# 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 NINE MONTHS ENDED 30 SEPTEMBER 2016

**FINANCIAL HIGHLIGHTS**
*Unaudited results for the nine months ended 30 September*

| | **2016** ***(HK$M)*** | 2015 *(HK$M)* | **Change** |
|---|---|---|---|
| Turnover | **23,675** | 24,444 | (3.1%) |
| Gross profit | **4,049** | 3,730 | 8.6% |
| Operating profit/(loss) | **248** | (168) | N/A |
| Net profit/(loss) after tax | **137** | (319) | N/A |
| Profit/(loss) attributable to owners of the parent | **147** | (302) | N/A |
| Basic earnings/(loss) per share *(HK cents)* | **9.68** | (22.76) | N/A |

**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.

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 nine months and three months ended 30 September 2016 with comparative figures for the previous periods as follows:

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

| | | Nine months ended 30 September | | Three months ended 30 September | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| TURNOVER | 3 | **23,674,880** | 24,444,057 | **9,448,245** | 9,047,000 |
| Cost of sales | | **(19,625,570)** | (20,714,451) | **(7,868,967)** | (7,820,664) |
| Gross profit | | **4,049,310** | 3,729,606 | **1,579,278** | 1,226,336 |
| Other revenue and gains | | **259,858** | 271,932 | **87,159** | 85,101 |
| Selling and distribution expenses | | **(2,842,170)** | (2,733,790) | **(1,115,325)** | (1,014,674) |
| Administrative expenses | | **(810,934)** | (988,617) | **(275,339)** | (506,959) |
| Research and development costs | | **(388,929)** | (441,512) | **(185,202)** | (153,014) |
| Other operating expenses | | **(18,738)** | (5,177) | **(18,738)** | (3,053) |
| | | **248,397** | (167,558) | **71,833** | (366,263) |
| Finance costs | | **(61,798)** | (110,459) | **(15,098)** | (28,111) |
| Share of profits and losses of: | | | | | |
| Joint ventures | | **(30,464)** | (32,135) | **(9,992)** | (12,277) |
| Associates | | **9,618** | (5,167) | **3,116** | 272 |
| PROFIT/(LOSS) BEFORE TAX | | **165,753** | (315,319) | **49,859** | (406,379) |
| Income tax expense | 4 | **(28,765)** | (3,731) | **(667)** | (35,086) |
| PROFIT/(LOSS) FOR THE PERIOD | | **136,988** | (319,050) | **49,192** | (441,465) |
| 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 | | **(2,364)** | 18,595 | **(5,014)** | 6,531 |
| Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss | | **(5,299)** | 185 | **–** | – |
| | | **(7,663)** | 18,780 | **(5,014)** | 6,531 |

| | Notes | Nine months ended 30 September 2016 (unaudited) HK$'000 | Nine months ended 30 September 2015 (unaudited) HK$'000 | Three months ended 30 September 2016 (unaudited) HK$'000 | Three months ended 30 September 2015 (unaudited) HK$'000 |
|---|---|---|---|---|---|
| Exchange fluctuation reserve: | | | | | |
| Translation of foreign operations | | **(145,485)** | (182,397) | **(42,481)** | (183,746) |
| Release upon liquidation and disposal of subsidiaries | | **9,321** | (1,022) | **4,952** | (622) |
| Release upon liquidation and deemed partial disposal of associates | | **(1,408)** | 3 | **(1,408)** | 2 |
| | | **(137,572)** | (183,416) | **(38,937)** | (184,366) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD | | **(145,235)** | (164,636) | **(43,951)** | (177,835) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | **(8,247)** | (483,686) | **5,241** | (619,300) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | | **146,889** | (301,938) | **52,195** | (437,741) |
| Non-controlling interests | | **(9,901)** | (17,112) | **(3,003)** | (3,724) |
| | | **136,988** | (319,050) | **49,192** | (441,465) |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the parent | | **4,498** | (461,732) | **8,980** | (610,800) |
| Non-controlling interests | | **(12,745)** | (21,954) | **(3,739)** | (8,500) |
| | | **(8,247)** | (483,686) | **5,241** | (619,300) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 6 | | | | |
| Basic | | **HK9.68 cents** | HK(22.76) cents | | |
| Diluted | | **HK9.29 cents** | HK(22.76) cents | | |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 September 2016 (unaudited) *HK$'000* | 31 December 2015 (audited) *HK$'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **1,905,992** | 2,062,753 |
| Prepaid land lease payments | | **126,271** | 131,849 |
| Goodwill | | **134,933** | 134,933 |
| Other intangible assets | | **1,195** | 1,428 |
| Investments in joint ventures | | **43,563** | 46,118 |
| Investments in associates | | **530,002** | 470,696 |
| Available-for-sale investments | | **103,998** | 106,891 |
| Deferred tax assets | | **25,394** | 25,840 |
| Total non-current assets | | **2,871,348** | 2,980,508 |
| CURRENT ASSETS | | | |
| Inventories | | **3,629,762** | 3,282,921 |
| Trade receivables | | **6,636,800** | 5,537,759 |
| Bills receivable | | **2,654,324** | 2,721,173 |
| Other receivables | | **1,352,972** | 1,351,429 |
| Tax recoverable | | **21,146** | 8,593 |
| Pledged deposits | | **–** | 80,881 |
| Cash and bank balances | | **2,008,263** | 2,214,927 |
| Total current assets | | **16,303,267** | 15,197,683 |
| CURRENT LIABILITIES | | | |
| Trade payables | | **5,882,595** | 5,540,820 |
| Bills payable | | **1,401,476** | 1,656,855 |
| Other payables and accruals | | **3,399,387** | 3,503,917 |
| Interest-bearing bank and other borrowings | 7 | **233,785** | 1,460,437 |
| Due to T.C.L. Industries | 8 | **775,520** | 7,751 |
| Tax payable | | **61,220** | 129,471 |
| Provisions | | **398,474** | 305,381 |
| Total current liabilities | | **12,152,457** | 12,604,632 |
| NET CURRENT ASSETS | | **4,150,810** | 2,593,051 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **7,022,158** | 5,573,559 |

| | Notes | **30 September 2016 (unaudited)** ***HK$'000*** | 31 December 2015 (audited) *HK$'000* |
|---|---|---|---|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **7,022,158** | 5,573,559 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank and other borrowings | 7 | **2,601** | 5,071 |
| Due to T.C.L. Industries | 8 | **356,739** | 1,131,617 |
| Deferred tax liabilities | | **24,469** | 28,141 |
| Total non-current liabilities | | **383,809** | 1,164,829 |
| Net assets | | **6,638,349** | 4,408,730 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 9 | **1,736,446** | 1,386,361 |
| Reserves | | **4,804,751** | 2,910,225 |
| | | **6,541,197** | 4,296,586 |
| **Non-controlling interests** | | **97,152** | 112,144 |
| Total equity | | **6,638,349** | 4,408,730 |

*Notes:*

## 1. BASIS OF PREPARATION

The accounting policies and the basis of preparation adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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.

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These unaudited condensed consolidated 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 unaudited condensed consolidated 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* |
| HKFRS 14 | *Regulatory Deferral Accounts* |
| 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 |

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited condensed consolidated financial statements.

## 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.

| | Nine months ended 30 September | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Television – PRC market | | Television – overseas markets | | Others | | Consolidated | |
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Sales to external customers | **13,407,728** | 15,216,880 | **10,156,005** | 9,118,321 | **111,147** | 108,856 | **23,674,880** | 24,444,057 |
| Segment results | **179,657** | 383,988 | **287,468** | (113,669) | **18,900** | (55,162) | **486,025** | 215,157 |
| Corporate expenses, net | | | | | | | **(251,142)** | (425,189) |
| Finance costs | | | | | | | **(61,798)** | (110,459) |
| Interest income | | | | | | | **13,514** | 42,474 |
| Share of profits and losses of: | | | | | | | | |
| Joint ventures | **–** | – | **8,376** | (3,329) | **(38,840)** | (28,806) | **(30,464)** | (32,135) |
| Associates | **(4,600)** | (23,970) | **–** | – | **14,218** | 18,803 | **9,618** | (5,167) |
| Profit/(loss) before tax | | | | | | | **165,753** | (315,319) |
| Income tax expense | | | | | | | **(28,765)** | (3,731) |
| Profit/(loss) for the period | | | | | | | **136,988** | (319,050) |

## 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (30 September 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.

| | Nine months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current tax – Hong Kong | **106** | – |
| Current tax – Elsewhere | **32,419** | 8,497 |
| Deferred tax | **(3,760)** | (4,766) |
| Total tax expense for the period | **28,765** | 3,731 |

## 5. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2016 (30 September 2015: Nil).

## 6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings/(loss) per share are based on:

| | Nine months ended 30 September | |
|---|---|---|
| | **2016** | 2015 |
| | **(unaudited)** | (unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations | **146,889** | (301,938) |

| | Number of shares<br>Nine months ended 30 September<br>**2016**<br>**(unaudited)** | <br><br>2015<br>(unaudited) |
|---|---|---|
| **Shares** | | |
| Weighted average number of ordinary shares in issue less shares held for the Award Scheme during the period used in the basic earnings/(loss) per share calculation | **1,517,219,107** | 1,326,722,664 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **26,770,984** | – |
| Awarded shares | **36,603,755** | – |
| Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation | **1,580,593,846** | 1,326,722,664 |

The share options and awarded shares outstanding during the period ended 30 September 2015 had anti-dilutive effects on the basic loss per share amount presented, therefore, no adjustment had been made to the basic loss per share amount presented for such period in respect of the dilution.

## 7. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **30 September 2016 (unaudited)** ***HK$'000*** | 31 December 2015 (audited) *HK$'000* |
|---|---|---|
| **Current** | | |
| Bank loans – unsecured | **–** | 1,330,950 |
| Trust receipt loans – unsecured | **229,846** | 125,438 |
| Finance lease payables | **3,939** | 4,049 |
| | **233,785** | 1,460,437 |
| **Non-current** | | |
| Finance lease payables | **2,601** | 5,071 |
| | **236,386** | 1,465,508 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | **229,846** | 1,456,388 |
| Finance lease repayable: | | |
| Within one year | **3,939** | 4,049 |
| In the second year | **2,601** | 3,502 |
| In the third year | **–** | 1,569 |
| | **6,540** | 9,120 |
| | **236,386** | 1,465,508 |

*Notes:*

(a) As at 30 September 2016 and 31 December 2015, the carrying amounts of the Group's bank and other borrowings approximated to their fair values.

(b) As at 31 December 2015, TCL Corporation ("TCL Corporation", the ultimate holding company of the Company) had guaranteed certain of the Group's bank loans up to HK$720,850,000.

## 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 HK$1,132,259,000 (31 December 2015: HK$1,139,368,000) are unsecured, bear interest at a 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 HK$775,520,000 (31 December 2015: HK$7,751,000) was repayable within one year while the remaining amount of HK$356,739,000 (31 December 2015: HK$1,131,617,000) was repayable in the second year.

## 9. SHARE CAPITAL

| | **30 September 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: | | |
| 1,736,446,305 (31 December 2015: 1,386,361,214) shares of HK$1.00 each | **1,736,446** | 1,386,361 |

During the nine months ended 30 September 2016, the movements in the Company's issued share capital account were as follows:

(a) The subscription rights attaching to 1,024,000 and 211,091 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 1,235,091 shares of HK$1.00 each for a total cash consideration of HK$3,981,000 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 HK$2,267,525,000. The subscription was completed on 11 May 2016.

## 10. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform to current period's presentation and disclosures.

## 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 22nd 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 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 *('000 sets)*** | First three quarters of 2015 *('000 sets)* | **Change** |
|---|---|---|---|
| **LCD TVs** | | | |
| **Total** | **14,502** | 12,464 | 16.3% |
| – PRC Market | **6,725** | 6,365^ | 5.6% |
| – Overseas Markets | **7,777** | 6,099^ | 27.5% |
| **Of which: Smart TVs** | **7,489** | 4,184 | 79.0% |
| **4K TVs** | **2,722** | 1,247 | 118.2% |

^ Restated

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

(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

**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.

With continued product mix enhancements, 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.

According to CMM's report, TCL's LCD TV brand price index increased from 85 in the same period of last year to 93 for the first three quarters of 2016, reducing the disparity among major competitors.

During the period, the Group continued to promote the integration of online and offline channels. Proportion of sales volume from electronic business sales channels increased from 14.0% in the first three quarters of 2015 to 18.1% in the first three quarters of 2016.

**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.

Performance in the overseas markets for the first three quarters of 2016:

- 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**

Adhering to the development strategy of "double +" strategic transformation, the Group has actively established the TV+ service ecosystem, and built ecosystem for living room economy that focuses on family users, committing to enhancing the operational efficiency of the TV+. It will continue to promote video (including GoLive) and gaming as basic services, while education and lifestyle as differentiated services.

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).

- 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.

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. The Group will strive to achieve revenue target for internet services of approximately RMB100.00 million for the year of 2016.

**R&D**

The Group proudly introduced the high-end sub-brand XESS and its high-end products X1 and X2 series TVs at the autumn new product launch presentation held on 28 September 2016. These series are equipped with the best ever light-emitting material – Yue Cai quantum dot display material, to achieve a 110% of the industry's highest colour gamut. Among others, the X1 adopts the most advanced local dimming backlight technology, Dolby Vision High Dynamic Range (HDR) picture quality certification and Harman Kardon premium sound quality certification; while X2 is designed in the Nordic minimalist style with 7.9 mm ultra-thin and rimless design, truly reflecting the strong technological capability of the Group.

In addition, the Group was awarded the Quantum Dot Technology Gold Award in the selection of 2016 IFA Product Technical Innovation Award presented jointly by Deutscher Industrie und Handelskammertag ("DIHK") and International Data Group ("IDG") at The 56th IFA Consumer Electronic Fair held in Berlin, Germany on 2 September 2016. As one of the major Chinese home appliance exhibitors, the Group showcased its 65-inch 8K ultra high picture quality UHD Curved TV and other brand new flagship products at the event, including TCL QUHD TV Xclusive X1 and Cityline series TVs.

**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 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.

1. The Group will enhance four core competitiveness including product technology capabilities, industry capabilities, brand and globalisation capabilities and internet application service capabilities, so as to optimise product mix, enhance the influence of TCL brand and 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 (online to offline) business model, to further promote the integration of online and offline operations. The Group will also deepen strategic partnership with content providers to realise synergies and grasp the potential growth brought by the rapidly developing "internet +" economy.

3. The Group will continue to pursue internationalisation, and actively implement the TV+ strategy in the overseas markets; optimise product mix and expand diversified sales channels. It will also further consolidate and increase market share 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 is confident that it will be able to achieve the LCD TV sales volume target of 20.00 million sets for the year of 2016. The Group will take full advantage of the resources of TCL Corporation to establish differential advantages. In addition to gradually establishing multi-faceted internet-based capabilities, the Group will also 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.

## FINANCIAL REVIEW

### Significant Investments, Acquisitions and Disposals

On 4 March 2016, the Company and Barn Holding Pte. Limited, an independent third party, entered into a share purchase agreement pursuant to which the Company agreed to dispose 80% of its 100% equity interest in Million China International Holdings Limited ("Million China") to Barn Holding Pte. Limited for a consideration of approximately RMB45,253,000 (equivalent to approximately HK$53,434,000), subject to certain consideration adjustments. Million China is an investment holding company and its subsidiary, Lekun Warehousing (Wuxi) Co., Ltd., is engaged in property holding. The disposal was completed on 30 May 2016. Gain on disposal of subsidiaries amounted to approximately HK$815,000 was recorded in profit or loss during the period under review.

On 24 June 2016, TCL Overseas Consumer Electronics Limited ("OCE", a wholly-owned subsidiary of the Company) entered into a joint venture and shareholders' agreement with Semp Amazonas S.A. (an independent third party) to invest in a Brazilian company, Semp Industria E Comercio De Eletroeletronicos S.A. ("SSA"). Pursuant to the joint venture and shareholders' agreement, OCE agreed to contribute BRL80,000,000 (equivalent to approximately HK$190,264,000) to SSA, representing 40% of the enlarged share capital of SSA. The initial capital injection of BRL32,000,000 (equivalent to approximately HK$79,112,000) was completed on 1 August 2016.

Save as disclosed above, the Group had 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 30 September 2016 amounted to approximately HK$2,008,263,000 of which 0.7% was maintained in Hong Kong dollars, 45.3% in US dollars, 44.4% in Renminbi, 5.3% in Euro and 4.3% 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 30 September 2016 amounted to approximately HK$4,155,000 (31 December 2015: HK$5,057,000) and HK$2,509,000 (31 December 2015: HK$3,053,000), respectively.

As at 30 September 2016, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$2,008,263,000 were higher than the total interest-bearing borrowings of approximately HK$1,368,645,000. The maturity profile of the borrowings ranged from one to two years.

### Pledge of Assets

As at 30 September 2016, no asset of the Group was pledged (31 December 2015: pledged deposits of the Group amounting to approximately HK$80,881,000 were pledged for bills payable amounting to approximately HK$75,986,000).

### Capital Commitments and Contingent Liabilities

As at 30 September 2016, the Group had capital commitments of approximately HK$123,519,000 (31 December 2015: HK$20,858,000) and HK$264,087,000 (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 30 September 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 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 30 September 2016, the Group had a total of 25,648 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 individuals and the Group. In order to align the interests of staff with those of shareholders, share options were granted to relevant grantees, including employees of the Group, under the Company's share option scheme. Share options for subscription of a total of 174,335,043 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 the rules of the Award Scheme, existing shares would be purchased from the market or new shares would be subscribed for by a designated trustee, BOCI-Prudential Trustee Limited, out of cash contributed by the Company, and would be held on trust for the relevant grantees, including employees of the Group, 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 nine months ended 30 September 2016.

## CORPORATE GOVERNANCE

The Company has established and will continue to optimise risk management and internal control system. The Company reports to the Board and the subordinated audit committee ("Audit Committee") the governance situation and the improvement progress of the Company regularly to strengthen the collaboration on corporate governance between the Board and the management continuously, and fulfill the respective responsibilities in terms of 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 nine months ended 30 September 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation from the Code Provisions A.6.7, D.1.4 and F.1.1.

**Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.**

Due to other pre-arranged business commitments which must be attended to by each of them, Mr. HUANG Xubin, Mr. Winston Shao-min CHENG and Mr. Abulikemu ABULIMITI, all being non-executive directors of the Company; and Mr. Robert Maarten WESTERHOF and Professor WANG Yijiang, both being independent non-executive directors of the Company, were not present at the annual general meeting of the Company held on 18 May 2016. However, Mr. Albert Thomas DA ROSA, Junior, being a non-executive director of the Company; and Dr. TSENG Shieng-chang Carter and Professor SO Wai Man Raymond, both being independent non-executive directors of the Company, were present at the annual general meeting to ensure an effective communication with the shareholders thereat.

**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, Ms. XU Fang, Mr. Winston Shao-min CHENG, Mr. Abulikemu ABULIMITI, Professor SO Wai Man Raymond and Professor WANG Yijiang) 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.

**Under Code Provision F.1.1, the company secretary should be an employee of the Company and have the day to-day knowledge of the Company's affairs.**

Ms. PANG Siu Yin ("Ms. PANG"), the company secretary of the Company until her resignation which took effect on 13 August 2016, and Ms. CHOY Fung Yee ("Ms. CHOY"), the current company secretary of the Company appointed with effect from 13 August 2016, are not employees of the Company.

Ms. PANG was a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors. Ms. PANG has been appointed as the company secretary of the Company since 1999 until her resignation. Ms. CHOY is a partner of the Company's legal advisor, Messrs. Cheung Tong & Rosa Solicitors.

The Company has also assigned Mr. SIN Man Lung, financial controller of the Company, as the contact person with Ms. PANG (during her office) and Ms. CHOY. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. PANG (during her office) and Ms. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors and the Group, Ms. PANG (during her office) and Ms. CHOY are both very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that Ms. PANG (during her office) and Ms. CHOY would get hold of the Group's development promptly without material delay and with their expertise and experience, the Board is confident that having Ms. PANG (during her office) and Ms. CHOY as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 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, being 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, 24 October 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, HUANG Xubin, Winston Shao-min CHENG and Abulikemu ABULIMITI as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.*