

**TCL Electronics' Sales Volume of TV Sets Exceeds 21.12 Million  
for the First Three Quarters of 2018**  
**Turnover of HK\$32.8 Billion Reaches Record High for the Same Period**  
\*\*\*\*\*

**Sustains Impressive Growth in Overseas Markets**  
**Raises Full-year Sales Target from 25.60 Million Sets to 28.30 Million Sets**  
**Internet Business Performs Well**  
**Raises Full-year Revenue Target of Internet Business from RMB220 Million to  
RMB260 Million**

Certain unaudited financial and operational information for the nine months and three months ended 30 September 2018

		2018 Q1-Q3	2017 Q1-Q3	Change	2018 Q3	2017 Q3	Change
<b>LCD TV Sales Volume ( '000 sets)</b>	<b>Overall</b>	21,123	16,115	31.1%	7,949	6,511	22.1%
	<b>PRC</b>	7,585	6,046	25.4%	2,696	2,180	23.7%
	<b>Overseas</b>	13,538	10,068	34.5%	5,253	4,332	21.3%
<b>LCD TV Average Selling Price ( HK\$)</b>	<b>Overall</b>	1,539	1,747	(11.9%)	1,454	1,723	(15.6%)
	<b>PRC *</b>	2,206	2,363	(6.6%)	1,868	2,395	(22.0%)
	<b>Overseas*</b>	1,719	1,699	1.2%	1,715	1,781	(3.7%)
<b>Turnover ( HK\$ million)</b>	<b>Overseas</b>	32,789	28,248	16.1%	11,739	11,225	4.6%
	<b>PRC</b>	13,164	13,427	(2.0%)	4,360	4,815	(9.4%)
	<b>Overseas</b>	19,625	14,821	32.4%	7,379	6,411	15.1%
<b>Gross Profit ( HK\$ million)</b>	<b>Overall</b>	4,966	4,221	17.7%	1,746	1,594	9.5%
	<b>PRC</b>	2,560	2,597	(1.4%)	770	906	(15.0%)
	<b>Overseas</b>	2,406	1,623	48.2%	976	688	41.7%
<b>Gross Profit Margin (%)</b>	<b>Overall</b>	15.1	14.9	0.2 p.p.	14.9	14.2	0.7 p.p.
	<b>PRC</b>	19.4	19.3	0.1 p.p.	17.7	18.8	(1.1 p.p.)
	<b>- PRC*</b>	22.6	21.4	1.2 p.p.	20.4	20.2	0.2 p.p.
	<b>Overseas</b>	12.3	11.0	1.3 p.p.	13.2	10.7	2.5 p.p.
	<b>- Overseas*</b>	14.6	12.0	2.6 p.p.	15.5	12.2	3.3 p.p.

\* Excluding ODM Business

(Hong Kong, 29 October 2018) **TCL Electronics Holdings Limited** ("TCL Electronics" or "the Company"; 01070.HK) today announced a business update on certain unaudited financial and operational information for the nine months and three months ended 30 September 2018.

### **Business Review**

Following the renaming of **TCL Electronics**, the Company has reinforced and strengthened its existing core TV business, while at the same time, it has gradually implemented strategic transformation and business diversification, in order to realize new profit growth opportunities. A satisfactory business performance was recorded for the first three quarters of 2018. As a result of continuous growth momentum in its sales volume and turnover, a steady increase in its gross profit margin, and effective expense control, the Company's profitability has continuously enhanced.

- Globalization strategy boosted strong sales growth. In the first three quarters, LCD TV sales

volume exceeded 21.12 million sets, up by 31.1% year-on-year, completing 82.5% of its initial full-year sales target of 25.60 million sets. In the third quarter, LCD TV sales volume grew by 22.1% year-on-year to approximately 7.95 million sets, reaching a quarterly record high. In view of sales performance exceeding expectations, the Company is pleased to announce that its full-year sales target has been raised to 28.30 million sets.

- Turnover increased by 16.1% year-on-year to HK\$32.79 billion for the first three quarters, reaching a record high for the same period. Gross profit rose by 17.7% year-on-year to HK\$4.97 billion, with gross profit margin up 0.2 percentage point to 15.1%.
- With continuous optimization of the overall product mix and improvement of product competitiveness, sales volumes of smart TVs and 4K TVs soared by 49.1% year-on-year and 63.6% year-on-year to 15.21 million sets and 6.11 million sets respectively.
- Notable growth in scale of sales continued in overseas markets, testifying to the success of the Company's strategy for globalization. LCD TV sales volume grew by 34.5% year-on-year to 13.54 million sets in the first three quarters, and turnover grew significantly by 32.3% year-on-year to HK\$19.57 billion. The evident effects from the product and brand upgrade strategy resulted in its leading market position in key markets.
- Sales volume in the PRC market continued to increase. LCD TV sales volume in the PRC market increased by 25.4% year-on-year to 7.58 million sets in the first three quarters. Its gross profit margin of the self-branded products increased by 1.4 percentage points year-on-year to 22.8% in the first three quarters.
- Monetization capability of internet business was further enhanced, achieving turnover of approximately RMB 202.52 million in the first three quarters of 2018, representing a substantial leap of 205.0% year-on-year. It has completed 90.9% of its initial target. Therefore, it has raised its full-year revenue target from RMB 220 million to RMB 260 million.
- The Company's global strategy for product and brand enhancement has delivered remarkable results. In July this year, TCL R6 was awarded 2018 Editor's Choice by CNET in the United States (the industry's most admired media for electronics product reviews and ratings). In August, the spring new product C6 of **TCL Electronics** won the highly renowned EISA (EISA Award is known as the most prestigious award in Europe for video, audio and consumer electronics products) - "2018-2019 Best Buy LCD TV" at IFA. Meanwhile, its QLED TV X8 won the IFA Product Technical Innovation Award - "Display Technology Gold Award" for innovative and cutting-edge display technology, in recognition of the outstanding picture and sound quality of TCL's TV products.
- The implementation of its diversification development strategy was accelerated through entering smart AV market and the blue ocean market of commercial displays, aiming to establish an open smart home system based on smart TVs.

## **Sales Volume of LCD TV Sets Exceeded 21.12 Million Sets in the First Three Quarters, Turnover Achieved Record High for the Same Period, Full-year Sales Target was Raised to 28.30 Million Sets**

**TCL Electronics'** LCD TV sales volume in the first three quarters and the third quarter maintained rapid growth. In the first three quarters, LCD TV sales volume grew by 31.1% year-on-year to 21.12 million sets, completing 82.5% of its initial full-year sales target of 25.60 million sets. The growth in the overseas sales volume was particularly strong, testifying to the success of the Company's strategy for globalization. In the third quarter, LCD TV sales volume increased by 22.1% year-on-year to 7.95 million sets, reaching a quarterly record high. In view of sales performance exceeding expectations, the Company is pleased to announce that its full-year sales target has been raised to 28.30 million sets. **TCL Electronics** ranked No.3 in the global TV market with a market share of approximately 11.8% in terms of sales volume in the first half of 2018 (Source: Sigmaintell data), being the only Chinese TV brand among the world's top 3.

The Company has been committed to its premium product strategy, and has been continuously optimizing its product mix and improving its product competitiveness. In the first three quarters, the sales volumes of smart TVs and 4K TVs soared by 49.1% and 63.6% year-on-year to 15,209,174 sets and 6,110,057 sets, respectively.

With its continuous effort on cost reduction and efficiency enhancement, the apparent advantages of the economies of scale and effective expense control, the Company's profitability continued to improve. The turnover increased by 16.1% year-on-year to a record high of HK\$32.79 billion for the first three quarters. Gross profit rose by 17.7% year-on-year to approximately HK\$4.97 billion, with gross profit margin up 0.2 percentage point to 15.1%.

## **Overseas Markets: Apparent Advantage of Economies of Sales , Continuous Growth in Sales Volume**

The ongoing efforts of **TCL Electronics** in advancing its global strategy to an even greater extent, expanding sales channels and boosting economies of scale have led to the continuous and remarkable increase in sales volume in overseas markets, extending its brand influence, as well as significantly increasing its gross profit margin.

**Sales volume:** LCD TV sales volume in overseas markets grew by 34.5% year-on-year to approximately 13.54 million sets in the first three quarters.

- **North American Market:** By accelerating market penetration, the Company achieved 30.7% year-on-year increase in sales volume in the first three quarters. According to the latest NPD market research report, the Company's market shares ranking in terms of sales volume further jumped to Top 2 in North America in July and August this year.

- **Emerging Markets:** Maintained on a positive growth track, with the sales volume rising by 38.3% year-on-year in the first three quarters. In particular, Brazilian market recorded a year-on-year sales volume growth by 52.2%. According to the latest GfK report, the Company ranked No.3 in the Philippines, No.4 in both Thailand and Vietnam, and No.5 in Australia in terms of sales volume from January to August in 2018.
- **European Markets:** Sales volume surged by 60.3% year-on-year in the first three quarters and a strong sales momentum was shown in France, Germany, Spain and etc. The Company moved up one spot to No.3 in France in terms of market share ranking of sales volume (Source: GfK).

**Turnover:** In the first three quarters, turnover of LCD TV in overseas markets grew significantly by 32.3% year-on-year to approximately HK\$19.57 billion.

**Gross profit margin:** Benefitting from the decline in panel prices, continuous optimization of product mix and evident effects from the product and brand upgrade strategy, gross profit margin of the Company's LCD TV in overseas markets increased substantially by 1.2 percentage points year-on-year to 12.2% in the first three quarters and by 2.5 percentage points year-on-year to 13.1% in the third quarter. Moreover, the gross profit margin of self-branded products leaped by 2.5 percentage points to 14.6% in the first three quarters and by 3.1 percentage points to 15.3% in the third quarter.

The Company's sales volume in key overseas markets continued to climb in the first three quarters and ranked among the top in the markets, and business performance was enhanced remarkably year-on-year.

### **The PRC Market: Devoted to Premium Product Strategy and Product Mix Optimization**

Devoted to premium product strategy and product mix optimization, **TCL Electronics** has continued to improve its gross profit margin year-on-year in the PRC market in the first three quarters.

**Sales volume:** The Company's LCD TV sales volume in the PRC market increased by 25.4% year-on-year to approximately 7.58 million sets in the first three quarters.

**Turnover:** The Company's LCD TV turnover in the PRC market reached approximately HK\$12.97 billion in the first three quarters.

**Gross profit margin:** The Company's gross profit margin of LCD TV in the PRC market rose by 0.3 percentage point to 19.6% in the first three quarters, of which the gross margin of the self-branded products increased by 1.4 percentage points year-on-year to 22.8%.

According to the latest CMM omni-channel data, the brand price index of TCL's TVs for the first

three quarters of 2018 jumped from 101 in the corresponding period of the last year to 112, and ranked 2nd place, versus 3rd place a year ago.

### **Internet Business: Stronger Monetization Capability with Full-Year Revenue Target Raised to RMB 260 Million**

**TCL Electronics** continued to enhance its platform development and users operation, comprehensively promoted the “Intelligent Manufacturing + Internet” new business model, deepened “1+1+N” strategic cooperation model and aimed to enhance the monetization capacity of the Internet business.

#### **Continued to Expand User Base and Enhanced User Loyalty**

As of 30 September 2018, the accumulated number of TCL activated smart TV users of **TCL Electronics** increased by 34.7% year-on-year to 29,310,181 and the average daily number of active users in the first three quarters increased by 40.6% year-on-year to 13,893,154. The user base of the Internet TV business continued to demonstrate significant growth, of which:

- Video-on-demand business totaled approximately 25.42 million users, increasing by 22.9% year-on-year;
- The number of paid business users reached approximately 4.32 million, skyrocketing by 136.0% year-on-year; and
- Average daily spending time of users on TV reached 5.5 hours, rising by 12% year-on-year. User loyalty was further strengthened by refined user operation.

#### **Greater Monetization Capability with Full-Year Revenue Target Raised to RMB 260 Million**

**TCL Electronics** continued to enhance the operational capability of its Internet platform, achieving revenue of approximately RMB 202.52 million in the first three quarters of 2018, representing a substantial leap of 205.0% from the corresponding period of last year. It has completed 90.9% of its initial full-year target of RMB 220.00 million, of which, revenue of advertising business amounted to approximately RMB 92.12 million, while revenue of video-on-demand and membership business amounted to approximately RMB 84.89 million, representing a significant increase of 137.2% and 208.9% year-on-year respectively. The Internet business performed well in the first three quarters, the monetization capability of its Internet business was further enhanced, raising full-year revenue target from RMB 220 million to RMB 260 million.

### **Remarkable Result Delivered by Global Product and Brand Strategy, Brand Power has been Highly Recognized**

In July this year, TCL R6 was awarded 2018 Editor’s Choice by CNET in the United States (the industry’s most admired media for electronics product reviews and ratings). In August, the spring new product C6 of **TCL Electronics** won the highly renowned EISA (EISA Award is known as the

most prestigious award in Europe for video, audio and consumer electronics products) - “2018-2019 Best Buy LCD TV” at IFA. Meanwhile, its QLED TV X8 won the IFA Product Technical Innovation Award - “Display Technology Gold Award” for innovative and cutting-edge display technology, in recognition of the outstanding picture and sound quality of TCL's TV products. In September, **TCL Electronics** was officially included as a constituent stock of the Hang Seng Stock Connect Hong Kong Index. In addition, TCL ranked 79th on the inaugural 2018 Digital 100 list by Forbes, becoming the only Chinese home appliance brand on the list; and was also named among the 2018 Top 50 Chinese Global Brands jointly released by Facebook and KPMG. **TCL Electronics**' strategy of product and brand enhancement has delivered remarkable results and the Company's brand power has been highly recognized.

### **Accelerated Implementation of Diversification Strategy by Launching Commercial Display and Smart Home Businesses**

Following **TCL Electronics**' smart AV market expansion in the first half of the year, the Company has accelerated implementation of its diversification development strategy and continued to boost the transformation and upgrading of its businesses in the third quarter. The Company actively seized the opportunity to fill the huge demand gap of commercial displays in the new economic era and completed the acquisition of TCL Commercial Information Technology (Huizhou) Co., Ltd. in the third quarter, thereby entering the blue ocean market of commercial displays and achieving “B2B and B2C dual-track development”. Meanwhile, the Company announced its industry-leading move – establishing strategic partnership with Sunshine 100 China to create shared smart apartments, propelling the implementation of the leading smart home in China.

In the future, while implementing its strategic transformation and promoting diversified business development, **TCL Electronics** will focus on reinforcing and strengthening its existing core TV business. The Company will remain committed to its premium product strategy as well as continuously enhance its product competitiveness in the PRC market. It will further push forward its business globalization strategy and proactively penetrate in overseas markets by maintaining market competitiveness in North and South America, growing its market share and profitability in Europe and Southeast Asia, and exploring the emerging markets such as India and Russia, in an effort to grow its worldwide market share, strengthen the TCL brand power and enhance its global business layout. Meanwhile, **TCL Electronics** will continue to invest in research and development, accelerate the development of AI and Internet applications, thereby empowering itself to become an international conglomerate in the electronics industry and creating value for shareholders.

~End~



## **About TCL Electronics**

Headquartered in China, TCL Electronics Holdings Limited (HKSE stock code: 01070) 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 a superior experience with its smart products and services. According to the latest Sigmaintell report, the Company ranked No.3 in the global TV market with a market share of 11.8% in terms of sales volume in the first half of 2018. According to CMM omni-channel data, the Company ranked No.3 in the PRC TV market with a market share of 12.6% in terms of turnover in the first three quarters of 2018. TCL Electronics is included in the eligible shares list of the Shenzhen-Hong Kong Stock Connect Scheme and Hang Seng Stock Connect Hong Kong Index. For more information, please visit its website: <http://electronics.tcl.com>

## **For Enquiries:**

### **Strategic Financial Relations (China) Limited**

Ms. Serine Li	Tel: (852) 2864 4835
Ms. Winnie Lau	Tel: (852) 2864 4876
Ms. Karen Li	Tel: (852) 2864 4837
Ms. Gloria Huang	Tel: (852) 2864 4839
Ms. Sherry Liu	Tel: (852) 2114 4907
Ms. Yoki Zhao	Tel: (852) 2114 4949
Ms. Michelle Ma	Tel: (852) 2114 4954
Ms. Athena Fu	Tel: (852) 2864 4860
Ms. Yoyo Lai	Tel: (852) 2864 4850
Mr. Charles Yang	Tel: (852) 2864 4846

Email: [sprg-tcl@sprg.com.hk](mailto:sprg-tcl@sprg.com.hk)