

(For Immediate Release)

## TCL Multimedia Announces 2016 First Three Quarters Results

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**Gross Profit Margin Increased to 17.1% with Continued Product Mix Enhancements**

**Sales Volume of LCD TVs in the PRC Market and the Overseas Markets  
Increased by 5.6% and 27.5% Respectively**

### BUSINESS HIGHLIGHTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

- The Group sold 14.50 million sets of liquid-crystal-display (“LCD”) TVs, up by 16.3% year-on-year. Sales volume of LCD TVs in the PRC market increased by 5.6% year-on-year to 6.73 million sets, while sales volume of LCD TVs in the overseas markets grew by 27.5% year-on-year to 7.78 million sets.
- The Group achieved a turnover of HK\$23.67 billion, fell by 3.1% year-on-year. Gross profit increased by 8.6% when compared with that in the same period of last year to HK\$4.05 billion, and gross profit margin rose from 15.3% of the same period of last year to 17.1%. Operating profit was HK\$248.40 million, and net profit after tax was HK\$136.99 million. Profit attributable to owners of the parent amounted to HK\$146.89 million. Basic earnings per share was HK9.68 cents.
- With continued product mix enhancements, the proportion of high-end products (new products such as quantum dot, curved, 4K and large screen TVs, etc.) has been steadily increasing. Sales volume of smart TVs of the Group in the PRC market (excluding ODM business) increased by 12.5% year-on-year to 3.51 million sets, which accounted for 63.1% of the Group’s LCD TV sales volume in the PRC market. Sales volume of 4K TVs in the PRC market (excluding ODM business) amounted to 1.91 million sets, which accounted for 34.3% of the Group’s LCD TV sales volume in the PRC market. Market share of curved TVs in the PRC market (excluding ODM business) for the first three quarters was 30.0%, maintaining No.1 position among the domestic brands in the market (Source: China Market Monitor Co., Ltd. (“CMM”).
- The accumulated number of TCL activated smart TV users of the Group totalled 15,745,216, and the daily average number of active users in September 2016 was 6,734,969 (Source: Huan Technology Co., Ltd. (“Huan”).
- The Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first half of 2016 according to the latest IHS Technology figures and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM’s report.
- The Group proudly introduced the high-end sub-brand “XESS” and its high-end products X1 and X2 series TVs at TCL 2016 autumn new product launch presentation held in Guangzhou, the PRC. The XESS brand was unveiled by the PRC women’s national volleyball team head coach, Ms. LANG Ping, who has been appointed as an ambassador of XESS high-end TV products.

(24 October 2016, Hong Kong) – **TCL Multimedia Technology Holdings Limited** (“TCL Multimedia” or “the Group”, HKSE stock code: 01070) today announced its unaudited consolidated results for the nine months ended 30 September 2016.

### **Business Review for the Nine Months Ended 30 September 2016**

TV market demand in the PRC has slowed down. According to the report from CMM, overall sales volume of LCD TVs in the PRC market decreased by 6.5% year-on-year for the first three quarters of 2016, with intensified market competition.

As a result of the adjustments in production lines made by panel suppliers since May 2016, panel prices have continued to rise, of which the increases in 32-inch, 40-inch and 43-inch panels were the most obvious. Encountering a more challenging market environment, the Group continuously enhanced its product mix to boost the growth in sales volume of high-end products such as curved, large screen, 4K and quantum dot TVs, etc. On the other hand, the Group also actively reduced operating costs, and strengthened foreign exchange risk management in order to avoid significant exchange losses caused by the fierce fluctuation in the exchange rate of Renminbi against US dollars, which caused a significant improvement in the results in the third quarter.

For the nine months ended 30 September 2016, the Group’s turnover was HK\$23.67 billion, fell by 3.1% year-on-year. Gross profit increased by 8.6% year-on-year to HK\$4.05 billion, and gross profit margin rose from 15.3% in the same period of last year to 17.1%. Operating profit was HK\$248.40 million, and net profit after tax was HK\$136.99 million. Profit attributable to owners of the parent amounted to HK\$146.89 million. Basic earnings per share was HK9.68 cents.

In the third quarter, the Group’s turnover was HK\$9.45 billion, an increase of 4.4% year-on-year. Gross profit increased by 28.8% year-on-year to HK\$1.58 billion, and gross profit margin increased from 13.6% in the same period of last year to 16.7%. Operating profit amounted to HK\$71.83 million, and net profit after tax was HK\$49.19 million. Profit attributable to owners of the parent amounted to HK\$52.20 million. Basic earnings per share was HK3.15 cents.

The Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first half of 2016 according to the latest IHS Technology figures, and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM’s report.

At the TCL 2016 autumn new product launch presentation held in Guangzhou, the PRC on 28 September 2016, the Group proudly introduced the high-end sub-brand XESS and its high-end products X1 and X2 series TVs. At the product launch presentation, the XESS brand was unveiled by the PRC women’s national volleyball team head coach, Ms. LANG Ping, who has been appointed as the ambassador of XESS high-end TV products, expressing the belief of “originating from China, attaching to the world”. The XESS brand is positioned for “the pursuit of excellence by elites” with its core brand value of “enlighten lives with quality and style”.

With TCL Group's successful transformation and proactive development in the overseas markets, TCL Group continued to rank No.1 in the Chinese TV manufacturing industry for 11 years consecutively, with an assessed brand value of RMB76.57 billion, according to the research report of the 22<sup>nd</sup> Chinese Brands Evaluation Of Top 100 in September 2016. This truly demonstrates that TCL Group's influence in the PRC market and abroad is increasing.

### **The PRC Market**

For the first three quarters, the Group's LCD TV sales volume in the PRC market increased by 5.6% year-on-year to 6.73 million sets, turnover fell by 11.9% year-on-year to HK\$13.41 billion. This was mainly due to the intense market competition and fluctuation in panel prices, as well as 5.9% depreciation in the average exchange rate of Renminbi against Hong Kong dollars in the first three quarters of 2016 when compared with the same period of last year. This also led to the decrease in average selling price of LCD TVs by 16.6% year-on-year, while gross profit margin slightly increased by 1.4 percentage points year-on-year to 20.6%. Among others, the Group actively enhanced product mix and further strengthened cost control in the third quarter, thus improving gross profit margin from 15.7% in the same period of last year to 21.1%.

Furthermore, the Group strengthened foreign exchange risk management in order to avoid significant exchange losses caused by the fierce fluctuation in the exchange rate of Renminbi against US dollars.

The proportion of mid-to-high-end products has been steadily increasing in the first three quarters of 2016 (Data below excluded ODM business).

- Smart TV sales volume increased by 12.5% year-on-year to 3.51 million sets, which accounted for 63.1% of the LCD TV sales volume, rising from 51.7% in the same period of last year.
- 4K TV sales volume was 1.91 million sets, which accounted for 34.3% of the LCD TV sales volume, rising from 19.2% in the same period of last year.
- Market share of curved TVs was 30.0% for the first three quarters, maintaining No.1 position among the domestic brands in the market (Source: CMM). The proportion of accumulated curved TV sales volume to the Group's LCD TV sales volume in the PRC market in September rose from 1.7% in the same period of last year to 8.9%
- Proportion of the sales volume of products with screen size of 55 inches and above increased from 17.8% of LCD TV sales volume in the same period of last year to 26.5%.
- The average size of TVs sold increased from 41.7 inches in the same period of last year to 43.8 inches.

## **Overseas Markets**

For the first three quarters of 2016, LCD TV sales volume increased by 27.5% year-on-year to 7.78 million sets, turnover was up by 11.8% year-on-year to HK\$10.16 billion and gross profit margin rose by 3.5 percentage points year-on-year to 12.3%. These were mainly contributed by the continued strong growth in the emerging markets and North American market. The operating results have significantly improved along with continuously optimised product mix and sales channel establishment, and the increasing proportion of sales volume of high-end products such as large screen, smart, 4K and curved TVs.

- In North American market, LCD TV sales volume surged by 88.1% year-on-year, with its ranking of market share, in terms of sales volume, climbing from No.16 in the same period of last year to No.8 from January to August 2016 (Source: GfK).
- LCD TV sales volume in the emerging markets rose by 46.4% year-on-year, of which market shares, in terms of sales volume, in Thailand and Vietnam have increased, while ranking in Australia remained unchanged. The Group ranked No.3, No.4 and No.5, respectively, in those markets from January to August 2016 (Source: GfK).
- LCD TV sales volume in European market rose by 7.8% year-on-year. In terms of sales volume, the Group ranked No.3 in France from January to August 2016 (Source: GfK).
- LCD TV sales volume of the strategic ODM business was up by 10.3% when compared with that in the same period of last year.

On 22 July 2016, the Group announced a memorandum of understanding had been signed with a leading Brazilian home appliance enterprise, SEMP (“SEMP”), to mutually invest and establish a company incorporated in Brazil, with formal operations commenced on 1 August 2016. Benefitting from SEMP’s extensive sales network in Brazil, wealth of local experience and TCL’s strong supply chain management ranging from screen manufacturing to whole-unit assembly as well as excellent product strength, both parties will achieve mutual synergies. This will accelerate TCL’s entry into the local mid-to-high end home appliance market in order to penetrate into the high-potential South American market.

## **Internet Business**

The Group announced a further collaboration with Leshi on 29 September 2016, both parties will foster in-depth strategic cooperation. As a highlight of the cooperation between both parties, Leshi, which owns the exclusive live broadcast rights of the World Cup Qualification Match involving the PRC’s national team, will enable the matches to be shown on the Group’s various TV models. It is expected that approximately 10 million TCL smart TV users will enjoy and share such sports matches with Leshi’s users together. Since then, the Group and Leshi will fully cooperate in amazing contents including sports, movies and television, animation, variety show, entertainment, etc.

Additionally, as agreed by both parties at the beginning of this year, TCL smart TVs will be equipped with the EUI operating system developed by Leshi, covering ecological areas such as content, member, advertisement, etc. It is expected that the Group's products will contain more content developed by Leshi as well as its EUI operating system, and more Leshi's products supported by TCL's technologies and channels will also be launched in the markets.

As of September 2016, the accumulated number of TCL activated smart TV users totalled 15,745,216, the daily average number of active users in September 2016 was 6,734,969 (Source: Huan). As of September 2016, the number of users from the Group's internet businesses maintained steady growth and achieved a revenue of approximately RMB35.84 million, mostly generated from video-on-demand business.

- Video-on-demand business totalled 15.48 million users, increasing by 11.7% when compared with the first half of 2016;
- GoLive business totalled 5.53 million users, increasing by 20.3% when compared with the first half of 2016;
- Gaming business totalled 8.48 million users, increasing by 19.9% when compared with the first half of 2016;
- Education business totalled 3.86 million users, increasing by 24.9% when compared with the first half of 2016;
- Lifestyle business totalled 3.22 million users, increasing by 53.3% when compared with the first half of 2016;
- Applications business totalled 11.67 million users, increasing by 8.2% when compared with the first half of 2016.

### **Outlook**

Facing with the challenges of slow recovery in the PRC and global economy, along with the fluctuation in panel prices and competition brought by the internet brands, the Group will continue to strengthen the establishment of core competencies of the enterprise and further enhance four core competitiveness to increase operational efficiency. It will also continue to promote strategic transformations of twin drivers of "double +" and internationalisation, thus improving profitability and achieving sustainable growth.

**Mr. BO Lianming, Chief Executive Officer of TCL Multimedia** said, "Looking forward, we will further enhance four core competitiveness including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities in order to optimise product mix and enhance the influence of TCL brand. Additionally, we will also continue to implement the 'double +' strategic transformation, establish an ecosystem for living room economy that focuses on TV+ smart TV platform and a competitive O2O (online to offline) business model, to further promote the integration of online and offline operations and grasp the potential growth brought by the rapidly developing 'Internet +' economy. In the progress of pursuing internationalisation, we will further consolidate and increase market shares in European and American markets, while achieving breakthroughs in key markets such as India and Brazil, etc., in order to enhance layout in the overseas markets."

The Group's sales volume of LCD TVs by regions and the number of TCL smart TV users during the period under review were as follows:

	First three quarters of 2016 ( <i>'000 sets</i> )	First three quarters of 2015 ( <i>'000 sets</i> )	Change
<b>LCD TVs Total</b>	<b>14,502</b>	12,464	16.3%
— PRC Market	<b>6,725</b>	6,365 <sup>^</sup>	5.6%
— Overseas Markets	<b>7,777</b>	6,099 <sup>^</sup>	27.5%
<b>Of which: Smart TVs</b>	<b>7,489</b>	4,184	79.0%
<b>4K TVs</b>	<b>2,722</b>	1,247	118.2%

<sup>^</sup> Restated

	Accumulated total as of 30 September 2016	September 2016	September 2015	Change	First three quarters of 2016	First three quarters of 2015	Change
<b>Number of TCL activated smart TV users<sup>(1) (3)</sup></b>	<b>15,745,216</b>	<b>397,848</b>	543,921	(26.9%)	<b>3,820,360</b>	3,846,388	(0.7%)
<b>Daily average number of active users<sup>(2)</sup></b>	<b>N/A</b>	<b>6,734,969</b>	3,964,692	69.9%	<b>N/A</b>	N/A	N/A

Notes:

- (1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once
- (2) Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days
- (3) Due to the reporting and calculating issues for the number of activated smart TV users of TCL Linux models during the end of 2014 to March 2015, the adjustment was made for the month of April to September in 2015 with an increase of 200,000 per month by Huan, thus resulting in a year-on-year decline for the related data in 2016

### **About TCL Multimedia**

Headquartered in China, TCL Multimedia Technology Holdings Limited (HKSE stock code: 01070) is one of the leading players in the global TV industry, engaged in the research and development, manufacturing and distribution of consumer electronic products. Through a new product-and-user-oriented business model that focuses primarily on a “double +” strategy which includes “intelligence + internet” and “products + services” as the main direction, it strives to build a comprehensive ecosystem for smart TVs that provides users with an exquisite experience with its smart products and services. The Group ranked No.3 in the global LCD TV market with a market share of 6.0% in the first half of 2016 according to the latest IHS Technology figures, and ranked No.3 in the PRC LCD TV market with a market share of 15.0% in the first half of 2016 according to CMM's report. For more information, please visit its website: <http://multimedia.tcl.com>.

This press release is issued by Cornerstones Communications Ltd. on behalf of TCL Multimedia. For further information, please contact:

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