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TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

UNAUDITED QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2017

QUARTERLY RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the three months ended 30th September 2017, and the unaudited condensed consolidated results for the nine months ended 30th September 2017 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Three months ended 30th September		**Unaudited Nine months ended 30th September**	
		2017	2016	**2017**	2016
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue		**2,494,158**	2,472,166	**6,868,748**	7,050,375
Cost of sales		**(2,288,871)**	(2,277,429)	**(6,321,336)**	(6,418,851)
Gross profit		**205,287**	194,737	**547,412**	631,524
Other income		**9,001**	9,305	**45,389**	43,192
Other (losses)/gains — net		**(25,094)**	5,981	**(15,950)**	(26,759)
Selling and distribution expenses		**(104,702)**	(91,709)	**(285,525)**	(274,804)
Administrative expenses		**(41,163)**	(37,780)	**(131,628)**	(148,585)
Research and development expenses		**(46,720)**	(45,244)	**(133,963)**	(151,427)
Operating (loss)/profit		**(3,391)**	35,290	**25,735**	73,141
Finance income		**1,048**	1,131	**3,693**	5,819
Finance costs		**(9,833)**	(7,566)	**(27,482)**	(27,715)
Finance costs — net		**(8,785)**	(6,435)	**(23,789)**	(21,896)
Share of (losses)/profits of associates and joint ventures		**(1,166)**	3,047	**(1,585)**	6,127
(Loss)/profit before income tax		**(13,342)**	31,902	**361**	57,372
Income tax expense	1	**(6,606)**	(12,225)	**(19,880)**	(32,148)
(Loss)/profit for the period		**(19,948)**	19,677	**(19,519)**	25,224

	Note	Unaudited Three months ended 30th September 2017 US$'000	2016 US$'000	Unaudited Nine months ended 30th September 2017 US$'000	2016 US$'000
(Loss)/profit attributable to:					
Owners of the Company		**(19,608)**	18,645	**(19,354)**	21,337
Non-controlling interests		**(340)**	1,032	**(165)**	3,887
		(19,948)	19,677	**(19,519)**	25,224
(Loss)/earnings per share attributable to owners of the Company	2				
— Basic and diluted		**(US0.84 cent)**	US0.79 cent	**(US0.83 cent)**	US0.91 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 30th September 2017 *US$'000*	Audited 31st December 2016 *US$'000*
Assets		
Non-current assets		
Intangible assets	**587,134**	459,139
Property, plant and equipment	**495,908**	514,260
Land use rights	**18,602**	18,627
Investment properties	**206,756**	203,483
Investments in associates	**47,883**	52,774
Investment in a joint venture	**—**	1,347
Derivative financial instruments	**2,984**	67,227
Available-for-sale financial assets	**5,159**	4,746
Financial assets at fair value through profit or loss	**20,997**	20,144
Deferred income tax assets	**63,623**	61,081
Prepayments and other receivables	**14,462**	23,503
Long-term bank deposits	**—**	27,914
	1,463,508	1,454,245
Current assets		
Inventories	**1,703,350**	1,384,470
Trade receivables	**1,995,148**	1,844,112
Deposits, prepayments and other receivables	**274,940**	249,802
Financial assets at fair value through profit or loss	**1,391**	10,557
Current income tax recoverable	**12,373**	9,982
Derivative financial instruments	**35,238**	204,641
Pledged bank deposits	**889**	3,435
Short-term bank deposits	**31,096**	25,295
Cash and cash equivalents	**445,878**	601,280
	4,500,303	4,333,574
Total assets	**5,963,811**	5,787,819
Equity		
Equity attributable to owners of the Company		
Share capital	**23,456**	23,456
Other reserves	**1,576,178**	1,645,599
	1,599,634	1,669,055
Non-controlling interests	**11,630**	11,792
Total equity	**1,611,264**	1,680,847

	Unaudited 30th September 2017 *US$'000*	Audited 31st December 2016 *US$'000*
Liabilities		
Non-current liabilities		
Borrowings and loans	**360,652**	371,543
Deferred income tax liabilities	**37,618**	39,508
Pension obligations	**13,086**	12,459
Other payables and accruals	**159,114**	41,228
Derivative financial instruments	**293**	55,565
Provisions	**1,574**	1,570
	572,337	521,873
Current liabilities		
Trade payables	**2,074,578**	2,164,232
Other payables and accruals	**1,194,967**	889,135
Current income tax liabilities	**8,712**	15,062
Provisions	**197,369**	188,795
Derivative financial instruments	**77,458**	164,180
Borrowings and loans	**227,126**	163,695
	3,780,210	3,585,099
Total liabilities	**4,352,547**	4,106,972
Total equity and liabilities	**5,963,811**	5,787,819
Net current assets	**720,093**	748,475
Total assets less current liabilities	**2,183,601**	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 profits generated in Hong Kong for the period (three months ended 30th September 2016: Nil).

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

The amount of taxation charged to the condensed consolidated income statement represents:

	Three months ended 30th September	
	2017	2016
	US$'000	*US$'000*
Current income tax	**1,308**	8,007
Deferred income tax charge	**5,298**	4,218
Income tax expense	**6,606**	12,225

2. **(Loss)/earnings per share**

(a) Basic

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

	Three months ended 30th September	
	2017	2016
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(19,608)**	18,645
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic (loss)/earnings per share *(US cents per share)*	**(0.84)**	0.79

(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. The Company has share options which may result in dilutive potential ordinary shares. Its calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted (loss)/earnings per share for the three months ended 30th September 2017 and 2016 equal basic (loss)/earnings per share as the exercise of the outstanding share options would be anti-dilutive.

3. Dividends

The Board does not recommend the payment of an interim dividend for the three months ended 30th September 2017 (three months ended 30th September 2016: Nil).

BUSINESS REVIEW

During the third quarter of 2017, the growing strength of the Renminbi and the Euro created an agreeable foreign exchange environment for the Group's sales in key geographic markets. The softening of LCD panel prices also eased the cost pressure of products. Globally, demand for monitors and TVs remained lukewarm, although demand for monitors in China has seen an uptick since August.

Against this market background, the Group recorded a consolidated revenue of US$2.49 billion, representing a modest increase compared to last year's US$2.47 billion. Gross profit ("GP") margin also improved slightly, climbing to 8.2 percent (3Q2016: 7.9 percent). The benefits of the favourable foreign exchange environment and other factors were offset by the rapid shift of mainstream TV demand to larger sized products, leading to an inventory provision of US$21 million and an increase in selling expenses (14.2 percent year on year) to promote sales. The Group also recognised a loss of US$27 million arising from the fair market valuation of foreign exchange hedges (3Q2016: gain of US$6 million), leading to the Group recording a loss to shareholders of US$19.6 million for the period (3Q2016: profit of US$18.6 million).

TVs

Worldwide TV shipments for the quarter under review stood at 54.9 million sets, representing a 4 percent drop year-on-year. In tandem with global trends, the Group's shipments reached 4.3 million TV sets during the quarter, which was 14 percent higher than the previous quarter, but 11.4 percent lower than a year ago (3Q2016: 4.9 million sets). Segment revenue and GP margin were steady at US$1.11 billion (3Q2016: US$1.12 billion) and 8.2 percent (3Q2016: 8 percent), aided in part by the appreciation of the Renminbi and the Euro. Average selling price ("ASP") for the period also increased to US$255.50 (3Q2016: US$229.90). However, these gains were eroded by the US$15 million loss on the valuation of forward contracts and increased segment operating expenses as new marketing initiatives were introduced to stimulate sales, further squeezing the profit margin and leading to an adjusted operating loss of US$38.5 million (3Q2016: loss of US$11.5 million).

As the OTT ("over-the-top" streaming content) industry in China continues to undergoing changes in search of a sustainable business model, many of the players are having a tough time making their ends meet. Being one of the leading ODM TV manufacturers in the world, the Group is exposed to this segment and is experiencing difficulty in collection from some of these companies. Management remains confident about the long-term prospect of the OTT industry and is keeping open dialogues with these customers. The Group has made no additional provision in the quarter for doubtful debts but will reassess the position during the year end impairment assessments.

Monitors

The demand in China for monitors displayed encouraging signs of recovery during the third quarter of 2017. Shipments for the China market increased 9.4 percent on a sequential basis, while global shipments reached 31.6 million units. This represented an 8 percent rise over the previous quarter, showing a similar pattern and volume to the same period in the prior year at 31.8 million units. The Group's shipments were 11.5 million units (3Q2016: 11.7 million units), and revenue for the segment increased to US$1.27 billion (3Q2016: US$1.17 billion) on the back of a higher ASP of US$110.10 (3Q2016: US$100.50). The GP margin went up slightly to 8.4 percent (3Q2016: 8 percent) attributable to the increase in sales mix of larger sized products and the favourable foreign exchange environment. To increase the rate of stock rotation, the Group devoted additional resources to sales and marketing, resulting in an adjusted operating profit of US$38.8 million (3Q2016: US$41 million).

Geographically, revenue from Europe surpassed China, making the region the Group's largest market and accounting for 28.1 percent of the total (3Q2016: 25 percent). North America was the second largest market at 26.8 percent (3Q2016: 20 percent). Contributions from China declined 33.3 percent compared to the same period in the prior year due to weakened demand, but still accounted for 25.4 percent (3Q2016: 38.4 percent) of the aggregate turnover. Sales from South America represented 10 percent (3Q2016: 6.5 percent) of the total, and were helped by improved demand and exchange rates. Turnover from the rest of the world represented 9.7 percent (3Q2016: 10.1 percent).

OUTLOOK

Economic development in China has been improving in recent months, and growth in Europe has also been steady. The current economic environment will help improve market sentiment and drive consumption during the festive season towards the end of the year.

The rising demand for monitors in China will help drive sales. TPV's dominant position in the sector, combined with falling panel prices, will ease the pressure on high component costs, increasing profitability. The additional provision designed to prevent devaluation in the prices of LCD panel stocks and finished goods should prove adequate, and no further adjustment is expected in the fourth quarter. The Group is also expecting an improvement in sales realisation and inventory reduction in the fourth quarter that should result in inventory being optimised to a healthy level by the end of the year.

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

Hong Kong, 23rd November 2017

As at the date of this announcement, the Board comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Yang Jun, Mr Zhu Lifeng, 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.