TPV TECHNOLOGY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 903)

UNAUDITED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2019

QUARTERLY RESULTS

The board of directors (the "Board") of TPV Technology Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries ("TPV" or the "Group") for the three months ended 31st March 2019 together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 31ST MARCH 2019

		Unaudited Three months ended 31st March	
		2019	2018
	Note	***US$'000***	*US$'000*
Revenue		**2,046,478**	2,238,738
Cost of sales		**(1,862,517)**	(2,039,221)
Gross profit		**183,961**	199,517
Other income		**10,192**	11,198
Other gains/(losses) — net		**6,949**	(15,513)
Selling and distribution expenses		**(92,744)**	(101,642)
Administrative expenses		**(36,680)**	(39,141)
Research and development expenses		**(41,187)**	(42,312)
Net impairment losses on financial assets		**(68)**	—
Operating profit		**30,423**	12,107
Finance income		**1,658**	1,681
Finance costs		**(13,764)**	(9,785)
Finance costs — net		**(12,106)**	(8,104)

	Note	Unaudited Three months ended 31st March 2019 US$'000	2018 US$'000
Net monetary loss		**(3,426)**	—
Share of profits/(losses) of associates and a joint venture		**911**	(3,742)
Profit before income tax		**15,802**	261
Income tax expense	*1*	**(12,008)**	(9,415)
Profit/(loss) for the period		**3,794**	(9,154)
Profit/(loss) attributable to:			
Owners of the Company		**4,719**	(7,993)
Non-controlling interests		**(925)**	(1,161)
		3,794	(9,154)
Earnings/(loss) per share attributable to the owners of the Company	*2*		
— Basic and diluted		**US0.20 cent**	US(0.34) cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 31st March 2019 *US$'000*	Audited As at 31st December 2018 *US$'000*
Assets		
Non-current assets		
Intangible assets	**512,341**	530,306
Property, plant and equipment	**476,833**	491,276
Land use rights	**16,260**	16,176
Investment properties	**234,106**	232,260
Investments in associates	**41,418**	39,723
Investment in a joint venture	**744**	727
Derivative financial instruments	**51,047**	57,647
Financial assets at fair value through other comprehensive income	**2,052**	1,922
Deferred income tax assets	**62,650**	63,886
Prepayments and other assets	**38,538**	39,192
Right of Use Asset	**47,435**	—
	1,483,424	1,473,115
Current assets		
Inventories	**1,258,303**	1,268,409
Trade receivables	**1,454,020**	1,621,809
Deposits, prepayments and other receivables	**222,225**	260,561
Current income tax recoverable	**14,540**	17,376
Derivative financial instruments	**61,285**	95,715
Pledged bank deposits	**1,700**	2,114
Short-term bank deposits	**28,255**	33,961
Cash and cash equivalents	**436,598**	281,849
	3,476,926	3,581,794
Total assets	**4,960,350**	5,054,909
Equity		
Equity attributable to owners of the Company		
Share capital	**23,456**	23,456
Other reserves	**1,515,010**	1,507,290
	1,538,466	1,530,746
Non-controlling interests	**(5,368)**	(4,443)
Total equity	**1,533,098**	1,526,303

	Unaudited As at 31st March 2019 *US$'000*	Audited As at 31st December 2018 *US$'000*
Liabilities		
Non-current liabilities		
Borrowings	**353,565**	355,731
Deferred income tax liabilities	**42,947**	41,028
Pension obligations	**10,747**	10,754
Other payables and accruals	**144,795**	118,991
Derivative financial instruments	**14,280**	18,888
Provisions	**1,706**	1,458
	568,040	546,850
Current liabilities		
Trade payables	**1,727,559**	1,805,125
Other payables and accruals	**821,010**	865,882
Current income tax liabilities	**14,469**	14,000
Warranty and other provisions	**170,175**	177,713
Derivative financial instruments	**49,245**	92,298
Borrowings	**76,754**	26,738
	2,859,212	2,981,756
Total liabilities	**3,427,252**	3,528,606
Total equity and liabilities	**4,960,350**	5,054,909
Net current assets	**617,714**	600,038
Total assets less current liabilities	**2,101,138**	2,073,153

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 2018: 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	
	2019	2018
	US$'000	*US$'000*
Current income tax	**8,746**	13,583
Deferred income tax credit	**3,262**	(4,168)
Income tax expense	**12,008**	9,415

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	
	2019	2018
Profit/(loss) attributable to owners of the Company *(US$'000)*	**4,719**	(7,993)
Weighted average number of ordinary shares in issue *(thousands)*	**2,345,636**	2,345,636
Basic earnings/(loss) per share *(US cents per share)*	**0.20**	(0.34)

(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. Its calculation is made 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 as 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 31st March 2019 and 2018 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 31st March 2019 (three months ended 31st March 2018: Nil).

OVERVIEW

During the first quarter of the year, the global economy was predominantly stable. However, the major economies — specifically those of the United States ("US") and China — showed signs of sluggishness in the wake of the prolonged trade dispute between the two countries. In tandem with the decelerating economic momentum, LCD panel prices dropped between 3 and 15 percent during the traditionally slow quarter for the industry. In terms of volume, global demand for TVs and monitors stayed flat vis-à-vis the same period last year at 48.4 million units (1Q2018: 48.6 million units) and 30 million units (1Q2018: 29.9 million units), respectively.

GROUP PERFORMANCE

Despite the challenges posed by slow seasonality, the Group delivered a reasonable performance in the reviewing quarter. Although consolidated revenue, at US$2.05 billion, was lower than the same period a year ago (1Q2018: US$2.24 billion), gross profit ("GP") margin was stable at 9 percent (1Q2018: 8.9 percent), and the Group reported an operating profit of US$30.4 million (1Q2018: US$12.1 million) helped by a US$5 million hedging gain (1Q2018: a loss of US$15.4 million) and lower overhead costs which came down by 6.8 percent year-on-year. Net profit attributable to shareholders was US$4.7 million (1Q2018: a loss of US$8 million)

In terms of revenue by geography, Europe continued to be the largest contributor in the quarter, representing 34.7 percent of sales (1Q2018: 33.2 percent). North America and China were the next largest, with North America taking up 22.4 percent (1Q2018: 20.9 percent) and China 22.2 percent (1Q2018: 23 percent) of sales. The decline in revenue from China was mainly attributable to the reduced sales of TVs in a crowded and competitive market. South America's contribution was approximately half that of the corresponding period in 2018 at 7.3 percent (1Q2018: 12.6 percent) as a direct consequence of the Group's decision in the second quarter last year to scale back its exposure to high-risk emerging markets. Remaining revenue for the quarter came from the rest of the world, chiefly South East Asia and Middle East, which contributed 13.4 percent (1Q2018: 10.3 percent) of total.

TVs

Unit shipment for the period under review amounted to 3.1 million units, representing a 20.5 percent drop over the corresponding period in the previous year (1Q2018: 3.9 million units). The drop was mainly attributable to a lower shipment in China, as well as a drop in shipment to South America in the face of economic instability in that region. Combined with a lower average selling price ("ASP") of US$237.80 (1Q2018: US$248.10), segment revenue for the quarter dropped by 23.3 percent year-on-year at US$735.4 million (1Q2018: US$959.3 million). Despite this, GP margin for the segment increased from 9.1 percent in 2018 to 11.1 percent, which helped to stabilize the segment's overall performance. Adjusted operating loss narrowed to US$10.7 million compared with a loss of US$29.9 million a year ago.

The TV segment's GP growth was largely driven by satisfactory sales in Europe of 50-inch-and-above models and high-end TV sets. Furthermore, the loss-making Philips TV business in China has stabilised after the Group revamped its channel and product strategies in the second half of 2018.

Monitors

In much the same pattern as the same period last year, monitor shipment enjoyed a gentle increase, growing 3.2 percent year-on-year to 10.7 million units (1Q2018: 10.4 million units). Revenue for the quarter stood at US$1.21 billion (1Q2018: US$1.19 billion) on a stable ASP of US$113.10 (1Q2018: US$114.70). Nevertheless, GP margin was lower at 7.9 percent (1Q2018: 9.1 percent) as a result of heavy market competition and reclassification of certain selling expenses to the cost of goods sold in compliance with the new accounting standard. Adjusted operating profit was US$45.9 million, 1.5 percent below the same period a year ago. (1Q2018: US$46.6 million).

OUTLOOK

At present, there is large degree of uncertainty concerning the immediate future due to recent developments in the trade dispute between China and the US. Potentially, a tariff on consumer electronics might be imposed by the US and this, as well as other measures, will be the subject of a public hearing in the US in mid-June this year. As a precaution, the Group is working closely with customers on both short-term solutions and a longer-term strategy in order to cope with the outcome of the talks. Between now and the confirmation of any tariffs, the Group will closely monitor how the situation develops and will apply remedial measures to reduce the impact on its operations.

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

Hong Kong, 22nd May 2019

As at the date of this announcement, the Board of the Company comprises one executive director, namely Dr Hsuan, Jason, and five non-executive directors, namely Mr Zhang Dongchen, Mr Xu Guofei, Mr Sun Jie, 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.