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 2016

FINANCIAL HIGHLIGHTS
Unaudited results for the three months ended 31 March

	2016 **(HK$M)**	2015 (HK$M)	**Change**
Turnover	**7,358**	8,285	(11.2%)
Gross profit	**1,383**	1,189	16.4%
Operating profit	**130**	90	45.2%
Net profit after tax	**76**	40	89.7%
Profit attributable to owners of the parent	**74**	46	62.1%
Basic earnings per share *(HK cents)*	**5.55**	3.45	60.9%

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2016

- The Group sold 4.20 million sets of LCD TVs, up by 1.0% year-on-year. Sales volume of LCD TVs in the PRC Market increased by 3.3% year-on-year to 2.40 million sets, while sales volume of LCD TVs in the Overseas Markets decreased by 2.0% year-on-year to 1.80 million sets.

- The Group achieved a turnover of HK$7.36 billion, fell by 11.2% year-on-year. Gross profit increased by 16.4% when compared with that in the same period of last year to HK$1.38 billion, gross profit margin increased from 14.3% in the same period of last year to 18.8%. Operating profit was HK$130 million, net profit after tax was HK$76.10 million. Profit attributable to owners of the parent amounted to HK$73.88 million, up by 62.1% year-on-year. Basic earnings per share was HK5.55 cents.

- As the major raw material prices fell year-on-year, average selling price of TVs in the first quarter decreased year-on-year. Coupled with the impact of Hong Kong Dollar exchange rates translation, the Group's turnover of the first quarter dropped year-on-year. Nevertheless, resulting from the Group's continuous improvement in product mix and operational efficiency during the period under review, gross profit margin increased by 4.5 percentage points year-on-year, which offset the impact of decline in turnover, its profitability was enhanced and results was improved.

- With continued product mix enhancements, the proportion of high-end products (new products such as quantum dot, curved screen, 4K and large screen, etc.) has been steadily increasing. Sales volume of smart TVs in the PRC Market increased by 34.5% year-on-year to 1.38 million sets, which accounted for 63.7% of the Group's LCD TV sales volume in the PRC Market (excluding ODM business). Sales volume of 4K TVs in the PRC Market amounted to 0.7 million sets, which accounted for 32.5% of the Group's LCD TV sales volume in the PRC Market (excluding ODM business). Market share of curved TVs in the PRC Market in March was 28.3%, maintaining its 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 13,499,849, the daily average number of active users in March 2016 was 5,762,014 (Source: Huan Technology Co., Ltd. ("Huan")).

- The Group ranked No.3 in the global LCD TV market with a market share of 5.56% in 2015 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 14.04% according to CMM's report.

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 2016 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 31 March	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**7,357,587**	8,285,238
Cost of sales		**(5,974,464)**	(7,096,648)
Gross profit		**1,383,123**	1,188,590
Other revenue and gains		**82,970**	118,057
Selling and distribution expenses		**(931,413)**	(807,122)
Administrative expenses		**(294,721)**	(279,642)
Research and development costs		**(109,925)**	(130,303)
Other operating expenses		**–**	(6)
		130,034	89,574
Finance costs		**(28,121)**	(35,842)
Share of profits and losses of:			
Joint ventures		**(9,782)**	(7,602)
Associates		**404**	(780)
PROFIT BEFORE TAX		**92,535**	45,350
Income tax	4	**(16,435)**	(5,229)
PROFIT FOR THE PERIOD		**76,100**	40,121
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		**(27,839)**	41,695
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		**(5,299)**	186
		(33,138)	41,881
Exchange fluctuation reserve:			
Translation of foreign operations		**23,832**	(14,340)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(9,306)**	27,541
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**66,794**	67,662

	Notes	Three months ended 31 March **2016** **(unaudited)** ***HK$'000***	2015 (unaudited) *HK$'000*
Profit/(loss) attributable to:			
Owners of the parent		**73,880**	45,579
Non-controlling interests		**2,220**	(5,458)
		76,100	40,121
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**63,942**	73,750
Non-controlling interests		**2,852**	(6,088)
		66,794	67,662
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		**HK5.55cents**	HK3.45cents
Diluted		**HK5.28cents**	HK3.44cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2016 (unaudited) *HK$'000***	31 December 2015 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,022,293**	2,062,753
Prepaid land lease payments		**186,953**	131,849
Goodwill		**134,933**	134,933
Other intangible assets		**1,377**	1,428
Investments in joint ventures		**47,405**	46,118
Investments in associates		**472,999**	470,696
Available-for-sale investments		**107,481**	106,891
Deferred tax assets		**25,860**	25,840
Total non-current assets		**2,999,301**	2,980,508
CURRENT ASSETS			
Inventories		**3,163,206**	3,282,921
Trade receivables		**4,876,355**	5,537,759
Bills receivable		**3,358,963**	2,721,173
Other receivables		**1,473,934**	1,351,429
Tax recoverable		**12,254**	8,593
Pledged deposits		**240,008**	80,881
Cash and bank balances		**1,680,806**	2,214,927
Total current assets		**14,805,526**	15,197,683
CURRENT LIABILITIES			
Trade payables		**5,351,277**	5,540,820
Bills payable		**1,756,168**	1,656,855
Other payables and accruals		**3,553,257**	3,503,917
Interest-bearing bank and other borrowings	7	**1,081,280**	1,460,437
Due to T.C.L. Industries	8	**–**	7,751
Tax payable		**67,894**	129,471
Provisions		**345,100**	305,381
Total current liabilities		**12,154,976**	12,604,632
NET CURRENT ASSETS		**2,650,550**	2,593,051
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,649,851**	5,573,559

	Notes	**31 March 2016 (unaudited)** *HK$'000*	31 December 2015 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,649,851**	5,573,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**4,324**	5,071
Due to T.C.L. Industries	8	**1,093,940**	1,131,617
Deferred tax liabilities		**26,961**	28,141
Total non-current liabilities		**1,125,225**	1,164,829
Net assets		**4,524,626**	4,408,730
EQUITY			
Equity attributable to owners of the parent			
Issued capital	9	**1,386,661**	1,386,361
Reserves		**3,022,969**	2,910,225
		4,409,630	4,296,586
Non-controlling interests		**114,996**	112,144
Total equity		**4,524,626**	4,408,730

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 2015, 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below. They 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 HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements to HKFRSs 2012 – 2014 Cycle	Amendments to a number of HKFRSs

Further information about these HKFRSs is as follows:

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments have had no impact on the financial position or performance of the Group.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	(unaudited)	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)	**(unaudited)**	(unaudited) (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**4,957,106**	5,620,328	**2,380,017**	2,654,180	**20,464**	10,730	**7,357,587**	8,285,238
Segment results	**164,566**	295,686	**33,055**	(125,657)	**(4,463)**	(10,495)	**193,158**	159,534
Corporate expenses, net							**(66,751)**	(82,755)
Finance costs							**(28,121)**	(35,842)
Interest income							**3,627**	12,795
Share of profits and losses of:								
Joint ventures	**–**	–	**2,275**	(782)	**(12,057)**	(6,820)	**(9,782)**	(7,602)
Associates	**(2,724)**	(10,124)	**–**	–	**3,128**	9,344	**404**	(780)
Profit before tax							**92,535**	45,350
Income tax							**(16,435)**	(5,229)
Profit for the period							**76,100**	40,121

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2015: 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	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**53**	1,436
Current – Elsewhere	**17,459**	7,995
Deferred	**(1,077)**	(4,202)
Total tax charge for the period	**16,435**	5,229

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2016 (31 March 2015: 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	
	2016	2015
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**73,880**	45,579

	Number of shares Three months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Award Scheme during the period used in the basic earnings per share calculation	**1,331,813,577**	1,321,359,780
Effect of dilution – weighted average number of ordinary shares:		
Share options	**26,699,120**	4,378,454
Awarded shares	**41,265,994**	–
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,399,778,691**	1,325,738,234

7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 March 2016 (unaudited) *HK$'000*	31 December 2015 (audited) *HK$'000*
Current		
Bank loans – unsecured	**907,833**	1,330,950
Trust receipt loans – unsecured	**130,661**	125,438
Finance lease payables	**4,071**	4,049
Loan from an associate – unsecured	**38,715**	–
	1,081,280	1,460,437
Non-current		
Finance lease payables	**4,324**	5,071
	1,085,604	1,465,508
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,038,494**	1,456,388
Loan from an associate repayable:		
Within one year	**38,715**	–
Finance lease repayable:		
Within one year	**4,071**	4,049
In the second year	**3,521**	3,502
In the third year	**803**	1,569
	8,395	9,120
	1,085,604	1,465,508

Notes:

(a) As at 31 March 2016 and 31 December 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 approximately HK$261,817,000 (31 December 2015: HK$720,850,000) 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 aggregate amounts due to T.C.L. Industries of approximately HK$1,093,940,000 (31 December 2015: HK$1,139,368,000) are unsecured, bear interest at fixed rate of 1.9564% and LIBOR+1.8% (31 December 2015: fixed rates of 0.8441% and 1.9564%, and LIBOR+1.8%) per annum, and of which, no amount (31 December 2015: HK$7,751,000) is repayable within one year while the remaining amount of approximately HK$1,093,940,000 (31 December 2015: HK$1,131,617,000) is repayable in the second year.

9. SHARE CAPITAL

	31 March 2016 (unaudited) ***HK$'000***	31 December 2015 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,386,660,927 (31 December 2015: 1,386,361,214) shares of HK$1.00 each	**1,386,661**	1,386,361

During the three months ended 31 March 2016, the movements in the Company's issued share capital account were as follows:

(a) The subscription rights attaching to 276,000 and 23,713 share options were exercised at the subscription prices of HK$3.17 and HK$3.48 per share, respectively, resulting in the issue of an aggregate of 299,713 shares of HK$1.00 each for a total cash consideration of approximately HK$957,000 before expenses.

(b) On 11 December 2015, the Company entered into a subscription agreement with an independent subscriber, pursuant to which the subscriber agreed to subscribe and the Company agreed to allot and issue 348,850,000 new shares at HK$6.50 per share for an aggregate subscription price of approximately HK$2,267,525,000 payable at completion of the subscription. The subscription is subject to the fulfillment of certain conditions precedent, including the necessary governmental and regulatory approvals. The subscription has not yet been completed as at the date of this announcement. The details of the subscription are set out in the Company's announcements dated 11 December 2015 and 8 April 2016, respectively, and the Company's circular dated 28 December 2015.

BUSINESS REVIEW FOR THE FIRST QUARTER ENDED 31 MARCH 2016

During the first quarter of 2016, TV market demand in the PRC remained sluggish. According to the report from CMM, overall sales volume of TVs in the PRC Market in the first quarter decreased by 10.9% year-on-year, revealing fierce competition in the industry. As the major raw material prices fell year-on-year, average selling price of TVs in the first quarter decreased year-on-year. Coupled with the impact of Hong Kong Dollar exchange rates translation, the Group's turnover of the first quarter dropped year-on-year. Nevertheless, resulting from the Group's continuous improvement in product mix and operational efficiency during the period under review, gross profit margin increased by 4.5 percentage points year-on-year, which offset the impact of decline in turnover, its profitability was enhanced and results was improved.

The Group's turnover in the first quarter was HK$7.36 billion, fell by 11.2% year-on-year. Gross profit increased by 16.4% year-on-year to HK$1.38 billion, gross profit margin increased from 14.3% in the same period of last year to 18.8%. Operating profit was HK$130 million, net profit after tax was HK$76.10 million. Profit attributable to owners of the parent amounted to HK$73.88 million, representing an increase of 62.1% when compared with that in the same period of last year. Basic earnings per share was HK5.55 cents, up by 60.9% year-on-year.

The Group ranked No.3 in the global LCD TV market with a market share of 5.56% in 2015 according to the latest IHS Technology figures and Company data, and ranked No.3 in the PRC LCD TV market with a market share of 14.04% according to CMM's report.

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:

	2016 First Quarter *('000 sets)*	2015 First Quarter *('000 sets)*	**Change**
LCD TVs	**4,203**	4,164	1.0%
of which: Smart TVs	**2,079**	1,173	77.2%
– PRC Market	**2,401**	2,324^	3.3%
– Overseas Markets	**1,802**	1,840^	(2.0%)

^ Restated

	Accumulated total as of 31 March 2016	March 2016	March 2015	Change	2016 First Quarter	2015 First Quarter	Change
Number of TCL activated smart TV users (1)	**13,499,849**	**345,152**	226,198	52.6%	**1,574,993**	1,022,710	54.0%
Daily average number of active users(2)	**N/A**	**5,762,014**	2,899,924	98.7%	**N/A**	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.

The PRC Market

In the first quarter of 2016, the Group's LCD TV sales volume in the PRC Market increased by 3.3% year-on-year to 2.40 million sets, turnover fell by 11.8% year-on-year to HK$4.96 billion, mainly due to a year-on-year decline in the major raw material prices leading to a year-on-year decrease in average selling price of TVs in the first quarter and the impact of Hong Kong Dollar exchange rates translation. In addition, gross profit margin was up from 17.7% in the same period of last year to 21.5%, resulting from continuous enhancement in product mix and improvement in operational efficiency.

With continued product mix enhancements, the proportion of mid-to-high-end products has been steadily increasing.

- Smart TV sales volume increased by 34.5% year-on-year to 1.38 million sets, which accounted for 63.7% of the Group's LCD TV sales volume in the PRC Market (excluding ODM business) in the first quarter of 2016, rising from 47.2% in the first quarter of 2015.

- 4K TV sales volume was 0.7 million sets, which accounted for 32.5% of the Group's LCD TV sales volume in the PRC Market (excluding ODM business) in the first quarter of 2016, rising from 12.5% in the first quarter of 2015.

- Market share of curved TVs was 28.3% in March, maintaining its No.1 position among the domestic brands in the market (Source: CMM). The proportion of curved TV sales volume to the Group's LCD TV sales volume in the PRC Market (excluding ODM business) rose from 0.3% in the first quarter of 2015 to 6.5% in the first quarter of 2016.

- Proportion of sales volume of products with screen size of 55 inches and above increased from 12.6% of the total LCD TV sales volume in the PRC Market in the first quarter of 2015 to 24.9% in the first quarter of 2016. The average size increased from 40.9 inches in the first quarter of 2015 to 43.8 inches in the first quarter of 2016.

According to CMM's report, TCL's brand price index increased from 82 for the first quarter of 2015 to 91 for the first quarter of 2016 and ranked No.3.

The Group continued to strengthen the transformation of sales channels to promote the integration of online and offline channels. The Group initiated the "Brand Day" marketing concept and carried out cross-industry cooperation to expand the sales channel through telecommunication operators. Proportion of sales volume from e-business sales channels increased from 11.0% in the first quarter of 2015 to 22.4% in the first quarter of 2016.

Overseas Markets

In the first quarter of 2016, the Group's LCD TV sales volume decreased by 2.0% year-on-year to 1.80 million sets in the Overseas Markets, turnover was down by 9.5% year-on-year to HK$2.38 billion, mainly due to the drop of major raw material prices leading to a decrease in average selling price of TVs. In addition, gross profit margin rose to 13.1% from 7.0% in the same period of last year with substantial improvements in operating results, which was also attributable to continuous enhancement in product mix.

Performance in the Overseas Markets for the first quarter:

- In the North American Market, LCD TV sales volume surged by 173.6% year-on-year.

- LCD TV sales volume in the Emerging Markets and European Markets rose by 8.2% and 0.5% when compared with that in the same period of last year, respectively.

- LCD TV sales volume of the Strategic ODM business was down by 20.4% when compared with that in the same period of last year.

The Group continued to optimise product mix, actively promoted TV+ strategy overseas and gradually expanded the proportion of paid content users. At the same time, the Group cooperated with the world's well-known internet service providers in developing smart products with market competitive edge, utilising the synergistic effect.

Internet Business

Adhering to the promotion of "double +" strategic transformation, the Group continued to enhance industrial capabilities of TV hardware products as well as capabilities of audio visual and exchange technologies while establishing its ecosystem with focus on family users for living room economy, striving for rapidly enhancing operational level of TV+ smart TV platform and establishing organised mechanism for realisation of user value. The revenue derived from TV+ user operation and service businesses increased continuously. The Group strengthened the cooperation with the internet ecosystem partners such as LeTV, Tencent, etc. in various sectors, including joint user operation for innovative product development, premium content sharing and vertical service, etc. and concrete progress has been made.

Based on the 3053 strategic planning, the Group will continue to increase investment in resources, capitalising on the benefit in the growth of living room economy and promoting the implementation of "products + services" business model.

In the first quarter of 2016, the number of users from internet businesses all achieved rapid growth. As of March 2016, the accumulated number of TCL activated smart TV users totalled 13,499,849, the daily average number of active users in March 2016 was 5,762,014 (Source: Huan).

- Video-on-demand business (GoLive included) totalled 11.38 million users, increasing by 45% when compared with the year of 2015; average daily video-on-demand frequency increased from 20.2 times in the year of 2015 to 21.0 times in the first quarter of 2016; average daily viewing time increased from 4.4 hours to 4.7 hours.

- Gaming business totalled 5.80 million users, increasing by 32% when compared with the year of 2015; average daily usage time was 70 minutes, remained flat compared with the year of 2015.

- Education business totalled 2.30 million users, increasing by 51.3% when compared with the year of 2015; average daily viewing time amounted to 40 minutes.

- Lifestyle business went online at the end of July 2015, with accumulated users of 1.40 million.

- Application business totalled 9.58 million users, increasing by 19.7% when compared with the year of 2015.

In the first quarter of 2016, the Group's revenue from internet businesses was approximately RMB3.58 million, mostly generated from video-on-demand business (GoLive included). In 2016, the Group's total revenue from internet services is targeted to be approximately RMB100.00 million.

R&D

The Group's high-end QUHD flagship new products, X1 series TV, were awarded as "Innovation Awards Honoree" in 2016 Consumer Electronics Show and were highly commended as the most eye-catching electronic products in the show. It was equipped with the latest quantum display technology, High Dynamic Range image processing technology and black crystal screen, etc., realising ultimate enhancement of TV image quality and demonstrating to global consumers the innovative technological strengths of Chinese consumer electronic brands.

In addition, the Group launched the C product series led by C2, including 9.9 mm ultra-thin curved screen and ultra-thin flat screen products which incorporate image processing engine, Motion Estimate and Motion Compensation (MEMC) technology, 2nd generation of C movement technology and TV+OS 3.0 operating system. These technologies greatly enhanced the motion definition which makes motion to be displayed more clearly and smoothly, further enhancing consumer experience.

Outlook

Affected by the overall slowdown of the PRC economic growth and sluggish market demand, market competition became more intensified.

The Group will continue to strengthen its core competencies, and promote twin drivers of "double +" and internationalisation strategic transformations. Moreover, the Group will further enhance four core competitiveness, including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities to promote operational efficiency, optimise product mix, improve profitability and achieve sustainable growth. On top of that, the Group will explore rapid growth potential brought by "internet +" economy through strategic cooperation with Leshi.

1. The Group will enhance four core competitiveness, improve operational efficiency, to further consolidate and increase its TV market shares.

   - Product technology capabilities: continue to increase investments in R&D to develop more new products with superior technological innovations, performance and design, while maintaining its leading advantages in efficiency, speed and cost to establish a comprehensive product line ranging from high-end to mid-to-low end to meet the needs of different markets and customers;

   - Industry capabilities: strengthen industrial capacity, including construction of a smart factory, industrial technology standards and system management capabilities, etc., to enhance the competitive advantage of its internet applications services;

- Brand and globalisation capabilities: greatly increase the influence of TCL brand, consolidate market leading position in the PRC Market, while gradually improving market influence in key countries and regions in the Overseas Markets. At the same time, form business collaborations with mobile business of TCL Communication Technology Holdings Limited, to jointly establish a unified brand image, and increase the global sales volume of TCL branded products; and

- Internet application service capabilities: integrate smart and internet applications technology into products, increase product value and user services revenue through providing complementing internet application and service businesses and consolidate various vertical applications through an integrated platform to create greater value for users.

2. The Group will 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 business model, to further promote the integration of its online and offline operations. The Group will deepen its partnership with Leshi with respect to GoLive, internet ecosystem capacity sharing and joint advertising operations to develop new products and establish new business model, thereby creating value for users.

3. The Group will continue to pursue internationalisation, and actively implement the TV+ strategy in the Overseas Markets to expand the proportion of paid content users. It will also accelerate the expansion in the North American Market and the Emerging Markets and increase market share through new products development and promotion.

The Group is committed to achieving LCD TV sales volume target at 20.00 million sets for the year of 2016. The Group will continue to take full advantage of the resources and market position of TCL Corporation to continuously optimise its product mix, enhance corporate competitiveness and establish the Group as a "global entertainment technology enterprise", delivering long-term value and returns to shareholders.

FINANCIAL REVIEW

Significant Investments, Acquisitions and Disposals

On 4 March 2016, the Company, as the vendor, and Barn Holding Pte. Limited (a company incorporated in Singapore with limited liability), as the purchaser, entered into a share purchase agreement ("SPA") pursuant to which the Company agreed to sell and Barn Holding Pte. Limited agreed to purchase 80% of the number of issued shares in Million China International Holdings Limited (a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company as of the date of the SPA) as at the date of completion at a consideration to be determined in accordance with the formula set out in the SPA. The consideration is currently expected to be approximately US$6.5 million (equivalent to approximately HK$51 million). The completion for the transaction contemplated under the SPA has not been carried out as at the date of this announcement. According to the applicable percentage ratios calculated on the date of SPA, the SPA and the transaction contemplated thereunder did not trigger any disclosure requirement under Chapter 14 or Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Save as disclosed above, the Group has no other significant investment, acquisition and disposal during the period.

Liquidity and Financial Resources

The Group's principal financial instruments comprise 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 2016 amounted to approximately HK$1,680,806,000, of which 0.4% was maintained in Hong Kong dollars, 35.0% in US dollars, 57.6% in Renminbi, 2.6% in Euros and 4.4% 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 2015. The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of furniture, fixtures and equipment and motor vehicles as at 31 March 2016 amounted to approximately HK$4,822,000 (31 December 2015: HK$5,057,000) and HK$2,911,000 (31 December 2015: HK$3,053,000), respectively.

As at 31 March 2016, the Group's gearing ratio was 5.9% which was calculated based on the Group's net borrowing of approximately HK$258,730,000 (calculated as total interest-bearing borrowings less pledged deposits and cash and bank balances) and the equity attributable to owners of the parent of approximately HK$4,409,630,000. The maturity profile of the borrowings ranged from one to three years.

Pledge of Assets

As at 31 March 2016, pledged deposits of the Group amounting to approximately HK$240,008,000 (31 December 2015: HK$80,881,000) were pledged for certain bills payable amounting to approximately HK$216,559,000 (31 December 2015: HK$75,986,000).

Capital Commitments and Contingent Liabilities

As at 31 March 2016, the Group had capital commitments of approximately HK$10,329,000 (31 December 2015: HK$20,858,000) and HK$273,418,000 (31 December 2015: HK$285,522,000) 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 2015 annual report.

Pending Litigation

The Group was not involved in any material litigation as at 31 March 2016.

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 its 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

As at 31 March 2016, the Group had a total of 24,546 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 Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees including employees under the Company's share option scheme. Options for subscribing a total of 170,659,310 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 and was amended on 11 August 2015. Pursuant to which existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee out of cash contributed by the Company, and would be held on trust for the relevant grantees until such shares are vested with the relevant grantees in accordance with the provisions of the Award Scheme.

PURCHASES, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of shares for the three months ended 31 March 2016.

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 2016, 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 Listing Rules on the Hong Kong Stock Exchange, except for the deviation from the Code Provisions D.1.4 and F.1.1. The reason for the deviation from the Code Provision F.1.1 remains the same as that stated in the Company's 2015 annual report.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for its directors (except for Mr. YAN Xiaolin who was appointed as a non-executive director of the Company on 24 April 2013, Ms. XU Fang who was appointed as an executive director of the Company on 21 May 2015, Professor SO Wai Man Raymond who was appointed as an independent non-executive director of the Company on 12 August 2015 and Professor WANG Yijiang who was appointed as an independent non-executive director of the Company on 1 February 2016) as most of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the articles of association of the Company, and on re-election of the retiring directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited financial statements for the three months ended 31 March 2016, including the accounting principles adopted by the Group, with the Company's management. The Audit Committee comprises four members including Professor SO Wai Man Raymond (Chairman), Dr. TSENG Shieng-chang Carter and Professor WANG Yijiang, 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, 20 April 2016

As at the date of this announcement, the Board comprises LI Dongsheng, BO Lianming, YAN Xiaolin and XU Fang as executive directors, Albert Thomas DA ROSA, Junior and HUANG Xubin as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.