



**TCL Electronics Announces 2018 Interim Results  
Profit Attributable to Owners of the Parent Surges 278.6% Y.o.Y.**

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**Sales Volume Exceeds 10 Million Mark Record High  
Maintains Stable Growth in the PRC Market  
And Leading Position in Overseas Markets  
Revenue of Internet Business Up 318.2% Y.o.Y.**

*Financial highlights for the six months ended 30 June 2018*

( HK million )	As at 30 June 2018	As at 30 June 2017	Change	2018 Q2	2017 Q2	Change
Turnover	<b>21,050</b>	17,023	+23.7%	<b>10,197</b>	8,543	+19.4%
Gross profit margin (%)	<b>15.3</b>	15.4	(0.1 ppt)	<b>14.7</b>	15.1	(0.4 ppt)
Expense ratio (%)	<b>12.6</b>	13.7*	(1.1 ppt)	<b>12.0</b>	13.3	(1.3 ppt)
EBITDA <sup>@</sup>	<b>875</b>	312	+181.0%	<b>519</b>	154	+238.2%
Profit attributable to owners of the parent	<b>572</b>	151	+278.6%	<b>324</b>	70	+364.4%
Basic earnings per share (HK cents)	<b>26.72</b>	8.83*	+202.6%	<b>14.36</b>	4.07*	+252.8%
Proposed interim dividend per share (HK cents)	<b>9.80*</b>	3.90	+151.3%	<b>NA</b>	NA	NA

Notes :

<sup>@</sup> 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 venture and associates

\*Restated

**(24 August 2018, Hong Kong) – TCL Electronics Holdings Limited (“TCL Electronics” or “the Company”, formerly known as “TCL Multimedia Technology Holdings Limited”, HKSE stock code: 01070.HK) has today announced its unaudited interim results for the six months ended 30 June 2018.**

**Business Review**

**TCL Electronics**, a pioneer in the global TV industry, is committed to its premium product strategy and deep cultivation in overseas markets. In the second quarter and first half year of 2018, sales of its LCD TV sets hit a five-year high. Sales of its LCD TV sets exceeded the 10 million mark, reaching 13.17 million sets in the first half of 2018 – a year-on-year increase of 37.2%. The Company has therefore already met more than half of its annual sales target of 25.60 million sets. The sales volume of Smart TV and 4K TV grew significantly to 9.38 million sets and 3.77 million sets respectively, representing a year-on-year increase of 53.3% and 69.4% respectively in the first half of the year. 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 11.4% and 12.9% in terms of sales volume and turnover respectively. The brand price index of TVs in the PRC market jumped from 99 in the corresponding period of last year to 113, remained ranking No.1 position.



For the six months ended 30 June 2018, **TCL Electronics** recorded a turnover of HK21.05 billion, representing an increase of 23.7% year-on-year; the gross profit increased by 22.6% year-on-year to HK3.22 billion and the gross profit margin remained flat at 15.3%. Remaining steadfast in cost reduction and efficiency enhancement, which achieved remarkable results. The Company recorded a significant drop in the overall expense ratio from 13.7% in the corresponding period of last year to 12.6%, which hit a record low since 2003. Benefitting from the steady growth of the PRC market and the outstanding results in both sales volume and profit in the overseas markets, operating profit of the Company was HK762 million and net profit after tax was HK571 million in the first half of the year. Profit attributable to owners of the parent amounted to HK572 million (including the one-off net gain of HK155 million recorded from assets transfers such as club membership), hitting a historic high for the first half of the year and representing a significant increase of 278.6%. Basic earnings per share was HK26.72 cents. The Board declared an interim dividend of HK9.80 cents per share, with dividend payout ratio of 40%.

The significant increase in the Company's profit in the first half of the year was mainly attributable to :

1. Both sales volume and revenue of LCD TV grew significantly in the first half of 2018, of which the growth rate of sales volume once again hit a five-year high. The PRC market and the overseas markets maintained a steady increase. Particularly, the overseas markets performed extremely well. The North American market maintained stable growth, the emerging markets developed rapidly, and the European market grew significantly, as compared to that of the corresponding period in 2017;
2. The Company's product competitiveness, and continuous optimization of the Company's product mix;
3. The significant increase in the gross profit margin of self-branded products in both the PRC market and the overseas markets with the benefits from the continuous decline in panel price in the first half of 2018;
4. The significant drop in the overall expense ratio as a result of the Company's continuous cost reduction and efficiency enhancement, as well as the apparent advantages of the economies of scale; and
5. The one-off gain recorded as a result of the asset transfer (including club membership) by the Company which was completed on 28 June 2018.

### **The PRC Business: Product Mix Improved, Profitability Enhanced**

**Sales volume significantly increased year-on-year and exceeded the industry average:** Committed to its premium product strategy, the Company continued to improve its product mix and product competitiveness. According to CMM's omni-channel data, the overall TV sales volume of the PRC TV market rose by 0.7% year-on-year in the first half of 2018. The Company's LCD TV sales volume increased year-on-year by 26.4% to 4.89 million sets in the first half of 2018, outperforming the industry average level. Through product mix optimization and the efficiency improvement resulted from precision marketing, the proportion of the



Company's online sales volume in the PRC market increased to 35.0% of the total, grew up by 13.3 percentage points year-on-year.

**Turnover increased year-on-year:** In the first half of 2018, the Company's LCD TV sales revenue in the PRC market increased by 2.6% year-on-year to HK8.77 billion

**Average selling price continued to rise year-on-year:** According to CMM omni-channel data, the average selling price in the TV industry declined by 6.6% year-on-year. Thanks to the enhanced product competitiveness and optimized product mix, in the first half of the year, the average selling price of the Company's LCD TVs in the PRC market (excluding ODM business) increased by 3.0% year-on-year.

**Gross profit margin rose year-on-year:** Benefiting from the further enhancement in product mix and continuous decline of panel price in the first half of 2018, the gross profit margin for the Company's LCD TVs in the PRC market (excluding ODM business) increased significantly by 1.4 percentage points to 23.5% in the first half of the year. Of which, the gross profit margin for LCD TVs (excluding ODM business) in the first and second quarters were 23.3% and 23.8% respectively, increasing quarter over quarter.

**Remarkable growth in operating results:** Fuelled by significantly enhanced product competitiveness, cost reduction and efficiency enhancement, the Company's operating results for LCD TV business in the PRC market surged by 170.3% year-on-year to HK243 million in the first half of the year, among which the profit generated by online channels recorded a remarkable year-on-year increase as well.

**The product mix in the PRC market continuously enhanced** (the data below excluded ODM business):

- Smart TV sales volume reached 2.47 million sets, which accounted for 81.5% of LCD TV sales volume, increasing by 6.4 percentage points from 75.1% in the first half in 2017
- 4K TV sales volume was 1.61 million sets, which accounted for 53.2% of LCD TV sales volume, rising by 12.6 percentage points from 40.6% in the first half in 2017
- Proportion of TVs with screen size of 55 inches and above rose from 35.3% in the corresponding period of last year to 42.7%.
- Average size of LCD TV increased from 45.5 inches in the corresponding period of last year to 47.1 inches
- Market share of curved TVs was 35.3%, maintaining No.1 position in PRC (Source: CMM's omni-channel data)

### **Overseas Business: Growth Momentum of Scale of Sales, Continued Outstanding Results in Both Sales Volume and Profit**

By leveraging years of dedicated effort in key overseas markets, optimizing product mix, enhancing product competitiveness, and achieving advantages brought by its vertically integrated supply chain, the Company managed to establish a distinct competitive edge in overseas markets, driving the continuous sales volume surge in several regions in overseas markets. Of which, the North America market sustained steady growth and emerging markets maintained rapid growth momentum. The European markets achieved remarkable year-on-year growth, with regions including France, Spain and Poland strongly driving up sales volume, making overseas markets an important growth engine of the Company. Also, tapping into the FIFA World Cup craze, the Company appointed the world-renowned Brazilian football player



Neymar Jr. as its “Global Brand Ambassador” in April this year, with an aim of exploring European market and emerging markets represented by South America, and further enhancing the brand value of TCL on the international stage.

**Sales volume and turnover both skyrocketed:** The Company sold 8.28 million sets of LCD TV in overseas markets in the first half of the year, grew up by 44.4% year-on-year, with turnover reaching HK12.18 billion, representing an increase of 45.3% year-on-year.

**Average selling price continued to rise:** Benefitting from constant improvement in product mix, average selling price of the Company’s LCD TV in overseas markets (excluding ODM business) in the first half of the year increased by 4.7% year-on-year.

**Gross profit margin achieved notable improvement:** Benefitting from reduction in panel price and optimized product mix, the gross profit margin of the Company increased by 0.4 percentage points to 11.7% in the first half of 2018, of which the gross profit margin of self-branded products achieved a significant year-on-year rise of 2.0 percentage points to 14.1%.

**Notable growth in operating results:** With the benefits of enhanced product mix, improved efficiency and evident economies of scale, the Company’s operating results in overseas markets in the first half of the year surged by 77.7% to HK375 million in the first half of 2018.

**Overseas market performance highlights:**

- The North American market sustained steady growth with LCD TV sales volume increasing by 26.8% year-on-year. In the first half of 2018, the market ranking of sales volume jumped to 3rd position from 5th position in the corresponding period last year (data source: NPD)
- Emerging markets maintained rapid growth momentum with LCD TV sales volume increasing by 51.5% year-on-year. In particular, Brazilian market continued to deliver remarkable results, with sales volume markedly improved by 82.0% year-on-year. In the first half of 2018, the Group ranked 3rd position in the Philippines, 4th position in Vietnam, and 5th position in Thailand and Australia in terms of sales volume (data source: GfK); and
- In the European markets, LCD TV sales volume surged by 73.0% year-on-year, with regions including France, Spain and Poland strongly driving up total sales volume in Europe. In particular, the market ranking of sales volume in France in the first half of 2018 rose to 3rd position from 4th position in the corresponding period of last year.

**The proportion of sales volume of mid-to-high-end products continued to rise alongside continued product mix optimization in overseas markets** (data below excluded ODM business):

- Proportion of Smart TVs rose from 77.0% in the first half of 2017 to 82.4% in the first half of 2018
- Proportion of 4K TVs increased from 19.3% in the first half of 2017 to 34.9% in the first half of 2018
- Proportion of LCD TV with screen size 55 inches or above rose from 16.3% in the first half of 2017 to 24.0% in the first half of 2018
- The average size of LCD TV increased from 38.5 inches in the first half of 2017 to 41.3 inches in the first half of 2018



### **Internet Business: User Base Expanded Significantly and Revenue Soared by 318.2%**

**Continued to Expand User Base and Enhanced User Loyalty:** In the first half of 2018, the accumulated number of TCL activated smart TV users of the Company totaled 27,354,256, and the average daily number of active users in June 2018 increased by 39.7% year-on-year to 12,814,096. The user base of the Internet TV business continued to demonstrate strong growths, of which:

- Video-on-demand business totaled 24.39 million users, increased by 25.8% when compared to the first half of 2017;
- Paid business totaled 2.7 million users, grew up by 90.1% against the first half of 2017;
- Average daily spending time of users on TV reached 5.15 hours, which rose by 5.1% year-on-year. By adopting delicacy management practice in users operation, user loyalty had strengthened.

**Operation Strength Enhanced with Notable Monetization Capability:** By consolidating online and offline channel resources, expanding the scale of users and enhancing the proportion of operational user-end terminals, the Company expanded revenue streams from advertising, video-on-demand, membership, and enhanced its monetization capability of services. It also boosted sales of membership card and motivated the pay-to-view habit among users and continued to optimize its revenue structure, plus extended its income stream to overseas markets. The monetization capability of the Internet business was continuously enhanced, achieving turnover of approximately RMB 126 million in the first half of 2018, grew up by 318.2% year-on-year. Of which, turnover for advertising business was approximately 60.92 million, a quantum leap of 311.1% from the corresponding period of last year. Turnover for paid business also skyrocketed by 246.3% to approximately RMB 52.94 million, accounting for 41.9% of the total turnover.

**Strengthened Mutually Beneficial Cooperation with Partners:** In the first half of 2018, Thunderbird Technology, under internet business segment of the Company, actively deepened its strategic cooperation with various companies such as South New Media and Tencent, focusing on users operation enhancement and enriching the platform content as well as pushing forward with the establishment of Artificial Intelligent (A.I.) platform and an Internet-based TV platform and optimizing its “product + content + service” system, thereby improving overall user experience. In May 2018, JD.com expressed an intention to invest RMB 300 million in Thunderbird Technology. Both parties will integrate their resources and generate synergies to fully capture the tremendous opportunities brought by the rapid development of large screen TV ecosystem. In July 2018, Thunderbird Technology announced the establishment of a joint venture with South New Media to strengthen the “1+1+N” strategic cooperation model, which represented a move to kickoff their cooperation for the online TV ecosystem.

### **Focusing on Innovative R&D and Received Recognitions from International Awards**

Since 2018, the Company has continued to focus on quantum dot and other cutting-edge technologies to launch a variety of mid-to-high-end products that formed a strong portfolio to satisfy the diverse needs of consumers, and strengthened its brand and product competitiveness. In order to enhance the personalized product experience of users, the Company has been devoted to the research and development of A.I. technology, aiming to inject fresh energy into its various product series. The Company has established an open A.I. technological framework, in which the new generation smart engine has been adopted in smart products, extending the application from TV, film, music, and encyclopedia to daily services.



The smart products are also equipped with more diversified functions, such as navigation, search for popular attractions, gourmet recommendations and ticketing service, on top of multi-turn dialogue, celebrity identification and natural language interaction, which all strive to develop TVs into an important smart terminal of future homes.

Meanwhile, the Company has adopted Google A.I. (Google Assistant) engine in its Android-based smart devices to actively expand the application of A.I. technology overseas. At present, the Company has completed its self-developed TV middleware TV+ OS and continues to develop new iterations and upgrades. With first-mover advantages of leading technology and global digital network certification in the overseas market, the Company has achieved comprehensive product coverage abroad.

Leveraging the world's leading innovative technology of the TV products, the Company's innovative R&D capability is well-recognized internationally by the industry. TCL won the "China Innovation Brand Award" at the 2018 International Consumer Electronics Show in Las Vegas, the United States, and its flagship new TV product series X5, C6 and P5 won the "China Innovative Product Award", showing to the world the intelligent manufacturing capability of consumer electronics brands of China. In particular, C6 series obtained the highly renowned EISA Award in the internationally acclaimed IFA Berlin this August and the R6 series has received highly favorable recommendations from testing organizations in North America. On the 2017-2018 Global Top Brands Award Ceremony, organised by IDG, the Company has once again clinched three awards including "2017-2018 Top 10 Consumer Electronics Brands", "2017-2018 Global TV Brands Top 15" and "2017-2018 Global Top 50 Consumer Electronics Brands", fully reflecting the brand strength of the Company.

### **Continued to Develop Business Diversification Strategy to Become an International Conglomerate in the Electronics Industry**

**TCL Electronics** has proactively implemented its business diversification strategy by successively developing various businesses, such as Smart AV, commercial display and Smart Home, so as to expand new profit growth opportunities. The Company achieved outstanding results through obtaining global brand authorization (excluding Japan) from Japan's Onkyo Corporation, establishment of TCL Entertainment Solutions Limited, and exploring the smart AV market, as well as the acquisition of CI Tech to enter the blue ocean market of commercial and high-end display, aiming to achieve "B2B and B2C dual-track development", establish a smart home system centered on smart TV, and create hardware-software integrated smart-home solutions through strategic cooperation with Sunshine 100 developing the first-of-its-kind smart home apartment.

**Mr. Kevin Wang, Chief Executive Officer of TCL Electronics** said, "TCL Electronics delivered excellent results following its name change. In the future, adhering to the strategy of 'lead with products, innovate with technology, increase user loyalty, reform channels, pursue operational excellence, and operate globally', we will continue to leverage vertical integration in industry chain and first-mover advantage in globalization, enhance China's business competitiveness, actively expand overseas markets with strong product competitiveness and internet business capability, deepen implementation of business diversification strategy, empowering itself to become international conglomerate in the electronics industry and creating 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, 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.1 in the PRC TV market with brand price index of 113. 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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Appendix: The Group’s sales volume of LCD TVs by regions and the number of TCL smart TV users during the review period were as follows:

LCD TVs	20181H (‘000 sets)	20171H (‘000 sets)	Change
<b>Total</b>	<b>13,173</b>	9,603	37.2%
— PRC Market	<b>4,889</b>	3,867	26.4%
— Overseas Markets	<b>8,285</b>	5,737	44.4%
<b>Of which: Smart TV</b>	<b>9,383</b>	6,120	53.3%
<b>4K TV</b>	<b>3,773</b>	2,227	69.4%

	Accumulated						
	total as of 30 Jun3 2018	June 2018	June 2017	Change	20181H	20171H	Change
<b>Number of TCL activated smart TV users<sup>(1)</sup></b>	<b>27,354,256</b>	<b>648,862</b>	408,528	58.8%	<b>3,817,734</b>	3,013,953	26.7%
<b>Average daily number of active users<sup>(2)</sup></b>	<b>NA</b>	<b>12,814,096</b>	9,169,637	39.7%	<b>NA</b>	NA	NA

#### Notes:

- (1) Number of TCL activated smart TV users refers to the number of users who use the internet TV web service for more than once  
 (2) Average daily number of active users refers to the number of unrepeated individual users who visit within 7 days  
 (3) Data as of June 2018