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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)

ANNOUNCEMENT ON BUSINESS UPDATE FOR THE NINE MONTHS AND THREE MONTHS ENDED 30 SEPTEMBER 2017

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

The Board of the Company is pleased to announce a business update on certain unaudited financial and operational information of the Group for the nine months and three months ended 30 September 2017.

For the nine months ended 30 September 2017:

With continuous increase in sales volume, turnover and average selling price, the Group's business operation and profitability for the third quarter of 2017 improved significantly:

- The sales volume, average selling price and turnover of liquid-crystal-display ("LCD") TVs in the first three quarters and the third quarter increased year-on-year.
- The Group sold approximately 16.12 million sets of LCD TVs, increased by approximately 11.1% year-on-year. Sales volume of the LCD TVs in the PRC market dropped by approximately 10.1% year-on-year to approximately 6.05 million sets; while sales volume of LCD TVs in the overseas markets grew by approximately 29.5% year-on-year to approximately 10.07 million sets.

- Turnover of the Group recorded a year-on-year growth of approximately 19.3% to approximately HK\$28.25 billion. Gross profit increased by approximately 4.2% year-on-year to approximately HK\$4.22 billion.
- Benefiting from the strategy of “Optimising Product Mix, Downsizing, Cost Reduction, Efficiency Enhancement” as well as effective cost control, the Group’s gross profit increased year-on-year, achieving a significant improvement in its profitability.
- The accumulated number of TCL activated smart TV users of the Group totalled 21,764,819, and the daily average number of active users in September 2017 was 9,875,658 (Source: Huan Technology Co., Ltd.).
- The Group ranked No.3 in the global LCD TV market with a market share of approximately 7.1% in the first half of 2017 according to the latest IHS Technology figures, and ranked No.3 in the PRC LCD TV market with a market share of approximately 13.6% in the first three quarters of 2017 according to CMM’s report.

This announcement is made by TCL Multimedia Technology Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

The Board of the Company is pleased to announce a business update on certain unaudited financial and operational information of the Group for the nine months and three months ended 30 September 2017.

With continuous increase in sales volume, turnover and average selling price, the Group’s business operation for the third quarter of 2017 improved significantly; profitability also greatly enhanced:

- The sales volume, average selling price and turnover of LCD TVs in the first three quarters and the third quarter increased year-on-year
- With the continuous enhancement of the Group’s product mix in the PRC market, the Group’s sales performance was well above the industry average level
- The growth momentum in the overseas markets remained strong with definite competitive advantages

- The overall gross profit margin dropped mainly due to the following factors: 1) the proportion of the overseas business and the PRC’s online business with lower gross profit margin ratio and expense ratio have increased; 2) the panel price only began to fall significantly from the third quarter and hence its influence on cost has yet to be reflected and will only be reflected on the gross profit margin in the coming one to three months
- Despite the year-on-year decrease of the gross profit margin, profitability improved significantly through the continuous implementation of the strategy of “Downsizing, Cost Reduction, Efficiency Enhancement”, which led to effective cost control and maintained the downward trend of expense ratio

The Group sold approximately 16.12 million sets of LCD TVs, increased by approximately 11.1% year-on-year. Sales volume of the LCD TVs in the PRC market dropped by approximately 10.1% year-on-year to approximately 6.05 million sets; while sales volume of LCD TVs in the overseas markets grew by approximately 29.5% year-on-year to approximately 10.07 million sets.

Turnover of the Group recorded a year-on-year growth of approximately 19.3% to approximately HK\$28.25 billion. Gross profit increased by approximately 4.2% year-on-year to approximately HK\$4.22 billion.

The Group ranked third in the global LCD TV market with a market share of approximately 7.1% in the first half of 2017 according to the latest IHS Technology figures, and ranked No.3 in the PRC LCD TV market with a market share of approximately 13.6% in the first three quarters of 2017 according to CMM’s report.

The PRC Market

According to CMM’s report, the sales volume of LCD TVs offline market in the first three quarters of 2017 decreased by approximately 19.7% year-on-year. The Group’s LCD TV sales volume dropped approximately 10.1% year-on-year to approximately 6.05 million sets, yet its sales performance was better than the average level in the industry.

Due to the optimisation of product mix and the rise of average selling price of LCD TVs, turnover of the LCD TVs rose by approximately 2.3% year-on-year in Renminbi. As a result of the approximately 2.7% depreciation in the average exchange rate of Renminbi against Hong Kong dollars compared to the corresponding period last year, turnover when converted into Hong Kong dollars remained flat.

According to CMM’s report, the average selling price of LCD TVs in the offline market increased by approximately 14.0% year-on-year. The average selling price of LCD TVs of the Group (excluding ODM business) rose approximately 19.3% year-on-year in Renminbi.

Gross profit margin decreased due to the following factors: 1) the proportion of online business with lower gross profit margin and expense ratio has increased; 2) the panel price only began to fall significantly from the third quarter and hence its the influence on the cost has yet to be reflected and will only be reflected in the fourth quarter.

Overseas Markets

Sales volume and turnover in the overseas markets increased significantly, becoming the key driver for business growth.

LCD TV sales volume increased by approximately 29.5% year-on-year to approximately 10.07 million sets, which was mainly attributable to the increase in sales performance in the North American market and the emerging markets such as Brazil, etc.. Sales volume in the North American market and the emerging markets rose by approximately 97.4% and approximately 22.8%, respectively.

LCD TV turnover was up by approximately 45.7% year-on-year to approximately HK\$14.80 billion.

The product mix has been optimised as the Group propelled its CBUS (curved, big screen, 4K and smart) strategy (excluding ODM business), the average selling price rose by approximately 12.5% year-on-year.

According to NPD's latest market research report, the Group's market share in North America rose to approximately 16.3% in August this year from approximately 10.4% in June this year and the Group rose to the third place in terms of market share.

Internet Business

The Group has actively improved and strengthened its ecosystem, enhancing its competitiveness in the establishment of the platform and users' operation.

- Video-on-demand business totalled approximately 20.68 million users, increased by approximately 33.6% when compared to the first three quarters of 2016.
- Paid business totalled approximately 218,000 users, increased significantly by approximately 289.0% when compared to the first three quarters of 2016.
- Average spending time of users on TV reached approximately 4.9 hours, similar to that in the first three quarters of 2016.

Financial Highlights:

| | | 2017 | 2016 | | 2017 | 2016 | |
|----------------|----------|---------------|--------|------------|---------------|-------|------------|
| | | Q1-Q3 | Q1-Q3 | Change | Q3 | Q3 | Change |
| LCD TV Sales | Overall | 16,115 | 14,502 | 11.1% | 6,511 | 5,945 | 9.5% |
| Volume | PRC | 6,046 | 6,725 | (10.1%) | 2,180 | 2,444 | (10.8%) |
| ('000 sets) | Overseas | 10,068 | 7,777 | 29.5% | 4,332 | 3,501 | 23.7% |
| LCD TV Average | Overall | 1,747 | 1,625 | 7.5% | 1,723 | 1,585 | 8.7% |
| Selling Price | PRC | 2,209 | 1,994 | 10.8% | 2,206 | 1,971 | 11.9% |
| (HK\$) | Overseas | 1,469 | 1,306 | 12.5% | 1,479 | 1,315 | 12.5% |
| Turnover | Overall | 28,248 | 23,675 | 19.3% | 11,225 | 9,448 | 18.8% |
| (HK\$ million) | PRC | 13,427 | 13,459 | (0.2%) | 4,815 | 4,836 | (0.4%) |
| | Overseas | 14,821 | 10,216 | 45.1% | 6,411 | 4,612 | 39.0% |
| Gross Profit | Overall | 4,220 | 4,049 | 4.2% | 1,594 | 1,579 | (0.9%) |
| (HK\$ million) | PRC | 2,597 | 2,794 | (7.1%) | 906 | 1,021 | (11.3%) |
| | Overseas | 1,623 | 1,255 | 29.3% | 688 | 558 | 23.4% |
| Gross Profit | Overall | 14.9 | 17.1 | (2.2 p.p.) | 14.2 | 16.7 | (2.5 p.p.) |
| Margin (%) | PRC | 19.3 | 20.8 | (1.5 p.p.) | 18.8 | 21.1 | (2.3 p.p.) |
| | Overseas | 11.0 | 12.3 | (1.3 p.p.) | 10.7 | 12.1 | (1.4 p.p.) |

Enhancement in Product Mix and Brand Index

| | PRC Market | | Overseas Markets | |
|--|--------------------------|------------|--------------------------|------------|
| | (Excluding ODM Business) | | (Excluding ODM Business) | |
| | 2017 Q1-Q3 | 2016 Q1-Q3 | 2017 Q1-Q3 | 2016 Q1-Q3 |
| Proportion of smart TV sales volume | 74.7% | 63.1% | 77.4% | 58.9% |
| Proportion of 4K TV sales volume | 40.4% | 34.3% | 23.2% | 15.2% |
| Proportion of 55 inch or above products sales volume | 35.3% | 26.5% | 18.7% | 15.4% |
| Proportion of curved TV sales volume | 14.4% | 8.9% | 1.8% | 1.6% |
| Proportion of online sales volume | 22.4% | 18.1% | N/A | N/A |
| Average size | 45.4" | 43.8" | N/A | N/A |
| Brand index (Note) | 98 | 93 | N/A | N/A |

Note: CMM

Internet Business:

| | 2017 | 2016 |
|--|----------------------|---------------|
| Internet business income in Q1-Q3 (RMB) ⁽¹⁾ | 66.40 million | 35.84 million |
| Accumulated number of TCL activated smart TV users as of 30 September ⁽²⁾ | 21,764,819 | 15,745,216 |
| Daily average number of active users in September ⁽³⁾ | 9,875,658 | 6,734,969 |
| Average spending time of users on TV in Q1-Q3 (hours) | 4.9 | 4.9 |

⁽¹⁾ Upon completion of the capital increase of Shenzhen Thunderbird Network Technology Company Limited (“Thunderbird Technology”) on 1 September 2017, Thunderbird Technology is no longer the subsidiary of the Company. For details, please refer to the Company’s announcements dated 2 July 2017 and 1 September 2017.

⁽²⁾ Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once

⁽³⁾ Daily average number of active users refers to the number of unrepeated individual users who visit within 7 days

The Board wishes to remind shareholders and potential investors of the Company that the above financial and operating data are based on the Group’s management accounts which have not been audited or reviewed by auditors. Accordingly, figures and discussions contained in this announcement should in no way be regarded as any indication or assurance on the financial results of the Group for the nine months ended 30 September 2017. Shareholders and potential investors of the Company are cautioned not to place undue reliance on such data.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

On behalf of the Board
BO Lianming
Chairman

Hong Kong, 24 October 2017

As at the date of this announcement, the Board comprises BO Lianming, WANG Cheng Kevin, YAN Xiaolin and WANG Yi Michael as executive directors, Albert Thomas DA ROSA, Junior, HUANG Xubin, LIU Hong and LIANG Jun as non-executive directors and Robert Maarten WESTERHOF, TSENG Shieng-chang Carter and WANG Yijiang as independent non-executive directors.