



(For Immediate Release)

TCL Multimedia Announces 2017 Annual Results

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**Product and Brand Competitiveness Increased Notably
Turnover Surpassed HK\$40.0 Billion for the First Time and Hit a Historic High**

**Profit Attributable to Owners of the Parent Surged by 345.7% Year-on-Year to
a Five-Year Record High of HK\$815 Million**

Financial highlights for the year ended 31 December 2017

(HK\$ million)	FY 2017	FY 2016	Change	2017 Q4	2016 Q4	Change
Turnover	40,822	33,361	22.4%	12,574	9,686	29.8%
Gross profit margin (%)	15.4	17.4	(2.0 p.p.)	16.6	18.2	(1.6 p.p.)
Expense ratio (%)	13.1	15.1	(2.0 p.p.)	12.6	14.3	(1.7 p.p.)
Profit attributable to the owners of the parent	815	183*	345.7%	305	36*	751.2%
EBITDA [@]	1,276	536*	138.2%	518	106*	389.6%
Basic earnings per share (HK cents)	47.43	11.40* [^]	316.1%	17.70	2.10* [^]	742.9%
Proposed dividend per share (HK cents)	15.07[#]	N/A	N/A	N/A	N/A	N/A

Notes:

@EBITDA is defined as profit before deduction of finance costs, income tax, depreciation and amortization, excluding the Group's share of the profits and losses of the joint venture and associates

** By adopting the prudence principle, a full provision of HK\$170 million for receivables of energy-saving subsidies was made during the period*

[^] Restated

Dividend for the year is HK18.97 cents per share, dividend payout ratio is 40%. As the shares increased due to the rights issue, the actual dividend payout ratio based on the net income is 51%

(29 March 2018, 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 2017.

Business Review

In 2017, with fierce competition in the TV market, the Group strengthened its product competitiveness and brand power and achieved high-quality growth by implementing revolutionary changes to pursue transformation, optimizing organization workflow, increasing operational efficiency, achieving synergies across the industries of the Group and enhancing the implementation of internationalisation strategy. The Group’s TV sales volume in 2017 surpassed 23 million sets, representing an increase of 16.4% year-on-year and outperforming the full-year sales target of 2017. The sales performance in the PRC market outperformed the industry average and the overseas markets continued to deliver remarkable performance with sales volume in both North American market and Brazilian market doubled. TCL’s market shares in the PRC and the global market continued to increase. The Group ranked No.3 in the global LCD TV market with a 10.9% market share in 2017, according to the latest IHS Technology and the Company’s shipment data. It ranked No.3 in the PRC LCD TV market with a 11.9% market share in 2017, according to CMM omni-channel data.

In 2017, the Group’s turnover surpassed HK\$40.00 billion for the first time in its history, hitting a historic high of HK\$40.82 billion and representing a 22.4% year-on-year increase. Gross profit grew by 8.3% year-on-year to



HK\$6.30 billion. Despite an increase in panel price and a change in business segment composition which led to a reduction in gross profit margin from 17.4% to 15.4% on a full-year basis, the gross profit margin rebounded rapidly from 14.2% in the third quarter to 16.6% in the fourth quarter as a result of the Group's continuous efforts in product innovation and product mix optimisation, and a decrease in panel price in the second half of the year. The expense ratio in 2017 was down to the lowest level since 2003 to 13.1% from 15.1% compared with the same period of last year, and saw a reduction for eight consecutive quarters. Operating profit was HK\$1.05 billion and net profit after tax was HK\$797 million. Profit attributable to owners of the parent surged by 345.7% year-on-year to a five-year record high of HK\$815 million, including a one-off gain of HK\$220 million from the completion of a capital increase of Shenzhen Thunderbird Technology Company Limited ("Thunderbird Technology"). Basic earnings per share was HK47.43 cents. The Board of Directors proposed a final dividend of HK15.07 cents per share (2017 interim dividend: HK3.90 cents per share; dividend for the year totaled HK18.97 cents).

Through consistent investment in technology and enhancement in product competitiveness, the Group achieved a remarkable increase in profits against the challenging operating environment. The growth was mainly attributable to the following:

1. Sales volume and turnover rose significantly on a full-year basis, thanks to the Group's committed efforts in seeking vertical supply chain integration. In the PRC market, the Group outperformed the industry average; in the overseas markets, especially in North American and Brazilian markets, the Group delivered outstanding performance;
2. Product competitiveness increased notably, leading to optimisation of product mix and significant increase in brand price index;
3. Benefitting from the decrease in panel price in the second half of the year, the Group's overall gross profit margin as well as that in the PRC market rebounded in the fourth quarter;
4. Continued to streamline its operations in a bid to lower cost and enhance efficiency, which resulted in a continual decrease in overall expense ratio;
5. Thunderbird Technology introduced Tencent Digital (Shenzhen) Company Limited as the second largest shareholder, thus generating a one-off gain upon completion of capital increase.

The PRC Market

Sales outperformed industry average: The Group adhered to its strategy of focusing on high-end products and continued to optimise its product mix and enhance its product competitiveness. Its sales volume rebounded in the fourth quarter of 2017 with a year-on-year increase of 15.9%. On a full-year basis, its LCD TV sales volume dropped slightly by 2.7% year-on-year to 9.16 million sets, outperforming the industry average. Owing to the increase in product competitiveness, TCL's brand price index continued to increase. According to CMM's report, TCL's brand price index rose to 104 in November and 108 in December 2017 respectively, putting TCL as the top player.

Revenue increased year-on-year: As a result of improved product mix and increased average selling price of LCD TVs, the full-year LCD TV sales revenue rose by 3.1% year-on-year to HK\$19.77 billion, of which revenue in the fourth quarter increased by 11.4% year-on-year to HK\$6.42 billion

Average selling price increase outpaced industry average: The average selling price of the Group's LCD TVs (excluding ODM business) rose by 15.6% year-on-year if computed in Renminbi.

Gross profit margin rebounded in the fourth quarter: Although the gross profit margin of LCD TVs (excluding ODM business) dropped by 2.0 percentage points year-on-year to 21.8% due to panel price increase, the gross profit



margin in the fourth quarter rose considerably to 22.6% in the fourth quarter from 20.3% in the third quarter, mainly due to the improvement in product mix and reduction in panel prices since the third quarter.

The proportion of mid-to-high-end products increased further in 2017 alongside continued product mix optimisation (data below excluded ODM business).

- Smart TV sales volume reached 5.57 million sets, which accounted for 76.3 % of the LCD TV sales volume in 2017, rising from 66.1% in 2016.
- 4K TV sales volume amounted to 3.11 million sets, which accounted for 42.7% of the LCD TV sales volume in 2017, rising from 36.3% in 2016.
- Market share of curved TVs was 33.6%, maintaining No.1 position (Source: CMM). Sales volume of curved TVs rose by 27.3% year-on-year to 1.08 million sets, which accounted for 14.8% of the LCD TV sales volume in 2017, increasing from 10.9% in 2016.
- The average size of TVs increased from 44.3 inches in the corresponding period of last year to 45.8 inches in 2017.

Overseas Markets

In 2017, the Group's LCD TV sales volume increased by 33.5% year-on-year to 14.07 million sets; turnover was up by 50.5% year-on-year to HK\$20.95 billion. In the fourth quarter of 2017, both sales volume and revenue of LCD TVs in the overseas markets posted significant growth, which grew by 44.7% to 4.00 million sets and 63.5% to HK\$6.16 billion year-on-year respectively. The overseas markets have become an important growth engine of the Group. In 2018, The Group has entered into a global brand ambassador agreement with Neymar Jr., which reinforce TCL's youthful and international brand image.

With regard to business development in emerging markets, in November 2017, the Group announced a subscription agreement with RV, one of Argentina's largest consumer electronics and home appliance manufacturers and distributors, for setting up a joint venture to enhance the TCL brand awareness and expand its market share in Argentina by leveraging the synergies and mutual benefits brought forth by the joint venture.

Performance in the overseas markets in 2017:

- In the North American market, the LCD TV sales volume surged by 131.5% year-on-year, doubling growth from the previous year. The Group actively expanded its sales and distribution channels and offered full coverage of the six major sales channels in North America. These efforts resulted in a continual increase in market share in the North American market. In 2017, its market share ranking in terms of sales volume rose to No.4, up from No. 6 in 2016. (Source: NPD).
- LCD TV sales volume in emerging markets rose by 21.5% year-on-year. Of which, the Brazilian market delivered remarkable performance, with a 149.6% increase in sales volume year-on-year.

The proportion of the Group's high-end products (excluding ODM business) as a percentage of total sales volume continued to rise,

- TVs with screen size of 55 inches and above: rose from 14.8% in 2016 to 20.6% in 2017.
- 4K TVs: increased from 14.8% in 2016 to 26.4% in 2017.
- Smart TVs: rose from 58.2% in 2016 to 77.6% in 2017.

Internet Business

As of 31 December 2017, the accumulated number of TCL activated smart TV users totaled 23,536,522, and the daily average number of active users in December 2017 was 10,809,751 (Source: Huan). FFalcon continued to enhance its operating capability, expand its user base, increase user loyalty, raise the commercial value of the platform, and form a model of income sources mainly from advertising and membership services, as well as various sources including development of data value-added service.

- Video-on-demand business totaled 21.97 million users, increased by 26.3% when compared to 2016.
- Paid business totaled 2.05 million users, increased by 199.0% when compared to 2016.
- Average spending time of users on TV reached 4.9 hours, which rose by 16% year-on-year, with user loyalty further strengthened.

The Group accelerated the transformation of internet businesses in 2017. Revenue model further optimised as video-on-demand and membership business grew significantly in absolute terms and as a percentage of total revenue, and the advertising income as a percentage of total revenue dropped, reflecting that the commercial monetisation ability of the Group's internet business has grown much stronger. The Group's internet business recorded a revenue of approximately RMB140 million during the year, achieving a substantial growth of 94.6% year-on-year.

Outlook

Mr. Kevin Wang, Chief Executive Officer of TCL Multimedia said, "TCL Multimedia will be changed to TCL Electronics as a better reflection of the diversified business development direction. We will consolidate and expand our existing TV business while exploring new business opportunities through investments, mergers and acquisitions, and restructuring. We will also actively develop smart AV and smart home businesses and open up new business growth opportunities based on the TV business. We will consolidate the TCL Corporation's internal and external quality assets in respect of household appliances, further strengthen the linkage among product technologies, industrial chain integration, branding channels, marketing, and international business, to maximise the advantages through synergies and become an internationally leading brand of consumer and household electronic products."

The Group's sales volume of LCD TVs by regions and the number of TCL smart TV users during the year were as follows:

	2017 (<i>'000 sets</i>)	2016 (<i>'000 sets</i>)	Change
LCD TVs	23,231	19,956	16.4%
Total			
— PRC Market	9,164	9,415	(2.7%)
— Overseas Markets	14,068	10,541	33.5%
Of which: Smart TVs	15,094	10,593	42.5%
4K TVs	5,805	3,977	46.0%

^ Restated

	Accumulated total						
	as of 31 December 2017	December 2017	December 2016	Change	2017	2016	Change
Number of TCL activated smart TV users⁽¹⁾	23,536,522	634,475	606,989	4.5%	6,247,088	5,364,578	16.5%



Daily average number of active users ⁽²⁾	N/A	10,809,751	7,473,240	44.7%	N/A	N/A	N/A
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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

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, it strives to build a comprehensive ecosystem for smart TVs that provides users with an exquisite experience with its smart products and services. The Group ranked No.3 in the global LCD TV market with a market share of 10.9% for the year 2017 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 11.9% for the year 2017 according to CMM’s omni-channel data . The Group is included in the eligible shares list of the Shenzhen-Hong Kong Stock Connect. For more information, please visit its website: <http://multimedia.tcl.com>.

*This press release is issued by Cornerstones Communications Ltd. on behalf of **TCL Multimedia Technology Holdings Limited**. For further information, please contact:*

Cornerstones Communications Ltd.

Kylie Yeung / Ivan Kau / Cham Chen / Sara Qian /

T: (852) 2903 9293 / 2903 9285 / 2903 9299 / 2903 9282

F: (852) 2887 1712

E: tcl.multimedia@cornerstonescom.com