TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2017

QUARTERLY RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the three months ended 31st March 2017 together with the comparative figures for the previous period as follows:

		Unaudited Three months ended 31st March	
		2017	2016
	Note	***US$'000***	*US$'000*
Revenue		**2,123,189**	2,258,060
Cost of sales		**(1,953,856)**	(2,068,806)
Gross profit		**169,333**	189,254
Other income		**18,180**	19,762
Other gains/(losses) — net		**4,492**	(6,158)
Selling and distribution expenses		**(85,882)**	(92,614)
Administrative expenses		**(39,480)**	(47,520)
Research and development expenses		**(41,221)**	(60,434)
Operating profit		**25,422**	2,290
Finance income		**1,470**	3,204
Finance costs		**(11,701)**	(10,622)
Finance costs — net		**(10,231)**	(7,418)

	Note	Unaudited Three months ended 31st March **2017** ***US$'000***	 2016 *US$'000*
Share of profit of:			
Associates		**1,218**	621
Profit/(loss) before income tax		**16,409**	(4,507)
Income tax expense		**(5,703)**	(4,819)
Profit/(loss) for the period		**10,706**	(9,326)
Profit/(loss) attributable to:			
Owners of the Company		**9,892**	(10,308)
Non-controlling interests		**814**	982
		10,706	(9,326)
Earnings/(loss) per share attributable to the owners of the Company			
— Basic		**US0.42 cent**	US(0.44) cent
— Diluted		**US0.42 cent**	US(0.44) cent
Dividends		**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 31st March 2017 *US$'000*	Audited As at 31st December 2016 *US$'000*
Assets		
Non-current assets		
Intangible assets	**579,091**	459,139
Property, plant and equipment	**504,992**	514,260
Land use rights	**18,567**	18,627
Investment properties	**204,104**	203,483
Investments in associates	**49,164**	52,774
Investments in a joint venture	—	1,347
Derivative financial instruments	**15,227**	67,227
Available-for-sale financial assets	**5,365**	4,746
Financial assets at fair value through profit or loss	**20,298**	20,144
Deferred income tax assets	**59,717**	61,081
Prepayments and other assets	**14,283**	23,503
Long-term bank deposits	**28,050**	27,914
	1,498,858	1,454,245
Current assets		
Inventories	**1,534,036**	1,384,470
Trade receivables	**1,707,308**	1,844,112
Deposits, prepayments and other receivables	**296,216**	249,802
Financial assets at fair value through profit or loss	**9,538**	10,557
Current income tax recoverable	**10,979**	9,982
Derivative financial instruments	**140,120**	204,641
Pledged bank deposits	**3,480**	3,435
Short-term bank deposits	**10,990**	25,295
Cash and cash balances	**538,882**	601,280
	4,251,549	4,333,574
Total assets	**5,750,407**	5,787,819
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	**23,456**	23,456
Other reserves	**1,662,237**	1,634,105
Proposed final dividend	—	11,494
	1,685,693	1,669,055
Non-controlling interests	**12,610**	11,792
Total equity	**1,698,303**	1,680,847

	Unaudited As at 31st March 2017 *US$'000*	Audited As at 31st December 2016 *US$'000*
Liabilities		
Non-current liabilities		
Borrowings and loans	**259,550**	371,543
Deferred income tax liabilities	**34,982**	39,508
Pension obligations	**12,594**	12,459
Other payables and accruals	**137,506**	41,228
Derivative financial instruments	**12,257**	55,565
Provisions	**1,523**	1,570
	458,412	521,873
Current liabilities		
Trade payables	**1,910,481**	2,164,232
Other payables and accruals	**1,007,268**	889,135
Current income tax liabilities	**11,507**	15,062
Provisions	**186,533**	188,795
Derivative financial instruments	**100,578**	164,180
Borrowings and loans	**377,325**	163,695
	3,593,692	3,585,099
Total liabilities	**4,052,104**	4,106,972
Total equity and liabilities	**5,750,407**	5,787,819
Net current assets	**657,857**	748,475
Total assets less current liabilities	**2,156,715**	2,202,720

Notes:

1. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the period (three months ended 31st March 2016: Nil).

Taxation on profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	Three months ended 31st March	
	2017	2016
	US$'000	*US$'000*
Current income tax	**8,131**	19,590
Deferred income tax credit	**(2,428)**	(14,771)
Income tax expense	**5,703**	4,819

2. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 31st March	
	2017	2016
Profit/(loss) attributable to owners of the Company *(US$'000)*	**9,892**	(10,308)
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic earnings/(loss) per share *(US cents per share)*	**0.42**	(0.44)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Three months ended 31st March	
	2017	2016
Profit/(loss) attributable to owners of the Company and used to determined diluted losses *(US$'000)*	**9,892**	(10,308)
Weighted average number of ordinary shares in issue for diluted losses per share *(thousands)*	**2,345,636**	2,345,636
Diluted earnings/(loss) per share *(US cents per share)*	**0.42**	(0.44)

3. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31st March 2017 (three months ended 31st March 2016: Nil).

COMPANY RESULTS

The first quarter of 2017 was characterised by increased panel prices and supply shortages of popular large-screen sizes, such as 50 and 65-inch models. The climb in panel prices was a continuation of the price surge that emerged during the second half of last year. Although the rise was modest, it is contrary to normal industry seasonal patterns as the first quarter of a year is usually a quiet period, resulting in lower panel prices. Globally, TV shipments fell by 5 percent over the same period in 2016 to 46.3 million sets (1Q2016: 48.7 million sets), and monitor shipment figures were similar to a year ago, at 29.1 million units (1Q2016: 30.1 million units).

The global supply shortage of panels during the period under review, particularly of TVs, affected the Group's sales volume. In the first quarter, consolidated revenue was US$2.12 billion, a decline of 5.9 percent compared with the same period in 2016 (1Q2016: US$2.26 billion). The Group's gross profit ("GP") margin, impacted by the high panel prices, declined from last year's 8.4 percent to 8 percent. Despite these challenges, the Group recorded a profit attributable to shareholders of US$9.9 million (1Q2016: loss of US$10.3 million). This is the direct result of a US$34 million reduction in operating expenses compared with the same period in 2016 when the Group spent US$26.1 million on restructuring.

TVs

TV shipments for the quarter amounted to 3.6 million sets (1Q2016: 4.2 million sets), representing a year-on-year decline of 14 percent, attributed to the aforementioned panel supply shortages and a marked slowdown of demand in China. Consequently, segment revenue decreased by 12.6 percent year-on-year to US$906 million (1Q2016: US$1.04 billion). The segment GP margin experienced increased pressure from persistent high panel prices, reducing from 8.3 percent in the first quarter of last year to 7.1 percent this year. The average selling price ("ASP") increased slightly from US$248.20 a year ago to US$253.20 during the quarter under review, reflecting increased panel prices. Despite this, the business segment recorded an adjusted operating loss of US$27.4 million, representing a 26.2 percent drop over last year's loss of US$37.1 million.

Monitors

During the quarter, the Group shipped 10.3 million units of monitors, which is similar to the volume recorded for the same period last year (1Q2016: 10.4 million units). Segment revenue increased marginally compared with a year ago to US$1.13 billion (1Q2016: US$1.10 billion), the result of a higher ASP of US$110.60 (1Q2016: US$106.00), while the segment's GP margin stood at 8.4 percent (1Q2016: 8.7 percent). Furthermore, owing to stable currency markets and a more efficient operating structure, the segment's adjusted operating profit increased significantly by 66.8 percent to US$48.6 million (1Q2016: US$29.1 million).

The Group recorded a revenue increase in all markets except China. Nevertheless, China remained the Group's largest market, with revenue amounting to US$709.3 million (1Q2016: US$973.7 million), comprising 33.4 percent (1Q2016: 43.1 percent) of the total. The drop was attributable to the market downturn in both the TV and monitor segments. Revenue from Europe and North America increased slightly to US$563.6 million (1Q2016: US$535.5 million) and US$448.5 million (1Q2016: US$421.1 million) respectively, representing 26.5 percent (1Q2016: 23.7 percent) and 21.1 percent (1Q2016: 18.6 percent). Turnover from South America was US$154.6 million (1Q2016: US$123 million), accounting for 7.3 percent (1Q2016: 5.4 percent) of the total. Sales from the rest of the world also grew to 11.7 percent, or US$247.3 million (1Q2016: US$204.7 million), driven by increased sales of LCD modules.

OUTLOOK

It is expected that the suppliability of panel will become divided. Following the price surge at the end of 2016, prices for up to 43-inch panels stabilised. Prices for some sizes even started to fall in March 2017 as market demand rapidly shifted to 50-inch-and-above TVs. As the supply of large-screen panels continues to lag behind demand, the Group anticipates that prices for 50-inch-and-above units will be maintained. Furthermore, market competition is expected to stiffen as brand owners start sourcing products from panel manufacturers who have in-house panel capacities. The monitor sector is experiencing a similar situation, with some panel suppliers taking advantage of their in-house resources and expanding their finished-set assembling businesses, with the aim of gaining additional market share. The Group's priority is to maintain a reliable and sufficient panel supply for the remainder of the year. Meanwhile, we will monitor our inventory balance closely in response to the change in end-market preferences and the movement of panel prices. Notwithstanding, the Group will launch new products in the second quarter, including the OLED TV and more new 4K models, which will bolster overall performance in the remaining quarters of the year, leading to more positive results.

On behalf of the Board
Dr Hsuan, Jason
Chairman and Chief Executive Officer

Hong Kong, 17th May 2017

As at the date of this announcement, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and four non-executive directors, namely Mr Liu Liehong, Dr Li Jun, Ms Jia Haiying and Ms Bi Xianghui, and three independent non-executive directors, namely Mr Chan Boon Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.