

For Immediate Release

TCL Multimedia Announces 2014 Interim Results

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Profit attributable to owners of the parent was approximately HK\$169 million

**Gross profit margin for Q2 in the PRC Market
increased to 24.0% from 18.9% of the same period last year**

Speed up its transformation to become a global entertainment technology enterprise

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Highlights:

- For the six months ended 30 June 2014:
 - Turnover amounted to approximately HK\$15,203 million, down by 15.9% year-on-year.
 - Gross profit amounted to approximately HK\$2,382 million, down by 16.1% year-on-year. Operating profit was approximately HK\$309 million, down by 6.6% year-on-year.
 - Net profit after tax from continuing operations was approximately HK\$168 million, down by 13.8% year-on-year. Profit attributable to owners of the parent from continuing operations was approximately HK\$169 million, down by 12.4% year-on-year.
- For the three months ended 30 June 2014:
 - Benefited from optimization of its product mix with the launch of a series of large-sized and high-end new products, gross profit margin for the second quarter in the PRC Market increased to 24.0% (Q2 2013: 18.9%).
 - Operating loss for the Overseas Markets significantly lowered to approximately HK\$12 million from approximately HK\$60 million for the same period last year.
- Continued to speed up its strategic transformation to become a global entertainment technology enterprise with the implementation of “double +” strategy:
 - Officially completed capital injection into Huizhou Kuyu Network Technology Co., Ltd. (“Kuyu”) in June 2014 and gained an immediate access to the online-to-offline (O2O) platform, which ensures rapid development of electronic commerce business by operating through Kuyu’s electronic commerce platform.
 - To achieve further breakthroughs in establishing recurring income streams and revenue-sharing model for its businesses, the Group launched game console T² during the period, and jointly established a cross-industry “TCL Game TV Ecosystem Strategic Alliance” with dominant players in other industries to develop a double-screen integrated game platform. Meanwhile, the Group debuted its new product, 7V Box in July this year. Its ultimate premium appearance and control experience, the innovative cross-screen interactive function, as well as the vast volume of video game content raised the eyebrows of industry peers and consumers.
 - Extended the “TCL-iQIYI TV+” (“TV+”) product line and further enriched the TV+ platform and introduced TV+ new products.

TCL Multimedia Technology Holdings Limited (“TCL Multimedia” or “the Group”, HKSE stock code: 01070) today announced its unaudited consolidated interim results for the six months ended 30 June 2014.

Performance Overview

For the six months ended 30 June 2014, the Group recorded a turnover of approximately HK\$15,203 million, down by 15.9% year-on-year. Gross profit amounted to approximately HK\$2,382 million, down by 16.1% year-on-year. Gross profit margin remained flat year-on-year, gross profit margin of the second quarter increased to 18.5% from 13.0%. Expense ratio remained flat year-on-year. Operating profit was approximately HK\$309 million, down by 6.6% year-on-year. Net profit after tax from continuing operations was approximately HK\$168 million, down by 13.8% year-on-year. Profit attributable to owners of the parent from continuing operations was approximately HK\$169 million, down by 12.4% year-on-year. During the period, the Group recorded a one-off gain of approximately HK\$159 million from the closure of certain subsidiaries. The Group's basic earnings per share and basic earnings per share from continuing operations were HK12.78 cents and HK12.78 cents, respectively (Basic earnings per share and basic earnings per share from continuing operations in the same period of 2013: HK19.11 cents and HK14.51 cents, respectively).

For the first half of 2014, the Group sold a total of 7.56 million sets of LCD TVs, down by 2.0% year-on-year. The Group sold 3.56 million sets of LCD TVs in the PRC Market, down 21.7% year-on-year, and 4.00 million sets of LCD TVs in the Overseas Markets, up 26.1% year-on-year, of which the sales volume of LCD TVs in the Strategic OEM business grew by 109.1% year-on-year to 1.38 million sets. According to the latest DisplaySearch report, in the first quarter of 2014, the Group ranked No.5 in the global LCD TV market with a market share of 5.4%. Meanwhile, the Group ranked No.3 in the PRC LCD TV market with a market share of 16.0%.

The PRC Market

Due to the continuing weak market demand, delays in launches of new products in the first quarter as well as the withdrawal of energy saving home appliances subsidy policy in the end of May last year, the sales volume in the PRC Market was below expectations. Nevertheless, the Group continued to optimize its product mix with the launch of a series of large-sized and high-end new products, resulting in a significant improvement in its results for the second quarter. The gross profit margin for the second quarter in the PRC Market increased to 24.0% from 18.9% of the same period last year, up by 5.1 percentage points year-on-year.

In the first half of 2014, the Group launched a total of 26 new products in 8 series, including 13 models of 4K ultra high-definition TVs, covering medium-sized, large-sized and extra-large-sized screen products ranging from 40 inches to 65 inches. These products contributed to 50% of total number of new products launched. During the period under review, the Group extended the "TCL-iQIYI TV+" product line and completed product enrichment of the large-sized 4K ultra high-definition TVs and smart TVs. Among which, new products including "A71" series and Game TV became the top seller within a short period after launch and was highly appreciated by the market, while proportion of sales volume of large-sized products also increased gradually. The sales volume of the smart TVs increased to 1.28 million sets from 1.04 million sets for the same period of last year, contributing to 36.0% of the total LCD TV sales volume in the PRC Market.

In March 2014, the Group, in a cross-industry move, jointly established a "TCL Game TV Ecosystem Strategic Alliance" with China Unicom Broadband, AT&T, JD.com and Gameloft to develop a double-screen integrated game platform. Game TV, E5700, E6700 and TCL game console T² were well received by the market after their launch. As an important step of entering into the game industry by the Group, the Group expects the game product series will become a new business growth driver, and will coordinate with the Group's internet-oriented and entertainment-oriented transformation, exploring the blue ocean in the game entertainment market.

Moreover, the Group and IMAX Corporation (“IMAX”) jointly signed with Wasu in April 2014 an agreement in relation to the content distribution for premium home theatres. Wasu is authorised to distribute premium digital audio-visual contents of the PRC and Hollywood movie titles on the system platform of premium home theatres of TCL-IMAX Entertainment Co., Limited, a joint venture set up by TCL and IMAX.

The Overseas Market

The Group’s Overseas Markets achieved steady growths both in turnover and operating results. During the first half of 2014, the sales volume of LCD TVs increased by 26.1% year-on-year to 4.00 million sets, mainly due to proactive adjustment of its product mix focusing on large-sized products, 4K ultra high-definition TVs and smart TVs. During the period, turnover in the Overseas Markets increased by 8.2% year-on-year to HK\$6,003 million and gross profit margin increased to 10.7% from 8.0% for the same period last year, up by 2.7 percentage points year-on-year. The overall sales volume and the contribution from middle- to large-sized products to the total sales volume fell short of expectations, resulting in a loss of approximately HK\$12 million for the second quarter, significantly lower than approximately HK\$60 million loss for the same period last year.

Sales volume of LCD TVs in the Emerging Markets reached 2.07 million sets during the period under review, which remained flat compared to the same period last year. The sales volume of the LCD TVs in the Strategic OEM business increased by 109.1% year-on-year, while the sales volume of LCD TVs in European and North American Markets recorded growths of 11.3% and 203.4%, respectively.

The Group hosted intensively various launching events for new products in the Emerging Markets. These, together with its global entertainment marketing activities with the movie “X-Men: Days of Future Past” and the full rollout of social media marketing initiatives, helped enhancing the TCL brand globally and proactively drove product marketing. In the European Markets, the Group actively cooperated with major retail chains comprehensively, resulting in a higher proportion of sales volume of large-sized smart TVs. Also, the Group ranked No.3 in the ultra high-definition TVs market in France, according to GfK figure with a market share of 11.6%. In the North American Market, the Group has not only reinforced its strategic cooperation with Amazon, but has also actively explored other sales channels, including leading US retailers such as Sam’s Club, etc., driving a significant increase in LCD TV sales volume in that market.

Outlook

Looking ahead to the second half of 2014, the Group will persistently enrich the product line for the PRC Market in the second half of the year, and continue to deepen sales channel and organizational reforms to flatten its enterprise structure further in order to boost its terminal sales capability and agility to changes in the market. The Group joined forces with “The Voice of China”, the hottest professional music show in the PRC, and announced TCL to be the “exclusive collaborative partner from the TV industry for The Voice of China – Season 3” in July 2014, accelerating the rapid rise of the popularity of TV+, a great step for transforming into an entertainment enterprise.

In addition, in the same month, the Group participated in the 12th China Digital Entertainment Expo & Conference (China Joy) in Shanghai, the PRC. The Group joined forces with China Unicom Broadband and ATET again and announced the establishment of the largest Game TV ecosystem in the PRC, with renowned game developers including Gameloft, JJ International Company, Rovio, Marmalade, Cyberfront Korea, J-FLOW to be enrolled to “TCL Game TV Ecosystem Strategic Alliance”, as a move to further facilitate the all-round development of the ecosystem. Meanwhile, the Group debuted its new product, 7V Box in China Joy, with its ultimate premium appearance and control experience, the innovative cross-screen interactive function, as well as the vast volume of video game content raised the eyebrows of industry peers and consumers. The Group strives to enhance its product capabilities for the new businesses, such as games and OTT etc., so as to achieve further breakthroughs in establishing recurring income streams and revenue-sharing model for its businesses.



For the Overseas Markets, the Group will seek to drive sales growth with a combination of product resources, screen strategies and pricing, achieve breakthroughs for the TCL brand in key market and proactively exploit synergies with other businesses of TCL Corporation (“TCL Corporation”). TCL branded products like mobile phones and air conditioners etc. will be introduced in markets like Southeast Asia, etc., to raise the overall TCL brand influence in overseas.

Mr. Hao Yi, Chief Executive Officer of TCL Multimedia said, “We launched the ‘double +’ strategic transformation in February this year which is the combination of ‘intelligence + internet’ and ‘products + services’, marking TCL’s new business model from the product-oriented approach to a product-and-user-oriented approach and unveils our internet-oriented road. On one hand, we will step up the establishment of an internet ecosystem by cementing our hardware business and enhancing our horizontal alliances, deepening cross-industry strategic cooperations in other areas. On the other hand, we will strengthen our business layout along the 4 smart service platforms including video platform, game platform, education platform and living platform, providing users a comprehensive entertainment solution. We will fully capitalize on TCL Corporation’s resource advantages and implement ‘double +’ strategic transformation, gradually transforming into a global entertainment technology enterprise and bringing long-term value and returns to its shareholders.”

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

	1H 2014	1H 2013	Change
	<i>(’000 sets)</i>	<i>(’000 sets)</i>	
LCD TVs	7,557	7,715	(2.0%)
of which: LED backlights LCD TVs	7,558	7,328	+3.1%
Smart TVs	1,412	1,138	+24.1%
3D TVs	837	1,335	(37.3%)
- PRC Market	3,557	4,542	(21.7%)
- Overseas Market	4,000	3,173	+26.1%

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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 report, the Group ranked No.5 in the global LCD TV market with a market share of 5.4% in the first quarter of 2014. The Group ranked No.3 in the PRC LCD TV market with a market share of 16.0%.

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