

TCLE (01070.HK) Made Continuous Breakthroughs in the Mid-to-High-End Market Achieving Notable Progress in Innovative Business and Operational Quality

(10 March 2023, Hong Kong) -- TCL Electronics Holdings Limited ("TCL Electronics" or the "Company", 01070.HK) today announced its 2022 annual results for the year ended 31 December 2022.

In 2022, the global economy faced increased downward pressure under the combined influence of international turmoil, persistent global inflation, and significant fluctuations in exchange rates, which has suppressed consumer demand. Nonetheless, the consumer industry is displaying positive indications of recuperation, attributed to enhancements in both the upstream and downstream supply chain, the reduction of logistics costs, and the alleviation of inventory pressures, in conjunction with the adjustment of the pandemic prevention policies and the introduction of consumption stimulus policies. TCL Electronics has concentrated on its display business while also accelerating the expansion of its innovative business, achieving new breakthroughs in 2022.

The Company's revenue for the year ended 31 December 2022 was HK\$71.4 billion, owing to the improved product mix, optimised channel structure, and lower raw material prices. Consequently, the Company's gross profit demonstrated a 4.6% year-on-year increase against the downward trend, amounting to HK\$13.1 billion, and the overall gross profit margin rose by 1.7 percentage points year-on-year to 18.4%. For the full year, the Company's adjusted profit attributable to owners of the parent was HK\$704.4 million, representing a significant increase of 102.4% year-on-year, and a noteworthy improvement in profitability. To reward shareholders, the Board proposed a final dividend of HK12.70 cents per share, representing a payout ratio of 45.0% of adjusted profit attributable to owners of the parent.

Continuous Breakthroughs in the Mid-to-High-End Market, with Large-Sized Display Business Delivering High-Quality Development

The overall shipment scale of the global TV industry was under pressure in 2022 due to the downward trend of the global economy. According to the latest statistics from Omdia, global TV shipment in 2022 was 203.3 million sets, down by 4.8% year-on-year, with the revenue reaching US\$102.4 billion, down by 13.2% year-on-year. Despite the complicated market environment, TCL Electronics has adopted the business strategy of "Value Led by Brand with Relative Cost Advantage", focused on mid-to-high-end products and implemented the "high-end + large-screen"

strategy. The market share of TCL smart screen¹ in terms of shipment volume has continuously increased for several years in a row, jumping to the second place globally². In 2022, global shipment of TCL smart screens recorded a 0.8% year-on-year increase to 23.8 million sets against the downward trend. Notably, the shipment of TCL smart screens of 65 inches and above rose by 75.7% year-on-year, and its corresponding share of sales increased by 8.2 percentage points to 19.3%. Simultaneously, TCL Mini LED smart screens also yielded significant results with the global shipment, increased by 26.8% year-on-year. Such favorable outcomes in mid to high-end contributed to the 2.1 percentage points year-on-year increase in gross profit margin of the Company's large-sized display business, which reached 18.8%, contributing to the high-quality development of the large-sized display business.

The PRC market witnessed a sustained weakening of household appliance consumption owing to the pandemic. CMM's latest omni-channel data indicates that the retail volume of color TV in the PRC market in 2022 decreased by 5.6% year-on-year, totaling at 34.9 million sets, with retail sales revenue declining by 12.2% year-on-year to RMB115.5 billion. Nevertheless, the Company made breakthroughs in the PRC market and remained committed to enhancing its product mix and optimising online and offline sales channels, leading to a 21.3% year-on-year growth in the overall shipment of TCL smart screen in the PRC market in 2022. The market share in terms of retail sales revenue of TCL smart screen rose by 1.8 percentage points year-on-year to 14.6%, securing the Company's position among the top two in the PRC market³. Simultaneously, TCL Mini LED smart screen's retail sales volume share in the PRC Mini LED TV market exceeded 53%, affirming the Company's continued first place⁴. In 2022, thanks to product mix optimisation and upgrading, the Company's annual sales revenue of smart screens in the PRC market grew by 14.8% year-on-year to HK\$15.2 billion, and gross profit margin improved by 6.1 percentage points to 24.4%.

In the international market, sales revenue of TCL smart screen was HK\$30.0 billion, with a gross profit margin of 15.9% in 2022. The quality of operations improved steadily with the sales volume market share ranking top five in more than 20 countries and regions, demonstrating a year-on-year increase⁵.

Expanding All-category Intelligent Ecosystem Worldwide, with Innovative Business Driving High Growth

TCL Electronics has effectively capitalised on its robust brand influence and channel advantages and vigorously launched innovative business including all-category marketing, distributed PV, and

¹ Smart screens mainly refer to large-sized display products related to smart TVs ("TVs"), and over 95% of the Group's TVs are smart screens in terms of shipment volume.

² Source: Omdia, global TV brand shipment data of 2022.

³ Source: CMM omni-channel retail sales volume in 2022.

⁴ Source: CMM omni-channel retail sales volume in 2022.

⁵ Source: GfK, 2022 shipment data; NPD, 2022 retail volume data.

smart connection and smart home. The Company's innovative business generated an increase of 22.2% year-on-year revenue reaching HK\$10.4 billion, representing 14.6% of the total revenue, up by 3.2 percentage points year-on-year and serving as a new high-growth engine.

TCL Electronics has continued to expand its intelligent IoT ecosystem layout across all categories and accelerated the introduction of products like air-conditioners, refrigerators, and washing machines to international markets. In 2022, the Company's all-category marketing business generated distribution revenue of HK\$8.2 billion, representing a year-on-year increase of 29.4%. Distribution gross profit also increased by 53.7% year-on-year to HK\$1.1 billion, and distribution gross margin rose significantly by 2.1 percentage points year-on-year to 13.2%. The Company introduced several intelligent products, including the TCL Fresh Air II Series Air Conditioners, the first air conditioner with two-way FreshIN technology, and the TCL Q10 Molecule-Grade Fresh Refrigerator and TCL Dual Wash Washing Machine, which received numerous industry accolades, further bolstering its brand power.

Simultaneously, in light of the global shift towards clean energy and carbon neutrality, TCL Electronics capitalised on the opportunity and utilised its industrial synergy to partner with TCL Zhonghuan (TCL 中环) to swiftly penetrate and compete in the PV sector. The PV business generated revenue of HK\$ 328 million for the year. The Group has taken advantage of its extensive channel coverage in the PRC market and fully commenced the business of distributed photovoltaic solutions in both B2B (business-business) and B2C (business-customer) sectors since the second quarter of 2022. By the end of the year, it had signed more than 8,000 contracts with rural households, added more than 150 dealers to its channel network, and secured the contracts for more than 120 industrial and commercial projects. Additionally, TCL Electronics built from scratch four major capability platforms, covering capital, engineering technology, technology systems, and regulations and processes. By end of the year, the distributed PV business had extended its coverage to 9 provinces and cities in the PRC, and will further be extended to another 10+ provinces in 2023.

Additionally, Falcon Innovations Technology (Shenzhen) Co., Ltd (“Falcon Innovations”), an innovative venture incubated by TCL Electronics, introduced several stylish consumer AR/XR smart glasses in 2022. Among them, the TCL RayNeo X2 AR smart glasses debuted at CES 2023. It harnesses the binocular full-color Micro-LED optical waveguide displays to offer users multi-scenario functions from AI translation and real-time navigation to message/call notifications and quick photography. In 2022, Falcon Innovations tops the list with a 28.4% market share of online sales of consumer AR glasses⁶.

⁶ Source: IResearch, 2022 online sales data.

Steady Development of Global Internet Business and Continual Enhancement of Competitiveness for Platform Products

TCL Electronics is committed to deepening the global presence of its home Internet business and strives to offer users with products and services that allow multi-screen, real-time interaction and smart sensing across all scenarios. In 2022, the Company's global Internet business revenue reached HK\$2.3 billion, representing a 24.3% increase year-on-year.

Regarding the PRC market, the Company's domestic Internet business, mainly the PRC domestic business of Shenzhen Falcon Network Technology Co. Ltd (深圳市雷鸟网络科技有限公司) and its subsidiaries ("Falcon Network Technology"), showed a positive trend in terms of its profitability capabilities. Falcon Network Technology continued to improve the content and user-friendliness of its platform while also enhancing the precision of content recommendations. With the continuous enhancement of software product competitiveness and user stickiness, Internet business in the PRC market recorded revenue of HK\$1.8 billion, representing a substantial increase of 20.6% year-on-year; the ARPU of Falcon Network Technology reached HK\$85.1 in 2022, up by 10.7% year-on-year; and the MAU (monthly active user) base reached 21.7 million, up by 10.6% year-on-year.

As for the international market, TCL Electronics has actively maintained close cooperation with prominent Internet giants such as Roku and Google. Furthermore, the Company has been receiving revenue share from Google's platform operation since 2021. Additionally, Falcon Network Technology has also actively expanded its overseas business by leveraging its partner OTT platforms to rapidly build up the cohort of TCL Channel subscribers. As of the end of December 2022, TCL Channel, the content aggregation application, has covered 60 countries in regions including North America, Europe, Central and South America, and Asia Pacific, with an accumulated user base of over 12 million.

Future Outlook: Promoting Company Development through Technological Transformation and Globalisation, and Implementing the All-Scenario Smart Living Strategy in Keeping with the Times

Going forward, TCL Electronics remains steadfast in its operation strategy "Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Management and Collaborative Innovation", while continuing to deepen the development of "Globalisation" and "Technological Transformation". The focus will be on developing key regions worldwide and covering key channels, strengthening R&D innovation to drive product upgrade, and continuously enhancing product competitiveness and brand influence, all towards achieving all-round high-quality development. The Company will also keep a keen eye on emerging trends, seize nascent

opportunities, continuously broaden its business and service boundaries, actively foster new growth curves, and provide global consumers with a more intelligent and convenient life experience, while also bringing greater returns to its shareholders.

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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, Ultimate Efficiency Management and Collaborative Innovation”. 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 five consecutive years since 2018.

Business Structure	
Display Business	Innovative Business
Large Sized	Smart Connection
Small and Medium Sized	Smart Home
Smart Commercial Display	All-Category Marketing
	Photovoltaic Business
Internet Business	

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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