



TCL Electronics' Profit Attributable to Owners of the Parent Increases 138% YoY and Global TV Sales Volume Hits a New High Again in 1H 2019

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**Overseas Markets Sustain Rapid Growth
Sales Volume in the PRC Market Outperforms the Market
Profitability of Internet Business Significantly Grows
Revenue of HK\$96 million from Overseas Internet Business for the First Time**

Financial highlights for the six months ended 30 June 2019

(HK\$ million)	1H 2019	1H 2018	Change
Turnover	22,724*	21,050	+8.0%
Gross profit margin (%)	16.4	15.3	+1.1 p.p.
Expense ratio (%)	12.7	12.6	+0.1 p.p.
EBITDA[@]	1,664	875	+90.2%
Profit attributable to owners of the parent	1,362	572	+138.1%
Basic earnings per share (HK cents)	60.01	26.72	+124.6%
Interim dividend per share (HK cents)	10.56	9.80	Dividend payout ratio after deducting one-time non-operating gain: 45%

* In 2019 H1, the average exchange rate of RMB against HK\$ dropped by 5.7% YoY. The Company's financial statements are presented in HK\$. The fluctuation of the exchange rate has certain impact on the turnover

[@] EBITDA is defined as profit before deduction of finance costs, income tax, depreciation and amortization, excluding the Company's share of the profits and losses of the joint ventures and associates

(28 August 2019, Hong Kong) – TCL Electronics Holdings Limited ("TCL Electronics" or "the Company", stock code: 01070.HK) today announced its unaudited interim results for the six months ended 30 June 2019.

Business Highlights

- **The Company's Global Business Scale Continued to Expand and the Sales Volume Remained No.2 in the Global TV Market:** In the first half of 2019, the global TV sales volume of TCL Electronics again hit a new high of 15.53 million sets, up by 17.9% year-on-year, representing a market share of 14.3% (data source: Sigmaintell) and remained at No. 2 in the global TV market. Among which, sales volume of TCL brand TV increased significantly by 33.1% year-on-year to 10.31 million sets, with its market share ranking No.3 in the global TV market (data source: IHS), further showing the global competitive advantage of TCL brand. According to GfK and NPD reports, the market share of TCL brand TV kept stable growth in many countries around the world and ranked among the top in 15 countries in the first half of 2019.
- **Profitability was Greatly Improved:** For the six months ended 30 June 2019, TCL Electronics recorded turnover of HK\$22.72 billion, up by 8.0% year-on-year. The gross profit was HK\$3.72 billion, up by 15.7% year-on-year. As a result of product mix optimization, gross profit margin increased by 1.1 percentage points to 16.4% year-on-year. By persisting in cost reduction and efficiency enhancement, the expense ratio of the Company remained stable at 12.7%. Having benefited from the overall efficiency improvement and the rapid growth of overseas and Internet businesses, the Company's profitability was greatly improved, with net profit after tax reaching HK\$1.37 billion, up by 139.8% year-on-year. Profit attributable to owners of the parent was HK\$1.36 billion (including a one-off gain of HK\$787 million on fair value remeasurement of 44.44% pre-existing equity interest in Falcon Network Technology held by the



Company), up by 138.1% year-on-year. The operating net profit (profit attributable to owners of the parent after deducting one-time non-operating gain) significantly increased by 32.9% to HK\$554 million, compared with HK\$417 million in the same period of last year. Basic earnings per share was HK60.01 cents and the basic earnings per share after deducting one-time non-operating gain was HK24.41 cents. The Board declared an interim dividend of HK10.56 cents per share, implying a dividend payout ratio of 45% based on profit attributable to owners of the parent after deducting one-time non-operating gain.

- **Continuous Improvement of Product Mix:** By adhering to cutting-edge display and intelligent technologies, the Company is committed to developing high-end and intelligent products. In the first half of 2019, sales volume of smart TVs and 4K TVs increased significantly by 31.8% and 52.5% year-on-year to 12.37 million sets and 5.75 million sets respectively. As large screen and smart function are becoming the new trend, the Company's TV sales volume of 65-inch and above significantly increased by 116.5% year-on-year. In the future, the Company will continuously increase its investment in R&D to develop global leading display technologies such as quantum dot, Mini LED and 8K, so as to further enhance its product competitiveness.
- **TCL Brand TV Business Continued Rapid Growth in Overseas Markets:** With 20-year penetration in overseas market and prominent advantage of its leading global business layout, the Company has significantly enhanced its international business competitiveness. Overseas markets have become an important development engine for the Company. With significant increase in both sales volume and turnover, TCL TV ranked high among various key markets. Sales volume of TCL brand TVs in overseas markets had significantly increased by 49.8% year-on-year to 7.07 million sets in the first half of 2019, and the turnover reached HK\$10.77 billion, up by 32.5% year-on-year. The gross profit margin enhanced significantly and the second quarter gross profit margin rose remarkably by 3.3 percentage points sequentially to 17.1%. The operating results significantly increased by 132.1% year-on-year, which showed that the profit growth had significantly surpassed the turnover growth. The sales volume in various overseas markets remained strong growth. Among which, sales volume in North American markets increased by over 70% year-on-year, with its market share in terms of TV sales volume ranked 2nd in the US market (data source: NPD). In addition, sales volume in the fast expanding emerging Indian market also soared by over 200% year-on-year. With the apparent advantages of the economies of scale, profitability in overseas markets was significantly enhanced.
- **Internet Business Showed Brilliant Performance with New Revenue from Overseas Markets and Continuously Enhancing Profitability from Falcon Network Technology:** The Company actively optimized user experience and enriched platform content of its Internet business, and at the same time deepened its Internet TV business cooperation with Roku and Google in North America, Europe and South America. In the first half of 2019, the Company's Internet business revenue was HK\$349 million, up by 125.2% compared to the same period of last year. Among which, sustainable revenue of HK\$96 million from overseas Internet business was included for the first time, accounting for 27.5% of the total Internet business revenue. As a result, the Company has become the first Chinese enterprise in the industry to have large-scale and sustainable overseas Internet business revenue. The revenue of Falcon Network Technology in the first half of the year was about HK\$253 million, up by 63.3% year-on-year. The net profit in the first half of the year was HK\$78 million, exceeding its full year's net profit in 2018, with the net profit margin reaching 30.7%. In addition, the Company's Internet business user base and loyalty have further improved. As of 30 June 2019, the global accumulated number of activated users reached 36.75 million, up by 34.3% year-on-year. The global average daily number of active users reached 17.07 million in June 2019. The average daily time of users spent on TV increased to 5.66 hours.
- **Increased R&D Investment and Took the Lead in AI x IoT Business Layout:** With increased investment in R&D, the Company took the lead in the business layout of AI and IoT. The Company has further improved its product intelligence and implemented new generation of smart engine, which has expanded the application from entertainment to daily services. With the newly added AI scenario identification and AI facial recognition, TVs can provide smart and customized services to users via automatically recommending content that users are interested in. In addition, by using the IoT cloud platform as the core and building up its capabilities of cloud, channel and terminal, the Company established an open smart IoT platform, which had realized voice control over full categories of smart terminal products. By enhancing the infrastructure of the content and services ecology, the Company will fully explore the household AI x IoT



field. In the future, the Company will further enrich the services content of AI and IoT, dedicating itself to bringing superior product and service experiences to users worldwide.

TCL Brand Business in Overseas Markets: Sales Scale Maintained Rapid Growth and Global Production Capacity Layout Achieved Remarkable Results

Continuous Significant Increase in Both Sales Volume and Turnover: With its persistent efforts to penetrate into key overseas markets and continuous expansion in emerging markets, sales volume of the TCL brand TV in overseas markets recorded significant growth of 49.8% year-on-year and reached 7.07 million sets in the first half of 2019. Turnover of TCL brand TV in overseas markets increased by 32.5% to HK\$10.77 billion year-on-year.

The Market Share in Key Overseas Markets Continued to Increase: TCL Electronics adheres to its global brand strategy, and the overseas markets have become an important development engine for the Company. In the first half of 2019, the Company's sales volume in various regions in overseas markets maintained strong growth:

- North American markets continued to consolidate and strengthen its leading position with TV sales volume rising strongly by 75.0% year-on-year in spite of the China-US trade dispute. In the first half of 2019, the market share of the Company in terms of TV sales volume ranked 2nd in the US market and jumped to No.1 in March (data source: NPD);
- Emerging markets maintained strong growth momentum, with TV sales volume up by 28.8% year-on-year, of which India (up by 216.8%), Indonesia (up by 109.5%), Argentina (up by 64.4%) and Russia (up by 52.0%) all achieved rapid growth. In the first half of 2019, the market share of the Company in terms of TV sales volume ranked 2nd in both Myanmar and Pakistan, 3rd in the Philippines, 4th in Australia, Vietnam and Thailand, and 5th in India (data source: GfK);
- TV sales volume in the European markets rose by 20.7% year-on-year, with areas including France (up by 57.4%), Germany (up by 161.1%) and Italy (up by 196.9%) recording notable growth. In the first half of 2019, the market share of the Company in terms of TV sales volume ranked 3rd in France (data source: GfK).

Sales Volume of Mid-to-high End Products Continued to Increase, Alongside the Continuously Optimizing Product Mix:

- The proportion of smart TV sales volume rose from 82.4% in the first half of 2018 to 88.2% in the first half of 2019;
- The proportion of 4K TV sales volume rose from 34.9% in the first half of 2018 to 43.6% in the first half of 2019;
- Sales volume of 65-inch and above TVs in the first half of 2019 increased by 204.1% year-on-year, compared with the same period of 2018;
- The average size of TV sold increased from 41.3 inches in the first half of 2018 to 42.2 inches in the first half of 2019.

Notable Growth in Profitability: With the benefit of continuous optimized product mix, economies of scale, and advantages brought by the synergy of vertically integrated industrial chain, the gross profit margin of the Company's TCL brand TV in overseas markets rose by 1.0 percentage point to 15.1% in the first half of 2019. In the second quarter of 2019, the gross profit margin of its TCL brand TV in overseas markets rose remarkably by 3.3 percentage points sequentially to 17.1%. In the first half of 2019, the operating results of its TCL brand TV in overseas markets increased significantly by 132.1% year-on-year.

Realizing Global Production Capacity Layout and Effectively Mitigating Potential Risks: With global production capacity layout, the Company has factories in Mexico, Vietnam, Poland, India and South America. The Company's total production capacity layout in overseas exceeds 15 million sets per year, which is sufficient to meet its shipment demand in the North American markets and can effectively minimize potential risks of the China-US trade dispute.



TCL Brand Business in the PRC Market: Further Optimizing Product Mix and Improving Gross Profit Margin Quarter-on-quarter of Self-branded Products

Self-branded Products Increased Against the Industry Downward Trend: According to CMM's omni-channel data, the overall TV sales volume in the PRC market decreased by 4.3% year-on-year in the first half of 2019. However, the Company's sales volume of TCL brand TV recorded a positive growth despite the downward trend in the industry of the PRC market, with sales volume up by 6.9% to 3.24 million sets year-on-year, among which the sales volume of super-large TVs over 65 inches increased significantly by 114.6%. The turnover reached HK\$6.22 billion.

The Proportion of Online Sales Continued to Increase: Through continuous optimization of sales channels in the PRC market, the proportion of the Company's online TCL brand TV in the first half of 2019 reached 37.7% of the total TCL brand TV sales volume in the PRC market, up by 2.7 percentage points from 35.0% in the same period last year.

Gross Profit Margin Increased Steadily: With the benefit of continuous product mix optimization, the gross profit margin of the Company's TCL brand TV in the PRC market in the first half of 2019 increased by 0.8 percentage point year-on-year to 24.3%. In the second quarter of 2019, the gross profit margin of TCL brand TV increased by 1.6 percentage points to 25.3% sequentially, representing a significant improvement from the first quarter.

The Product Structure of the Company's TCL Brand TV in the PRC Market Continued to Optimize in the First Half of 2019:

- The proportion of smart TV sales volume rose from 81.5% in the first half of 2018 to 83.4% in the first half of 2019;
- The proportion of 4K TV sales volume rose from 53.2% in the first half of 2018 to 58.0% in the first half of 2019;
- In the first half of 2019, the sales volume of super-large TVs over 65 inches increased by 114.6%, compared with the same period of 2018;
- The average size of TV sold increased from 47.1 inches in the first half of 2018 to 47.6 inches in the first half of 2019;
- The market share of curved TVs reached 34.7%, the Company remained as No.1 in the PRC market (data source: CMM's omni-channel data);
- In the first half of 2019, the average selling price of TCL brand TV ranked top 2 among the Chinese first-tier brands in both online and offline sales channels in the PRC market (data source: CMM's online and offline report).

In the second half of the year, by focusing on its core strategy of product mix optimization, operating efficiency improvement and increasing market share, the Company will persist in developing its mid-to-high end products, increasing the proportion of high-margin products and optimizing its channel structure so as to improve its operating results.

Internet business: Sustainable Overseas Internet Business Revenue for the First Time and Falcon Network Technology's Commercial Monetization Ability Continued to be Enhanced

Internet Revenue Surged: In the first half of 2019, the Company's Internet business developed rapidly, thereby continuing to improve the business operation capability. In the first half of 2019, the accumulated revenue from Internet business reached HK\$349 million, remarkably up by 125.2% year-on-year. For the first time, the revenue from overseas Internet business was included, further enhancing the commercial monetization ability of the Company's Internet business.

Overseas Internet Business Will Continue to Grow in the Future: In the first half of 2019, the Company deepened its cooperation with Roku in the North American markets and with Google in the European and South American markets to jointly enhance the user experience of TCL TV overseas. In the first half of 2019, the overseas Internet business contributed HK\$96 million of sustainable revenue for the first time, accounting for 27.5% of the total revenue of the Internet business in the first half of the year. As a result, the Company has become the first Chinese enterprise in the industry to have large-scale and sustainable overseas Internet business revenue. With the rapid development of the global OTT industry and the fast growth of the Company's overseas TV sales volume, it is expected that the overseas Internet business will further enhance the overall profitability of the Company in the future.

Falcon Network Technology's Commercial Monetization Ability Continued to be Enhanced: In the first half of 2019, Falcon Network Technology (has been consolidated since April 2019), the Internet business operating platform of the Company that is mainly active in the PRC market and some overseas emerging markets, focused on strengthening user operations and enriching platform content. The Company continued to deepen the "1+1+N" strategic cooperation with Tencent, South New Media and other partners. The penetration rate of Falcon Network Technology's members has increased significantly and its business has developed rapidly. In the first half of 2019, Falcon Network Technology's revenue reached HK\$253 million, up by 63.3% year-on-year, among which revenue from video-on-demand and membership increased by 45.7%, revenue from advertising business grew by 36.6%, and revenue from value-added business increased by 269.5%. Falcon Network Technology's net profit in the first half of the year reached HK\$78 million, exceeding last year's annual net profit and the net profit margin was as high as 30.7%.

Internet Business User Base and Loyalty Have Further Improved: As of 30 June 2019, the global accumulated number of activated users reached 36.75 million, up by 34.3% year-on-year. The global average daily number of active users reached 17.07 million in June 2019. The average daily time of global users spent on TV increased to 5.66 hours.

Diversified Businesses: Actively Expand the Layout of AI x IoT Strategy and Explore the Further Development for New Businesses

Deepened the Diversified Business Layout: On the basis of reinforcing and upgrading the existing TV business, the Company will further expand diversified businesses, including smart AV, commercial display and smart home to explore further development for new businesses and to enhance its overall profitability.

Propelling AI x IoT Strategy: The Company has strengthened the R&D and application of AI, vigorously developed the intelligent IoT field with "AI x IoT" as the core strategy in an endeavor to enhance personalized experience of users, insert innovation to all series product and proactively engage in AI and IoT businesses. Through building its capabilities of cloud, channel and terminal, the Company will develop an open IoT platform empowered by AI technology and centered on cloud platform to facilitate an interconnected, intelligent and healthy ecosystem, the Company is devoted to developing TV as the IoT center of future households. To achieve the interconnection of hardware, software and IoT scenarios, the Company will also provide users with video calls, smart interaction, remote services and comfortable healthy smart home experience, and empower itself to become a global leading smart technology company.

Outlook

In 2019, the Company adheres the strategic theme of "extreme efficiency, product leadership and user experience":

- Leveraging the advantages in the vertical integration of industrial chain to propel the continuous leading position in product technology;
- Accelerating the development of global Internet business, strengthening operational capability and serving global users;
- Enhancing the business competitiveness in the PRC Market, further developing highly potential overseas markets and accelerating the strategic layout of globalization;
- Adopting strategic transformation of "Intelligentization + Diversification" to become a global leading smart technology company.

Starting from this year, China has launched several new policies including "The Ultra HD Video Industry Development Action Plan (2019-2022)", energy conservation and emissions reduction for home appliances policy and promoting the R&D and industrialization of Green Smart home appliances. The market scales of TV industry have great potential of expansion under the growing trend of 5G technology. The Company will continue to consolidate its leading position in the global layout, leverage the advantage in vertical integration of industrial chain, enhance its global product competitiveness and Internet business capability, deepen the implementation of diversified business layout and development strategy in the second half of 2019. The Company will also build a smart home ecosystem featuring "AI x IoT" and actively explore new profit growth opportunities. At the same time, the Company will vigorously make innovations in technologies, and actively



propel digital transformation in order to continuously improve profitability and create greater value for shareholders.

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About TCL Electronics

Headquartered in China, TCL Electronics Holdings Limited (stock code: 01070.HK, incorporated in the Cayman Islands with limited liability) is one of the leading players in the global TV industry, and is engaged in the research and development, manufacturing and distribution of consumer electronic products. Through a new product-and-user-oriented business model that focuses primarily on a “double +” strategy which includes “smart + internet” and “products + services” as the main direction, TCL Electronics strives to build a comprehensive ecosystem for smart TVs that provides users with smart and healthy living products and services, and is dedicated to becoming a global leading smart technology company. According to the latest Sigmaintell report, the market share of the Company in terms of sales volume ranked No.2 in the global TV markets in the first half of 2019. TCL Electronics is included in the eligible shares list of the Shenzhen-Hong Kong Stock Connect Scheme, Hang Seng Stock Connect Hong Kong Index, Hang Seng Composite MidCap & SmallCap Index and Hang Seng Corporate Sustainability Benchmark Index. For more information, please visit its website: <http://electronics.tcl.com>

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Appendix: The Company's sales volume by regions and the number of TCL Internet TV users were as follows:

TV sales volume	1H 2019 (000' sets)	1H 2018 (000' sets)	Change
Total	15,526	13,173	+17.9%
- TCL brand TV in overseas markets	7,073	4,721	+49.8%
- TCL brand TV in the PRC market	3,237	3,027	+6.9%
- ODM business	5,216	5,425	(3.9%)
Of which: Smart TVs	12,371	9,383	+31.8%
4K TVs	5,752	3,773	+52.5%

	Accumulative Number as of 30 June 2019	1H 2019	1H 2018	Change
Total No. of Global Activated User(s) ⁽¹⁾	36,747,849	4,840,429	3,817,734	+26.8%
Average Daily No. of Global Active User(s) ^{(2) (3)}	N/A	17,065,266	12,814,096	+33.2%

Notes:

- (1) The number of users who use the Internet TV web service for more than once
- (2) The number of unrepeated individual users who visit within 7 days
- (3) Data as of June 2019