

**TCL Electronics' Turnover Hits Historical High of HK\$46 Billion in 2018  
Profit Attributable to Owners of the Parent after Extraordinary Items  
Strongly Surged by 30.8% YoY**

\* \* \* \* \*

**Ranks No.2 in the Global TV Market  
Achieves Outstanding Results in Sales Volume and Turnover of Overseas Markets  
Exceeds Expectation for Turnover of Internet Business**

**Financial highlights for the year ended 31 December 2018**

<i>(HK\$ million)</i>	<b>FY2018</b>	FY 2017	Change
<b>Turnover</b>	<b>45,582</b>	40,822	+11.7%
<b>Gross Profit Margin</b>	<b>15.3%</b>	15.4%	(0.1 p.p.)
<b>Expense Ratio</b>	<b>12.7%</b>	13.1%	(0.4 p.p.)
<b>Profit Attributable to the Owners of the Parent</b>	<b>944</b>	815	+15.8%
<b>Profit attributable to owners of the parent after extraordinary items</b>	<b>778<sup>#</sup></b>	595	+30.8%
<b>Basic Earnings per Share (HK cents)*</b>	<b>42.63</b>	47.43	(10.1%)*
<b>Full year dividend per share (HK cents)</b>	<b>19.18</b>	18.97	High annual dividend payout ratio of <b>45%</b> in 2018

Notes:

<sup>#</sup> Excluding one-off gain

\*Owing to the dilution effect of the rights issue in 2018

**(Hong Kong, 18 March 2019) TCL Electronics Holdings Limited** (“TCL Electronics” or “the Company”; Stock code: **01070.HK**) today announced its audited consolidated annual results for the year ended 31 December 2018.

**Business Review**

2018 is the key year for TCL Electronics. With the completion of renaming, the Company has consolidated and developed its existing TV business while further reinforcing its globalization strategy. At the same time, the Company has persistently focused on cost reduction and efficiency enhancement and has strengthened its product competitiveness and brand power. At the persistent effort to strengthen the existing sales channels, the Company proactively explored the huge potential in new markets. According to Sigmaintell data, the Company rose from third to second place in the global TV market with a market share of 11.6% in terms of shipment in 2018, and it is the first Chinese brand presence in the World’s Top 2. According to CMM omni-channel data, the Company ranked No. 3 in the PRC TV market with a market share of 12.8% in terms of turnover in 2018. At the same time, the Company has proactively propelled business diversification and transformation, which has been conducted in an orderly manner.

During the year, the Company maintained stable and fast growth, and its outstanding results are highly recognized by the capital market, it was enlisted as one of the constituents of the Hang Seng Stock Connect Hong Kong Index and received positive ratings by investment firms. The annual business performance of the Company in 2018 exceeded expectation and set several new historical records. Annual sales volume of LCD TVs reached 28.61 million sets, hitting a historical high and exceeding the upwardly revised full-year target of 28.3 million sets. It grew significantly by 23.1% year-on-year with a 5-year highest growth rate. Annual turnover increased by 11.7% year-on-year to HK\$45.58 billion and hit historical high. Annual gross profit margin remained flat at 15.3%. With effective expense control, the expense ratio for the year of 2018 decreased to 12.7% and reached the lowest level since 2003. Operating profit for the year of 2018 increased by 13.1% year-on-year to HK\$1.19 billion, and net profit after tax was HK\$935 million, surged by 17.3% year-on-year. Profit attributable to owners of the parent amounted to HK\$944 million, representing a year-on-year increase of 15.8%. Profit attributable to owners of the parent after extraordinary items increased significantly by 30.8% year-on-year to HK\$778 million (excluding a one-off gain). Basic earnings per share was HK42.63 cents. The Board has

proposed the payment of a final dividend of HK9.38 cents per share and full year dividend amounted to HK19.18 cents per share, with a high annual dividend payout ratio of 45%.

- The product mix continued to improve and seized shares of smart TV and Ultra HD TV markets. Sales volume of smart TVs and 4K TVs in 2018 increased markedly year-on-year by 40.3% and 58.2% to 21.18 million sets and 9.18 million sets, respectively. According to CMM's omni-channel data, the Company's market share for curved TVs and 4K TVs (both excluding ODM business) in 2018 were 34.4% and 13.2%, ranked first and third in the PRC market, respectively.
- Benefiting from effective globalization strategy, overseas markets with its outstanding results have become an important growth engine of the Company. Both sales volume and turnover of the Company notably increased and resulted in leading positions in the key markets; Annual sales volume of its LCD TV sales recorded significant year-on-year growth of 29.5% to 18.21 million sets, which contributes over 60% of overall sales volume, and turnover of overseas markets was up by 27.0% year-on-year to HK\$26.60 billion. Gross profit margin recorded a year-on-year growth of 1.2 percentage points to 12.6% and the gross profit margin of its own brand products reached 14.7%, an increase of 1.8 percentage points year-on-year. The operating results rocketed by 135.4% year-on-year to HK\$1.12 billion. The Company remained leading positions in many regions and ranked among the top in key markets and ranked second in the third quarter and in November in North American market; the market shares in European markets and emerging markets achieved significant growth as well.
- As for the PRC market, remaining steadfast in implementing the premium product strategy and continuing to improve product mix, the Company enhanced product competitiveness and the sales volume of LCD TVs reached 10.39 million in 2018, increased by 13.4% year-on-year, higher than the industry average level. The Company's online sales performance was remarkable and the proportion of the online sales volume (excluding ODM business) climbed to 37.2% in 2018, with a notable increase of 11 percentage points in the same period last year. According to CMM omni-channel data, the Company ranked No.3 in the PRC market in 2018 in terms of online turnover.
- The scale of users of the internet business continued to grow significantly. The number of accumulated activated users of the internet business reached 31.91 million. The annual turnover of Internet business in 2018 surged by 114.0% year-on-year to new historical record of RMB306 million, exceeding the upwardly revised annual turnover target of RMB260 million. The shared income from video-on-demand and membership, as well as turnover from advertising grew significantly by 127.3% and 86.8% year-on-year, respectively. Net profit after tax was approximately RMB62 million for the year which showed a significant growth in profitability.
- With the remarkable result of the effective product mix and brand power upgrading strategy, the Company was prided with honors. The Company ranked 79th on Forbes' inaugural Top 100 Digital Companies list and was the only Chinese home appliance brand on the list; It was also included among the Top 50 Chinese Brands with Great Global Influences in 2018 as selected jointly by Facebook and KPMG. Its C6 series was awarded as the "Best Buy LCD TV 2018-2019", a renowned EISA award at IFA in Europe. And the leading X10 QLED 8K TV won "2018-2019 8K TV Gold Award of the Year" at the International Consumer Electronics Show (CES) 2019 in the US.
- The Company accelerated the business diversification by entering Smart AV market and the "blue ocean" commercial display market. The Company established an open smart home system centered on smart TV to develop an open smart platform. Moreover, the Company established the strategic cooperation with Sunshine 100 China to create Shared Smart Apartment and propel implementation of the cutting-edge shared smart apartment in China, dedicated to becoming a global leading smart technology company.

## **Overseas Markets: Apparent Advantage of Economies of Sales, Continued to Record Significant Growth in Various Regions**

The Company has continued to penetrate into existing key overseas markets for many years. By optimizing its product mix, enhancing its product competitiveness and brand power, and exploring new markets, the Company has successfully achieved apparent competitive advantage in overseas markets. Therefore, the sales volume and turnover continued to increase significantly and remained strong growth with enhanced profitability in many regions of overseas markets. The outstanding results in both sales volume and profit demonstrate that overseas markets have become an important growth engine of the Company.

**Significant Increase in Both Sales Volume and Turnover:** With its persistent efforts to develop and penetrate into key overseas markets, the Company recorded sales volume of approximately 18.21 million LCD TVs in overseas markets during the year, a significant year-on-year growth of 29.5%, and turnover from LCD TV sales was up by 27.0% year-on-year to HK\$26.60 billion.

**Optimized Product Mix with Continuous Growth in Gross Profit Margin:** With decreasing panel prices and continuous product mix optimization, the gross profit margin of LCD TVs in overseas markets recorded 12.6% in 2018, 1.2 percentage points higher than that in the previous year. In which, the gross profit margin of the own brand products reached 14.7%, an increase of 1.8 percentage points year-on-year.

**Operating Results Achieved Notable Growth:** With an improved product mix, enhanced efficiency and economies of scale, the operating results in overseas markets rocketed by 135.4% year-on-year to HK\$1.12 billion.

### **Notable sales growth in all its overseas markets:**

- **North American Market:** Continued to consolidate its market leading position during the year, with a 41.8% increase in sales volume year-on-year, and ranked 3rd in the full year of 2018 and ranked 2nd in the third quarter and in November (source: NPD data);
- **Emerging Markets:** Continued with strong growth momentum, with sales volume up by 30.7% against the previous year, among which India, Southeast Asia, Brazil and Australia achieved rapid growth. In 2018, the Company ranked 3rd in the Philippines, 4th in Vietnam, and 5th in Australia and Thailand in terms of sales volume. (source: GfK data);
- **European Markets:** Sales volume surged by 43.1% year-on-year, with areas including France, Germany, Italy and Spain recorded notable growth. In 2018, the Company ranked 3rd in France in terms of sales volume (source: GfK data).

Mid-to-high-end products in overseas markets continued to increase, alongside continuously optimizing product mix (excluding ODM business):

- Proportion of smart TVs rose from 77.6% in 2017 to 84.4% in 2018;
- Proportion of 4K TVs increased substantially from 26.4% in 2017 to 39.6% in 2018;
- Proportion of 55-inch and above LCD TVs rose from 20.6% in 2017 to 25.2% in 2018;
- The average size of LCD TVs sold increased from 39.8 inches in 2017 to 42.2 inches in 2018.

### **Collaborated with CSOT to Build Factories in India Entered Huge Potential Indian Market in Full Swing**

Indian market with huge growth potential is expected to play an important strategic role in sustaining growth in the overseas markets. In December 2018, the Company collaborated with China Star Optoelectronics Technology, a subsidiary of TCL Corporation, jointly built its first overseas panel module and TV set integrated intelligent manufacturing industrial park in Andhra Pradesh, Southern India, to achieve all-rounded coverage from production to sales. The production of the industrial park after completion will cover TV production ranging from 32-inch to 65-inch, which will not only serve the TCL brand, but also provide ODM services to other brands in the Indian market.

### **FIFA World Cup Craze and Localized Marketing Strategy Strengthen Global Brand Influence**

Tapping into the FIFA World Cup craze, in April 2018, the Company appointed the world famous professional Brazilian football player Neymar Jr. as its "Global Brand Ambassador". In February 2019, the Company became the official partner of CONMEBOL Copa America Brazil 2019, to further develop European markets and emerging markets represented by South America. At the same time, the Company has adopted a localized

consumer-centric marketing strategy in the North American market including gaining naming rights for the famous Chinese Theatre in Hollywood, appointing Giannis Antetokounmpo (“Letter Bro”), an extremely talented NBA player from the Milwaukee Bucks, as brand ambassador in North America, and title-sponsoring popular talk shows, sports and eSports events, which have further increased the brand awareness and brand influence of TCL in the global market.

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

**Sales Volume Increased Year-on-Year, Beating Industry Level:** The Company remained steadfast in implementing its premium product strategy and continuing to optimize its product mix and channel structure, to enhance product competitiveness. The Company recorded total sales volume of 10.39 million LCD TVs in the PRC market in 2018, a 13.4% increase year-on-year, outperforming the industry average level.

**Turnover:** The turnover for the year in the PRC market was HK\$18.37 billion.

**Outstanding Performance in Online Sales:** The online sales volume (excluding ODM business) climbed to 37.2% of the total sales volume in the PRC market in 2018, with a notable increase of 11 percentage points from 26.2% in the same period last year. According to CMM omni-channel data, the Company ranked No.3 in the PRC market in 2018 in terms of online turnover.

**Stable Gross Profit Margin:** In 2018, the gross profit margin of LCD TVs remained stable, only slightly down by 0.5 percentage point year-on-year to 19.2%, and the gross profit margin of the Company’s self-branded products was 22.1%, a slightly increase of 0.3 percentage point as in the previous year.

**Product mix continued to optimize** (ODM business data excluded below):

- Smart TV sales volume reached 82.0% of the total LCD TV sales volume from 76.3% in 2017;
- 4K TV sales volume accounted for 54.1% of the total LCD TV sales volume from 42.7% in 2017;
- Proportion of 55-inch and above LCD TVs rose notably from 37.5% in 2017 to 43.1% in 2018;
- Average size of LCD TVs sold increased to 47.2 inches in 2018 from 45.8 inches in 2017;
- The market share of the curved TV was 34.4%, remaining as the leader in the PRC market (Source: CMM omni-channel data);
- TCL’s Brand price index rose from 102 in 2017 to 110 in the PRC, ranking second among the Chinese brand (Source: CMM omni-channel data).

### **Internet Business: Monetization Ability Enhanced with Revenue Reached Historical High at RMB306 million**

In 2018, the Company implemented at full strength the “Smart + Internet” new business model across the board and constructed a smart TV ecosystem. It also stepped up its effort in platform development and user operation, as well as enhancing cooperation with partners for mutual benefits, which ultimately helped markedly boost the competitiveness of the Company within the industry.

#### **Scale of Users Exceeded 30 million with Significant Increase in Paid Users, User Loyalty Enhanced**

As at 31 December 2018, the accumulated number of TCL activated Internet TV users of the Company totaled 31.91 million, surged by 35.6% year-on-year, with paid users grew up by 198.0% against that of 2017; the average daily number of active users in December 2018 increased by 41.4% year-on-year to 15.28 million. The scale of Internet TV business users maintained notable growth. Average daily time of users spent on TV reached 5.5 hours, increased by 12.2% year-on-year. By adopting delicacy management practices in user operation, the Company was able to strengthen user loyalty.

#### **Enriched Platform Content and Strengthened Users Operation Monetization Ability Further Enhanced**

As the Company continued to pursue the “1+1+N” strategic cooperation model, its Internet business platform of Shenzhen Falcon Network Technology Co., Ltd. (“Falcon Technology”) set up a joint venture with South New Media in July 2018, which has deepened the cooperation with the TV license party, enriched content resources,

leveraged the advantages of products, technologies, markets, channel and user network, as a result improved user's overall experience. Meanwhile, through the product innovation and refinement in user operation, the Company was able to expand scale of users, increase proportion of user in operation, strengthen user loyalty so as to encourage the pay-to-view habit among users and continue to optimize revenue stream, extending its revenue stream to covering overseas markets.

The monetization capability of the Internet business continued to grow. The annual turnover recorded significant growth of 114.0% year-on-year in 2018, exceeding the upwardly revised annual turnover target of RMB260 million and hitting a new historical record of RMB306 million, in which the shared income from video-on-demand and membership, as well as turnover from advertising grew significantly by 127.3% and 86.8% year-on-year, respectively. Net profit after tax was approximately RMB62 million for the year which showed a significant growth in profitability.

### **Business Diversification by Launching Smart AV, Commercial Display and Smart Home Businesses**

The Company has accelerated to propel business diversification. After entering Smart AV market in the first half of 2018, the Company continued its business upgrade and transformation in the second half of the year. The Company completed the acquisition of TCL Commercial Information Technology (Huizhou) Co., Ltd. to enter the "blue ocean" commercial display market and realize "B2B and B2C dual-track development" in the third quarter. Meanwhile, the Company innovated and established a smart home system centered on smart TV to develop an open smart platform. The Company established the strategic cooperation with Sunshine 100 China to create Shared Smart Apartment and propel implementation of the cutting-edge Shared Smart Apartment in China.

### **Outlook**

In 2019, the Company will seize the opportunities and strive for stable growth. "Enhancing efficiency, breaking through bottleneck and upgrading innovation" will be the theme of core work:

- Increase investment in research and development in order to continuously strengthen product innovation and reinforce intelligent manufacturing, and actively promote advanced display technologies of quantum dot, Mini LED, 8K as well as A.I. technology to keep the leading position in product competitiveness.
- While improving the competitiveness in the PRC market, the Company will reinforce globalization strategy to increase the market share in overseas markets. With the leading product competitiveness and brand power, the Company will consolidate its position in the North American market and European markets, and aggressively explore emerging markets, such as India and Russia to enhance its global layout.
- Accelerate the revolution and transformation progress, continuously push forward with Internet business development and business diversification, and develop the new capabilities in smart technology, Internet, and IoT, to explore new growth engines.

Substantially improve operational efficiency, better control operational risk, optimize organization process and reduce cost and expenses, to push forward the digitalization transformation to enhance profitability. At the beginning of this year, China has launched several new policies including "The Ultra HD Video Industry Development Action Plan" and Energy Saving and Emission Reduction Policy for Home Appliance. The TV industry is expected to fully benefit from the new policies in a full range. The Company will seize the opportunity to develop smart Internet business, to promote revolution and transformation, to develop new capabilities for the future. In 2019, with the aim to significantly improve its competitiveness and enhance profitability, the Company will take the lead in exploring the strategy of "A.I. x IoT" and devote to integrating hardware + software + IoT scenarios. In the future, TCL Electronics will be dedicated to providing users with smart and healthy living related products and services, aiming to become a global leading smart technology company and 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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