

TCL Electronics' TV Sales Volume Exceeds 8.44 Million Sets in the First Quarter of 2019 Hits Quarterly Record High

Turnover Reaches HK\$12.57 Billion to a Record High for the Same Period Since 2014

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Sustains Impressive Growth in Overseas Markets with Effective Globalization Strategy Internet Business Grows Rapidly Turnover Up Nearly 60% YoY

(Hong Kong, 23 April 2019) TCL Electronics Holdings Limited (“TCL Electronics” or “the Company”; HKSE stock code: 01070.HK) today announced its latest unaudited financial and operational information for the three months ended 31 March 2019.

Business Review

In the first quarter of 2019, the Company actively implemented its globalization strategy, strengthened product competitiveness and brand power, adhered to cost reduction and efficiency enhancement, and continued to accelerate the development of business diversification. It achieved satisfactory business and operational performance in the first quarter, realizing strong growth in sales volume. Expense remained well under control and profitability kept strengthening.

- The Company's LCD TV sales volume exceeded 8.44 million sets in the first quarter, surged by 32.5% year-on-year, reached a new record high and exceeded expectation. Among which, the sales volume of overseas markets reached 5.95 million sets with an impressive year-on-year growth of 50.9%, representing 70.5% of the total sales volume and becoming an important growth engine for the Company's business. Sales volume of LCD TVs in the PRC market grew steadily, up by 2.6% year-on-year to 2.49 million sets, of which the self-branded products rose by 8.3% year-on-year.
- Benefitting from its active implementation of globalization strategy, continuous enhancement in product competitiveness and brand power, plus optimization of product mix and sales channel structure, the Company sold 6.84 million sets of smart TVs and 3.32 million sets of 4K TVs in the first quarter, rising notably by 47.4% and 82.8%, respectively.
- Strong sales volume pushed the Company's turnover up by a notable 15.8% year-on-year to approximately HK\$12.57 billion in the first quarter, reached a record high for the same period since 2014.
- The globalization strategy achieved significant results. Sales volumes in all regions of the overseas markets continued to achieve remarkable growth. North American markets recorded brilliant results, its sales volume rocketed by 112.0% year-on-year. According to latest NPD market report data, TCL ranked TOP 2 in the North American markets by sales volume for six consecutive weeks, during which climbing up to No.1 for three weeks. Emerging markets and European markets grew by 39.9% and 27.1%, year-on-year, respectively. Turnover of overseas markets leaped by 39.9% year-on-year to HK\$8.24 billion, gross profit margin increased to 13.0%, up by 1.2 percentage points year-on-year, and profitability marked notable year-on-year growth.
- Internet business grew rapidly, the accumulated number of activated Internet TV users reached 34.82 million, a significant increase of 36.1% year-on-year. Newly-activated users in the first quarter of 2019 was 2.91 million, surged by 41.9% year-on-year. The average daily number of active users was 17.12 million, markedly up by 42.0% year-on-year. The number of paid users soared by 52.0% year-on-year. In the first quarter of 2019, turnover of the Internet business was RMB98.55 million, strongly increased by 59.1% year-on-year.
- The Company further deepened its strategic partnership with Google and Roku, which is expected to generate new revenue stream of software and services this year.

TV Sales Volume Exceeded 8.44 Million Sets in the First Quarter, Hits Quarterly Record High, Turnover Reached HK\$12.57 Billion to a Record High for the Same Period Since 2014

The Company's LCD TV sales volume exceeded 8.44 million sets in the first quarter, surged by 32.5% year-on-year, reached a new record high and exceeded expectation. According to Sigmaintell data, in terms of

shipment, the ranking of the Company rose to No.2 in the global TV market in 2018 with a market share of 11.6%, became the first Chinese brand to rank among the top two in the world. Brand price index in the PRC market rose from 102 in 2017 to 110 in 2018, ranking No. 2 among Chinese brands (source: CMM omni-channel data).

Strong sales volume pushed turnover up by 15.8% year-on-year to HK\$12.57 billion to a record high for the same period since 2014. The Company adhered to reducing costs and enhancing efficiency, its expenses remained well control and profitability continued to strengthen.

Overseas Markets: Important Growth Engine, Continuous Strong Growth in Sales Volume

TCL Electronics has pursued its efforts towards the implementation of its globalization strategy and continued to expand sales channels and enhanced economies of scale, which resulted in continuous increase in sales volumes in various overseas regions. Its brand influence and profitability have continued to enhance. Gross profit margin continued to increase year-on-year, whereas the overall gross profit (excluding ODM business) increased by 10.1% quarter-on-quarter.

Sales Volume: LCD TV sales volume recorded approximately 5.95 million in the first quarter, an impressive year-on-year growth of 50.9% in overseas markets.

- **North American Markets:** Maintained strong growth momentum, with sales volume rocketed by 112.0% year-on-year. According to the latest NPD market report data, in the first quarter of 2019, TCL was among the top two in North American markets by sales volume for six consecutive weeks, during which climbing up to No. 1 for three weeks;
- **Emerging Markets:** Remained on a fast growth track, with sales volume up by 39.9% year-on-year, and benefitting from the Copa América sponsorship, sales volume in South American countries, such as Argentina and Ecuador grew rapidly. Sales volume in Indonesia and Australia also sustained rapid growth. In terms of sales volume, in January and February 2019, the Company ranked 3rd in the Philippines, 4th in Thailand and Vietnam and 5th in Australia (source: GfK); and
- **European Markets:** Sales volume increased by 27.1% year-on-year, with areas including Germany, Italy and France achieving significant growth. The Company ranked 3rd in France in the first quarter of 2019 in terms of sales volume (source: GfK).

Turnover: In the first quarter of 2019, turnover of LCD TVs in overseas markets surged by 39.9% year-on-year to approximately HK\$8.24 billion.

Gross profit margin: Gross profit margin of LCD TVs in overseas markets for the first quarter increased by 1.2 percentage points year-on-year to 13.0%, and the gross profit margin of its self-branded products was 13.8%.

Overseas markets, as an important growth engine for the Company's business, continued on its strong growth path. In the first quarter, all key overseas markets recorded continuous increase in sales volume, with top rankings in the markets, achieving substantial and sustainable growth in its profitability. In addition, the Company further deepened its strategic partnership with Google and Roku, which will generate new revenue stream of software and services this year.

The PRC Market: Devoted to Premium Product Strategy and Continued to Optimize Product Mix

In the first quarter of 2019, overall demand was weak in the PRC market. According to the latest CMM omni-channel data, the overall sales volume of TVs in the PRC markets was down by 4.1% year-on-year in the first quarter of 2019. Despite industry downturn in sales volume, the Company remained stable with an upward trend in sales volume during the first quarter of 2019.

Sales volume: In the first quarter, the LCD TV sales volume reached 2.49 million sets in the PRC market, up by 2.6% year-on-year, and the sales volume of its self-branded products grew by 8.3% year-on-year.

Turnover: Turnover of LCD TVs in the PRC market is approximately HK\$4.19 billion in the first quarter.

Gross profit margin: Gross profit margin of LCD TVs in the PRC market remained stable at 19.5% in the first quarter, rising quarter-on-quarter by 1.2 percentage points, and the gross profit margin of its self-branded products was up 1.6 percentage points quarter-on-quarter to 22.1%.

Product Mix: Smart TVs and 4K TVs accounted for 82.4% and 55.2% respectively, of the Company's total sales volumes (excluding ODM business) in the PRC market (excluding ODM business) in the first quarter.

Rising brand power: Brand price index in the PRC market rose from 102 in 2017 to 110 in 2018, ranking No. 2 among Chinese brands (source: CMM omni-channel data).

Internet Business: Significant Improvement in Operational Efficiency, Profitability Further Enhanced

In the first quarter of 2019, the Company's Internet business platform Shenzhen Falcon Network Technology Co., Ltd. stepped up effort on platform development and user operation, which resulted in marked improvement in operational efficiency of the business. During the first quarter, the business continued to expand, and its profitability further strengthened.

Business Continued to Grow Rapidly User Loyalty Continuously Enhanced

As at 31 March 2019, the accumulated number of TCL activated Internet TV users increased by 36.1% year-on-year to 34.82 million, and among all users, the number of paid users soared by 52.0% year-on-year. The average daily number of active users in the first quarter of 2019 increased by 42.0% year-on-year to 17.12 million, indicating that the number of users for the Internet TV business sustained notable growth. The average daily time of users on TV reached 5.7 hours, up by 11.8% year-on-year. By adopting delicacy management practices in user operation, user loyalty further enhanced.

Greater Monetization Capability

In the first quarter of 2019, revenue from the Internet business was approximately RMB98.55 million, representing a notable increase of 59.1% year-on-year. Turnover from video-on-demand and membership was up by 45.5% while advertising increased by 51.5% year-on-year, reflecting a significant year-on-year improvement in profitability and monetization capability of the business. In addition, the Company further deepened its strategic partnership with Google and Roku, which is expected to generate new revenue stream of software and services in overseas markets this year.

Outlook

In the first quarter of 2019, TCL Electronics continued to deliver impressive results in its overseas markets, achieved stable growth in the PRC market, and further enhanced monetization capability of its fast-growing Internet business. In 2019, with the theme of upgrading innovation and enhancing efficiency and leveraging on the first-mover advantage of the globalization strategy, the Company will seize the opportunity to develop smart Internet business while continuously enhancing efficiency and maintaining continuous business growth. The Company will consolidate its existing TV business while actively accelerating the development of business diversification including smart AV, commercial display and smart home businesses. Through the implementation of "A.I. x IoT" strategy, the Company is devoted to achieving the interconnection of hardware + software + all devices with IoT scenarios, thereby greatly boosting its competitiveness and continuously enhancing its profitability. In the future, the Company will be dedicated to providing users with smart healthy living related products and services, and empowering itself to become a global leading smart technology company so as to create greater value for shareholders.

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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, TCL Electronics climbed up from third and placed second in the global TV market with a market share of 11.6% in terms of shipment in 2018. According to CMM omni-channel data, TCL Electronics ranked No.3 in the PRC TV market with a market share of 12.8% in terms of turnover in 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>

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