



(For Immediate Release)

## TCL Multimedia Announces 2017 Q1 Results

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**Profit Attributable to Owners of the Parent Rose by 10.2% Year-on-year**

**Operating Results in Overseas Markets Further Improved  
with its LCD TV Sales Volume up by 38.0% Year-on-year**

### **BUSINESS HIGHLIGHTS OF THE GROUP FOR FIRST QUARTER ENDED 31 MARCH 2017**

- The Group sold 4.70 million sets of liquid-crystal-display (“LCD”) TVs, up by 11.9% year-on-year. Sales volume of LCD TVs in the PRC market decreased by 7.7% year-on-year to 2.22 million sets, while sales volume of LCD TVs in the overseas markets grew by 38.0% year-on-year to 2.49 million sets.
- The Group achieved a turnover of HK\$8.48 billion, increased by 15.3% year-on-year. Gross profit dropped by 3.5% when compared with the same period of last year to HK\$1.34 billion, and gross profit margin decreased from 18.8% of the same period of last year to 15.7%. Operating profit was HK\$100 million, and net profit after tax was HK\$77.52 million. Profit attributable to owners of the parent rose by 10.2% when compared with the same period of last year to HK\$81.40 million. Basic earnings per share was HK4.92 cents.
- With continued product mix enhancements, the proportion of high-end 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) amounted to 1.28 million sets, which accounted for 75.7% of the Group’s LCD TV sales volume in the PRC market (excluding ODM business). Sales volume of 4K TVs in the PRC market (excluding ODM business) amounted to 680,000 sets, which accounted for 40.5% of the Group’s LCD TV sales volume in the PRC market (excluding ODM business). Market share of curved TVs in the PRC market (excluding ODM business) was 34.8%, 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 19,087,187, and the daily average number of active users in March 2017 was 8,613,932 (Source: Huan Technology Co., Ltd. (“Huan”).
- The Group ranked No.3 in the global LCD TV market with a market share of 9.0% in 2016 according to the latest IHS Technology and the Company’s shipment data, and ranked No.3 in the PRC LCD TV market with a market share of 13.6% in the first quarter of 2017 according to CMM’s report.
- The Group held a product launch presentation of its new internet TV brand in Beijing, China on 29 March, and shared the grand debut of the new internet brand “FFALCON”, charging ahead into the internet TV market. During the presentation, the Group also announced the in-depth collaborations with Tencent and Alibaba respectively, in order to enrich its content resources on TCL TVs.

(26 April 2017, Hong Kong) – **TCL Multimedia Technology Holdings Limited** (“TCL Multimedia” or “the Group”, HKSE stock code: 01070) today announced its unaudited consolidated results for the first quarter ended 31 March 2017.



## **Business Review of the Group for the First Quarter Ended 31 March 2017**

Despite the negative impacts on the earnings of TV industry, the Group continuously optimised its product mix to boost the proportion of sales volume of its high-end products such as quantum dot, 4K, curved, and large screen TVs. Meanwhile, the Group also enhanced operational efficiency and strengthened cost control. Various measures of reducing costs have yielded results, partly offsetting the negative impact brought by the increase in cost. In the overseas markets, the Group has made significant breakthroughs and improvements in sales volume and earnings, thus the overall results have improved when compared to the same period of last year.

In the first quarter of 2017, the Group achieved a turnover of HK\$8.48 billion, rose by 15.3% year-on-year. Gross profit dropped by 3.5% year-on-year to HK\$1.34 billion, and gross profit margin went down from 18.8% in the same period of last year to 15.7%. Expense ratio decreased from 16.7% of the same period of last year to 14.2%. Operating profit was HK\$100 million, and net profit after tax was HK\$77.52 million. Profit attributable to owners of the parent increased by 10.2% year-on-year to HK\$81.40 million. Basic earnings per share was HK4.92 cents.

The Group hosted a product launch presentation of its new internet brand in Beijing, China on 29 March. It not only unveiled its new flagship TV products, third generation high-end quantum dots XESS X2 and X3 series TV, C2 Theater TV and P3 golden curved TV, but also shared the grand debut of the new internet TV brand "FFALCON" and four of its new I series products. Additionally, in terms of content resources and sales channels, the Group has announced in-depth cooperations with Tencent and Alibaba respectively, to target the market of younger generation. The Group is committed to producing an exceptionally competitive smart TV.

### **The PRC Market**

Affected by the 12.5% year-on-year decrease in the sales volume of TV industry in the first quarter of 2017, the Group's LCD TV sales volume decreased year-on-year by 7.7% to 2.22 million sets. With product mix improvement and the rise in the average selling price of LCD TVs, the Group's turnover of LCD TVs was only down by 2.8% year-on-year to HK\$4.82 billion. The panel prices have continued to hover at a high level, which has put pressure on overall gross profit margin. Nevertheless, the Group has proactively optimised its product mix, the gross profit margin of LCD TV (excluding ODM business) increased by 0.6 percentage point.

With continued product mix optimisation, the proportion of mid-to-high-end products has been steadily increasing in the first quarter of 2017 (Data below excluded ODM business).

- Smart TV sales volume amounted to 1.28 million sets, which accounted for 75.7 % of the LCD TV sales volume in the first quarter of 2017, rising from 63.7% in the first quarter in 2016;
- 4K TV sales volume amounted to 680,000 sets, which accounted for 40.5% of the LCD TV sales volume in the first quarter of 2017, rising from 32.5% in the first quarter of 2016;
- Market share of curved TVs was 34.8%, maintaining No.1 position among the domestic brands in the market (Source: CMM). Sales volume of curved TVs rose significantly by 84.9% year-on-year to 260,000 sets, which accounted for 15.4% of the LCD TV sales volume in the first quarter of 2017, increasing from 6.5% in the first quarter of 2016;
- Proportion of the sales volume of products with screen size of 55 inches and above increased from 24.9% in the first quarter of 2016 to 35.5% in the first quarter of 2017;
- The average size of TVs sold increased from 43.8 inches in the same period of last year to 45.6 inches.

### **Overseas Markets**

Benefiting from sales channels expansion and active development in new emerging markets, the Group's operating results in the overseas markets have continued to improve. In the first quarter of 2017, the Group's LCD TV sales volume increased by 38.0% year-on-year to 2.49 million sets, turnover was up by 52.1% year-on-year to HK\$3.62 billion. As the panel prices have continued to hover at a high level, gross profit margin of LCD TVs dropped from 13.6% in the same period of last year to 11.2%.



Performance in the overseas markets in the first quarter of 2017:

- In the North American market, LCD TV sales volume surged by 241.2% year-on-year;
- LCD TV sales volume in the emerging markets rose by 29.7% year-on-year;
- LCD TV sales volume in the European market dropped by 43.8% year-on-year;
- LCD TV sales volume of the strategic ODM business was up by 7.4% when compared with the same period of last year.

The Group continued to accelerate its product mix transition towards high-end products such as large screen, smart, 4K and curved TVs, etc., enhancing it through CBUS (curved, big screen, 4K and smart) strategy (excluding ODM business):

- The proportion of curved TV sales volume increased from 0.5% in the first quarter of 2016 to 1.9% in the first quarter of 2017;
- The proportion of TV with screen size of 55 inches and above sales volume rose from 10.6% in the first quarter of 2016 to 14.8% in the first quarter of 2017;
- The proportion of 4K TV sales volume increased from 4.6% in the first quarter of 2016 to 16.2% in the first quarter of 2017;
- The proportion of smart TV sales volume up from 43.4% in the first quarter of 2016 to 77.2% in the first quarter of 2017.

### **Internet Business**

While adhering to the development strategy of “double +” strategic transformation, the Group has actively built a TCL TV+ service ecosystem. TCL has also established in-depth cooperations with Tencent and Alibaba respectively, and introduced the new internet TV brand “FFALCON” in March 2017. In terms of content resources, leveraging on the content advantages provided by Tencent Video and Youku under Alibaba, different models of the FFALCON series products possess abundant content. In addition, various parties will also share data in terms of artificial intelligence and cloud service so as to achieve resources sharing. In terms of channels, different models of the FFALCON series products will gain access to the online channels through respective collaborations with the two major e-commerce platforms, namely JD.com and Tmall.

The user numbers of various internet businesses have shown rapid growth. The Group’s internet business in the first quarter of 2017 recorded an increase of 316% year-on-year in the turnover to approximately RMB15.74 million. As of March 2017, the accumulated number of TCL activated smart TV users totalled 19,087,187, the daily average number of active users in March 2017 was 8,613,932 (Source: Huan).

- Video-on-demand business totalled 18.21 million users, increasing by 60.0% when compared with the first quarter of 2016;
- Paid business totalled 240,000 users, increasing by 566.7% when compared with the first quarter of 2016;
- Average spending time of users on TV reached 4.9 hours, representing an enhancement in user loyalty.

### **Outlook**

**Mr. BO Lianming, Chief Executive Officer of TCL Multimedia** said, “Looking forward, we will persist in adhering to the overall operation strategy of “efficiency is basis, structure is core, profit is goal” for 2017 and continue to strengthen the establishment of principal competencies of the enterprise and promote strategic transformation of twin drivers of “double +” and internationalisation. Meanwhile, we will also strive to improve operational efficiency and further implement stringent cost control measures, thus reinforcing the core brand competitiveness, improving profitability and achieving sustainable development. By gradually establishing and anchoring our multi-faceted internet-based capabilities, we will actively build a comprehensive ecosystem for smart TVs to provide users with an exquisite experience with smart products and services, thereby delivering greater enterprise value and returns to shareholders.”



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:

	2017 First Quarter (‘000 sets)	2016 First Quarter (‘000 sets)	Change
<b>LCD TVs</b>	<b>4,702</b>	4,203	11.9%
Total			
– PRC market	<b>2,216</b>	2,401	(7.7%)
– Overseas markets	<b>2,486</b>	1,802	38.0%
<b>Of which: Smart TVs</b>	<b>3,089</b>	2,079	48.6%
<b>4K TVs</b>	<b>1,099</b>	745	47.6%

	Accumulated total as of 31 March 2017	March 2017	March 2016	Change	2017 First Quarter	2016 First Quarter	Change
<b>Number of TCL activated smart TV users<sup>(1)</sup></b>	<b>19,087,187</b>	<b>403,708</b>	345,152	17.0%	<b>1,797,753</b>	1,574,993	14.1%
<b>Daily average number of active users<sup>(2)</sup></b>	<b>N/A</b>	<b>8,613,932</b>	5,762,014	49.5%	<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

### **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 9.0% in 2016 according to the latest IHS Technology and the Company's shipment data, and ranked No.3 in the PRC LCD TV market with a market share of 13.6% in the first quarter of 2017 according to CMM's report. The Group is included in the eligible shares list of the Shenzhen-Hong Kong Stock Connect. 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 Technology Holdings Limited**. For further information, please contact:*

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