Group's gross profit margin increased steadily, rising by 0.1 percentage point to 15.8%, among which, the gross profit margin of the PRC market and the overseas markets rose by 1.6 and 0.7 percentage points year-on-year, respectively. Costs were under sustained control, which altogether led to a remarkable increase in profitability.
- The accumulated number of TCL activated smart TV users totalled 25,588,112, and the daily average number of active users in March 2018 was 12,058,685 (source: Huan Technology Co., Ltd. ("Huan")). Turnover from the Internet business recorded a substantial rise.
- The Group ranked No.3 in the global LCD TV market with a 10.9% market share in 2017, according to the latest IHS Technology report and the Company's shipment data. It ranked No.3 in the PRC LCD TV market with a rising market share of 12.1% in the first quarter of 2018, according to CMM omni-channel data. According to CMM's report, TCL's LCD TV brand price index increased from 95 in the corresponding period last year to 109 in the first quarter of 2018, ranking No.1 in the PRC market.

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**In the first quarter of 2018, the Group's sales volume and turnover achieved the highest growth rates in the past five years. The PRC market stabilised and rebounded, while the overseas markets maintained strong growth. With the continuous enhancement in product mix, ASP of self-branded products posted constant increases. The gross profit margin rose steadily, and costs were under sustained control, which altogether led to a remarkable increase in profitability:**

- LCD TV sales volume continued to display strong growth momentum in the first quarter. Sales volume and turnover achieved the highest growth rates in the past five years
- The PRC market stabilised and rebounded. As product competitiveness strengthened and product mix optimised, TCL jumped to No.1 in the brand price index ranking

- Overseas markets maintained strong growth, marked by notable improvements in operating performance across different regions compared with the same period last year
- Gross profit margins in the PRC market and overseas markets rose steadily year-on-year. Costs were under sustained control, which altogether led to a remarkable increase in profitability

The Group sold approximately 6.37 million sets of LCD TVs, surged by 35.6% year-on-year and marking the highest growth in the past five years. Sales volume of LCD TVs in the PRC market stabilised and rebounded, representing a 9.6% year-on-year growth to approximately 2.43 million sets, while in the overseas markets, it surged by 58.7% year-on-year to approximately 3.94 million sets.

The Group's turnover reached approximately HK\$10.85 billion, representing a significant year-on-year increase of 28.0% which achieved the highest growth in the past five years. Gross profit grew by 28.8% year-on-year to approximately HK\$1.72 billion.

With the benefit of the continuous increase in product competitiveness and sustainable enhancement in product mix, the ASP of the Group's self-branded products rose continuously, among which the ASP (excluding ODM business) in the PRC market and the overseas markets increased by 9.8% and 6.5% year-on-year, respectively.

The Group's gross profit margin increased steadily, rising by 0.1 percentage point to 15.8%, among which, the gross profit margin of the PRC market and the overseas markets rose by 1.6 and 0.7 percentage points year-on-year, respectively. Costs were under sustained control, which altogether led to a remarkable increase in profitability.

The Group ranked No.3 in the global LCD TV market with a 10.9% market share in 2017, according to the latest IHS Technology report and the Company's shipment data. It ranked No.3 in the PRC LCD TV market with a rising market share of 12.1% in the first quarter of 2018, according to CMM omni-channel data.

### **The PRC Market**

The Group continued to increase its product competitiveness and optimise its product mix, resulting in continuous rise in gross profit margin.

**Sales volume:** LCD TV sales volume in the first quarter of 2018 surged by 9.6% year-on-year to approximately 2.43 million sets. Its sales performance in the PRC market continued to outperform the industry average.

**Turnover:** Benefited from the increase in sales volume and enhancement in product mix, LCD TV turnover was up by 2.2% year-on-year to approximately HK\$4.92 billion.

**ASP:** ASP of LCD TVs (excluding ODM business) rose by 9.8% year-on-year to HK\$2,570.

**Gross profit margin:** The decline in panel price, coupled with the increase in product competitiveness, and product mix enhancement contributed to an increase in gross profit margin (excluding ODM business) to 23.3%, which achieved the highest among all quarters of last year. The gross profit margin increased for the second quarter in a row since the fourth quarter of last year.

According to CMM's report, TCL's LCD TV brand price index increased from 95 in the corresponding period last year, to 109 in the first quarter of 2018, ranking No.1.

### **Overseas Markets**

After years of dedicated efforts in the overseas markets and a continuous focus on key overseas markets, the Group's overseas business continued to record a rapid growth. Performance in different regions strengthened significantly year-on-year.

**Sales volume:** LCD TV sales volume increased significantly by 58.7% year-on-year to approximately 3.94 million sets.

- North American market maintained steady growth, with sales volume rising by 43.6% year-on-year

(In the Group's global layout, the recent Sino-US trade disputes will not bring any material impact on its business in the United States in the first half of the year. The Group has taken proactive actions to ensure the steady growth of the US operations in the future. Please refer to the Company's announcement dated 9 April 2018 for details.)

- Emerging markets sustained rapid growth, among which the Central American regions and South American regions including Brazil continued to achieve significant growth, with sales volume increasing by 54.7% year-on-year
- European market such as France, Italy, Poland and Spain showed considerable improvements

**Turnover:** LCD TV turnover rose by 62.8% year-on-year to approximately HK\$5.89 billion.

**ASP:** Attributable to continued product mix optimization, ASP (excluding ODM business) increased by 6.5% year-on-year.

**Gross profit margin:** Gross profit margin (excluding ODM business) rose by 1.5 percentage points year-on-year to 13.6%.

According to the latest NPD market research report, the Group's market share ranking in North American market jumped to No.3 in January to February this year from No.8 in the corresponding period last year.

### **Internet Business**

The Group's internet platform continued to gain operating strengths. Turnover for the first quarter of 2018 rose to approximately RMB68.87 million, representing a substantial surge of approximately 338% from approximately RMB15.74 million in the corresponding period last year, of which the paid business income was approximately RMB29.21 million, representing a significant year-on-year increase of approximately 216%, which represents approximately 53% of the full-year turnover from the paid business income last year, reflecting a considerable rise in the monetisation capability of the Internet business.

The user base of the Internet business continued to expand, and customer loyalty also continued to rise:

- Video-on-demand business totalled approximately 23.46 million users, representing an increase by approximately 28.8% from the first quarter of 2017.
- Paid business totalled approximately 1.32 million users, representing an increase of approximately 207.0% from the first quarter of 2017.
- Average spending time of users on TV reached approximately 5.05 hours, increased by approximately 3.1% from the first quarter of 2017.

Subject to shareholders' approval, the name of the Company will be changed to TCL Electronics Holdings Limited as a better reflection of the direction of its diverse business development in the future. As the Group reinforces and upgrades its existing TV business, it will actively pursue diversification through investment, mergers & acquisitions ("M&A"), and restructuring, etc., in order to continue to expand its smart AV and smart home businesses to explore new business growth opportunities.

As set out in the Group's press release dated 10 April 2018, the Group has obtained brand authorisation from Onkyo Corporation ("Onkyo"), to explore the smart AV market. Pursuant to the agreement, the Group will be given the exclusive global usage rights (except Japan) of the "ONKYO" trademark (subject to certain exceptions), to develop, manufacture, and sell a variety of AV products such as headphones, small speakers, and TV speakers including standalone soundbars for TVs. In addition, the Group will apply its proprietary artificial intelligence ("A.I.") technology to develop innovative high-end smart AV products that offer added-value and create exceptional home entertainment experience for users, which marks the first step for its entry to the smart AV business segment.

In addition, the Group will integrate the internal and external high-quality home appliance assets of TCL Corporation, together with its subsidiaries ("TCL Corporation Group"), further strengthen the linkage between product technology, industry chain, brand promotion and international business, maximising the Group's strengths. Through the establishment of a strategic investment fund respectively in the PRC and the overseas, the Group will collaborate with TCL Corporation Group to seek appropriate investment targets and M&A opportunities in the related fields of the industry chain in order to form an industrial ecosystem. For further details in respect of the aforesaid funds, please refer to the Company's announcement dated 23 March 2018.

In the meantime, the Group will further expand in the overseas markets and deepen its globalisation strategy. It will continue to strengthen investments in research and development, so as to accelerate the development of A.I. and Internet applications and become an international brand in electronic industry.

## Financial Highlights:

		2018Q1	2017Q1	Change
LCD TV Sales Volume (‘000 sets)	Overall	<b>6,374</b>	4,702	+35.6%
	PRC	<b>2,430</b>	2,216	+9.6%
	Overseas	<b>3,944</b>	2,486	+58.7%
LCD TV ASP (HK\$)	Overall	<b>1,697</b>	1,794	(5.4%)
	PRC*	<b>2,570</b>	2,341	+9.8%
	Overseas*	<b>1,708</b>	1,604	+6.5%
Turnover (HK\$ million)	Overall	<b>10,853</b>	8,480	+28.0%
	PRC	<b>4,929</b>	4,848	+1.7%
	Overseas	<b>5,924</b>	3,632	+63.1%
Gross Profit (HK\$ million)	Overall	<b>1,719</b>	1,335	+28.8%
	PRC	<b>1,042</b>	945	+10.2%
	Overseas	<b>678</b>	390	+73.9%
Gross Profit Margin (%)	Overall	<b>15.8</b>	15.7	+0.1 p.p.
	PRC	<b>21.1</b>	19.5	+1.6 p.p.
	Overseas	<b>11.4</b>	10.7	+0.7 p.p.

\* Excluding ODM business

## Significant Increase in Product Competitiveness, Enhancement in Product Mix, and Strengthening Brand Index

	PRC Market (Excluding ODM business)		Overseas Markets (Excluding ODM business)	
	2018Q1	2017Q1	2018Q1	2017Q1
Proportion of smart TV sales volume	<b>83.2%</b>	75.7%	<b>83.8%</b>	77.2%
Proportion of 4K TV sales volume	<b>53.3%</b>	40.5%	<b>31.3%</b>	16.2%
Proportion of 55 inch or above products sales volume	<b>45.0%</b>	35.5%	<b>23.0%</b>	14.8%
Proportion of online sales volume	<b>32.1%</b>	18.7%	N/A	N/A
Average size	<b>47.7”</b>	45.6”	<b>40.8”</b>	37.9”
Brand price index (Note)	<b>109</b>	95	N/A	N/A

Note: CMM

**Internet Business:**

	<b>2018</b>	2017
Internet business income in Q1 (RMB)	<b>68.87 million</b>	15.74 million
Accumulated number of TCL activated smart TV users as of 31 March <sup>(1) (3)</sup>	<b>25,588,112</b>	19,087,187
Daily average number of active users in March <sup>(2) (3)</sup>	<b>12,058,685</b>	8,613,932
Average spending time of users on TV in Q1 (hours)	<b>5.05</b>	4.90

<sup>(1)</sup> Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once

<sup>(2)</sup> Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days

<sup>(3)</sup> Source: Huan

The Board wishes to remind shareholders and potential investors of the Company that the above financial and operating data are based on the Group's management accounts which have not been audited or reviewed by auditors. Accordingly, figures and discussions contained in this announcement should in no way be regarded as any indication or assurance on the financial results of the Group for the three months ended 31 March 2018. Shareholders and potential investors of the Company are cautioned not to place undue reliance on such data.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

On behalf of the Board  
**LI Dongsheng**  
*Chairman*

Hong Kong, 25 April 2018

*As at the date of this announcement, the Board comprises LI Dongsheng, WANG Cheng Kevin, YAN Xiaolin and WANG Yi Michael as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, ZHANG Zhiwei and LIU Hong as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, WANG Yijiang and LAU Siu Ki as independent non-executive directors.*