

TCL

TCL 電子控股有限公司

TCL ELECTRONICS HOLDINGS LIMITED

Incorporated in the Cayman Islands with Limited Liability

(Stock Code: 01070.HK)



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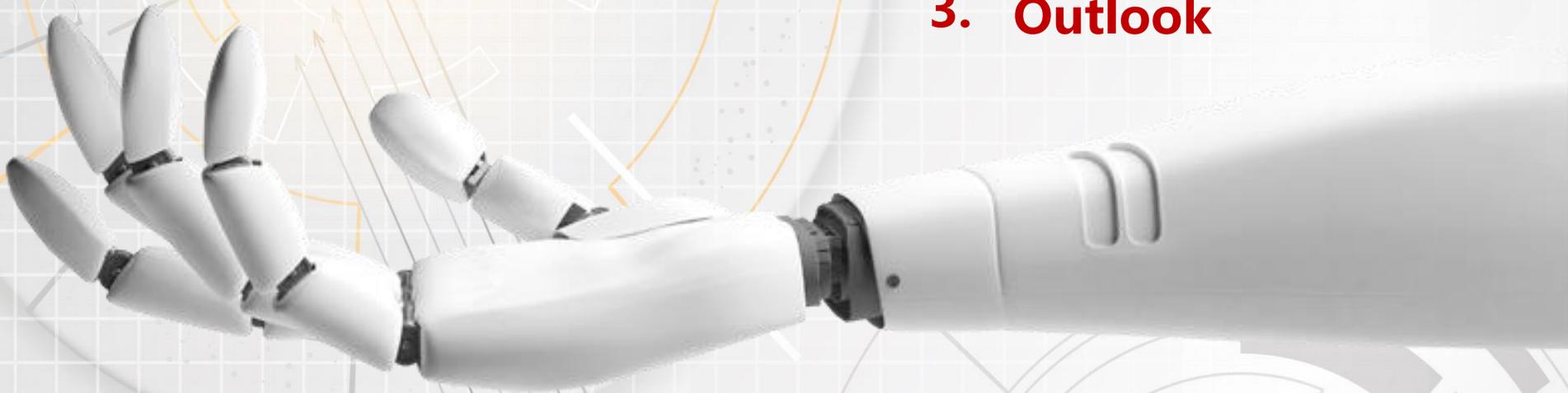
2019 Interim Results

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Ai 人工智能 · 



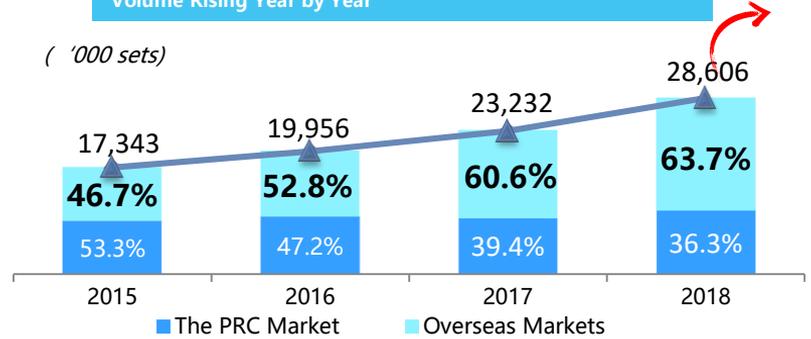
Financial Highlights



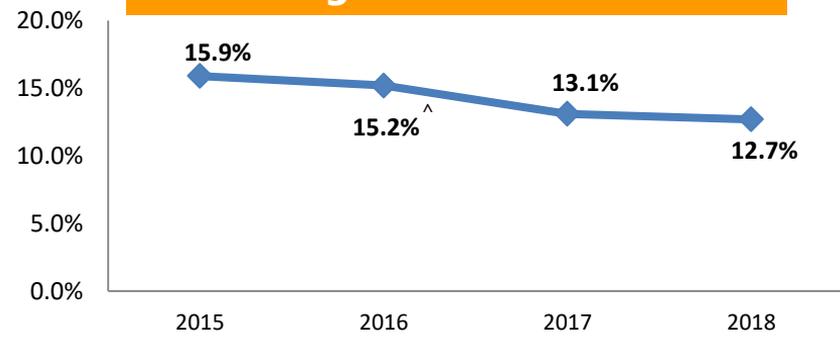
Historical Results Highlights

Total Sales Volume and the Proportion of Overseas Sales Volume Rising Year by Year

Leaps to Global Top 2*



Stringent Cost Control



Turnover and Net Profit Continue to Rise Steadily

FY2016



Turnover	HK\$33.36B
Profit attributable to Owners of the Parent	HK\$183M ¹
Profit attributable to owners of the parent after extraordinary items	HK\$183M ¹

FY2017



Turnover	HK\$40.82B
Profit attributable to Owners of the Parent	HK\$815M ²
Profit attributable to owners of the parent after extraordinary items	HK\$595M ³
Dividend Payout Ratio	40%

FY2018



Turnover	HK\$45.58B
Profit attributable to Owners of the Parent	HK\$944M ⁴
Profit attributable to owners of the parent after extraordinary items	HK\$778M ⁵
Dividend Payout Ratio	45%

1. Based on the principle of prudence, a full provision of HK\$170 million for receivables of energy-saving subsidies was made during the period

2. Including one-off gain of HK\$220 million from the completion of capital increase of Falcon Network Technology

3. One-off gain excluded

4. Including one-off gain of HK\$166 million recorded as a result of the asset transfer

5. One-off gain excluded

¹Restated * Source: Sigmaintell

2019 Interim Results Highlights

Sales Volume

15.53M sets +17.9%

New record high during the same period

- Overall sales volume of TCL brand TV reached 10.31M sets +33.1% YoY
- Sales volume of TCL brand TV in overseas markets +49.8% YoY
- Sales volume of TCL brand TV in the PRC market outperformed the market, +6.9% YoY
- Sales volume of ODM Business reached 5.22M sets, ranked global No.3

Turnover[®]

HK\$22.72B +8.0%

New record high during the same period

Gross Profit Margin

16.4% +1.1 p.p.

Product mix continued to improve

Gross profit margins of TCL brand TV in overseas markets and the PRC market both increased YoY and QoQ

Profit Attributable to Owners of the Parent

HK\$1.36B +138.1%

New record high during the same period
Profitability continued to be enhanced

Profit Attributable to Owners of the Parent after Deducting One-time Non-operating Gain*

HK\$554M +32.9%

Operating net profit has been boosted by the rapid growth of overseas markets and Internet business

Internet Business

HK\$349M +125.2%

Generated new revenue stream of HK\$96M from Internet business in overseas markets for the first time



[®] In 1H 2019, the average exchange rate of RMB against HK\$ dropped by 5.7% YoY. The Group's financial statements are presented in HK\$. The exchange rate has certain impact on the turnover.

* A one-off non-operating gain of HK\$787 million was recorded due to the remeasurement of the fair value of 44.44% pre-existing equity interest in Falcon Network Technology held by the Group as of the acquisition date in 1H 2019; One-off gain of HK\$166 million was recorded as a result of the asset transfer in 1H 2018.

Financial Highlights

<i>(HK\$ million)</i>	1H 2019	1H 2018	Change
Turnover	22,724*	21,050	+8.0%
Gross profit margin (%)	16.4	15.3	+1.1p.p.
Expense ratio (%)	12.7	12.6	+0.1p.p.
EBITDA [@]	1,664	875	+90.2%
Net profit after tax	1,369	571	+139.8%
Net profit after tax margin (%)	6.0	2.7	+3.3p.p.
Profit attributable to the owners of the parent	1,362	572	+138.1%
Profit attributable to owners of the parent after deducting one-time non-operating gain [^]	554	417	+32.9%
Basic earnings per share <i>(HK cents)</i>	60.01	26.72	+124.6%
Interim dividend per share <i>(HK cents)</i>	10.56[#]	9.80	+7.8%

* In 1H 2019, the average exchange rate of RMB against HK\$ dropped by 5.7% YoY. The Group's financial statements are presented in HK\$. 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 Group's share of the profits and losses of the joint venture and associates.

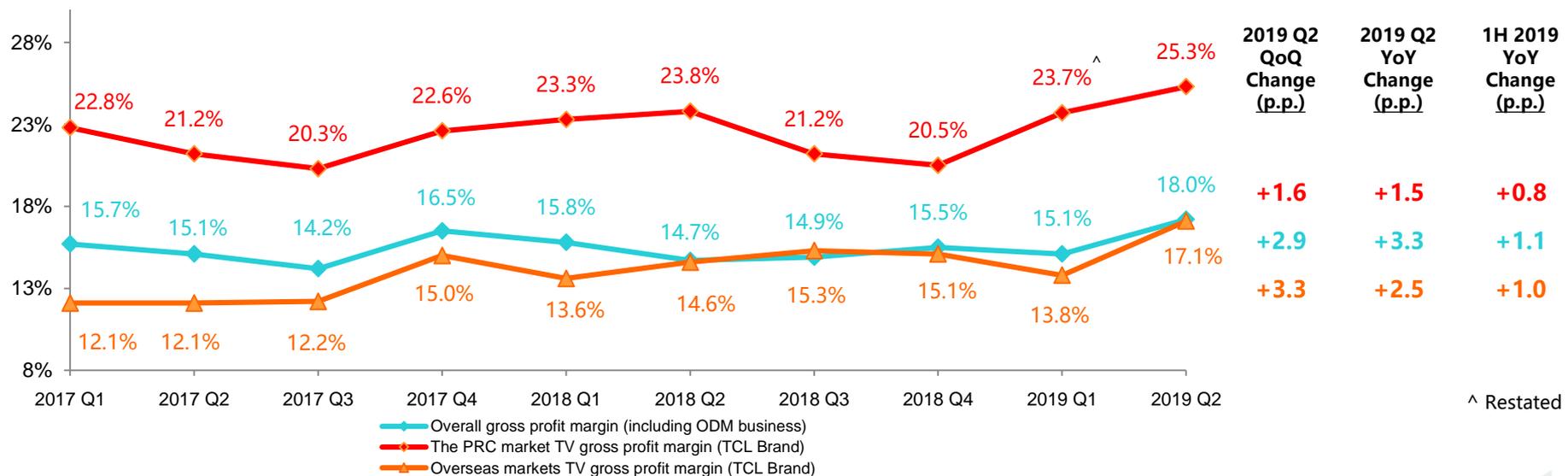
[^] A significant one-off non-operating gain of HK\$787 million was recorded due to the remeasurement of the fair value of 44.44% pre-existing equity interest in Falcon Network Technology held by the Group as of the acquisition date in 1H 2019; One-off gain of HK\$166 million was recorded as a result of the asset transfer in 1H 2018.

[#] High dividend payout ratio after deducting one-time non-operating gain: 45%

Gross Profit Margins

The product mix continued to optimize, and the overall gross profit margin increased significantly

Gross profit margin (quarterly)

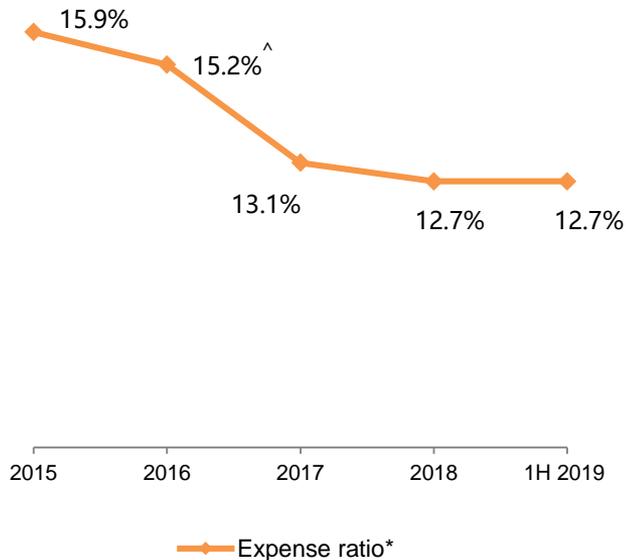


Gross profit margin	1H 2019	1H 2018	Change
Overall	16.4%	15.3%	+1.1 p.p.
- Overseas markets (TCL Brand)	15.1%	14.1%	+1.0 p.p.
- PRC market (TCL Brand)	24.3%	23.5%	+0.8 p.p.

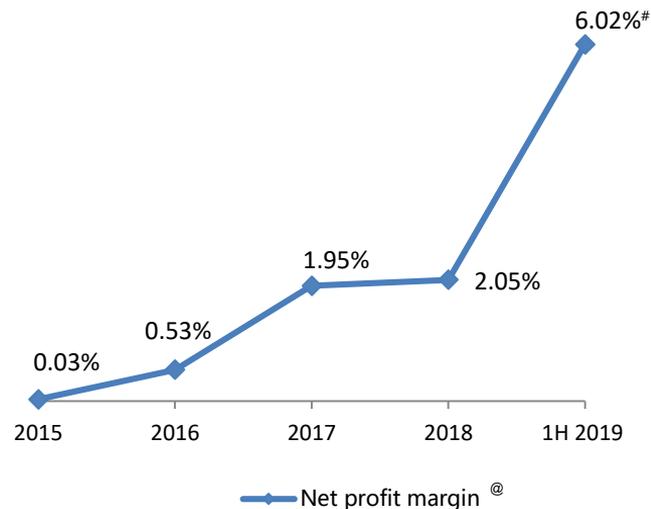
Expense Ratios and Net Profit Margins

Thanks to cost reduction, efficiency enhancement and apparent advantages of economies of scale, profitability continued to improve

Expense Ratios (by year)



Net Profit Margins (by year)



[^] Restated

[@] Net profit margin = Net profit / Turnover

* Expense Ratio = (Selling and distribution expense + Administration expenses) / Turnover

[#] **The margin of profit attributable to owners of the parent after deducting one-time non-operating gain was 2.4% in 1H 2019**

Key Financial Indicators

Benefitting from efficiency improvement and strong bargaining power in sales channels, account receivables turnover and cash conversion cycle continued to improve

	30 June 2019	31 December 2018	Change
Inventory Turnover (days) ¹	46	44	+2
A/R turnover (days) ¹	41	46	(5)
A/P turnover (days) ¹	78	79	(1)
Cash conversion cycle (days)	9	11	(2)
Current ratio (times)	1.4	1.3	+0.1
Gearing ratio (gross)(%) ²	9.1	11.4	(2.3 p.p.)
Gearing ratio (net)(%) ³	0 ⁴	0 ⁴	-

¹ The above turnover days are calculated based on the average balance for a 12-month period

² Gearing ratio (gross) = Total interest-bearing borrowings / Equity attributable to owners of the parent

³ Gearing ratio (net) = Net borrowing / Equity attributable to owners of the parent.

Net borrowing = Total interest-bearing borrowings - Cash and bank balances - Pledged deposits

⁴ As at 31 December 2018 and 30 June 2019, gearing ratio (net) was 0% as the Group's cash and bank balance was higher than the total interest-bearing borrowings



Consolidated Statement of Financial Position Highlights

Sound financial position and sufficient cash

<i>(HK\$ million)</i>	30 June 2019	31 December 2018	Change
Non-current assets	5,220	4,230	+23.4%
Current assets	23,020	23,971	(4.0%)
- Trade receivables	5,111	4,882	+4.7%
- Cash and bank balances	6,818	6,742	+1.1%
Current liabilities	16,824	18,329	(8.2%)
Net current assets	6,196	5,642	+9.8%
Non-current liabilities	133	92	+44.6%
Net assets	11,283	9,780	+15.4%
Net assets value per share (HK\$)	4.64	4.19	+10.7%

Business Review



Global and the PRC Market Shares and Rankings

Global TV Market Share of Shipment

Ranking	Brand	1H 2019	1H 2018
1	Samsung	17.0%	17.1%
2	TCL	14.3%	11.8%
3	LGE	11.0%	12.0%
4	Hisense	7.1%	6.5%
5	Skyworth	6.3%	5.9%
6	Xiaomi	5.2%	3.0%
7	Sony	3.9%	4.7%
8	Changhong	3.9%	3.2%
9	Philips+AOC	3.8%	4.3%
10	Sharp	3.1%	4.3%

1. Source: Sigmaintell

2. Including ODM shipment data

The PRC TV Market Share

Market share of sales volume

Ranking	Brand	1H 2019	1H 2018
1	Xiaomi	19.1%	10.8%
2	Hisense	14.9%	15.2%
3	Skyworth	14.4%	12.6%
4	TCL	11.5%	10.6%
5	Changhong	8.1%	8.7%
6	Konka	6.7%	8.0%
7	Haier	5.9%	7.4%
8	Sharp	3.0%	8.8%
9	Sony	2.7%	2.9%
10	Coocaa	2.5%	1.0%

Market share of turnover

Ranking	Brand	1H 2019	1H 2018
1	Hisense	17.4%	17.2%
2	Skyworth	14.9%	12.8%
3	Xiaomi	12.3%	6.5%
4	TCL	11.8%	11.4%
5	Sony	8.5%	7.9%
6	Changhong	8.3%	8.6%
7	Samsung	5.7%	6.4%
8	Konka	5.5%	6.6%
9	Sharp	4.4%	9.4%
10	Haier	4.1%	5.4%

Source: CMM omni-channel data

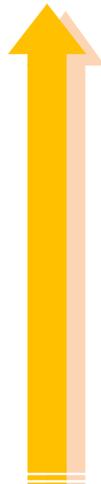


TV Sales Volume



Taking advantage of the first-mover internationalization strategy, and the overseas markets continued to grow strongly

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



Business Review

① Products Business

② Application Services

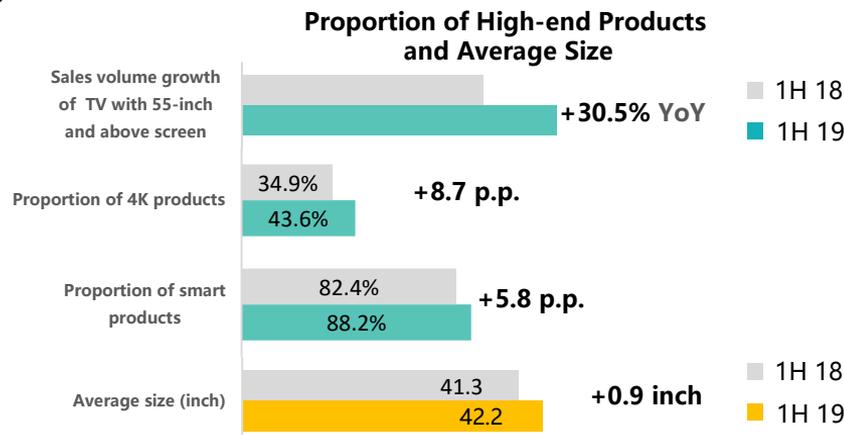


TCL Brand TV Business in Overseas Markets



Successful implementation of globalization strategy, overseas markets sustained strong growth momentum, operating results soared by **132.1% YoY**

(HK\$ million)	1H 2019	1H 2018	Change
Turnover	10,768	8,127	+32.5%
Gross profit	1,628	1,145	+42.2%
Gross profit margin	15.1%	14.1%	+1.0 p.p.



Sales volume: In 1H 2019, the sales volume of TCL brand TV sets **increased by 49.8% YoY to about 7.07 million sets, and large screens of 65 inches and above increased by 204.1% YoY.**

- ✓ **North American markets** sustained competitive advantage in spite of China-US trade dispute, the sales volume was **up by 75.0% YoY**. Ranked top 2 in 1H 2019 and ranked No.1 in March in terms of sales volume.
- ✓ **Emerging markets** maintained a rapid growth trend with sales volume **up by 28.8% YoY**, with India (up by 216.8% YoY), Indonesia (up by 109.5% YoY), Argentina (up by 64.4%) and Russia (up by 52.0%) achieving rapid growth.
- ✓ **European markets** sales volume **soared by 20.7% YoY**, with sales volume in France (up by 57.4% YoY), Germany (up by 161.1% YoY) and Italy (up by 196.9% YoY) significantly increased.

Turnover: rose by 32.5% YoY to HK\$10.77 billion.

Gross profit margin: rose by 1.0 p.p. YoY to 15.1%. In 2019Q2, the gross profit margin rose by 3.3 p.p to 17.1%, sequentially.

Operating results: improved significantly by 132.1% YoY, and profitability significantly improved.

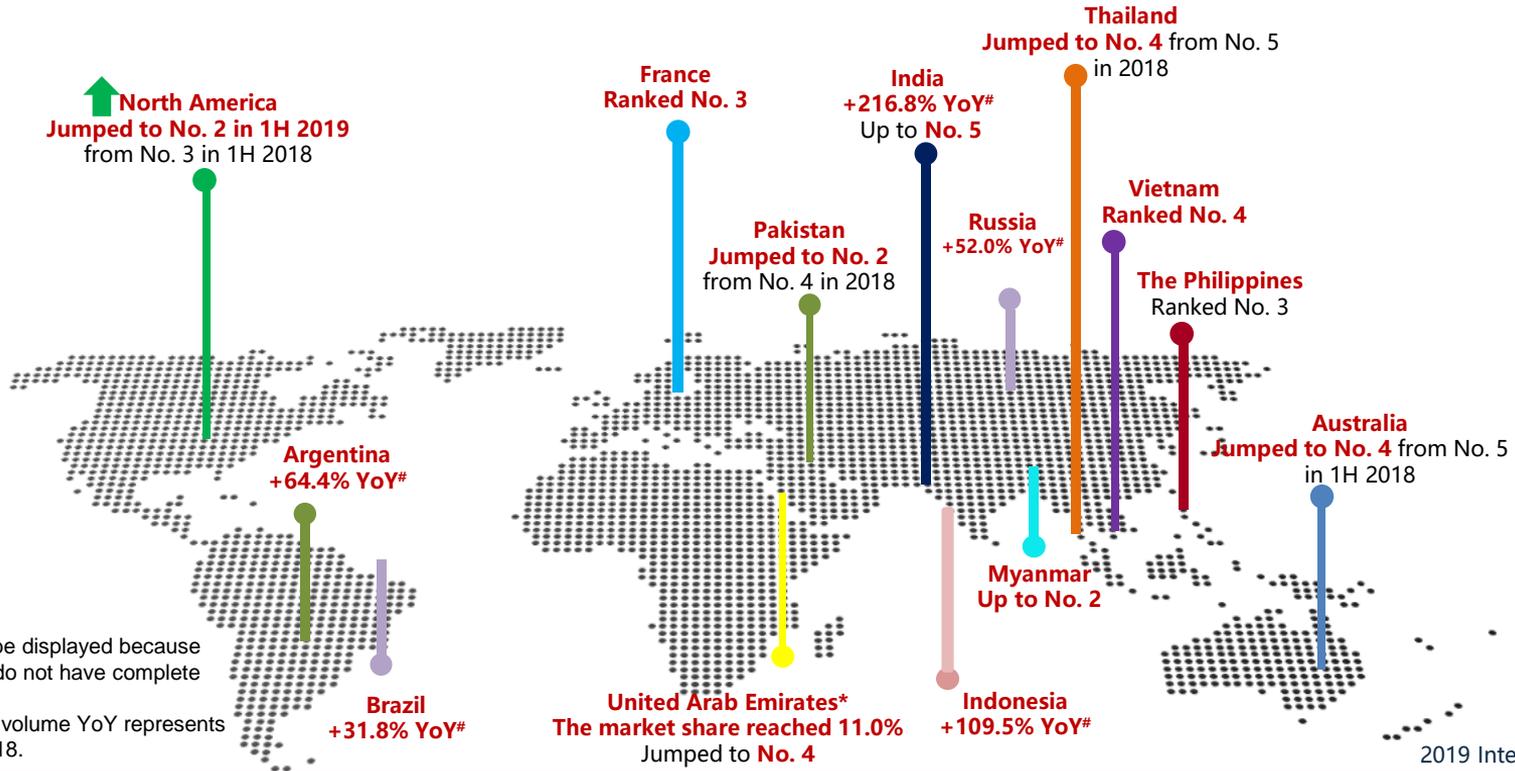


TCL Brand TV Business in Overseas Markets

Continued to develop key overseas markets and explore emerging markets, demonstrating competitive advantages



Market share rankings in terms of sales volume from January to June 2019
(Rankings of regions continue to increase)
(Data source: GfK, except North America from NPD)



* Ranking cannot be displayed because some countries do not have complete data reports.
Increase in sales volume YoY represents 1H 2019 vs 1H 2018.

TCL Brand TV Business in North America

Sales volume continued to increase in North America, full coverage of six major channels with increasing brand awareness.



Sales volume continued to rise strongly: **ranked No. 1** in the U.S. in March 2019; **ranked top 2 in North American markets** in 1H 2019, with market share up by 3.6 p.p. YoY.

In 1H 2019, the Group's profitability of the North American markets improved significantly.

Accomplished full coverage of 6 major sales channels in the U.S. **by extending to all branches of Best Buy across the U.S. in 2017, accompanied with the proportion of mid to high ends sales channels kept increasing.**

The Company has been well prepared for the potential risks of the China-US trade dispute: well-established global manufacturing layout with factories in Mexico, Vietnam, India, etc.

TCL Brand TV Business in North America

Continuous rising of sales volume in North America, full coverage of six major channels with increasing brand awareness.



Persist in localized marketing strategy targeting at the local consumer market:

- Signing the NBA Milwaukee Bucks Player—Giannis Antetokounmpo (The Alphabet) as the Brand Ambassador of TCL in North America.
- Continuous brand exposure in well-known movies, sports events and television programs (Ellen Show).
- Sponsored Rose Bowl Stadium, became the official TV partner of NBA team Minnesota Timberwolves, naming the home court of San Jose Earthquakes, a team of National Football League, and 4K Bar.
- Naming TCL Chinese Theater in San Diego, United States, and continued to promote the TCL Chinese Theater in Hollywood with IPs and hot topics.



Hand-print Ceremony of The Stars of Avengers 4 at TCL Chinese Theater in Hollywood

In 1H 2019, TCL R-series TVs were awarded by 26 third-party professional institutions (Forbes, CNET, Digital Trends, tom's guide, gamesradar+, etc.), including the Best TV, Best 4K Ultra-HD TV, Best TV Deals.



tom's guide



gamesradar+





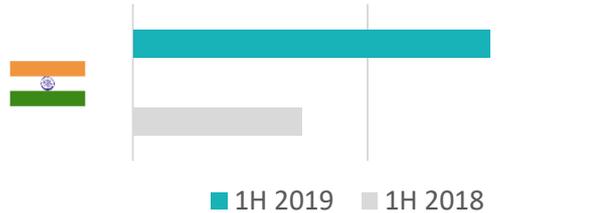
TCL Brand TV Business in India



TV sales volume in the Indian market increased more than 200% YoY

Jointly built TCL's first integrated smart manufacturing industrial park with CSOT in overseas

TV sales volume in the Indian market increased by **216.8%** YoY



TCL India

Integrated Smart Manufacturing Industrial Park

Indian Market-Andhra Pradesh



According to GfK data, the current annual market size of Indian TV market is 12.50 million sets, which is only 1/4 of China TV market. Indian TV market has great potential in the future and entering the market is a significant strategic move for the Group's sustainable growth in overseas markets.

TCL TV entered the Indian market in 2016 and currently covers about 3,000 offline outlets and multiple online channels, including:



By entering the Indian market with CSOT, TCL Electronics will further exert great advantages of whole industrial chain. All-rounded coverage from production to sales enhances its integrated competitiveness in the Indian market.

Annual production capacity of **8 million** large-sized TV screens, 30 million small-sized mobile screens and **6 million** 32-inch to 65-inch TV sets

Serves the TCL brand and provides ODM services to other brands rooted in the Indian market.



TV Business in Overseas Markets



- With well-established global manufacturing layout and the flexibility of relocating the production capacities, the Group actively seized the opportunities of the development of overseas markets and continued to expand the emerging markets with huge potential, such as India, Russia, etc.
- The Group's total production capacity in overseas markets exceeds 15 million sets per year, which is sufficient to meet its shipment demand in North American markets and can effectively mitigate potential risks of the China-US trade dispute.
- Integrated panel and module factory reduces production costs and improves operating efficiency, which significantly accelerates inventory turnover.

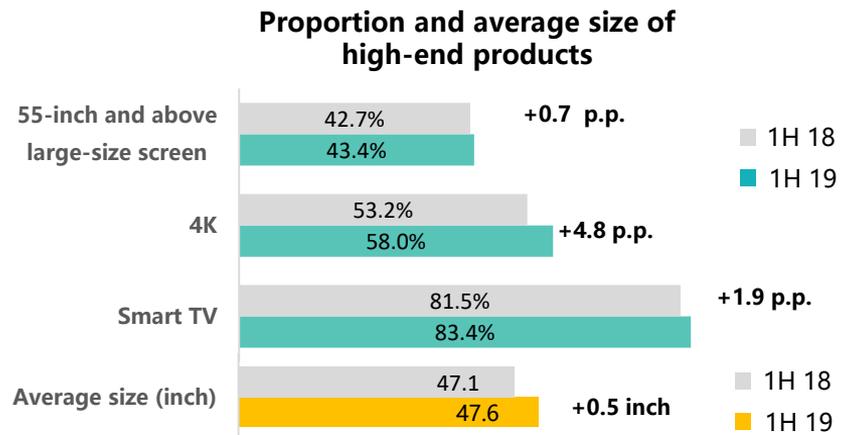


TCL Brand TV Business in the PRC Market



Committed to premium product strategy, sales volume growth outperformed the market, the proportion of online sales continued to increase.

	1H 2019	1H 2018	Change
Sales volume ('000 sets)	3,237	3,027	+6.9%
-Proportion of online sales	37.7%	35.0%	+2.7 p.p.
Turnover (HK\$ million)*	6,218	7,308	(14.9%)
Gross profit margin	24.3%	23.5%	+0.8 p.p.



Sales volume: According to the CMM's report, the industry retail sales volume of the PRC TV market in the 1H 2019 decreased by 4.3% YoY, while the **the Group's sales volume increased by 6.9% YoY.**

- Sales volume of super-large TV over 65-inch increased rapidly, up by **114.6% YoY.**
- The **proportion of online sales volume** increased from 35.0% in 1H 2018 **to 37.7% in 1H 2019.**

Turnover: The turnover was HK\$6.22 billion.

Gross profit margin: In 1H 2019, the gross profit margin was **24.3%, up by 0.8 p.p. YoY, and up by 1.6 p.p. QoQ to 25.3% in 2019Q2.** The operating result recorded quarter-on-quarter growth.

• In 1H 2019, the average exchange rate of RMB against HK\$ dropped by 5.7% YoY. The Group's financial statements are presented in HK\$. The exchange rate has certain impact on the turnover.



TCL Brand TV Business in the PRC Market



Average Selling Price of the Online and Offline PRC TV Market*



Ranked **Top 2**

among the Chinese first-tier brands in 1H 2019

Curved and 4K TV in the PRC Market* Market share for 1H 2019



Curved

34.7%

Remained **No.1**



4K

12.9%

Ranked among the top

*Data source: CMM

ODM TV Business



Integration of research-production-sales, remarkable R&D and industrial capacity, serving global renowned clients.



Shipment: **5.22 million sets**



Turnover: **HK\$5.18 billion**

Global ODM TV Shipment*

1	TPV
2	Foxconn
3	TCL

*Source: AVC Revco

- Benefiting from integration of research-production-sales, the Group's ODM business has remarkable R&D and industrial capacity as well as well-established quality control system, which ensures high delivery satisfaction.
- Highly recognized by first-tier customers in both domestic and overseas markets, serving global renowned clients.
- Further improved the Group's ODM business system capability via digitalized, network-based and intelligent development, thereby realizing a production and operation system with higher efficiency, lower cost and stronger stability.
- The Group's ODM business steadily developed and increased the overall capacity utilization rate at the same time.

Business Review

① Products Business

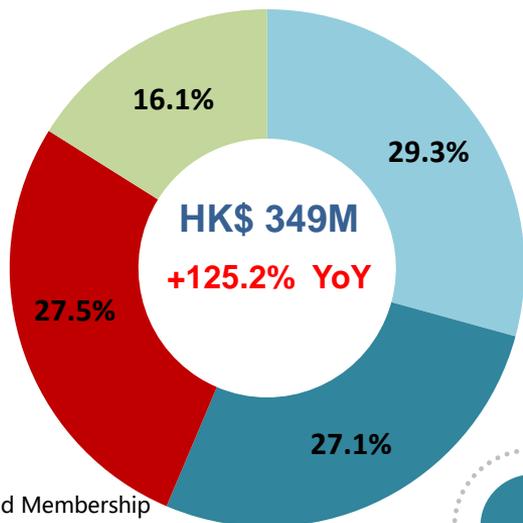
② Application Services



Continued to expand user base and enhance operating capability.

Generated new revenue stream from overseas Internet business for the first time with notable monetization capability.

Revenue of 1H 2019 rose rapidly to **HK\$349 million*** from HK\$160 million in 1H 2018, representing a significant increase of **125.2%**.



- Advertising business
- Video-on-demand and Membership
- Overseas Internet Business
- Others

Generated new revenue stream of **HK\$96M** from Internet business in overseas markets for the first time, accounting for 27.5% of the total revenue of Internet business in 1H 2019. The Group actively deepened strategic partnership with Roku, Google and other partners in overseas markets.

Revenues from Falcon Network Technology in 1H 2019 up by **63.3%** YoY, reached **HK\$253 million**. Net profit after tax was **HK\$78 million**, with a net profit margin reached **30.7%**. **Net profit in 1H 2019 exceeded that of FY 2018**. Monetization capability continued to enhance, and profitability increased significantly.

- Revenue from video-on-demand and membership **surged by 45.7% YoY**
- Advertising revenue **increased by 36.6% YoY**

*Falcon Network Technology has been consolidated since April 2019, and the consolidated revenue of the Internet business in 1H 2019 recorded HK\$230 million

Internet Business



Continued to expand user base and enhance operating capability.

Generated new revenue stream from overseas Internet business for the first time with notable monetization capability.



Overseas Internet Business

- In 1H 2019, the Group actively deepened strategic partnership with Roku and Google in North America, Europe and South America, respectively, in order to jointly enhance the experience for overseas TCL TV users.
- By enhancing the monetization capability of overseas Internet business, **the Group became the first Chinese enterprise in the industry with large scale and sustainable revenue from overseas Internet business.**

Falcon Network Technology

- Falcon Network Technology cooperates with Tencent, New South Media and other partners to jointly reinforce “1+1+N” strategic cooperation, by integrating resources from more content providers and strengthening Internet ecological cooperation and provided users with high quality content and services.
- In terms of membership operations, continuously improved the TCL Value Membership System, refined operations of content, and added new services, such as music, games and video shopping, leading to enhanced user loyalty and rising average daily time spent on TV.
- The TCL Channel has been actively promoted in overseas and launched in India and Southeast Asia. It will be introduced to more overseas countries.
- By improving the user experience, the penetration rate of members has been significantly increased, and the profitability has been significantly enhanced.

No. of Users and Time Spent on TV

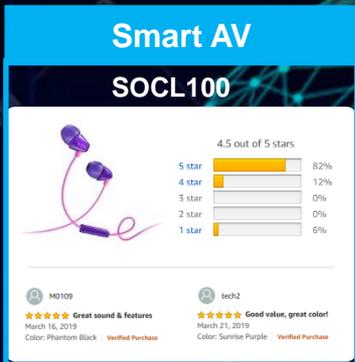
	1H 2019	1H 2018	Change
Total No. of Global Activated Users	36.75 million	27.35 million	+34.3%
Average Daily No. of Global Active Users	17.07 million	12.81 million	+33.2%
Average Daily Time Spent on TV	5.66 hours	5.15 hours	+9.9%

Diversification Strategy Implemented in an Orderly Manner



Reinforcing and upgrading its existing TV business while proactively expanding diversified business, including Smart AV, Commercial Display and Smart Home businesses to open up new business growth opportunities.

Business Diversification & AI x IoT Strategy



Established TCL Entertainment Solutions Limited (TES) to penetrate Smart AV Market

- In 2019Q1, TCL brand earphones were introduced to the U.S. market, which were highly recognized. Sound bars were also launched in the U.S. and European markets and its ranking rose rapidly



Broaden its business model from home television (B2C) to commercial display (B2B)

- Intelligentized smart terminal products to improve the interactive experiences between users and products
- New intelligent conference system has been launched



Self-developed smart home system based on smart TV; manage and control all smart household devices through interconnection

- T-Home: TCL Smart TV acts as a core access to a various-range and multi-brand IoT platform. Smart door lock, Smart security and smart control product have been launched
- T-Lodge: For the hotel and apartment scenarios, the SaaS enterprise cloud platform was built initially.
- T-Life: High-end XESS personal care products have been launched in the market

High Recognition from International Industry in terms of Product Competitiveness, Innovative Technology and Comprehensive Strength



At International Consumer Electronics Show 2019 (CES 2019)
TCL Electronics was awarded several honors by IDG

The prestigious EISA Award –
“Best Buy LCD TV 2018-2019” at IFA in Europe



The Group won Europe’s prestigious EISA Award granted by the European Imaging and Sound Association, in recognition of the outstanding picture and sound quality of TCL’s TV products, demonstrating remarkable results for TCL’s global strategy of product and brand enhancement.

Sports Marketing Promotes Global Brand Building

TCL



Neymar Appointed as TCL's Global Brand Ambassador



Partnership with CONMEBOL Copa América Brazil 2019



Sponsorship for Brazil National Football Team

Football

Basketball



Officially Became the Global Partner of the 2019 FIBA Basketball World Cup



Appointed NBA Milwaukee Bucks Player—Giannis Antetokounmpo (The Alphabet) as the Brand Ambassador for TCL in North America



Outlook

TCL·XESS Smart Screen





Globalization, Diversification, R&D and AI x IoT Strategies



Mission: Provide Users with Smart and Healthy Living Products and Services

Vision: Become a Global Leading Smart Technology Company

Globalization

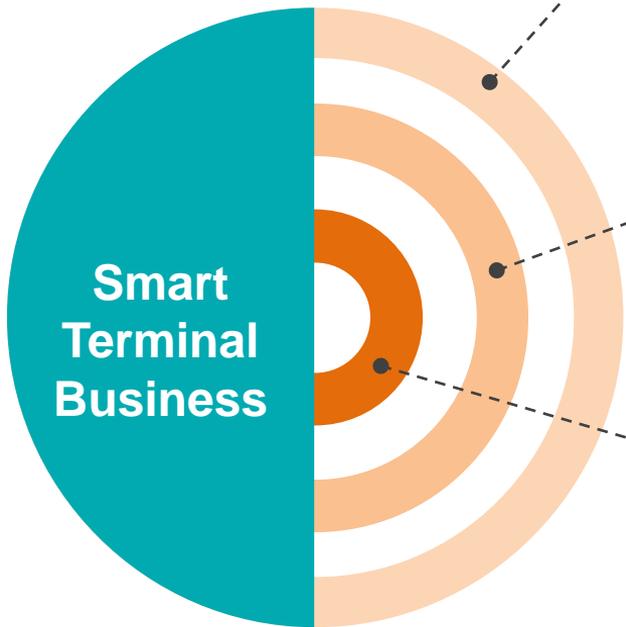
- Focus on major TOP10+N overseas markets and explore new growth opportunities
- Further enhance the competitive advantages of global operation and supply chain system
- Accelerate the development of global Internet business to serve global users in order to be more competitive

Diversification

- Proactively develop full range of smart terminal product business
- Expand commercial business, smart AV business (TES) and smart home business to explore new business growth opportunities

R&D

Strengthen R&D investment and consolidate the R&D capabilities of cutting edge display technologies such as quantum dot, Mini LED and 8K, fully upgrade all-scenarios R&D and AI x IoT, and innovation capability

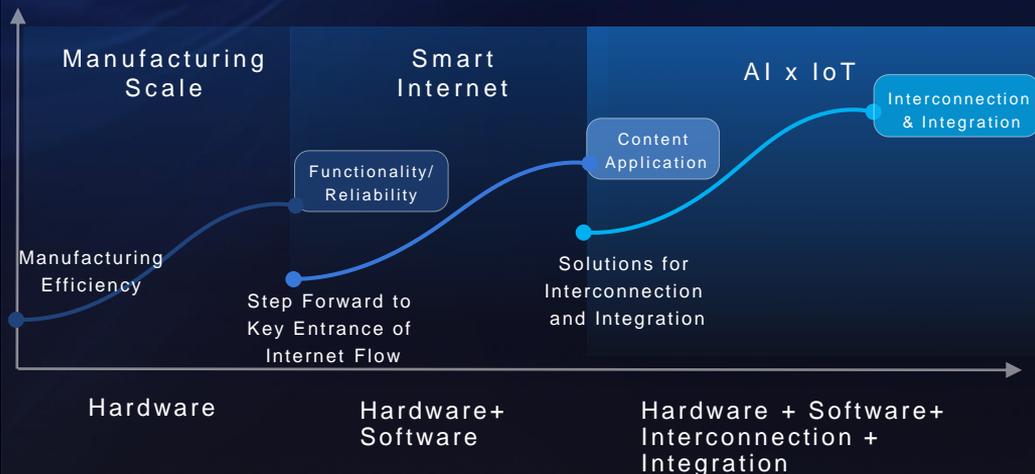


Smart Terminal Business

AI x IoT Strategy

Establish interconnected, smart and healthy ecosystem by empowering IoT platform with AI technologies. Realize the integration of all-scenarios via Hardware + Software + Interconnection of all devices. It provides users with video calls, intelligent interaction, remote services and comfortable and healthy living experience

The Triple Curve



From **AI + IoT** to **AI x IoT**

AI-empowered Hardware
AI-empowered Exchange
AI-empowered Response

Users' Demand
×
IoT Device Functionality
×
AI Capability

AI
Integration

TCL Full Spectrum AI

All Aspects
AI-empowered

All People
AI Interconnection

All of the Time
AI Response

All Areas of
the Home AI
Integration

Breaking boundaries, creating value through integration

- Hardware + software + interconnection of all devices and integration of various scenarios represent AI x IoT products for a new era
- The combination of different users' demands, functionality of IoT devices and AI capabilities will create exponential growth opportunities

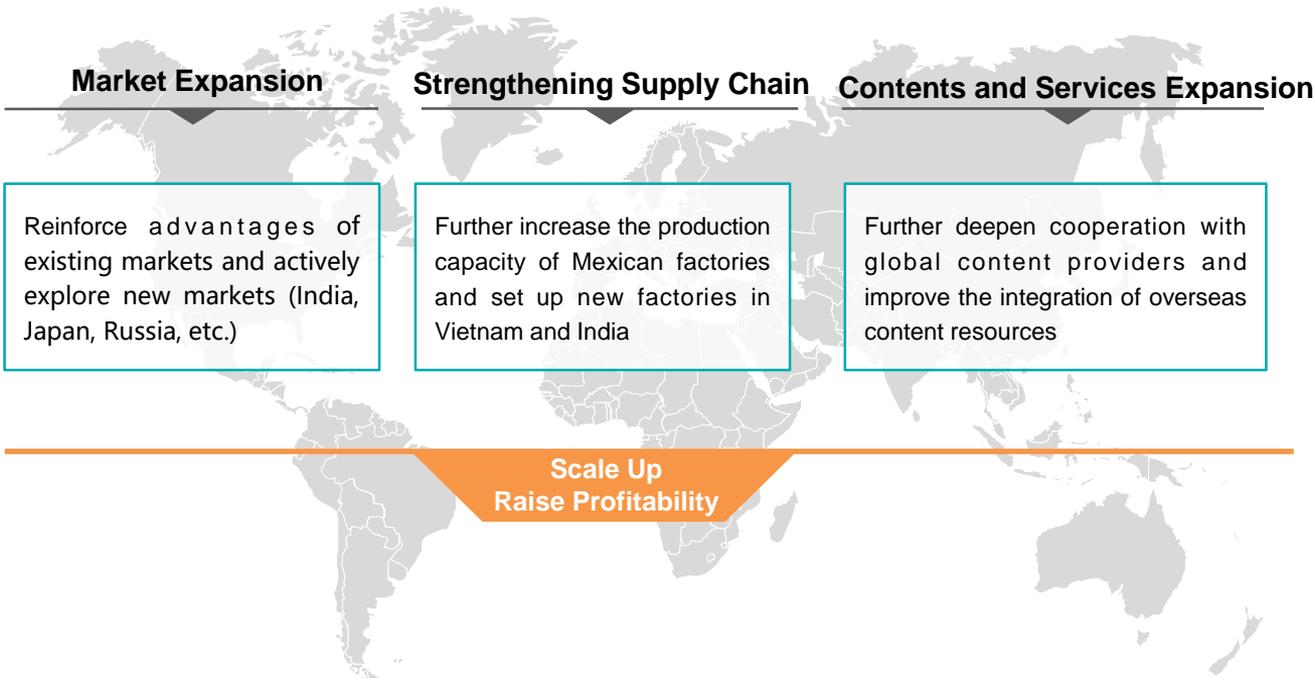


Deepen Globalization Strategies



Overseas business has become a key driver and maintained strong growth momentum

Further enhance the competitive advantages of globalized business and supply chain system, and actively strengthen the cooperation between content and services to obtain new competitive advantages.





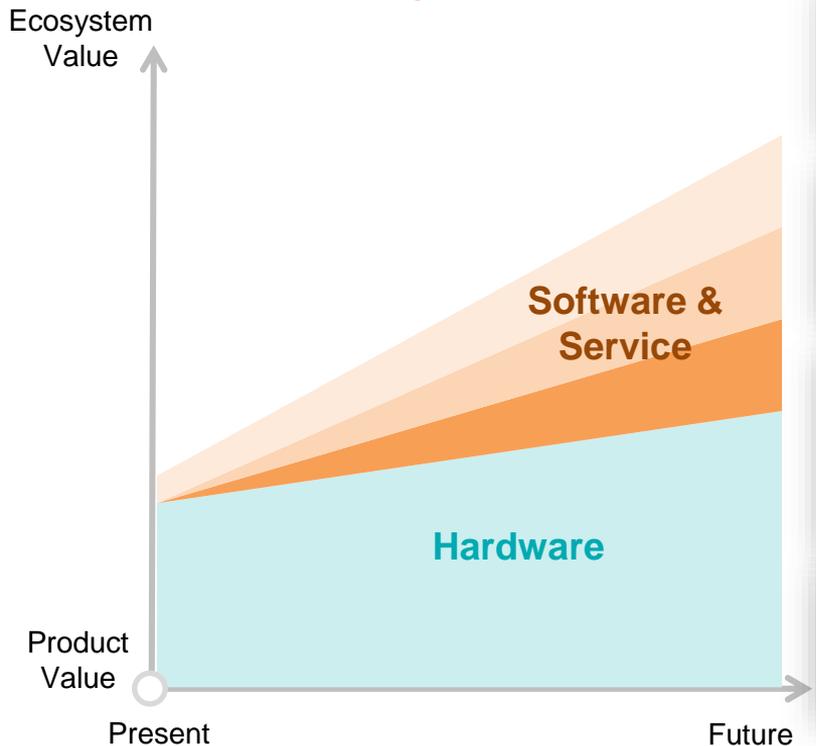
Continuously Accelerating Transformation through Diversification Strategy



Hardware + software + service, optimize profit structure, create value

Smart terminal products + Software + Service profit structure

Components of Profit Growth



- 

Internet business platform
 Enrich user experience, increase the proportion of **users of paid business**, explore overseas income from Internet business and enhance the monetization capability of global Internet business
- 

Smart Home
 A platform for various range of Smart products and services based on **artificial intelligence (AI)** and **Cloud** Interconnection.
- 

Commercial Information Technology
 Leveraging on leading commercial display technologies of software and systems with **B2B, Internet of Things (IoT), AI, Cloud Applications** and **Big Data**, etc. to provide **one-stop customized service** covering software, content and intelligent products
- 

Smart Terminal Products
 Consolidate and enhance TV business and develop Smart AV market

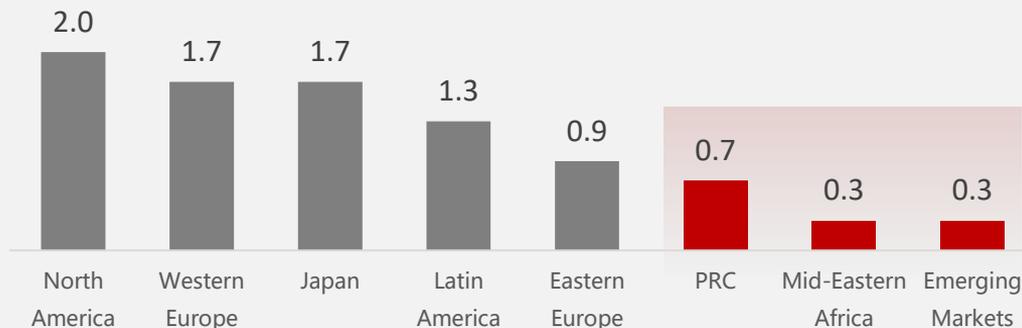
Industry – Global TV Market Forecast

Forecasts 8%* YoY growth in TV dimension of global shipment in 2019

Strong Demand in Certain Regions

Only 80% of global households owned TVs in 2018

Panel TV (excluding CRT) average ownership (set) *



*Source: TCL Industrial Research Institute

Average Size*

2017A	2018A	2019E
42.5"	43.6"	45.0"

TCL overseas sales volume of LCD TVs **soared by 34.5%** in 1H 2019, significantly outpacing the global average

- ✓ **North America** : +75.0% YoY
- ✓ **Emerging Markets** : +28.8% YoY
- ✓ **European** : +20.7% YoY

With the continuous enhancement in product competitiveness and brand power, TCL expects to sustain strong growth in overseas markets and increase its global market share.

Industry – The PRC TV Market Forecast

In 2019, multiple government policies favors the industry

Ultra HD + Large Size

- ✓ On 1 March 2019, the Ministry of Industry and Information Technology, National Radio and Television Administration(NRTA), and China Media Group jointly launched “The Ultra HD Video Industry Development Action Plan (2019-2022)”, which states the technical roadmap of “Putting 4K first while developing 8K” and goals. According to the Plan:
 - By 2022, 4K TV is expected to be widely adopted, while 8K TV will contribute over 5% to total TV sales volume
 - The total scale of ultra-high-definition industry is expected to exceed RMB 4 trillion, with the number of ultra-high-definition video users at 200 million. The TV industry will be fully benefited from the replacement demand of Ultra HD TV
 - On 19 August, the NRTA issued a notice “Opinions About Promoting High Quality Development of Broadcasting TV and Internet Visual and Audio Industries”, which is expected to accelerate the development of HD TV’s and 4K/8K Ultra HD TV’s industrial chains
- ✓ According to AVC, there are only 110 million units Ultra HD TV in the PRC and approximately 500 million units Non-ultra HD TV, **presenting ample growth potential for 4K and 8K large-screen TVs.**

Energy Saving and Emission Reduction Policy to Boost Consumption

- ✓ According to the Ministry of Commerce of Beijing, the Chinese government launched **energy conservation and emissions reduction policy** regulating home appliances in Beijing on 1 February 2019. Spanning three years, the policy covers 15 categories of energy-saving and emissions reduction commodities. **Nationwide expansion of implementation is expected to continue.**
- ✓ The subsidy for TV with the first level energy efficiency standard is 13% of the sales price, while 8% subsidy for the second level standard. The maximum amount redeemable for the subsidized goods is RMB800.
- ✓ On 3 June 2019, the National Development and Reform Commission, the Ministry of Ecology and Environment of the PRC and the Ministry of Commerce of the PRC jointly announced “Implementation Plan of Promoting the Upgrade of Key Consumer Goods and Resources Recycling”, which clearly stated to **promote the R&D and industrialization of Green Smart home appliances, and continue to enhance the update of consumer electronics.**

Rural consumption potential

- ✓ Major TVs in China’s rural market were purchased under “Home Appliances for Rural Households” program (2009-2012). By 2019, these products would be used for 7-10 years, entering the replacement period. According to AVC estimates, TV sales during the implementation of the program stood at 74.9 million units. **Rural replacement demand is set to be unleashed.**

1H 2019 Implementation Status and FY2019 Targets

	1H 2019 Actual				2019 FY Target			
	Overall	TCL Brand TV Business in the PRC Market	TCL Brand TV Business in Overseas Markets	ODM Business	Overall	TCL Brand TV Business in the PRC Market	TCL Brand TV Business in Overseas Markets	ODM Business
TV Sales Volume (sets)	15.53M ↑17.9%	3.24M ↑6.9%	7.07M ↑49.8%	5.22M ↓3.9%	32.00M ↑12%	7.20M ↑2.4%	13.50M ↑26.4%	11.30M ↑3.7%
Turnover (HK\$)	22.72B ↑8.0%	6.22B ↓14.9%	10.77B ↑32.5%	5.18B	51.0B ↑12%			
Profit attributable to owners of the parent after deducting one-time non-operating gain	554M ↑32.9%				The growth rate of operating profitability in 2H 2019 will exceed that of 1H 2019			

Internet Business	1H 2018 Actual	1H 2019 Actual	2019 FY Target
Internet service revenue (HK\$)	160M	349M	500M+
No. of TCL Global Activated Smart TV Users (Accumulated No. at Period End)(Year-end/Quarter-end) ¹	27.35M	36.75M	40M
Average Daily Time Spent on TV (hours)	5.15	5.66	5.7

1. No. of TCL Activated Smart TV Users (Accumulated No. at Period End) = Accumulated No. of Activated TV Terminals

Competitive Advantages



Globalization Strategy and Leading Position in Overseas Markets

- Overall shipments ranked global top 2
- Sales volume of TCL brand TV ranked global top 3
- Overseas shipment remained No. 1 among Chinese TV brands for 10 consecutive years
- Cooperate with Roku and Google to deepen partnership in Internet business and jointly enhance the experience for overseas TCL TV users
- The first Chinese company in the TV industry with large-scale and sustainable revenue from overseas Internet business

Vertically Integrated Industrial Chain

- Realize synergy effect with CSOT in panel, module and assembly, become the only Chinese company with a complete vertically integrated industrial chain
- Manufacturing bases in PRC, Mexico, Poland, Vietnam, India and South America, establishing globalized industrial capacities

Product Innovation and Advantage of Internet TV Content

- Faster speed of innovation: Cutting edge display technologies such as quantum dots(QLED), Mini LED and 8K, exclusive Q Engine for high quality audio and picture. Accelerating the development of artificial intelligence and smart home
- Product mix: TCL TV has won lots of prestigious awards, including EISA Award, CES Award and received high scores from many esteemed third-party websites
- Abundant Internet TV content: Self-developed and operating smart TV system, building a smart TV platform of premium content to serve global users

Lower Operating Costs and Higher Efficiency

- The synergy effect of panel and smart TV manufacturing creates high efficiency and stable supply of large sizes screen
- Intelligent factory and automated manufacturing reduce costs and enhance the production efficiency



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