

*For Immediate Release*

## **TCL Multimedia Announces 2014 Annual Results**

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**The “double +” strategy was steadily pursued with fruitful results  
Gradually transforming into a global entertainment technology enterprise**

**Targeted LCD TV sales volume at 17.50 million sets for 2015**

### **Highlights:**

- For the year ended 31 December 2014:
  - Turnover amounted to HK\$33,526 million, down by 15.1% year-on-year;
  - Gross profit margin was 16.4%;
  - Operating profit was HK\$621 million;
  - Net profit after tax was HK\$246 million. Profit attributable to owners of the parent was HK\$234 million (including the one-off gain of HK\$159 million recorded from closure of certain subsidiaries).
- The Board of Directors proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.
- The PRC Market:
  - Sales volume of LCD TVs in the PRC Market decreased by 14.1% year-on-year to 8.51 million sets. Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the overall weak market demand, the cross-industry competition from internet enterprises and the inadequacies in selling capabilities. The sales performance of the Group’s high-end product still lagged behind its key competitors.
- Overseas Markets:
  - Sales volume of LCD TVs in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets, of which the sales volume of LCD TVs in the Strategic ODM business rose by 48.6% year-on-year to 2.41 million sets.
- The “double +” strategy was steadily pursued during the year with fruitful results:
  - The number of activated smart TV users of the Group for the year was 2,474,271 and up to an accumulated total of 6,746,610. The daily average number of active user for 7 days was 2,268,959. (Source: Huan Technology Co., Ltd. (“Huan”))
  - The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV etc., and introduced an innovative Golive TV home theatre service. In particular, the new flagship TV+ model H9700, the first Quantum Dot TV in the PRC, is not only a milestone breakthrough for TCL in the field of display technologies, but also represented one of the important moves made as part of its efforts in continuous upgrading of the TV+ Home Entertainment TV series.

(2 March 2015, Hong Kong) – **TCL Multimedia Technology Holdings Limited** (“TCL Multimedia” or “the Group”, HKSE stock code: 01070) today announced its audited consolidated annual results for the year ended 31 December 2014.

## **Performance Overview**

The Group improved its gross profit margin from 13.7% of last year to 16.4% through optimising its product mix and implementing cost control measures, coupled with the one-off gain recorded from closure of certain subsidiaries. The Group returned to profitability yet the overall business performance failed to meet expectations. The Group achieved a turnover of HK\$33,526 million, down by 15.1% year-on-year. Expense ratio edged up from 14.2% of last year to 15.2%. Operating profit was HK\$621 million. Net profit after tax was HK\$246 million. Profit attributable to owners of the parent was HK\$234 million (The Group's actual profit attributable to owners of the parent of the quarter would have been HK\$75.57 million after excluding the one-off gain of HK\$159 million recorded from closure of certain subsidiaries). The Group's basic earnings per share was HK17.76 cents.

The Board of Directors proposed a final dividend of HK5.28 cents per share, dividend payout ratio for the year was approximately 30%.

The Group sold 16.57 million sets of LCD TVs in 2014, down by 3.5% year-on-year. Sales volume of LCD TVs in the PRC Market decreased by 14.1% year-on-year to 8.51 million sets. Sales volume of LCD TVs in the Overseas Markets increased by 10.8% year-on-year to 8.06 million sets, of which the sales volume of LCD TVs in the Strategic ODM business rose by 48.6% year-on-year to 2.41 million sets. According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No.3 in the PRC market with a market share of 16.0%.

Since the operating results of the year substantially fell short of the preset targets, the Board of the Group made significant adjustments in terms of business strategies and organizational structure by establishing a Strategy Executive Committee in October, which is responsible for the overall business coordination. Mr. BO Lianming, Executive Director of the Group, was appointed as the Chairman of the Strategy Executive Committee. Operating strategies of the Group were rectified with adjustments and enhancements in certain management positions.

## **The PRC Market**

Average selling price and profit were under pressure while sales volume and revenue decreased year-on-year due to the overall weak market demand, the cross-industry competition from internet enterprises and inadequacies in the Group's selling capabilities. The Group has made significant adjustments in the business organisation and work flow of the PRC market since October, striving to change the passive situation of the business operation in the PRC. The management is confident that these revolutionary measures will begin to yield results from the second quarter of 2015.

The Group selected TCL TV+ Home Entertainment TV as a featured series and launched a number of new products and new services, including TCL-iQIYI TV+, TCL Mango TV+, Wechat-linked TV+, TCL Game TV Ecosystem Strategic Alliance, Curved TV and TCL TV+ Quantum Dot TV which led a revolution in TV display colours etc., driving growth in the sales volume of smart TVs, from 2.63 million sets last year to 3.49 million sets, contributing to 41.0% of the LCD TV sales volume in the PRC Market.

In terms of service strategies, TCL launched an innovative service in November 2014, Golive, which features movies that are previously available only on theatrical showing trails to TV home theatres, bringing to users the true enjoyment of watching blockbusters titles at home. Meanwhile, during the year, the Group participated in the Smart Home Business joint venture headed by TCL Corporation to jointly promote TCL Smart Home project.

To further strengthen the operation capabilities catering to smart TV users, the Group established an internet business center (formerly known as "internet business unit"). The accumulated number of activated smart TV users for the year enrolled by Huan was 2,474,271 and up to an accumulated total number of 6,746,610. The daily average number of active users for 7 days was 2,268,959.



The Group completed a RMB80 million capital injection to O2O platform of Huizhou Kuyu Network Technology Co., Ltd. for 16% of its enlarged registered capital in June 2014.

### **Overseas Markets**

The Group's sales volume and revenue also fell short of expectations, mainly due to the unsatisfactory sales performance in Brazil. Fluctuations in foreign exchange rates in some markets resulted in exchange losses as well.

After years' efforts in the European and North American Markets, sales volume in the North American Market has been recovering with TCL Roku smart TV 48FS4610R named "The Best TV of 2014" by "PC Magazine". The Group had been continuously enhancing its market share in the European Market. It ranked No.4 in the LCD TVs market in France (GfK figure) in 2014 with a market share of 7.5%. In the Emerging Markets, the Group focused its efforts in the countries which are highlights of development to enhance the awareness of TCL brand.

### **Outlook**

The traditional TV industry is faced with changing industry landscapes and competition has shifted to one among "product + services" from one among products. Looking ahead, The Group will continue to implement the "double +" strategic transformation, strengthen establishment of fundamental capabilities, improve quality of its business operations, and further pursue internationalization strategy by striving to make breakthroughs in key markets. The Group has targeted its annual sales revenue growth at 20.8% and LCD TV sales volume at 17.50 million sets for the year 2015.

The Group will continue to implement the "double +" strategic transformation and strengthen its capabilities in product technology innovation, software, various application and content service. The Group will also establish a competitive O2O business model and enhance its user management capability. The Group will continuously implement leading product strategy with TV+ as the featured product series and focus on enhancing the product mix of high-end products including curved, big-screen, ultra-high-definition, priced at above RMB7,000 and high colour domain products. In addition, the Group will proactively promote the development of O2O and increase its sales proportion. Meanwhile, the Group will derive revenue from operation services through expanding operable user base, establishing operable business model and innovating and incubating new internet businesses by adopting a user-oriented approach.

The group will continue to pursue internationalization strategy by enhancing operational efficiency in overseas business and expanding emerging markets such as India. The Group will continue to implement the Big screen, Ultra-high-definition and Smart TVs – (BUS) strategy, increase investments in brand building to raise the sales proportion of TCL brand in overseas markets. Meanwhile, the Group will concentrate resources in an effort to strike breakthroughs in key markets including France, United States, Brazil and India. In addition, the Group will vigorously exploit synergies with other businesses of TCL Corporation to raise the overall influence of the TCL brand in the overseas.

The Group will also seek to maximise utilities from its vertical integration along the industrial chain by strengthening industrial cooperation with Shenzhen China Star Optoelectronics Technology Co., Ltd., in order to strengthen establishment of fundamental capabilities and improve quality of its business operations. On the other hand, the Group will continue to enhance its operational efficiency through deepening sales channels and organisational reforms by eliminating the middle layers and establishing an integrated operational system, so as to lower costs and increase operational efficiency. The PRC and overseas businesses are expected to be back on the growth track through improvement on competitiveness, thus enhancing profitability.

Mr. Hao Yi, Chief Executive Officer of TCL Multimedia said, "During the year, TCL Multimedia steadily pursued the 'double +' strategy with fruitful results achieved. In the future, on top of 'double +' strategic transformation, we will strive to establish a new organisational structure and enhance our



capabilities in implementing strategic transformation, with an aim to enhance market share and awareness of the TCL brand worldwide, gradually transforming into a global entertainment technology enterprise and creating long-term enterprise value and returns for shareholders.”

The Group’s sales volume of TVs by regions during the year is as follows:

	2014	2013	Change
	(‘000 sets)	(‘000 sets)	
<b>LCD TVs</b>	<b>16,574</b>	17,184	(3.5%)
of which: LED backlights LCD TVs	<b>16,517</b>	16,661	(0.9%)
Smart TVs	<b>3,755</b>	2,800	+34.1%
- PRC Market	<b>8,509</b>	9,908	(14.1%)
- Overseas Markets	<b>8,065</b>	7,276	+10.8%

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### **About TCL Multimedia**

Headquartered in China, TCL Multimedia Technology Holdings Limited (HKSE stock code: 01070) is one of the leading players in the global TV industry, engaged in the research and development, manufacturing and distribution of consumer electronic products. Through a new product-and-user-oriented business model that focuses primarily on a “double +” strategy which includes “intelligence + internet” and “products + services” as the main direction, striving to become a global entertainment technology enterprise that provides integrated entertainment solution to customers. According to the latest DisplaySearch figures, the Group ranked No.4 in the global LCD TV market with a market share of 5.4% in 2014. TCL brand LCD TVs ranked No.3 in the PRC market with a market share of 16.0%.

For more information, please visit its website: <http://multimedia.tcl.com>

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