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 2017

FINANCIAL HIGHLIGHTS
Unaudited results for the three months ended 31 March

	2017	2016	**Change**
	(HK$M)	*(HK$M)*	
Turnover	**8,480**	7,358	15.3%
Gross profit	**1,335**	1,383	(3.5%)
Operating profit	**100**	130	(22.8%)
Net profit after tax	**78**	76	1.9%
Profit attributable to owners of the parent	**81**	74	10.2%
Basic earnings per share *(HK cents)*	**4.92**	5.55	(11.4%)

BUSINESS HIGHLIGHTS OF THE GROUP FOR THE THREE MONTHS 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.

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 2017 with comparative figures for the previous period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 31 March	
		2017	2016
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	3	**8,479,735**	7,357,587
Cost of sales		**(7,144,627)**	(5,974,464)
Gross profit		**1,335,108**	1,383,123
Other revenue and gains		**86,878**	82,970
Selling and distribution expenses		**(943,846)**	(931,413)
Administrative expenses		**(258,286)**	(294,721)
Research and development costs		**(115,575)**	(109,925)
Other operating expenses		**(3,853)**	–
		100,426	130,034
Finance costs		**(18,633)**	(28,121)
Share of profits and losses of:			
Joint ventures		**(5,779)**	(9,782)
Associates		**13,235**	404
PROFIT BEFORE TAX		**89,249**	92,535
Income tax	4	**(11,732)**	(16,435)
PROFIT FOR THE PERIOD		**77,517**	76,100
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		**1,248**	(27,839)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		**(23,756)**	(5,299)
		(22,508)	(33,138)

	Notes	Three months ended 31 March **2017** **(unaudited)** ***HK$'000***	2016 (unaudited) *HK$'000*
Exchange fluctuation reserve:			
Translation of foreign operations		**46,489**	23,832
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		**23,981**	(9,306)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**101,498**	66,794
Profit/(loss) attributable to:			
Owners of the parent		**81,398**	73,880
Non-controlling interests		**(3,881)**	2,220
		77,517	76,100
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**104,650**	63,942
Non-controlling interests		**(3,152)**	2,852
		101,498	66,794
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic		**HK4.92 cents**	HK5.55 cents
Diluted		**HK4.81 cents**	HK5.28 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 March 2017 (unaudited)** *HK$'000*	31 December 2016 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,801,141**	1,819,152
Prepaid land lease payments		**121,340**	121,212
Goodwill		**134,933**	134,933
Other intangible assets		**1,068**	1,094
Investments in joint ventures		**30,916**	36,651
Investments in associates		**675,735**	597,618
Available-for-sale investments		**100,871**	100,126
Deferred tax assets		**35,384**	34,729
Total non-current assets		**2,901,388**	2,845,515
CURRENT ASSETS			
Inventories		**4,479,432**	4,349,253
Trade receivables		**4,408,223**	5,100,561
Bills receivable		**3,867,370**	2,839,571
Other receivables		**1,386,267**	1,270,859
Tax recoverable		**27,764**	21,270
Cash and bank balances		**3,963,434**	3,882,361
Total current assets		**18,132,490**	17,463,875
CURRENT LIABILITIES			
Trade payables		**7,271,782**	7,373,298
Bills payable		**913,383**	1,002,284
Other payables and accruals		**3,626,309**	3,609,638
Interest-bearing bank and other borrowings	7	**2,142,333**	1,353,943
Tax payable		**38,988**	61,696
Provisions		**338,378**	331,800
Total current liabilities		**14,331,173**	13,732,659
NET CURRENT ASSETS		**3,801,317**	3,731,216
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,702,705**	6,576,731

	Notes	**31 March 2017 (unaudited)** *HK$'000*	31 December 2016 (audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,702,705**	6,576,731
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	7	**872**	1,700
Deferred tax liabilities		**17,771**	18,686
Total non-current liabilities		**18,643**	20,386
Net assets		**6,684,062**	6,556,345
EQUITY			
Equity attributable to owners of the parent			
Issued capital	8	**1,737,962**	1,736,446
Reserves		**4,845,352**	4,715,999
		6,583,314	6,452,445
Non-controlling interests		**100,748**	103,900
Total equity		**6,684,062**	6,556,345

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 2016, 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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group is not required to provide additional disclosures in these condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

(b) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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**	
	2017 (unaudited)	2016 (unaudited) (restated)	**2017 (unaudited)**	2016 (unaudited) (restated)	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**4,817,970**	4,957,106	**3,619,145**	2,380,017	**42,620**	20,464	**8,479,735**	7,357,587
Segment results	**93,412**	159,286	**84,842**	38,335	**(28,862)**	(4,463)	**149,392**	193,158
Corporate expenses, net							**(55,553)**	(66,751)
Finance costs							**(18,633)**	(28,121)
Interest income							**6,587**	3,627
Share of profits and losses of:								
Joint ventures	**–**	–	**(1,025)**	2,275	**(4,754)**	(12,057)	**(5,779)**	(9,782)
Associates	**(2,740)**	(2,724)	**6,498**	–	**9,477**	3,128	**13,235**	404
Profit before tax							**89,249**	92,535
Income tax							**(11,732)**	(16,435)
Profit for the period							**77,517**	76,100

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (31 March 2016: 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	
	2017	2016
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**375**	53
Current – Elsewhere	**12,390**	17,459
Deferred	**(1,033)**	(1,077)
Total tax charge for the period	**11,732**	16,435

5. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2017 (31 March 2016: 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	
	2017	2016
	(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	**81,398**	73,880

	Number of shares	
	Three months ended 31 March	
	2017	2016
	(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	**1,653,412,265**	1,331,813,577
Effect of dilution – weighted average number of ordinary shares:		
Share options	**8,232,244**	26,699,120
Awarded shares	**30,845,893**	41,265,994
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**1,692,490,402**	1,399,778,691

7. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 March 2017	31 December 2016
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Current		
Bank loans – unsecured	**1,745,770**	850,549
Trust receipt loans – unsecured	**224,450**	332,551
Other loans	**168,293**	167,051
Finance lease payables	**3,820**	3,792
	2,142,333	1,353,943
Non-current		
Finance lease payables	**872**	1,700
	2,143,205	1,355,643
Analysed into:		
Bank and other loans repayable:		
Within one year or on demand	**2,138,513**	1,350,151
Finance lease repayable:		
Within one year	**3,820**	3,792
In the second year	**872**	1,700
	4,692	5,492
	2,143,205	1,355,643

Notes:

(a) As at 31 March 2017 and 31 December 2016, 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$473,080,000 (31 December 2016: HK$100,626,000) as at the end of the reporting period.

8. SHARE CAPITAL

	31 March 2017 (unaudited) *HK$'000*	31 December 2016 (audited) *HK$'000*
Authorised:		
2,200,000,000 shares of HK$1.00 each	**2,200,000**	2,200,000
Issued and fully paid:		
1,737,961,608 (31 December 2016: 1,736,446,305) shares of HK$1.00 each	**1,737,962**	1,736,446

During the three months ended 31 March 2017, the subscription rights attaching to 286,500 and 1,228,803 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 1,515,303 shares of HK$1.00 each for a total cash consideration of approximately HK$5,184,000 before expenses.

BUSINESS REVIEW OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2017

In the first quarter of 2017, overall sales volume of TVs in the PRC market decreased, and market competition intensified. In addition, unfavourable factors such as the panel price remaining at a high level, have continued to negatively affect the earnings of TV industry. According to CMM's report, sales volume and turnover in the PRC TV market dropped by 12.5% and 6.0% year-on-year, respectively during the period.

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 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 hosted a product launch presentation of its new internet brand in Beijing, China on 29 March. At the product launch themed as "Made a Different World", the Group 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 Group's sales volume of LCD TVs by region 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**
LCD TVs	**4,702**	4,203	11.9%
Total			
– PRC market	**2,216**	2,401	(7.7%)
– Overseas markets	**2,486**	1,802	38.0%
Of which: Smart TVs	**3,089**	2,079	48.6%
4K TVs	**1,099**	745	47.6%

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

According to CMM's report, in the first quarter of 2017, the sales volume and revenue of TV industry dropped by 12.5% and 6.0% year-on-year, respectively. Impacted by this situation, the Group's LCD TV sales volume decreased year-on-year by 7.7% to 2.22 million sets.

In addition, according to CMM's report, the average selling price of TV industry rose by 7.4% year-on-year. The average selling price of the Group's LCD TVs (excluding ODM business) would have increased by 14.8% if it was calculated in Renminbi. Due to 5.4% depreciation in the average exchange rate of Renminbi against Hong Kong dollars compared to the same period of last year, the average selling price of the Group's LCD TVs (excluding ODM business) increased by 9.4% year-on-year after it was converted and calculated in Hong Kong dollars, and by 5.8% quarter-on-quarter.

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 optimization, 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.

According to CMM's report, TCL's LCD TV brand price index increased from 91 in the first quarter of 2016 to 95, ranking No. 3.

Proportion of sales volume from electronic business sales channels decreased from 22.4% in the first quarter of 2016 to 18.7% in the first quarter of 2017.

Overseas Markets

Benefiting from sales channels expansion and active development in new emerging market, 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, the average selling price increased by 10.2% year-on-year.

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 that covers several million hours of copyright content, including tens of thousands of domestic and foreign TV series and movies, as well as plentiful resources such as live sports matches, animations and documentaries. 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, to target the market of younger generations.

In the first quarter of 2017, the user numbers of various internet businesses have shown rapid growth. 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.

The Group's internet business recorded an increase of 316% year-on-year in the turnover to approximately RMB15.74 million in the first quarter of 2017.

R&D

During the period under review, the Group presented the grand debut of the latest XESS X2 and X3 series TV with the third generation of quantum dot technology as well as various technological upgrades and innovative functions. The third generation of quantum dot products adopts the inorganic three primary colors quantum dot display material that achieves 110% of the industry's highest colour gamut. They are also equipped with ultra-thin and borderless design, QUHD display quality engine, Dolby Vision High Dynamic Range technology, MEMC (Motion Estimated Motion Compensation) technology and Harman Kardon audio system, achieving significant breakthroughs in technology.

Furthermore, the new C2 Theater TV is equipped with the premium Harman Kardon audio system which consists of independent speakers and features DTS sound processing technology. With an excellent sound quality, users can enjoy the live experience as if they were at a real event. Besides, the newly launched P series curved TV P3 represents another breakthrough in TCL's curved TV technologies. It adopts the world's advanced 4000R golden curvature screen to expand the user's viewing field and create striking visual effects, so as to strengthen the core competitiveness of the TCL brand.

Moreover, the Group introduced the new internet TV brand "FFALCON" and its four new TV products, namely I55, I55C, I49 and I32. Of which, the I55 TV series equipped with a 4K large screen, all ecological High Dynamic Range, smart definition, voice control and other advanced technologies, bringing the users a unique sensory experience.

Outlook

Looking ahead, while the global economy continues to recover slightly, it is still beset with a number of uncertainties. Influenced by the slowing market demand growth in the PRC, the rise in cost, and the ferocious competition from internet TV brands, the TV industry is rife with challenges.

The Group 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 forge core competitiveness. It will continue to promote strategic transformation of twin drivers of "double +" and internationalisation. Meanwhile, the Group 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.

The "efficiency is basis, structure is core, profit is goal" operation philosophy: Focus on "two-up and two-down" as operating strategy to increase the proportion of products with high gross profit and low cost channels while decreasing system costs and asset turnover days; implement structure-based competitive strategy including flagship product strategy, new product category and new technology; continue to foster the establishment of four core competitiveness including product technology capabilities, industry capabilities, brand and channel capabilities as well as internet application and service capabilities; streamline organization, optimise processes and enhance personnel efficiency.

1. The Group will continue to implement the "double +" strategic transformation. It will establish a customer-centric ecosystem based on platform operation to develop new business models; optimise software and hardware experiences, integrate product and operation platforms to optimise user experience and enhance platform capability; and actively implement the TV+ business strategy in the overseas markets.

2. The Group will continue to pursue internationalisation. It will focus on branding by strengthening brand investment and enhancing brand image; enhance efficiency and structural transformation to establish operating models with healthy and steady growth; and strengthen and enhance existing businesses while focusing on breakthroughs in the key markets.

3. The Group will enhance core competitiveness and operation efficiency. It will continue to innovate and enhance R&D capability to maintain product competitiveness; implement intelligent manufacturing and strengthen industrial manufacturing capability; and optimise business and workflow to enhance operational efficiency and decrease system costs.

The LCD TV sales volume target for the year of 2017 is set as 22.00 million sets. The Group will take full advantage of the resources of TCL Corporation to continually improve the product structure and fortify the core competitiveness of the enterprise, so as to gradually establish and anchor its 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 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 TCL 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$196,063,000) to SSA, representing 40% of the enlarged share capital of SSA. The initial, second and third capital injections of BRL32,000,000 (equivalent to approximately HK$79,112,000), BRL24,000,000 (equivalent to approximately HK$56,179,000) and BRL24,000,000 (equivalent to approximately HK$60,772,000) respectively were completed on 1 August 2016, 10 October 2016 and 17 March 2017 respectively.

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 2017 amounted to approximately HK$3,963,434,000, of which 0.5% was maintained in Hong Kong dollars, 49.6% in US dollars, 46.7% in Renminbi, 1.2% in Euros and 2.0% 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 2016. 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 2017 amounted to approximately HK$3,535,000 (31 December 2016: HK$3,755,000) and HK$2,134,000 (31 December 2016: HK$2,267,000), respectively.

As at 31 March 2017, the Group's gearing ratio was 0% since the Group's cash and bank balances of approximately HK$3,963,434,000 were higher than the total interest-bearing borrowings of approximately HK$2,143,205,000. The maturity profile of the borrowings ranged from one to two years.

Pledge of Assets

As at 31 March 2017, no asset of the Group was pledged (31 December 2016: Nil).

Capital Commitments and Contingent Liabilities

As at 31 March 2017, the Group had capital commitments of approximately HK$16,558,000 (31 December 2016: HK$75,690,000) and HK$254,882,000 (31 December 2016: HK$253,075,000) 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 2016 annual report.

Pending Litigation

The Group was not involved in any material litigation as at 31 March 2017.

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 2017, the Group had a total of 21,765 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 160,960,002 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 2017.

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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, except for the deviation from the Code Provisions D.1.4 and F.1.1. The reasons for the deviations from the Code Provisions D.1.4 and F.1.1 remain the same as that stated in the Company's 2016 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, Ms. XU Fang, Mr. Winston Shao-min CHENG*, Mr. Abulikemu ABULIMITI, Mr. LIU Hong*, 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 ("Articles"), 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.

* *Mr. Winston Shao-min CHENG resigned as a non-executive director of the Company with effect from 7 April 2017, while Mr. LIU Hong was appointed as a non-executive director of the Company with effect from 7 April 2017.*

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. CHOY Fung Yee ("Ms. CHOY"), the company secretary of the Company, is not an employee of the Company.

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. 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. CHOY through the contact person assigned. Given the long-term relationship between Messrs. Cheung Tong & Rosa Solicitors and the Group, Ms. CHOY is 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. CHOY would get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having 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 financial statements for the three months ended 31 March 2017, 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, 26 April 2017

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, Abulikemu ABULIMITI and LIU Hong as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter, SO Wai Man Raymond and WANG Yijiang as independent non-executive directors.