



**China Digital TV
Fourth Quarter 2016 Earnings Conference Call Script**

Operator:

Good morning and good evening everyone and welcome to China Digital TV's Fourth Quarter 2016 Earnings Conference Call. All participants are now in listen-only mode. Should you need assistance, please notify a Conference Specialist by pressing the star key followed by zero. After the management's presentation, we shall have a question and answer session.

As a reminder, this conference is being recorded. In addition, a webcast of this conference call will be available on China Digital TV's investor relations website.

I would now like to turn the call to the host for today, Mr. Nan Hao, Investor Relations Manager at China Digital TV. Please go ahead.

Mr. Nan Hao:

Thank you, operator.

Good morning and good evening everyone. Thank you for joining China Digital TV's Fourth Quarter 2016 earnings conference call. With me here today is Mr. Zhenwen Liang, our CFO, who will answer your questions after the prepared remarks.

Before we begin, I refer you to the Safe Harbor Statement in our earnings release, which also applies to our earnings call today as we will make forward looking statements.

On behalf of our CEO, Mr. Jianhua Zhu and CFO, Mr. Zhenwen Liang, I shall begin our presentation with highlights for the quarter, followed by discussion about the financial results.

First, I would like to reiterate that the sale of our interest in Beijing Super TV. We have received the sales proceeds from the buyer through its Chinese affiliate. Beijing Super TV also completed the change of its business registration with the Beijing Administration for Industry and Commerce. The buyer is in the process of converting the RMB into US dollars. After the sale of Super TV, the Company will no longer conduct CA or CA related businesses. We will focus on emerging growth opportunities.

Turning to the operations of our cyber cloud business, we are glad to end 2016 with robust growth in our cloud business. Primarily driven by our rapid customer expansion, full year revenues from the cloud business doubled as compared to the prior year.

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In the fourth quarter, we further expanded our geographic footprint to now include Shandong province through a partnership with Shandong Cable TV, which covers over 20 million users across its network. Along with Sichuan Telecom, Hebei Unicom, and other partners previously added, as of December 31, 2016, the total cyber cloud coverage has the ability to reach over 130 million users across China. We believe we have built a solid foundation for nationwide market penetration. In 2017, we will continue to strengthen these collaborations with our current partners and optimize our operations and management in these respective markets.

In addition, as many of you may have known, Beijing Cyber Cloud Technology Co., Ltd. ("Cyber Cloud"), a subsidiary of China Digital TV, recently entered a capital increase agreement with ShouTai JinXin (Beijing) Capital Management, a leading fund management company in China. In December 2016, Cyber Cloud received a RMB33 million strategic investment for 10% equity ownership in our cloud computing business. After the capital injection, China Digital TV now maintains 58% ownership of the subsidiary's equity. This funding will be used for the development of new content offerings and R&D to optimize our platform and support ongoing operations.

Going forward, we will leverage our legacy corporate relationships with China's cable television industry to develop more growth opportunities and remain committed to generating further values for our shareholders.

Before turning into financial result, I refer you to the US GAAP, pursuant to which we comply, the Company's financial statements have reflected the effect of the discontinued operation of our CA and CA related businesses. Beginning in the fourth quarter of 2016, the operational results of the CA and CA related businesses have been excluded from the Company's financial results from continuing operations. Comparative adjustments to the historical statements of operations have also been made to provide a consistent basis of comparison for the financial results.

With that, we will turn to the financial results for the fourth quarter. Please note that, unless otherwise stated, all monetary amounts are stated in US dollars.

Net revenues decreased by 34.8% to 0.8 million from 1.2 million in the prior year period. The decline in net revenues was primarily due to decreased revenues from system development in the fourth quarter of 2016.

Cost of revenues decreased by 10.4% to 0.6 million from 0.7 million in the prior year period. The decline in cost of revenues was primarily due to a decrease in cost of revenues from system development in the fourth quarter of 2016.

Gross profit for the fourth quarter was 0.2 million, as compared with 0.5 million in the period year period. **Gross margin** was 24.4%, compared to 45% a year ago.

Operating expenses in the fourth quarter came in at 2.9 million, slightly down compared to 3.2 million in the prior year period.

Loss from operations in the fourth quarter of 2016 was 2.7 million. It remained relatively stable as compared with the prior year period.

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Income tax expenses for the fourth quarter decreased by 40% year over year to 0.05 million, from 0.09 million in the same period last year.

Net income attributable to holders of ordinary shares in the fourth quarter of 2016 increased to 46.3 million from 2.3 million in the prior year period. The increase was primarily due to the gain from the sale of Beijing Super TV.

- **Net loss from continuing operations attributable to China Digital TV Holding Co., Ltd** narrowed by 47.6% to 1.3 million, as compared to 2.5 million in the prior year period.
- **Net income from discontinued operations attributable to China Digital TV Holding Co., Ltd** increased to 47.7 million from 4.8 million in the prior year period.

Non-GAAP net income attributable to holders of ordinary shares in the fourth quarter of 2016 increased to 46.9 million, from 2.3 million in the same period last year.

As of December 31, 2016, China Digital TV had cash and cash equivalents, restricted cash and term deposits totaling 124.4 million on the balance sheet.

Now we are ready for the question and answer session. Please note that our CFO will answer the questions in Chinese and I will then translate into English. Operator, we may now begin the Q&A session.

Operator: [give the Q&A instructions and begin the process.]

We shall now begin the question and answer session. To ask a question, please press * (star) 1 on your touch-tone phone. To withdraw your question, please press * (star) 2.

If there is no further question/(question), we shall turn the call to Mr. Nan Hao for the closing remarks.

Closing remarks for Mr. Nan Hao:

Once again, thank you all for joining us today. Please don't hesitate to contact us if you have any further questions. Thank you for your continued support and we look forward to talking with you in the coming quarters.