

*The Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 THREE MONTHS ENDED 31 MARCH 2015**

### **FINANCIAL HIGHLIGHTS**

*Unaudited results for the three months ended 31 March*

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>(HK\$M)</b>	<b>(HK\$M)</b>	
Turnover	<b>8,285</b>	7,889	+5.0%
Gross profit	<b>1,189</b>	1,026	+15.9%
Operating profit	<b>90</b>	31	+191.9%
Net profit after tax	<b>40</b>	12	+242.2%
Profit attributable to owners of the parent	<b>46</b>	15	+200.1%
Basic earnings per share <i>(HK cents)</i>	<b>3.45</b>	1.14	+202.6%

**BUSINESS HIGHLIGHTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

- The Group sold 4.16 million sets of LCD TVs, an increase of 8.8% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 20.5%\* year-on-year to 2.17 million sets, sales volume of LCD TVs in the Overseas Markets decreased by 1.6% year-on-year to 1.99 million sets.
- The Group achieved a turnover of HK\$8,290 million, up by 5.0% year-on-year. Gross profit margin increased from 13.0% of the same period of last year to 14.3%. Operating profit was HK\$89.57 million, profit attributable to owners of the parent was HK\$45.58 million.
- According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014 and ranked No.3 in the PRC LCD TV market with a market share of 16.0%.
- The accumulated number of TCL activated smart TV users of the Group totalled 7,769,780. The daily average number of active users in March 2015 was 2,899,924 (Source: Huan Technology Co., Ltd.).
- The Group selected TV+ as main product line in the PRC Market and focused on mid-to-high-end products with curved, big-screen, ultra-high-definition, priced at above RMB7,000 and high colour domain, enhancing product mix and increasing the average selling price of LCD TVs by 3.3% year-on-year. The proportion of sales volume of smart TVs rose from 41.0% in 2014 to 47.2% while that of 4K TVs increased from 9.7% to 12.9% in the PRC Market.

*Note:*

- \* Since 9 May 2014, Toshiba Visual Products (China) Co., Ltd. (“Toshiba Visual”) has become a subsidiary of the Group with equity interest of 70%. Therefore, in the first quarter of 2015, the Group’s total LCD TV sales volume in the PRC Market has included the sales volume of Toshiba Visual. If sales volume of Toshiba Visual was excluded, the total LCD TV sales volume in the PRC Market for the first quarter of 2015 would have increased by 17.2% year-on-year to 2.11 million sets.

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 three months ended 31 March 2015 with comparative figures for the previous period as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2015</b>	2014
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
TURNOVER	3	<b>8,285,238</b>	7,888,591
Cost of sales		<b>(7,096,648)</b>	(6,862,680)
Gross profit		<b>1,188,590</b>	1,025,911
Other revenue and gains		<b>118,057</b>	81,213
Selling and distribution expenses		<b>(807,122)</b>	(805,295)
Administrative expenses		<b>(279,642)</b>	(193,582)
Research and development costs		<b>(130,303)</b>	(77,479)
Other operating expenses		<b>(6)</b>	(80)
		<b>89,574</b>	30,688
Finance costs		<b>(35,842)</b>	(45,183)
Share of profits and losses of:			
Joint ventures		<b>(7,602)</b>	(967)
Associates		<b>(780)</b>	32,968
PROFIT BEFORE TAX		<b>45,350</b>	17,506
Income tax expense	4	<b>(5,229)</b>	(5,780)
PROFIT FOR THE PERIOD		<b><u>40,121</u></b>	<b><u>11,726</u></b>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge:			
Effective portion of changes in fair value of the hedging instruments arising during the period		<b>41,695</b>	(1,811)
Reclassification adjustments for losses/ (gains) included in the consolidated statement of profit or loss		<b>186</b>	(23)
		<b><u>41,881</u></b>	<b><u>(1,834)</u></b>
Exchange fluctuation reserve:			
Translation of foreign operations		<b>(14,340)</b>	(34,479)
Release upon liquidation of a subsidiary		<b>–</b>	(7,994)
		<b><u>(14,340)</u></b>	<b><u>(42,473)</u></b>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<b><u>27,541</u></b>	<b><u>(44,307)</u></b>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<b><u><u>67,662</u></u></b>	<b><u><u>(32,581)</u></u></b>

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2015</b>	2014
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) attributable to:			
Owners of the parent		<b>45,579</b>	15,188
Non-controlling interests		<b>(5,458)</b>	(3,462)
		<u><b>40,121</b></u>	<u>11,726</u>
Total comprehensive income/(loss) attributable to:			
Owners of the parent		<b>73,750</b>	(28,014)
Non-controlling interests		<b>(6,088)</b>	(4,567)
		<u><b>67,662</b></u>	<u>(32,581)</u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>	<b>6</b>		
Basic		<u><b>HK3.45 cents</b></u>	<u>HK1.14 cents</u>
Diluted		<u><b>HK3.44 cents</b></u>	<u>HK1.14 cents</u>

Details of the dividends are disclosed in note 5.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>31 March 2015</b>	31 December 2014
	<b>(unaudited)</b>	(audited)
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,344,230	2,356,369
Prepaid land lease payments	152,061	153,930
Goodwill	134,933	134,933
Other intangible assets	1,820	1,947
Investments in joint ventures	59,156	55,600
Investments in associates	506,845	509,054
Available-for-sale investments	111,982	111,982
Deferred tax assets	40,635	38,090
	<b>3,351,662</b>	<b>3,361,905</b>
<b>CURRENT ASSETS</b>		
Inventories	3,984,371	4,054,817
Trade receivables	4,528,047	4,318,138
Bills receivable	5,410,567	4,204,018
Other receivables	1,546,754	1,943,664
Tax recoverable	18,197	17,107
Pledged deposits	214,125	203,298
Cash and bank balances	2,436,751	3,379,369
	<b>18,138,812</b>	<b>18,120,411</b>
<b>CURRENT LIABILITIES</b>		
Trade payables	5,266,587	4,920,901
Bills payable	3,562,859	3,543,573
Other payables and accruals	3,228,956	3,805,030
Interest-bearing bank and other borrowings	2,940,225	2,250,564
Due to T.C.L. Industries	387,730	853,336
Tax payable	172,651	180,491
Provisions	377,391	362,484
	<b>15,936,399</b>	<b>15,916,379</b>
<b>NET CURRENT ASSETS</b>	<b>2,202,413</b>	<b>2,204,032</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>5,554,075</b>	<b>5,565,937</b>

		<b>31 March 2015 (unaudited) HK\$'000</b>	31 December 2014 (audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>5,554,075</b>	5,565,937
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	<b>810,560</b>	925,033
Deferred tax liabilities		<b>33,323</b>	34,726
Total non-current liabilities		<b>843,883</b>	959,759
Net assets		<b>4,710,192</b>	4,606,178
EQUITY			
<b>Equity attributable to owners of the parent</b>			
Issued capital	9	<b>1,338,790</b>	1,333,599
Reserves		<b>3,242,329</b>	3,135,530
<b>Non-controlling interests</b>		<b>4,581,119</b>	4,469,129
		<b>129,073</b>	137,049
Total equity		<b>4,710,192</b>	4,606,178

Notes:

## 1. BASIS OF PREPARATION

The accounting policies and the basis of preparation adopted in the preparation of these financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong, except for the adoption of the revised HKFRSs as disclosed in note 2 below. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622) titled “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These 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 revised HKFRSs for the first time for the current period’s financial statements.

Amendments to HKAS 19  
*Annual Improvements*  
*2010-2012 Cycle*  
*Annual Improvements*  
*2011-2013 Cycle*

*Defined Benefit Plans: Employee Contributions*  
Amendments to a number of HKFRSs  
  
Amendments to a number of HKFRSs

Other than as further explained below, the adoption of these revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. These amendments do not have any significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

*HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

### 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 two 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; and
- (b) Others segment – comprises information technology, internet service and other businesses, including manufacture and sale of television related components, sale of white goods, mobile phones and air conditioners.

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.

	Three months ended 31 March							
	Television – PRC market		Television – overseas markets		Others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
Sales to external customers	<b>5,412,854</b>	4,347,565	<b>2,861,654</b>	2,981,815	<b>10,730</b>	559,211	<b>8,285,238</b>	7,888,591
Segment results	<b>286,623</b>	(25,199)	<b>(118,351)</b>	52,612	<b>(10,495)</b>	19,255	<b>157,777</b>	46,668
Corporate expenses, net							<b>(80,998)</b>	(23,434)
Finance costs							<b>(35,842)</b>	(45,183)
Interest income							<b>12,795</b>	7,454
Share of profits and losses of:								
Joint ventures	-	-	<b>(782)</b>	(967)	<b>(6,820)</b>	-	<b>(7,602)</b>	(967)
Associates	<b>(10,124)</b>	25,786	-	-	<b>9,344</b>	7,182	<b>(780)</b>	32,968
Profit before tax							<b>45,350</b>	17,506
Income tax expense							<b>(5,229)</b>	(5,780)
Profit for the period							<b>40,121</b>	11,726

#### 4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2014: 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.

	Three months ended 31 March	
	2015	2014
	(unaudited) HK\$'000	(unaudited) HK\$'000
Current – Hong Kong	<b>1,436</b>	8,790
Current – Elsewhere	<b>7,995</b>	(174)
Deferred	<b>(4,202)</b>	(2,836)
Total tax charge for the period	<b>5,229</b>	5,780

## 5. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2015 (31 March 2014: Nil).

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

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

	Three months ended 31 March	
	2015 (unaudited) HK\$'000	2014 (unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>45,579</u>	<u>15,188</u>
<b>Number of shares</b>		
Three months ended 31 March		
	2015 (unaudited)	2014 (unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,321,359,780	1,333,598,514
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	<u>4,378,454</u>	<u>1,521,348</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>1,325,738,234</u>	<u>1,335,119,862</u>

## 7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>31 March 2015 (unaudited) HK\$'000</b>	31 December 2014 (audited) HK\$'000
<b>Current</b>		
Bank loans – unsecured	2,518,767	1,736,730
Trust receipt loans – unsecured	376,458	298,172
Loans from an associate – unsecured	45,000	215,662
	<u>2,940,225</u>	<u>2,250,564</u>
<b>Non-current</b>		
Bank loans – unsecured	810,560	925,033
	<u>3,750,785</u>	<u>3,175,597</u>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,895,225	2,034,902
In the second year	810,560	925,033
	<u>3,705,785</u>	<u>2,959,935</u>
Loans from an associate repayable:		
Within one year	45,000	215,662
	<u>3,750,785</u>	<u>3,175,597</u>

### Notes:

- (a) As at 31 March 2015, 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\$404,964,000 (31 December 2014: HK\$497,028,000) as at the end of the reporting period.

## 8. DUE TO 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 of HK\$387,730,000 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 2014: an aggregate amount of HK\$853,336,000 due to T.C.L. Industries bore interest at fixed rates ranging from 1.485% to 4.20% per annum).

## 9. SHARE CAPITAL

	<b>31 March 2015 (unaudited) HK\$'000</b>	31 December 2014 (audited) HK\$'000
Authorised:		
2,200,000,000 shares of HK\$1.00 each	<b><u>2,200,000</u></b>	<u>2,200,000</u>
Issued and fully paid:		
1,338,790,347 (31 December 2014: 1,333,598,514) shares of HK\$1.00 each	<b><u>1,338,790</u></b>	<u>1,333,599</u>

During the three months ended 31 March 2015, the subscription rights attaching to 3,364,033 and 1,827,800 share options were exercised at the subscription price of HK\$3.17 and HK\$3.60 per share, respectively, resulting in the issue of 5,191,833 shares of HK\$1.00 each for a total cash consideration of HK\$17,244,000 before expenses.

## BUSINESS REVIEW FOR THE FIRST QUARTER ENDED 31 MARCH 2015

The Group sold 4.16 million sets of LCD TVs, up by 8.8% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 20.5%\* year-on-year to 2.17 million sets, sales volume of LCD TVs in the Overseas Markets decreased by 1.6% year-on-year to 1.99 million sets, of which sales volume of LCD TVs in the Strategic ODM business was down by 34.7% year-on-year to 0.52 million sets, while sales volume in the Emerging Markets rose by 22.8% year-on-year to 1.17 million sets.

The Group achieved a turnover of HK\$8,290 million, an increase of 5.0% year-on-year. Gross profit rose by 15.9% year-on-year to HK\$1,190 million, gross profit margin increased from 13.0% of the same period of last year to 14.3%. Expense ratio edged up from 12.7% of the same period of last year to 13.1%. Operating profit was HK\$89.57 million, an increase of 191.9% year-on-year. Profit attributable to owners of the parent was HK\$45.58 million, up by 200.1% year-on-year. Basic earnings per share was HK3.45 cents.

According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014 and ranked No.3 in the PRC LCD TV market with a market share of 16.0%.

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:

	<b>2015</b>	2014	
	<b>First Quarter</b>	First Quarter	<b>Change</b>
	<i>('000 sets)</i>	<i>('000 sets)</i>	
<b>LCD TVs</b>	<b>4,164</b>	3,826	+8.8%
of which: LED backlight LCD TVs	<b>4,159</b>	3,825	+8.7%
Smart TVs	<b>1,173</b>	720	+63.0%
– PRC Market	<b>2,171</b>	1,801	+20.5%*
– Overseas Markets	<b>1,993</b>	2,025	(1.6%)
<b>Total TV Sales Volume</b>	<b>4,182</b>	3,870	+8.1%

	<b>Accumulated Total as of 31 March 2015</b>	<b>2015 March</b>	2014 March	<b>2015 First Quarter</b>	2014 First Quarter	<b>Change</b>
Number of TCL activated smart TV users <sup>(1)</sup>	<b>7,769,780</b>	<b>226,198</b>	168,721	<b>1,022,710</b>	698,730	+46.4%
Daily average number of active users <sup>(2)</sup>	N/A	<b>2,899,924</b>	1,613,234	N/A	N/A	+79.8%

*Notes:*

<sup>(1)</sup> Number of TCL activated smart TV users refers to the number of users who used 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

### **The PRC Market**

The Group's turnover in the PRC Market increased by 24.5% year-on-year to HK\$5,410 million, while gross profit margin also increased by 1.1 percentage points year-on-year to 17.9%. Sales volume of LCD TVs was up by 20.5%\* year-on-year to 2.17 million sets, the average selling price increased by 3.3% year-on-year.

Since October last year, the Group has restructured its business operations, enhanced operational efficiency by reducing intermediate levels in its organisational structure, and focused on high colour domain mid-to-high-end products with curved, big-screen, ultra-high-definition, priced at above RMB7,000, as well as quantum dot, etc. Sales volume of smart TVs increased by 51.8% year-on-year to 1.02 million sets, accounting for 47.2% of the Group's total LCD TV sales volume in the PRC Market. Meanwhile, through the enhancement of online sales management and online product mix, the proportion of the Group's online sales volume in the first quarter increased from 7.8% in 2014 to 11.0%.

Despite the improvement in the Group's product mix and average selling price during the period under review, sales volume of mid-to-high-end products and product mix still require further improvements. In addition, market competitive pressures and the Group's channel expansions have resulted in an increase in the number of its account receivable turnover days.

For the internet and services strategies, the Group continued to build a TV+ content ecosystem. Through operations of Launcher intelligence recommendation system and Big Data, user experience and loyalty were improved. The accumulated number of TCL activated smart TV users totalled 7,769,780. The daily average number of active users in March 2015 increased by 79.8% year-on-year to 2,899,924.

## **Overseas Markets**

During the period under review, the Group's turnover in the Overseas Markets was HK\$2,860 million, a decrease of 4.0% year-on-year, whilst gross profit margin decreased by 3.0 percentage points to 7.3%. Sales volume of LCD TVs was 1.99 million sets, down by 1.6% year-on-year, the average selling price decreased by 1.9% year-on-year. Sales volume and gross profit margin in the Overseas Markets declined mainly because LCD TV sales volume of the Strategic ODM business was affected by major customers and fell by 34.7% year-on-year to 0.52 million sets. The European Market was also impacted by the fluctuations of foreign exchange rates, leading to declines in revenue and gross profit margin.

The Group actively adjusted its product mix in the Emerging Markets. LCD TV sales volume increased by 22.8% year-on-year to 1.17 million sets, average selling price increased by 6.7% year-on-year. As the cooperation with TCL Roku TVs in the North American Market has gradually achieved improvements, the Group's sales volume of LCD TVs in the North American Market grew by 85.1% year-on-year.

## **R&D**

The Group is committed to strengthening capabilities in product technology innovation and has introduced a series of innovative products during the period under review including the new flagship TV+ product, H9700 Series, the first Quantum Dot TV in the PRC and the world's first TV+, H8800 Series Curved TV, with the best 4000R surface curvature, quantum dot technology and Harman Kardon sound system. Such series combines the current TV industry's advanced quantum dot and curved screen dual core technologies, with an industry leading colour domain coverage ratio of 110%. It also has a record-breaking 4000R surface curvature which greatly enhances picture quality. It is also equipped with Harman Kardon sound system to bring a cinematic audio-visual experience.

Another innovative product is the E6800 True Colour Series Module TV. With the ability to freely swap smartcards to bring a different range of smart TV configurations and performances, users will be able to enjoy an extensive array of video content and various smart services and provide users with a truly personalised experience.

## **Outlook**

The current TV industry is entering a "New Normal" with diversified and intensified competition, bringing along industrial transformations in the traditional TV industry. The market is shifting from simple product-based competition to "products + services" competition. Against the backdrop of "Internet +", the Group is expected to achieve continuous breakthroughs in brand and products through the "products + services" strategic layout.

At the same time, the Group will continue to pursue the following strategies:

1. The Group will continue to implement the “double +” strategic transformation and strengthen capabilities in product technology innovation, software, various applications and content service, thereby establishing a competitive O2O business model and enhance its user management ability.
2. The Group will strengthen establishing its fundamental capabilities, improve the quality of its business operations and seek to maximise effectiveness from its vertical integration along the industrial chain by taking advantage of the opportunities brought forth by this year’s supply-demand balance and shortage of certain sizes of LCD panels.
3. The Group will continue to pursue the internationalisation by introducing new products to key overseas markets, increasing investment and marketing efforts in its brand business, striving to achieve breakthroughs in the key markets, adhering to business strategies of “increasing revenue and adjusting product mix”, enhancing operational efficiency in overseas business and expanding the Emerging Markets such as India, etc.

In 2015, the Group will strive to achieve a full-year revenue target growth of 20.8% and annual LCD TV sales volume of 17.50 million sets. Additionally, it will continue to take full advantage of the resources of TCL Corporation to establish TCL Multimedia as a “global entertainment technology enterprise”, so as to reward the support of shareholders.

## **FINANCIAL REVIEW**

### **Significant Investments, Acquisitions and Disposals**

The Group has the following significant investment during the period.

On 11 November 2014, Sino Leader (Hong Kong) Limited (“Sino Leader”, a wholly-owned subsidiary of the Company) entered into a joint venture agreement with Crown Capital Enterprises Limited (a wholly-owned subsidiary of TCL Corporation) and Prosper Fortune Enterprises Limited (a wholly-owned subsidiary of TCL Communication Technology Holdings Limited) to invest in a joint venture, TCL Smart Home Technologies Co., Limited (“TCL Smart Home”). Pursuant to the joint venture agreement, Sino Leader will contribute RMB9,000,000 (equivalent to approximately HK\$11,363,000) as initial capital contribution to TCL Smart Home, representing 30% of the enlarged capital of TCL Smart Home. As the business develops, Sino Leader will contribute further RMB18,000,000 (equivalent to approximately HK\$22,680,000) at maximum to TCL Smart Home by way of subscription of new shares and/or advancing shareholders’ loan. The initial capital contribution was completed on 16 February 2015.



## **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 31 March 2015 amounted to HK\$2,436,751,000, of which 0.8% was maintained in Hong Kong dollars, 21.2% in US dollars, 73.2% in Renminbi, 1.0% in Euro and 3.8% 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 2014 and there was no asset held under finance lease as at 31 March 2015.

As at 31 March 2015, the Group's gearing ratio was 32.5% which is calculated based on the Group's net borrowing of HK\$1,487,639,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of HK\$4,581,119,000. The maturity profile of the borrowings ranged from one to two years.

## **Pledge of Assets**

As at 31 March 2015, pledged deposits of the Group amounting to HK\$214,125,000 were pledged for certain bills payable amounting to HK\$201,305,000 (31 December 2014: pledged deposits of the Group amounting to HK\$203,298,000 were pledged for certain bills payable amounting to HK\$200,846,000).

## **Capital Commitments and Contingent Liabilities**

As at 31 March 2015, the Group had capital commitments of HK\$49,880,000 (31 December 2014: HK\$61,429,000) and HK\$303,910,000 (31 December 2014: HK\$305,633,000) which were contracted but not provided for and authorised but not contracted for, respectively. There was no significant change in contingent liabilities of the Group compared to the position outlined in the Company's 2014 annual report.

## **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 emphasises on the importance of trading, investing and borrowing in functional currency to achieve natural hedging. In addition, 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 25,345 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 59,088,026 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, 4,152,975 awarded shares had been awarded and vested for the three months ended 31 March 2015.

## **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 three months ended 31 March 2015, complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation from the Code Provisions D.1.4 and F.1.1. The reasons for the deviation remain the same as those stated in the Company's 2014 annual report.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's unaudited financial statements for the three months ended 31 March 2015, 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.

On behalf of the Board

**LI Dongsheng**

*Chairman*

Hong Kong, 23 April 2015

*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.*