

## **TCL Electronics (01070.HK) Revenue in 2021 Increased by 46.9% YoY to HK\$74.85 Billion**

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### **Made Breakthroughs in the Mid-to-High-End Market; Accelerated Business Development in Overseas Markets; and Forayed into Innovative Businesses**

**(11 March 2022, Hong Kong) - TCL Electronics Holdings Limited** (“TCL Electronics” or “the Company”, 01070.HK) announced today its annual results for the year ended 31 December 2021.

In 2021, the COVID-19 pandemic persisted with severity worldwide, and the global political and economic landscape became even more complex. In the meantime, violent fluctuations occurred in the prices of both upstream raw materials and international logistics, posing a huge challenge to the business environment. Nevertheless, the industry where the Company is in still continued its expansion as well as accelerated intelligent and technological transformation. TCL Electronics actively transformed and innovated under the strategy of “Value Led by Brand with Relative Cost Advantage”, made breakthroughs in the mid-to-high-end market, expanded overseas markets, and forayed into innovative businesses and new tracks, which drove significant growth in its display business, innovative business and Internet business. The Company's revenue reached HK\$74.85 billion, up 46.9% year-on-year; gross profit reached HK\$12.53 billion, up 29.7% year-on-year; benefiting from the enhanced synergy effect in various aspects such as production capacity, channel, research development and brand alongside the core business development, the Company strengthened cost reduction and efficiency increase. As a result, the expense ratio decreased by 0.5 percentage points year-on-year to 15.0%.

Due to increase in the prices of raw materials, the Company's net profit attributable to owners of the parent from continuing operations was HK\$1.18 billion, which represented a decrease year-on-year. Nevertheless, with the gradual drop of the price of upstream panels since the second half of 2021, the Company's gross profit has continued to rebound since the third quarter of 2021. Subject to shareholders' approval, the Board proposed a final dividend of HK16.70 cents per share, with the dividend payout ratio accounting for 35.0% of the net profit attributable to owners of the parent.

**The Globalisation Strategy Achieved Remarkable Results While Display and Internet  
Businesses Developed with Sustained Momentum**

As a global leader in the industry, TCL Electronics seized the opportunities brought by the era of technological change and Internet of everything (IoE) and gave full play to its advantage in an integrated global industrial chain. In 2021, the Company's large-sized display business (i.e. smart screen<sup>1</sup> business), small and medium-sized display business, smart commercial display business and Internet business all achieved steady and high-quality development.

***Global Revenue from TCL Smart Screen Display Business Increased by 24.3% YoY to HK\$49.27 Billion, Ranking No. 3 Worldwide***

Due to the combined influence of rising panel prices and advanced demand from the pandemic in 2021, the overall market shipment of global TV sector declined. However, the global market share of TCL smart screen continued to increase to 11.5%<sup>2</sup> in 2021, firmly ranking No. 3 worldwide. Besides, the Company made breakthroughs in the mid-to-high-end market and continued to optimize its product structure, which drove the global sales revenue of TCL smart screen in 2021 to increase by 24.3% year-on-year to HK\$49.27 billion, registering better overall sales performance than the industry average. Meanwhile, standing at the forefront of industry technological transformation, TCL Electronics continued to lead the trend of smart and technological large screen display in the world. Relying on its first-mover advantage in the Mini LED field, the Company achieved significant growth in the sales volume of mid-to-high-end smart screen. The sales volume of QLED smart screen and Mini LED smart screen increased by 53.8% and 50.5% year-on-year, respectively.

In international markets, 2021 saw a growth rate of 7.6% year-on-year in the sales volume of TCL smart screen and an increase of 25.1% year-on-year in the average selling price ("ASP"); the sales revenue reached HK\$36.03 billion, an increase of 34.7% year-on-year; and gross profit margin reached 16.1%, which basically remained flat when compared year-on-year. Seen from regional markets, the sales revenue of TCL smart screen in North American markets increased by 24.8% year-on-year. Meanwhile, the market share of TCL smart screen by sales volume ranked No.2 in the U.S.<sup>3</sup>; the Company continued to focus on key countries in the emerging markets<sup>4</sup>, and the sales revenue in the emerging markets increased by 38.7% year-on-year. Specifically, the market share of TCL smart screen by sales volume ranked No.1 in both Australia and Pakistan; the sales volume of TCL smart screen sustained a high growth momentum in European markets, with the sales revenue up by 52.2% year-on-year.

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<sup>1</sup> Smart screen mainly refers to smart television ("TV") related products. By shipment over 90% of the Group's TV products are smart screen products.

<sup>2</sup> Source: Omdia.

<sup>3</sup> Source: NPD.

<sup>4</sup> Emerging markets include Asia Pacific, Latin America as well as Central and East Asia.

In the PRC market, 2021 saw a gradual fallback of panel prices in July after a significant rise. During the year, the Company adopted strategies such as optimising product structure and raising selling prices to actively cope with the rising raw material prices and offset pressure of the rising costs to a great extent. In 2021, the Company recorded a year-on-year increase of 36.0% in ASP of TCL smart screen in the PRC market, which drove up the sales revenue by 2.9% year-on-year to HK\$13.24 billion with a gross profit margin of 18.3%. In the meantime, the Company achieved breakthroughs in high-end products as the trend of large-sized display products became more pronounced. The average size of TCL smart screen sold increased by 2.5 inches from 49.9 inches in 2020 to 52.4 inches in 2021. The proportion of smart screen of 65 inches and above by sales volume increased by 8.3 percentage points to 27.0%.

***Small and Medium-Sized Display Mainly Relied on Top-Tier Network Operators in Europe and America to Further Secure Business Development***

In 2021, the Company's total sales volume of small and medium-sized display business reached 25.31 million sets, representing a year-on-year growth of 7.5%; the revenue was HK\$14.38 billion, up by 29.5% year-on-year. In terms of key global markets, sales volume of the Company's mobile phones ranked No.3 in Canada, No.4 in the U.S. and No.5 in Australia and Western Europe. In 2021, sales volume of the Company's smart Android tablets ranked No.4 in the world. Specifically, it ranked No.3 in the U.S., No.4 in Latin America and No. 5 in Western Europe<sup>5</sup>. In addition, the Company launched a number of TCL 20 Series and 30 Series 5G mobile phones as well as NXTPAPER Series educational tablets with eye protection feature, which mainly targeted global top-tier network operators and ranked among the top in sales volume in European and American markets.

***Seized the Opportunity of Rapid Expansion of Video Conferencing and Forayed into the Commercial Interactive Tablet Market in Collaboration with Internet Giants***

As to smart commercial display, the Company joined hands with DingTalk and Tencent Meeting ecosystem to seize the opportunity of rapid expansion of remote video conferencing. During the year, the Company launched NXTHUB V60, the first Android large screen with DingTalk video conference in the PRC market, and NXTHUB V61 certified by Tencent Meeting Rooms. The scale of the Company's smart commercial display business continued to grow in 2021, with total revenue increasing by 18.3% year-on-year to HK\$307 million.

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<sup>5</sup> Data resource: IDC.

***Revenue from Global Internet Business Continued to Increase Significantly, Making Greater Profit Contribution***

TCL Electronics has been actively developing its home Internet business on a global scale, striving to provide users with all-scenario products and services for multi-screen, real-time interaction and all-scenario smart sensing. In 2021, the Company's global Internet business revenue reached HK\$1.85 billion, an increase of 49.9% year-on-year.

As to the PRC Market, in 2021, revenue from the domestic Internet business (mainly relating to the business of Falcon Network Technology Group (雷鳥網絡科技集團) of the Company reached HK\$1.49 billion, representing a significant increase of 63.7% year-on-year. Specifically, revenue from Falcon Network Technology Group's membership business, verticals & innovative business, and advertising business grew by 62.3%, 78.1% and 25.2% year-on-year, respectively. In 2021, the average revenue per user (ARPU) of Falcon Network Technology Group reached HK\$76.2, up 43.4% year-on-year. Benefiting from ongoing improvement in software competitiveness, constant expansion in innovative businesses and greater user stickiness, the number of monthly active users of Falcon Network Technology Group increased by 11.0% year-on-year to 19.88 million.

In 2021, the Company's revenue from Internet business in international markets reached HK\$359 million, an increase of 11.2% year-on-year. During the year, the Company continued to deepen its close cooperation with Internet giants such as Roku, Google and Netflix, achieved newly-added revenue share from Google platform operations, completed the commercial transformation of TCL Channel, and continued to expand the development space of global home Internet business. As of the end of December 2021, TCL Channel had already covered 58 countries in North America, Europe, Central and South America and Asia Pacific, with a cumulative number of 7.05 million users. The Company will continue to launch TCL Channel in more countries in the future with a commitment to providing users with premium quality experience and services in every key market.

**Continued to Attach Importance to and Increased Investment in Research and Development (R&D); New Products of Innovative Business Were Recognised by Multiple Domestic and International Awards**

TCL Electronics actively advanced technological transformation in the industry. In particular, it focused on promoting innovation and breakthroughs in fields such as display technologies and intelligent interaction technologies. In 2021, the Company developed top core technology control points surrounding innovation platforms for such technologies as image quality, human-computer interaction, operating system, AR optical design, audio & video, 5G and AI to enhance the overall competitiveness of

products and create supreme experience and value for users. In the meantime, the Company continued to increase investments in the development of cloud technology and big data platforms and enhanced the development efficiency of Internet applications to support agile Internet business innovation. As of the end of December 2021, the Company's R&D expenses increased by 52.2% year-on-year to HK\$2.48 billion, and the R&D expense ratio reached 3.3%.

In the meantime, the Company adhered to the innovation-driven development strategy by vigorously expanding innovative business such as smart connection, smart home and all-category sales and marketing. It launched multiple products of the innovative business category including smart glasses, routers, sweepers and air purifiers, to pave the way for development in the new tracks of AR/VR and photovoltaic business. In 2021, the Company's total sales volume of smart connection business grew significantly by 33.5% to 5.25 million sets, creating a revenue of HK\$1.56 billion, which represented a significant rise of 34.2%<sup>6</sup> year-on-year. It is worth mentioning that according to statistics from TSR<sup>7</sup>, the shipment of TCL mobile routers ranked No.3 globally, of which it ranked No.1 in the European market.

Great results were also achieved in smart home business and all-category sales and marketing business. Leveraging on its strong brand power and extensive global channel resources, the Company actively launched multi-category products in the international markets, which gained popularity among consumers. Notably, TCL Sweeva 6500 robot vacuum cleaner won the CES "2022 Innovation Award"; TCL Breeva A2 and A5 air purifiers won the German "Red Dot Awards" of 2021. To maximise the synergy effect, the Company leveraged on its brand edge and well-established channel network in global markets to distribute air conditioners, refrigerators and washing machine. In 2021, the Company's revenue from all-category sales and marketing increased by 70.7% year-on-year to HK\$6.37 billion. Going forward, the Company will further leverage on its leading edge in brand and channels to drive the global development of its all-category sales and marketing business.

In addition, to respond to the national policy of peak carbon emissions and carbon neutrality and seize the opportunities for green and clean energy, the Company will leverage on its retail strengths in lower tier markets and collaborate with Tianjin Zhonghuan Semiconductor Co., Ltd., a leading wafer manufacture company boasting an integrated supply chain, to rapidly develop and expand its photovoltaic business, thereby injecting a new source of momentum for the Company's growth in the long run.

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<sup>6</sup> In September 2020, the Group consolidated the related business of smart connection. The 34.2% growth is based on the pro forma consolidation of small and medium-sized display business since January 2020. The year-on-year growth rate is 211.4% in terms of its actual consolidation since September 2020.

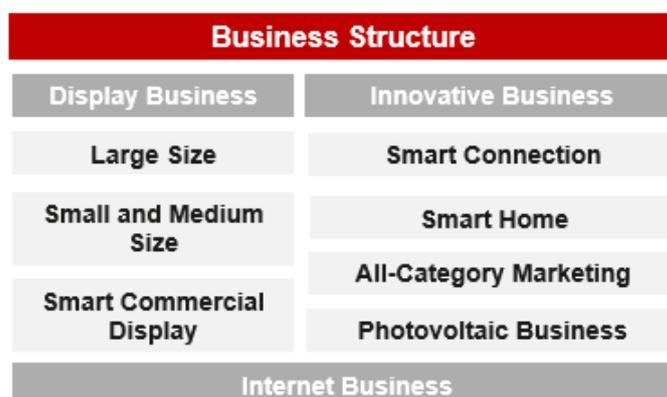
<sup>7</sup> TSR refers to TOKYO SHOKO RESEARCH, LTD.

Looking into 2022, the Company will continue to forge ahead, adhere to the strategies of “Globalisation” and “Technological Transformation”, work towards the three visions of “Availability of Display Everywhere, Possibility of Universal Connection, and Channel Presence Across the Globe”, and vigorously expand its new track of all-category layout of “intelligent IoT ecosystem” to provide global users with all-scenario smart and healthy living services and strive to develop into a world-leading enterprise of smart terminals.

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## **About TCL Electronics**

TCL Electronics Holdings Limited (01070.HK, incorporated in the Cayman Islands with limited liability) was listed on the mainboard of the Hong Kong Stock Exchange in November 1999. It is engaged in display business, innovative business and internet business. TCL Electronics actively transforms and innovates under the strategy of “Value Led by Brand with Relative Cost Advantage”. Focusing on the mid-to-high-end markets around the world, the Company strives to consolidate the “intelligent IoT ecosystem” strategy and is committed to providing users with an all-scenario smart and healthy life while developing into a world-leading smart technology company. TCL Electronics is part of the Shenzhen-Hong Kong Stock Connect program and is included in the Hang Seng Stock Connect Hong Kong Index, the Hang Seng Composite MidCap & SmallCap Index and the Hang Seng Corporate Sustainability Benchmark Index. Besides, it has received Hang Seng Index's ESG rating of A for four consecutive years since 2018.



For more information, please visit the investor relations web page of TCL Electronics at <http://electronics.tcl.com> or follow the WeChat Official Page of TCL Electronics investor relations by scanning the QR code below.



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