TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

UNAUDITED QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2018

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 2018, and the unaudited condensed consolidated results for the nine months ended 30th September 2018 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**	
		2018	2017	**2018**	2017
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue		**2,244,942**	2,494,158	**6,756,543**	6,868,748
Cost of sales		**(2,037,599)**	(2,288,871)	**(6,153,530)**	(6,321,336)
Gross profit		**207,343**	205,287	**603,013**	547,412
Other income		**10,795**	9,001	**56,623**	45,389
Other (losses)/gains — net		**(8,675)**	(25,094)	**(37,373)**	(15,950)
Selling and distribution expenses		**(102,537)**	(104,702)	**(304,937)**	(285,525)
Administrative expenses		**(38,018)**	(41,163)	**(117,153)**	(131,628)
Research and development expenses		**(43,023)**	(46,720)	**(130,746)**	(133,963)
Operating profit/(loss)		**25,885**	(3,391)	**69,427**	25,735

	Note	Unaudited Three months ended 30th September 2018 US$'000	2017 US$'000	Unaudited Nine months ended 30th September 2018 US$'000	2017 US$'000
Finance income		**1,882**	1,048	**5,540**	3,693
Finance costs		**(11,689)**	(9,833)	**(34,005)**	(27,482)
Finance costs — net		**(9,807)**	(8,785)	**(28,465)**	(23,789)
Share of profits/(losses) of associates and joint ventures		**2,240**	(1,166)	**(2,618)**	(1,585)
Profit/(loss) before income tax		**18,318**	(13,342)	**38,344**	361
Income tax expense	1	**(6,057)**	(6,606)	**(38,029)**	(19,880)
Profit/(loss) for the period		**12,261**	(19,948)	**315**	(19,519)
Profit/(loss) attributable to:					
Owners of the Company		**12,328**	(19,608)	**1,986**	(19,354)
Non-controlling interests		**(67)**	(340)	**(1,671)**	(165)
		12,261	(19,948)	**315**	(19,519)
Earnings/(loss) per share attributable to owners of the Company	2				
— Basic and diluted		**US0.53 cent**	(US0.84 cent)	**US0.08 cent**	(US0.83 cent)

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 30th September 2018 *US$'000*	Audited 31st December 2017 *US$'000*
Assets		
Non-current assets		
Intangible assets	**565,510**	545,117
Property, plant and equipment	**474,713**	502,651
Land use rights	**17,130**	17,957
Investment properties	**233,430**	238,288
Investments in associates	**38,952**	43,838
Derivative financial instruments	**85,802**	4,289
Available-for-sale financial assets	**1,939**	3,168
Deferred income tax assets	**73,276**	81,519
Prepayments and other receivables	**26,066**	24,290
	1,516,818	1,461,117
Current assets		
Inventories	**1,447,160**	1,317,821
Trade receivables	**1,673,566**	1,983,543
Deposits, prepayments and other receivables	**288,928**	260,792
Financial assets at fair value through profit or loss	—	21,517
Current income tax recoverable	**11,847**	7,944
Derivative financial instruments	**108,326**	31,070
Pledged bank deposits	**2,546**	905
Short-term bank deposits	**26,778**	29,295
Cash and cash equivalents	**412,680**	450,393
	3,971,831	4,103,280
Total assets	**5,488,649**	5,564,397
Equity		
Equity attributable to owners of the Company		
Share capital	**23,456**	23,456
Other reserves	**1,436,817**	1,535,228
	1,460,273	1,558,684
Non-controlling interests	**3,056**	4,615
Total equity	**1,463,329**	1,563,299

	Unaudited 30th September 2018 *US$'000*	Audited 31st December 2017 *US$'000*
Liabilities		
Non-current liabilities		
Borrowings and loans	**481,034**	484,772
Deferred income tax liabilities	**41,193**	39,776
Pension obligations	**12,239**	12,600
Other payables and accruals	**141,399**	116,406
Derivative financial instruments	**47,901**	2,551
Provisions	**1,422**	1,517
	725,188	657,622
Current liabilities		
Trade payables	**2,090,136**	2,024,052
Other payables and accruals	**855,225**	958,663
Current income tax liabilities	**11,988**	14,717
Provisions	**192,083**	203,520
Derivative financial instruments	**106,461**	45,456
Borrowings and loans	**44,239**	97,068
	3,300,132	3,343,476
Total liabilities	**4,025,320**	4,001,098
Total equity and liabilities	**5,488,649**	5,564,397
Net current assets	**671,699**	759,804
Total assets less current liabilities	**2,188,517**	2,220,921

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 2017: 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	
	2018	2017
	US$'000	*US$'000*
Current income tax	**16,474**	13,561
Deferred income tax charge	**10,417**	6,955
Income tax expense	**6,057**	6,606

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 30th September	
	2018	2017
Profit/(loss) attributable to owners of the Company *(US$'000)*	**12,328**	(19,608)
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic earnings/(loss) per share *(US cents per share)*	**0.53**	(0.84)

(b) Diluted

Diluted (loss)/earnings 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 earnings/(loss) per share for the three months ended 30th September 2018 and 2017 equal basic earnings/(loss) 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 2018 (three months ended 30th September 2017: Nil).

OVERVIEW

During the third quarter of this year, the global economic environment faced greater headwinds than those experienced during the first half of 2018. Since June, the trade friction between the world's two largest economies — the US and China, has intensified. This has, in turn, dampened sentiment and has had an adverse impact on global economic stability. The effects of the imminent trade war have been compounded by events in Argentina, Brazil and Turkey, where debt and currency crises undermined investors' confidence in developing markets. Furthermore, in Europe, the uncertainties brought about by the election in Italy and the recent depreciation of the euro have heralded a downturn in business activities within the region.

Nevertheless, the demand for TV and monitor panels was largely stable with panel prices remaining steady entering the peak season. For most TV and monitor panels, prices were either holding up at the same levels as in the second quarter of the year, or were marginally lower by 1 or 2 percent. According to iHS, worldwide TV shipments for the quarter were flat versus 2017 at 54.5 million sets (3Q2017: 54.5 million sets) and monitor shipments for the quarter were similar to 2017 at about 31.2 million units (3Q2017: 31.5 million units).

GROUP RESULTS

The looming trade war between the US and China has moderated consumption. Compared with the same period last year, the Group's revenue for the quarter was reduced at US$2.25 billion (3Q2017: US$2.50 billion), driven by the drop in revenue from the TV segment. Notwithstanding, gross profit ("GP") for the quarter rose to 9.1 percent (3Q2017: 8.2 percent) attributable to more stable material cost and lower warranty expenses. This was further reinforced by lower foreign exchange loss and operating expenses which reduced by about 5 percent year-on-year. As a result, the Group recorded an operating profit of US$25.9 million (3Q2017: loss of US$3.4 million) and profit attributable to shareholders was US$12.3 million, compared with a loss of US$19.6 million for the same quarter 12 months ago.

Geographically, Europe remained the largest market for the Group with increased revenue of about 4 percent year-on-year driven by strong ODM monitor sales, contributing 32.6 percent (3Q2017: 28.1 percent) to the consolidated revenue. North America became the second largest contributor and accounted for 25.7 percent (3Q2017: 26.8 percent) of total. Turnover from China, mainly due to the drop in TV revenue, decreased by 14 percent and accounted for 24.3 percent (3Q2017: 25.4 percent) of aggregate. Sales in South America fell by about 39 percent due to the economic hardships faced by many countries in the region and took up only 6.8 percent (3Q2017: 10 percent). Rest of world made up the remainder and represented 10.6 percent (3Q2017: 9.7 percent) of total.

The severe inflation in Argentina has led the country to be considered as a "hyperinflationary" economy as defined by the HKFRS rules. As such, the Group is required to adopt HKAS 29 "Financial Reporting in Hyper-Inflationary Economies" such that the non-monetary assets, liabilities and income statement of the Group's business in Argentina need to be restated to reflect the changes in the general pricing power of its functional currency. The Group is currently in the process of assessing the impact which will be fully reflected in the fourth quarter financial statements.

TVs

During the third quarter of 2018, the Group shipped 3.5 million sets, which represented a decline of 18.6 percent compared with last year's quarterly total (3Q2017: 4.3 million sets). Revenue for the segment fell by 27.1 percent to US$806.7 million (3Q2017: US$1.11 billion), which was partly caused by a wane in average selling price ("ASP"), from last year's US$255.50 to this year's US$228.60 and partly due to the devaluation of currencies in emerging markets against the US dollar, and business strategy adjustment in order to reduce current inventories in these markets.

Nevertheless, the Group's new products elicited a strong market response during the quarter, which helped bolster the overall profit margin for the segment, which saw its GP margin increasing to 12.2 percent (3Q2017: 8.2 percent). Moreover, the drop in foreign exchange loss and lower overheads contributed to the continuous improvement of segment results which saw the adjusted operating loss drop significantly by about 67.5 percent to US$12.5 million (3Q2017: loss of US$38.5 million).

Monitors

The performance of the Group's monitor segment reflects its inherent strength, outperforming the market during the reviewing quarter. The Group shipped 12.4 million units, which represented an increase of 7.5 percent over the corresponding period in 2017 (3Q2017: 11.5 million units) against a zero growth global market. This was attributable to strong growth in original design manufacturer (ODM) orders, which saw shipments grow by about 14 percent over the same period last year, solidifying the Group's position as sector leaders, commanding 35.1 percent of the market share.

Alongside an increase in shipments, revenue for the segment also rose during the quarter to US$1.32 billion (3Q2017: US$1.27 billion) while the ASP was slightly lower than the corresponding period in 2017 at US$106.80 (3Q2017: US$110.10). Despite the GP margin declining by 30 basis points compared to the same period a year ago, standing at 8.1 percent (3Q2017: 8.4 percent), the Group recorded a higher adjusted operating profit of US$46.1 million (3Q2017: US$38.8 million).

Since the second quarter of 2018, demand for monitors has remained buoyant in the US and Europe. The Group's shipment to these regions increased respectively by approximately 11% and 21% year on year. Demand for monitors in China stabilised, with shipments increasing by 21% since the second quarter of this year.

OUTLOOK

The rise of trade protectionism, as illustrated by the current US-China trade conflict, poses a threat to world economic development. Even though the Group's products are not currently subject to the higher tariff, the situation will likely affect global trade and consumption. In addition, the rising debts in European countries create an uncertain outlook for businesses in the region.

In the second quarter of this year, the Group entered into a license agreement with Philips regarding the sales, marketing and distribution of Philips audio and video products, and accessories worldwide. The new business is starting healthily in terms of volume and margins. The Group will continue to broaden its product portfolio and explore new opportunities in this business segment.

Management is cautiously optimistic about the Group's performance during the fourth quarter in light of the current business flow. Nevertheless, we will monitor closely any changes to the macro business environment and make appropriate adjustments to the business plan to maximize growth potential and to protect shareholders' interests.

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

Hong Kong, 13th November 2018

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