

TCL

2021

Annual Results

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)

March 2022



**INSPIRE
GREATNESS**

The Company is proactively reforming and innovating, led by a new management team



Ms. Juan Du
Chairperson and Executive Director

- Bachelor of Investment, Zhongnan University of Economics and Law
EMBA of Cheung Kong Graduate School of Business
- Chairperson and Executive Director of the Board since August 2021
- Prior to joining the Company, she held senior positions at TCL Group for more than 20 years, including Vice President, COO and CFO of TCL Technology



Mr. Shaoyong Zhang
CEO

- Bachelor of Management, Northwestern Polytechnical University
EMBA of Renmin University of China
- Joined TCL in 2000 and successively served as General Manager of TCL Electronics' Product Center, Vice President of TCL Electronics and General Manager of China Business Group
- Served as vice president of Alumni Association of Renmin University of China



Mr. Dmitri Hu
Executive Director and CFO

- Bachelor of Business Administration, National Taiwan University
MBA of New York University
- Joined TCL as Executive Director and CFO in the end of 2020
- Possesses 15 years of experience in financial industry and was previously appointed as Executive Director at Goldman Sachs; also had served as Executive Director and CFO for several listed companies



Mr. Li Sun
Non-executive Directors and CTO

- Master of Engineering, Shanghai Jiao Tong University
- Joined TCL in 2004, has accumulated more than 20 years of experience in R&D of electronics and telecommunication industry and once worked in R&D role in Alcatel
- Previously served as Vice President of CTEC Software, in charge of AI and computer vision



Mr. Howie Li
General Manager of FALCON Technology and Innovative Business Group

- Master of Science in Computer science, Peking University
- Joined TCL in 2018 and has more than 10 years of entrepreneurial experience in the Internet and technology industries
- Fortune China 40 Under 40 Business Elites
- Previously worked in R&D center in Cisco Systems (China) and IQiyi



Mr. Aaron Zhang
General Manager of Communication Business Group

- Bachelor of Communication Engineering, Tongji University
MBA of Cheung Kong Graduate School of Business
- Joined TCL Communication in 2002 and served successively as Vice President, General Manager of Global Sales and Marketing Center and became General Manager of TCL Communication since 2020
- Previously worked as senior engineer in Bell and Dell in Shanghai



Mr. Robin Luo
General Manager of Strategy and Investment Department

- Master of Computer Science and Technology, Nanjing University
- Joined TCL in 2018 and served successively as Vice President of TCL Technology and General Manager of TCL Technology and Strategic Investment Department of TCL Industrial
- Worked as a TMT industry research analyst in McKinsey (Shanghai), started his own business Jiuqian Consulting as managing partner, joined Alibaba Group's Cainiao Network as CEO assistant and the key person in charge of strategic cooperation and new business incubation

TCL



**INSPIRE
GREATNESS**

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Environment and Strategy

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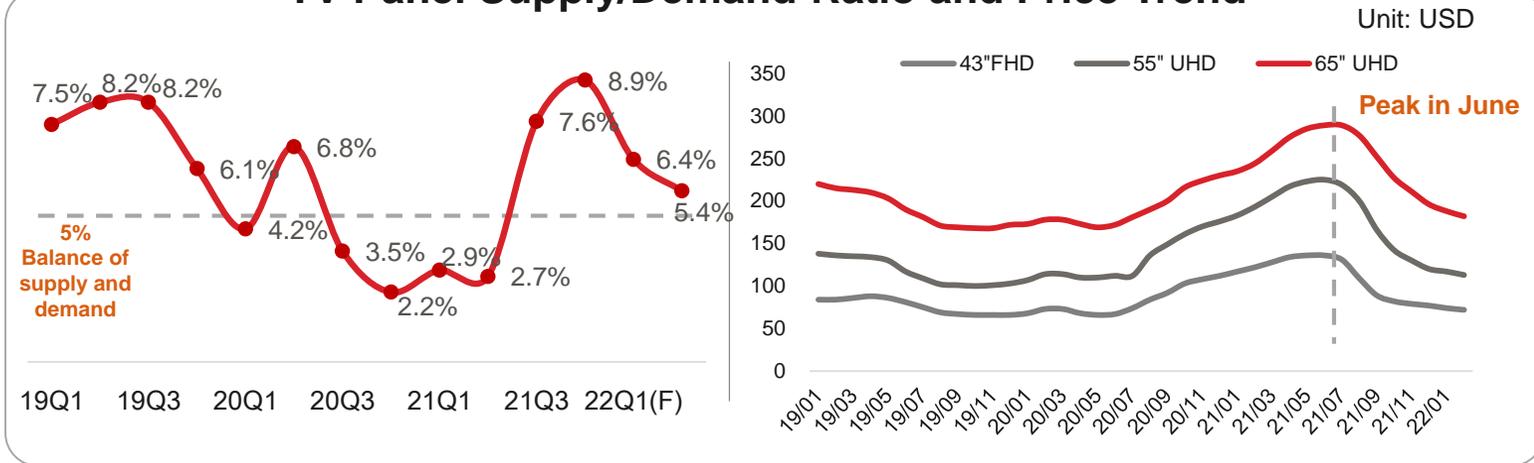
Outlook

Despite drastic fluctuations in the global supply chain, the scale of the industry was still expanding while the Company is continuously enhancing operation capability to mitigate the risk

Sales Revenue of Global TV in 2021¹



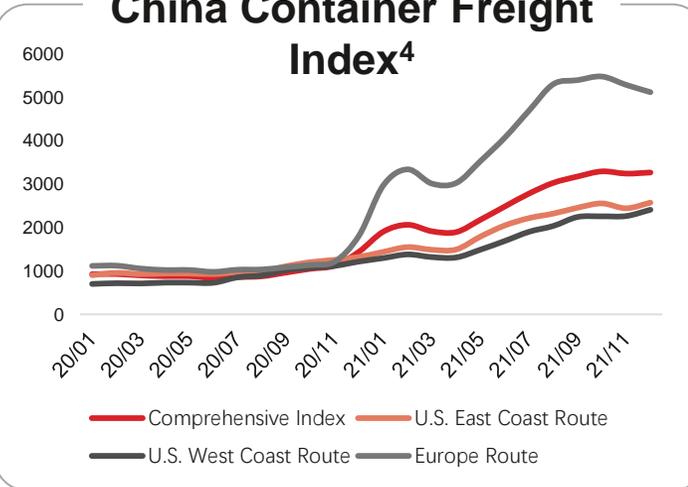
TV Panel Supply/Demand Ratio and Price Trend³



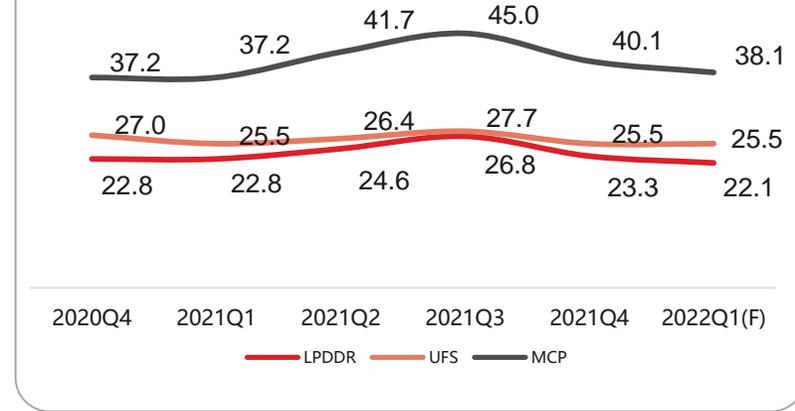
Sales Revenue of Global Mobile Phone in 2021²



China Container Freight Index⁴



Mobile Phone Memory Price Trend³

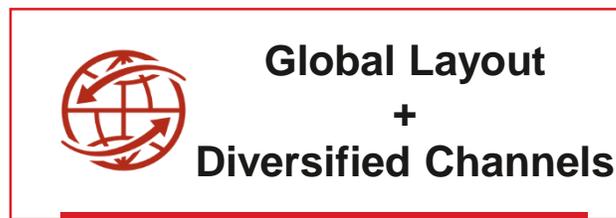
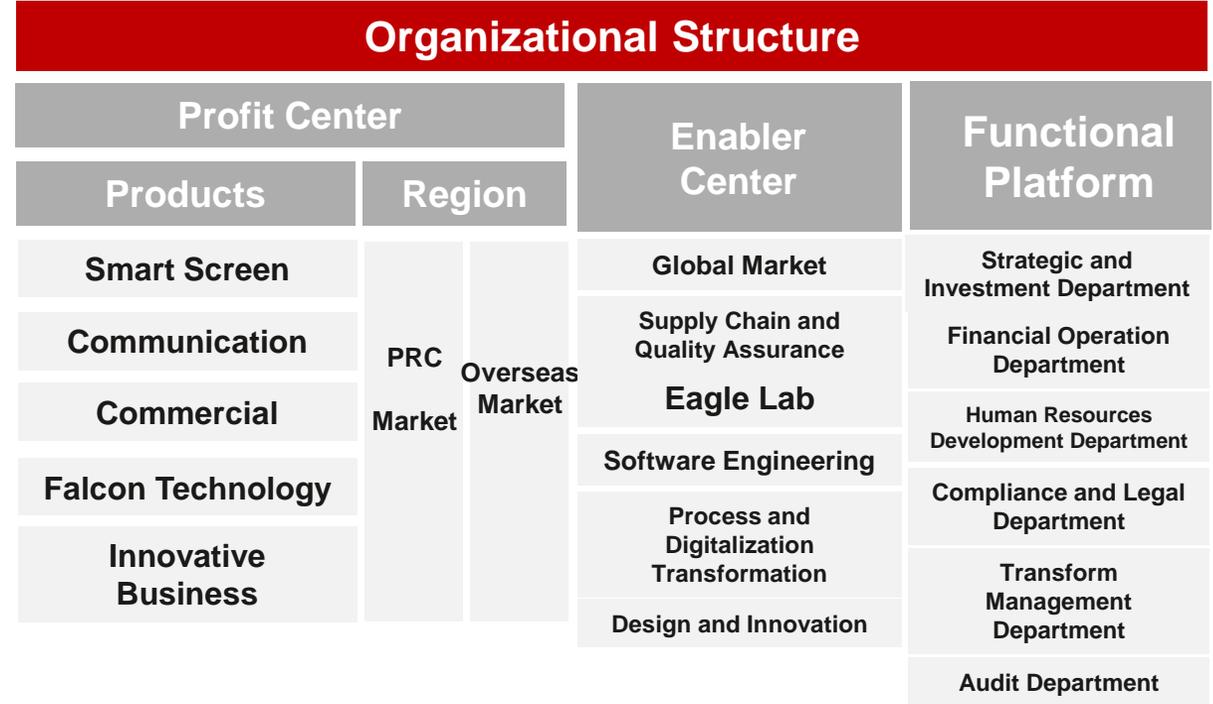
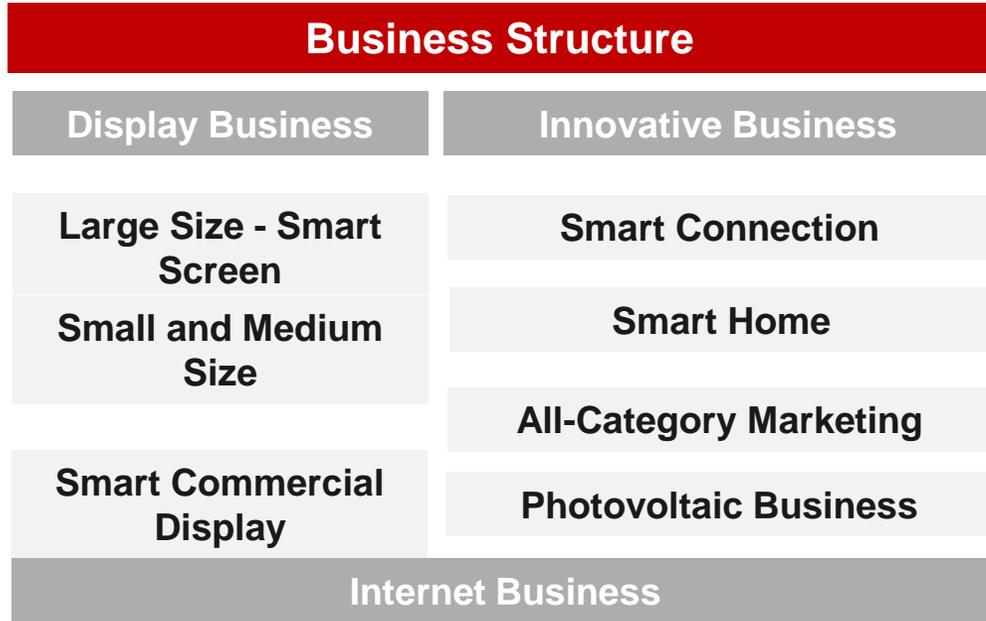


Sources: 1.Omdia 2. IDC 3.Sigmaintell 4.Shanghai Shipping Exchange

Make 5-year Strategic Plan and Set Straight Pathway of Operations, Re-optimize Business and Organisational Structure

Brand guides value
Focus on penetration with mid-to-high end products

Relative cost advantage
Breakthrough in overseas and new business track



TCL



**INSPIRE
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1

Environment and Strategy

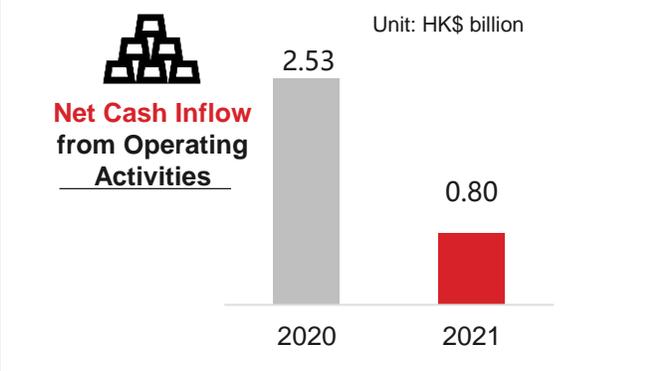
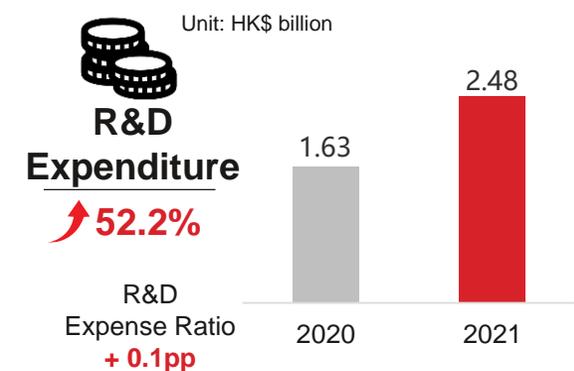
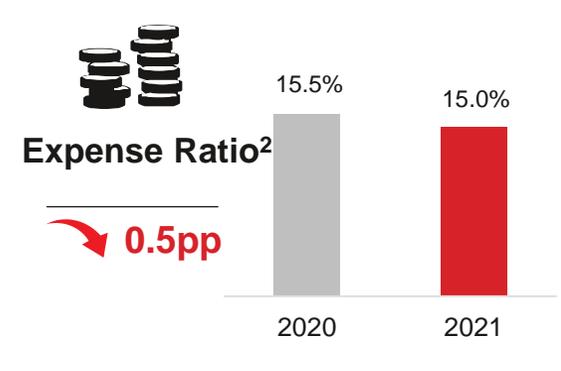
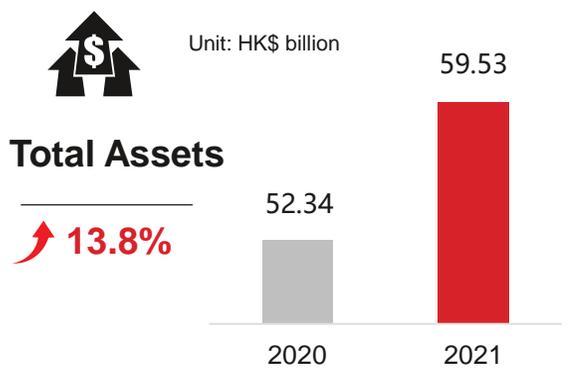
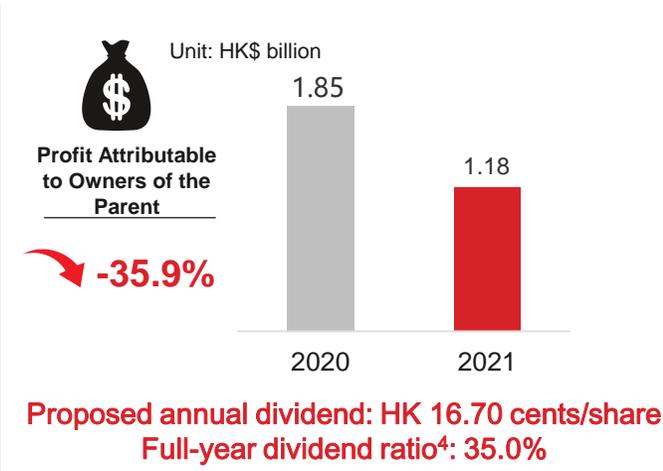
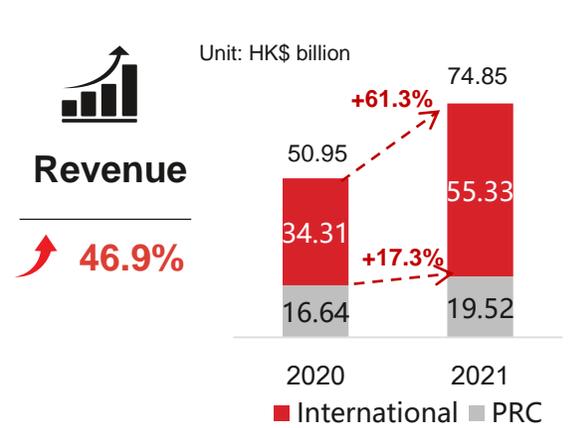
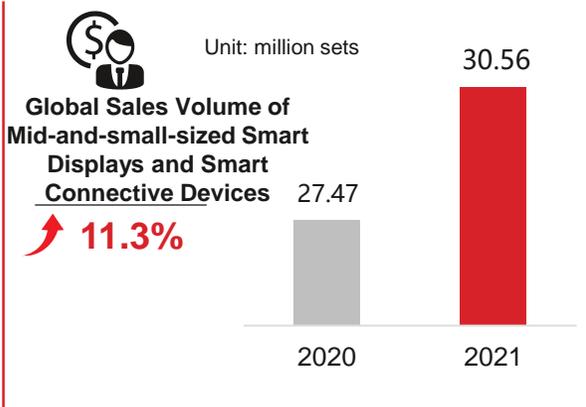
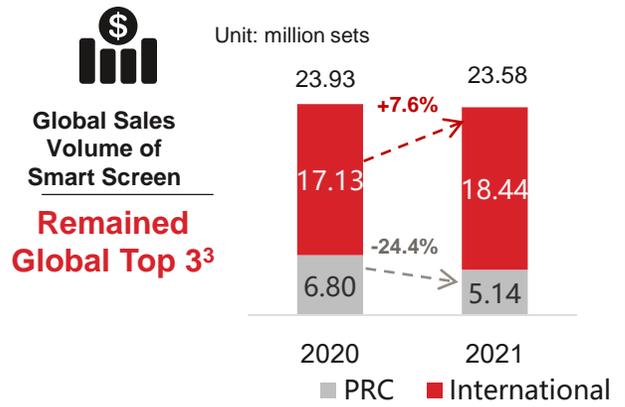
2

Business Review

3

Outlook

2021 Annual Results Highlights¹ | The Company scaled up revenue and increased investment in R&D, while operation capability need be further improved



Notes:

1. The Group completed the disposal of ODM business in 2020, therefore the 2020 results only include the continuing operations; the Group completed acquisition of TCL Communication in end of August 2020 and therefore, the financial statement in 2020 includes only financials of TCL Communications for the period from September to December of 2020
2. Expense ratio calculation includes selling & distribution expenses and administrative expenses
3. Source: Rankings are based on brand TV shipments in 2021 from Omdia and **the global TV shipments in 2021 has decreased by 5.3%**

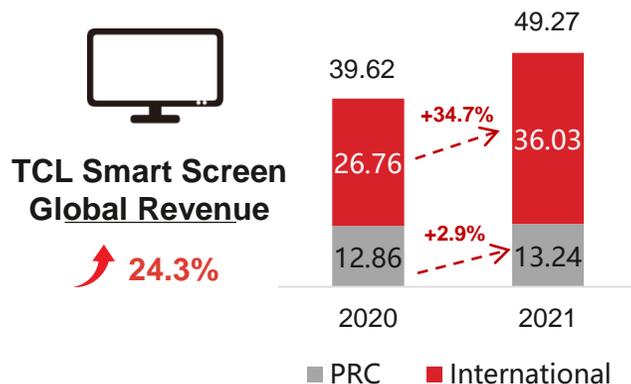
2021 Annual Results Highlights¹ | Proactive reforms bear fruits. Revenue scaled up against the downtrend and innovative business has made comprehensive breakthroughs

Display Business

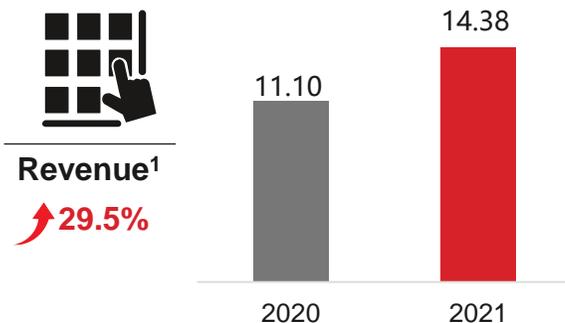
Revenue of display business continued to scale up

Large-sized Display

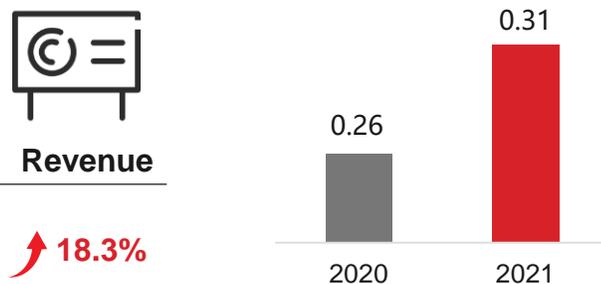
Unit: HK\$ billion



Small & Medium-sized Display

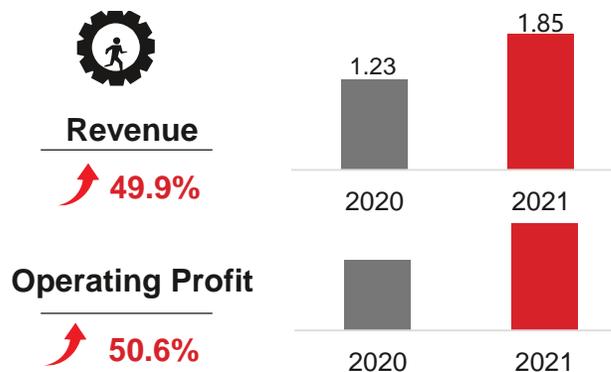


Smart Commercial Display



Internet Business

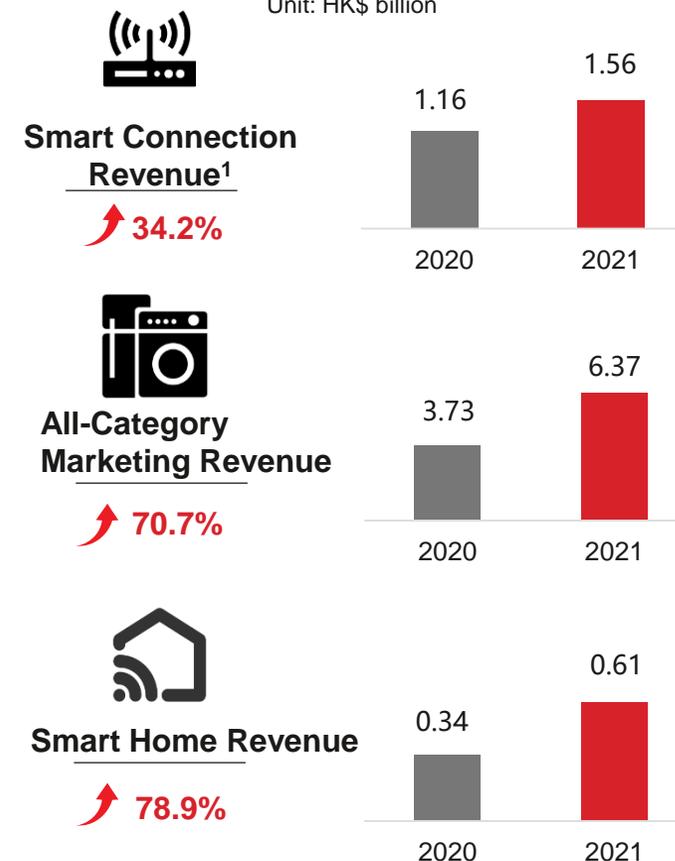
The Internet business made significant contribution to profits



Innovative Business

The scale of revenue has grown significantly

Unit: HK\$ billion



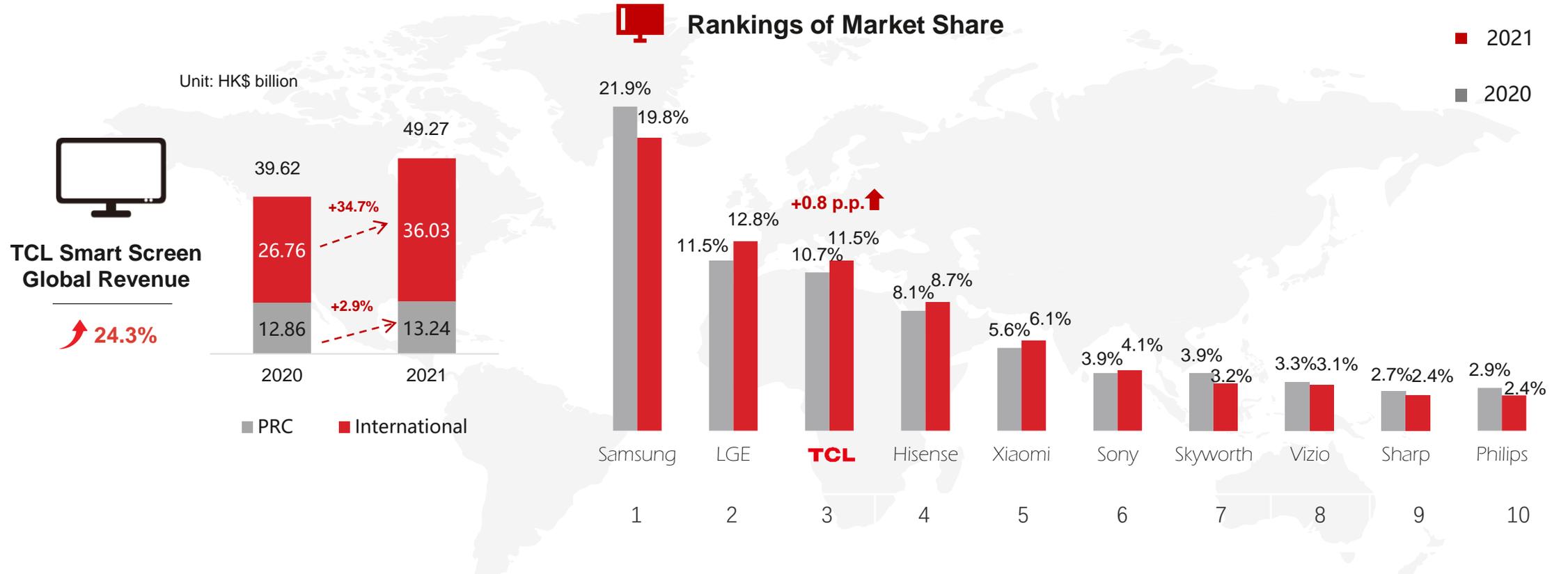
1.1 Display Business — Large-sized Display | TCL's sales of smart screens outperformed the industry average, and the global market share continued to improve



Large-sized Display



TCL's TV market share by sales volume remained Top 3* in 2021



Note: * Source: Rankings by brand TV shipments of 2021 from Omdia, the global TV shipments in 2021 has decreased by 5.3%.

1.1 Display Business— Large-sized Display | Sales Volume in international markets **continued to grow against the downtrend**. Both ASP and revenue increased significantly



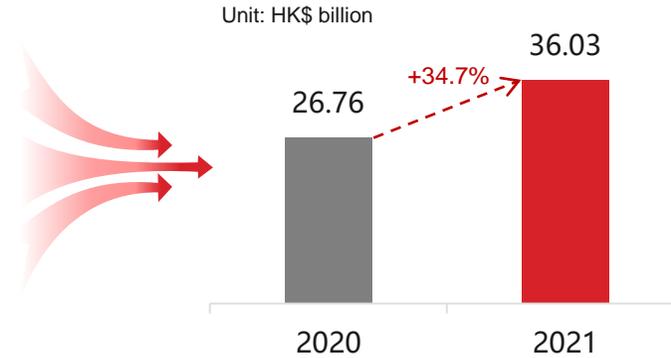
Sales Volume



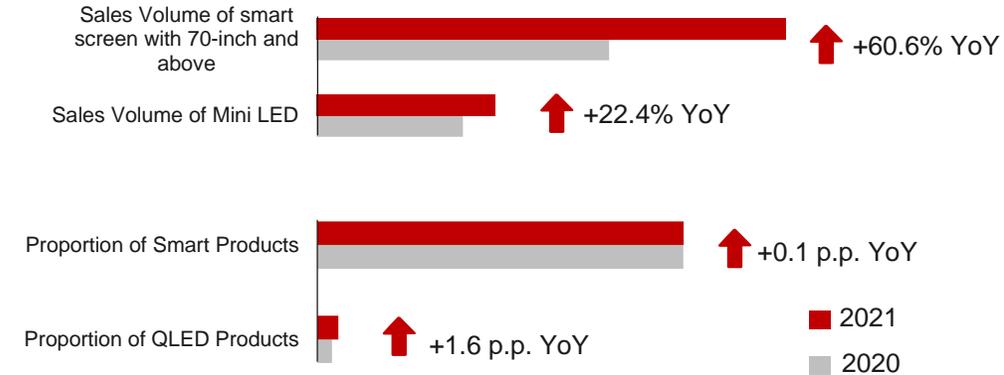
ASP



Revenue



Growth and proportion of high-end products

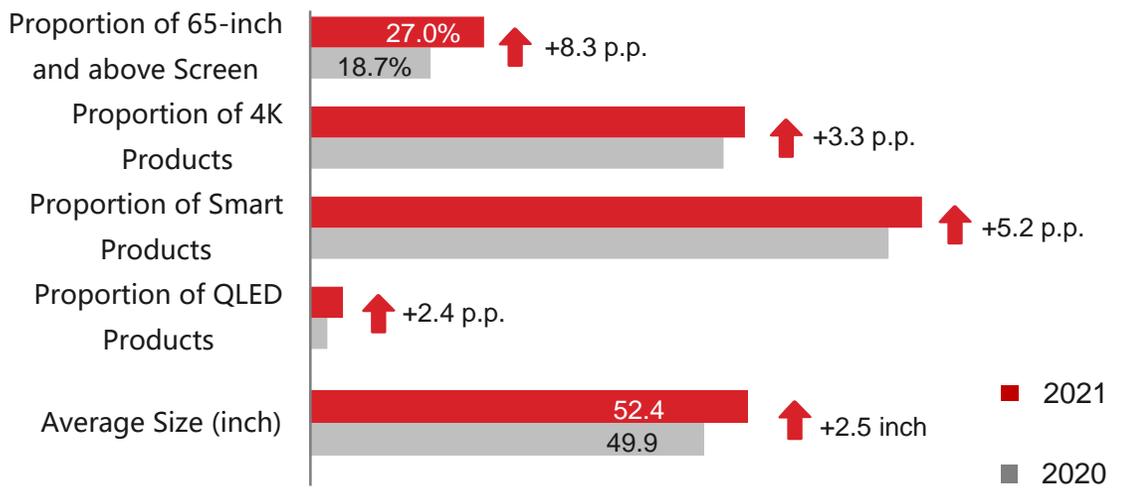


1.1 Display Business — Large-sized Display

Thanks to higher penetration of high-end products in the PRC market, **ASP increased significantly.**



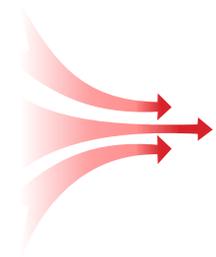
Proportion of high-end products & average size of products



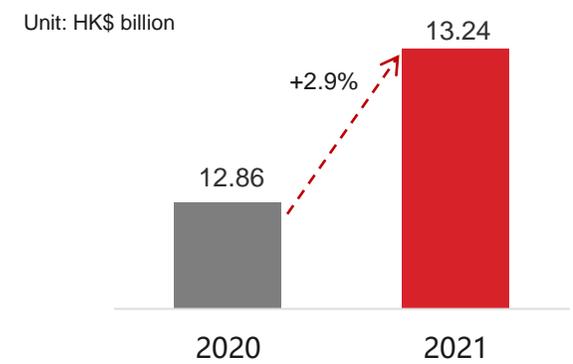
Sales Volume



ASP



Revenue



Note: #Source: CMM omni-channel data

1.2 Display Business — Smart Commercial Display | Build Commercial Display Ecology Jointly with Internet Giants while Distribution Capability need be Enhanced



TCL Electronics is gearing up in the interactive board market by seizing the opportunity of conference room virtualization, in joint with DingTalk and Tencent's ecosystem; make full play of synergy between businesses and aim to strengthen cooperation with international system platforms



NXTHUB V60

Launched in China the first Android meeting screen with **DingTalk** preinstalled

All in One

Integrating with the function of whiteboard, monitor, projector, welcome screen, camera, microphone and audio in one

Awarded 2021 American IDEA Award (International Design Excellence Award)



NXTHUB F1 MAX

Launched a large meeting screen for video conferencing
Jointly with **DingTalk** again

Premium Design, Super Thin & Light

4K HD Full Screen, 4K Camera, Picture Engine and Blue-ray Proof dedicated for video conferences

Flagship Product of DingTalk for Video Conferencing, F2, is coming soon



NXTHUB V61

Certified by the **Tencent Rooms**

Enterprise-class Information Security

Awarded professional certifications such as DJCP Level 3 certificate, Trusted Cloud Service and SOC2 Type 2

1.3 Display Business — Small and Medium-sized Display | Focus on First-tier Operator Channels in Europe and America and Fortify the Business Moat

Tier-1 Global Operators



Small and Medium-sized Display¹

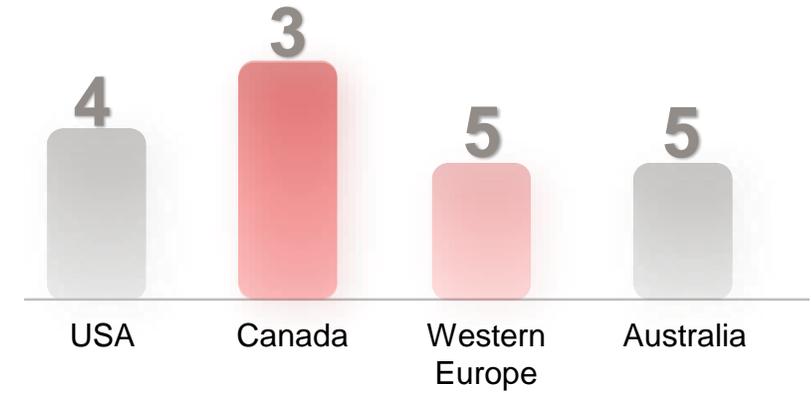


Sales Volume



Revenue

Sales Volume Rankings of TCL's Mobile Phone²



TCL 20 Pro 5G
Won the 2022 CES
"Innovation Awards"



TCL 30 Series 5G
New Product
Unveiled at 2022 CES



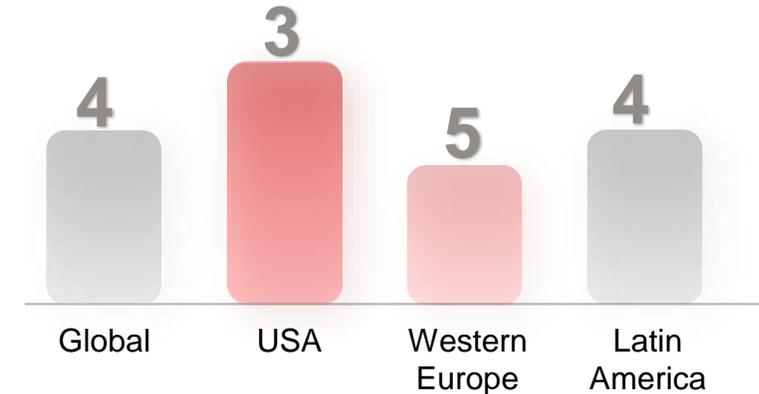
Smart Tablet - Committed to Creating a Global Leader in Education Tablet and Building an Ecosystem of Software, Hardware and Service in Education Industry

TCL "Learning with You" three types of tablet were firstly launched in PRC market, creating a new educational scenario of "learning with wisdom, learning with companion and learning with protection"

- ✓ TCL's "Future Paper" display technology makes the screen feels like real paper
- ✓ The proprietary technology of "Ten-layer Eyes Protection and Blue Ray Filtering" technology has been certified by TÜV Rheinland laboratory in Germany
- ✓ Dedicated design of hardware and software systems with abundant content
- ✓ Intelligent AI algorithm built into intelligent learning system



Sales Volume Rankings of TCL's Android Tablet²



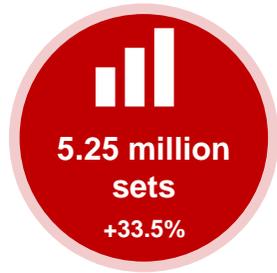
Note: 1. The Company started to consolidate TCL Communication in September 2020, and the annual comparison is including but not limited to the financial results of the legal entity level of TCL Communication.

2. The market rankings are based on IDC global shipments data in 2021

2.1 Innovative Business — Smart Connection |

Sales scaled up significantly and the yearly sales volume and revenue both grew by over 30%

Smart Connective and Wearable Devices¹

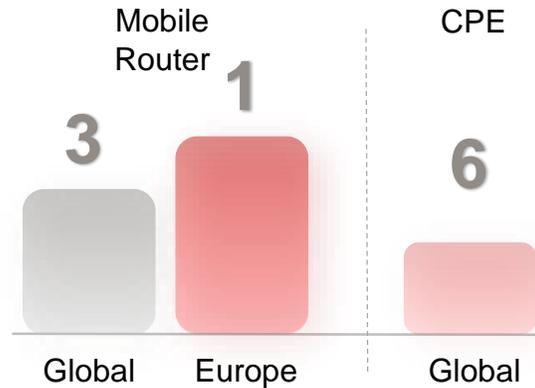


Sales Volume



Revenue

Global Rankings of TCL's Sale Volume²



Router



Products

- ✓ Focus on router products inserted with SIM
- ✓ Breakthrough in four new categories of products including: 5G CPE, 5G MIFI, CAT6 CPE and 4G Home phone

Channel

- ✓ Focus on operator channel and make breakthrough with Verizon and TracFone in North America, and MTN Group in South Africa
- ✓ Ranked No.1 router vendor for Vodafone, Orange and DT, the three top operators in 2021



AR Glasses: the Pioneering Leinia Smart Glasses was Unveiled at CES

- ✓ The first binocular full-color micro LED AR glasses with holographic optical waveguide in the industry
- ✓ The first full-color micro display engine
- ✓ Break through technical bottleneck in the industry by reaching a balance between efficiency, dispersion and mass production
- ✓ Take the lead in realizing full-color highlight display on thin and light glasses



XR Glasses: the Newly Launched TCL NXTWEAR Air

- ✓ The weight is lighter than the previous generation with only 75g, and the front lens are replaceable
- ✓ A portable cinema with 140-inch screen and a viewing distance of 4 meters offers 2D and 3D full HD viewing
- ✓ Watching movies, mobile games, telecommuting and other diverse scenes
- ✓ Won the IDG "Most Innovative Product Award"



Smart Wearable Devices



Products

- ✓ Seize users' need for functions and set accurate price
- ✓ Successfully launched two products expected to generate volume

Channel

- ✓ Gradually expand the To C channel in Europe
- ✓ Implement marketing promotion in key countries
- ✓ Helpful to enhance TCL's brand awareness

Notes:

1. The Company started to consolidate TCL Communication in September 2020, and the annual comparison is including but not limited to the financial results of the legal entity level of TCL Communication.
2. The market rankings are based on TSR global shipments data in 2021

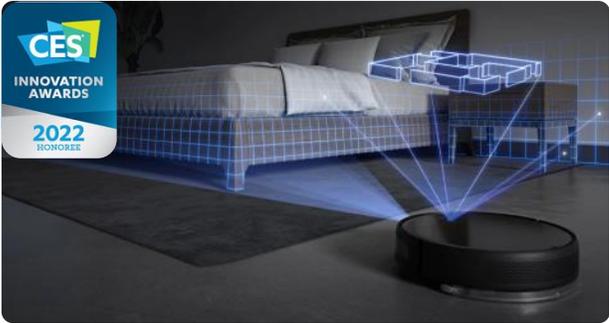
2.2 Innovative Business — Proactively tap Overseas markets with multi-category IoT products



TCL Electronics **has built multi-category IoT products**, proactively entered overseas markets and accelerated penetration in domestic 2B market, by virtue of its robust global brand power and extensive global distribution channels



Smart Door Lock



Sweeva
LDS Robot Vacuum



Breeva
Air Purifier



SoundBar
Won the EISA 'Best Buy Soundbar – 2020-2021' Award



Dehumidifier

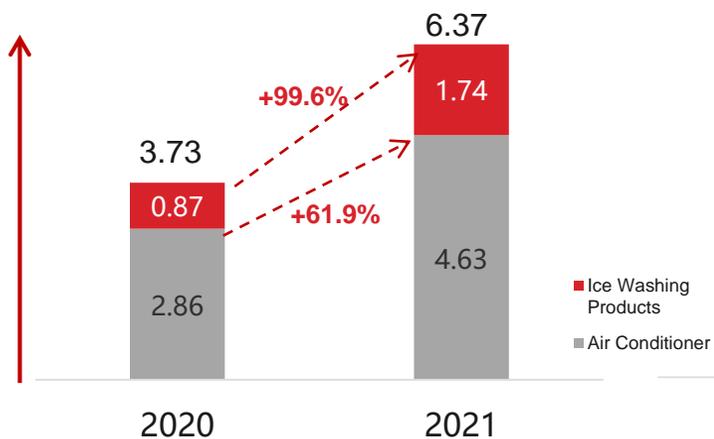
2.3 Innovative Business — All-Category Marketing I

Improve smart IoT ecology by offering **all-category** products
 With full play of **synergistic benefits** of brand and distribution channels, drive the sales of **all-category** products



Unit: HK\$ billion

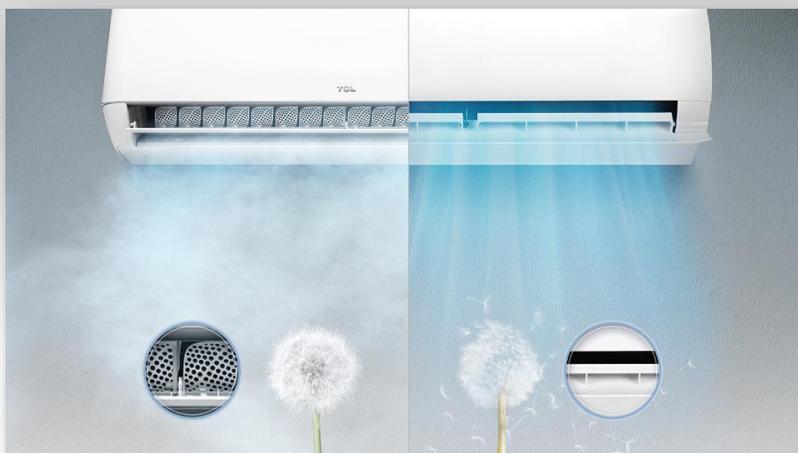
Distribution Revenue



Gross Profit of Distribution



Refrigerators and washing machines products have won various awards domestically and in overseas



2.4 Innovative Business — Photovoltaic (PV) | Business Engage in PV business by acting on the government policy and leveraging TCL's industrial and channel advantage **TCL**

Favorable Government Policies

- ✓ Goals: China's Peak CO₂ emissions by 2030 and carbon neutrality by 2060
- ✓ "County-wide promotion", the goal of demonstration counties is to achieve a certain penetration of rooftop PV coverage for farmers, industry and commerce, public buildings and constitutional institutions before 2023
- ✓ The Action Plan for Innovation and Development of Smart PV Industry (2021-2025), requires coordinated promotion of smart PV systems on residential roofs in urban and rural areas where conditions permit

Industrial Synergization

TCL Electronics

- ✓ In line with the governmental guidance of helping and benefiting farmers, the company will continue to enhance TCL brand's influence and appeal in the era of new energy
- ✓ The company has an edge in lower-tier markets, with more than 47,000 stores of traditional and O2O channels in the 3rd to 5th tier cities, driving sales of multi-category products
- ✓ Increase user operation, improve the number of daily active users of APP (energy management is expected to become a highly-frequent user interaction scene), import more customer-terminal traffic, and create more opportunities for user operation and product marketing

Zhonghuan Semiconductor

- ✓ Supply chain integration advantage: Zhonghuan is one of duopoly in the upstream silicon chip industry, and has also been extended to the downstream sector of photovoltaic components, to secure vertical supply chain
- ✓ With industry-leading technology and R&D capabilities as well as the supply of high-quality silicon, cells, components and other photovoltaic products, Zhonghuan is the only photovoltaic enterprise in the industry to achieve the perfect combination of G12 large size and high-density tile technology
- ✓ Possess rich experience in operating various projects of photovoltaic power stations with assurance of high-quality technology and service

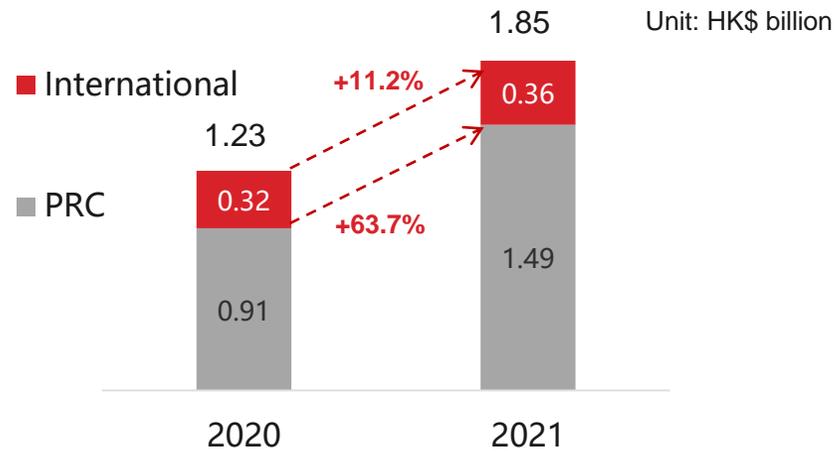
Business Solutions

Home appliance enterprises operate household photovoltaic projects



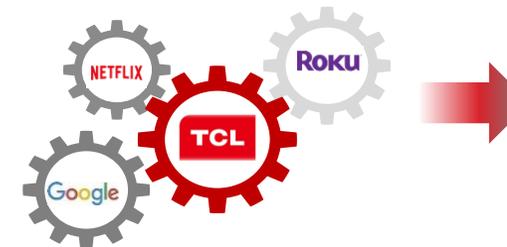
3.1 Internet Business | Global Internet business revenue has significantly increased by 49.9%, with high profitability

Global Internet Business Revenue



Performance in Overseas Markets

- ✓ Cooperate with global Internet giants such as Roku, Google and Netflix to provide optimal user experience
- ✓ Started obtaining revenue sharing from Google on platform operation in 2021



Continuously deepen the global cooperation with Internet giants in 2021

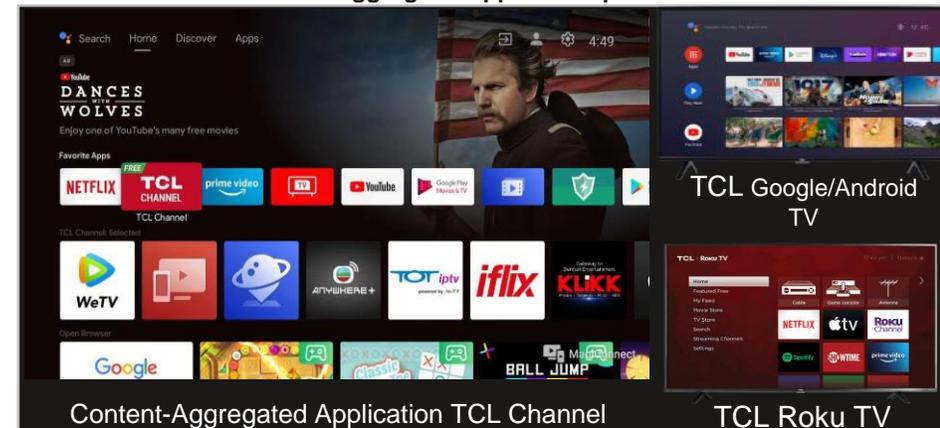
TCL Channel

- has been launched in **58** countries across North America, Europe, Central and South America and Asia Pacific, a significant increase of **46** countries versus 2020
- By the end of 2021, the cumulative number of global users reached 7.05 million

PRC Market: Falcon Network Technology is responsible for the development and operation of smart TV operating system

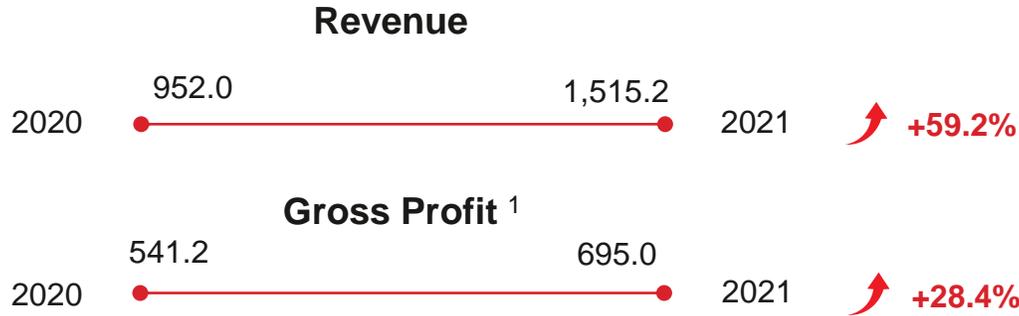


International market: Equipped with third-party OTT system, operating **TCL Channel** content aggregator application platform

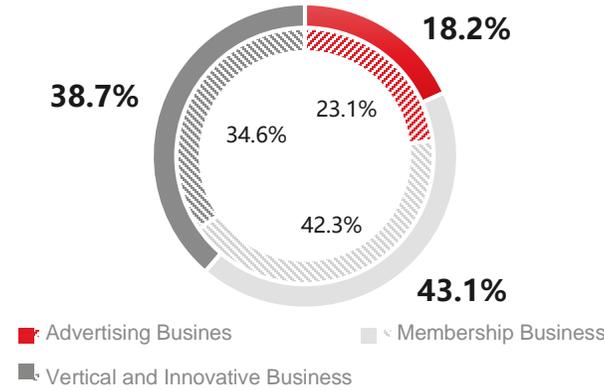


3.2 Internet Business | Falcon Network Technology: Operation efficiency continued to improve, and innovative business grew in scale

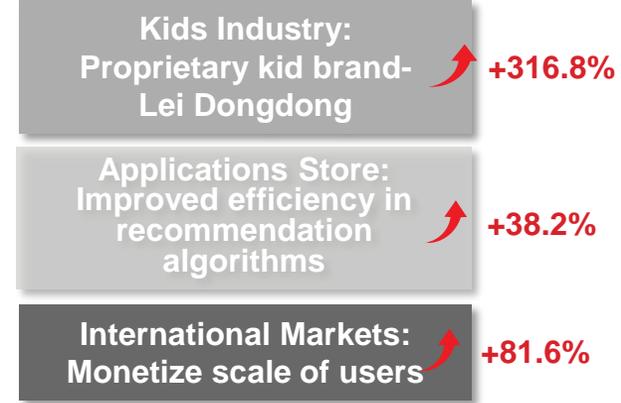
Unit: HK\$ million



The proportion of revenue from Falcon
Outer Ring 2021 vs Inner Ring 2020



Continuous innovation drove revenue growth of new businesses greatly



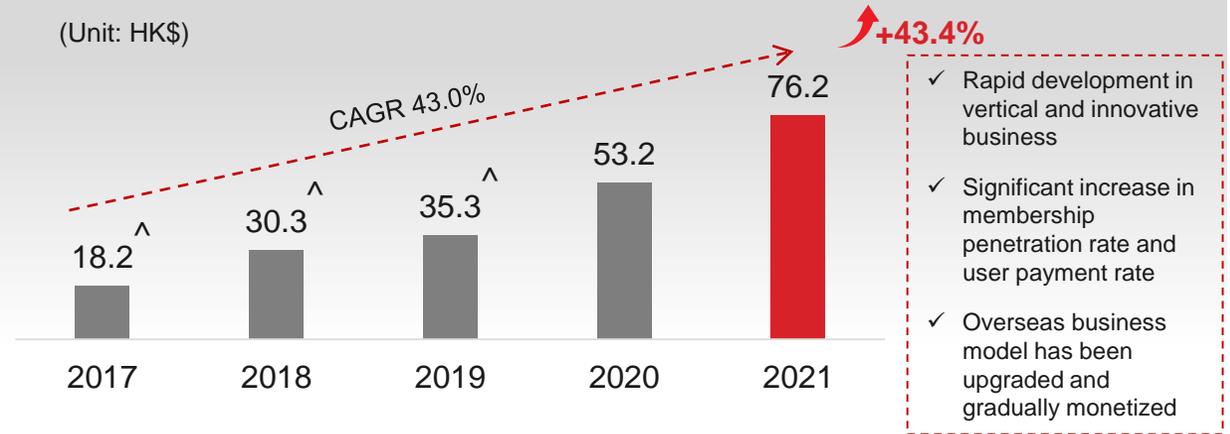
Monthly No. of Active Users in the PRC

(Unit: million)



ARPU

(Unit: HK\$)



Note: ^ Restated; 1. The decrease of the gross profit margin of Falcon was mainly due to its continuously enhanced capability to operate its proprietary platform, the growth speed and the proportion of revenue from membership business, vertical and innovative business have significantly increased, while the gross profit margin of membership business, vertical and innovative business are slightly lower than advertising and value-added business.

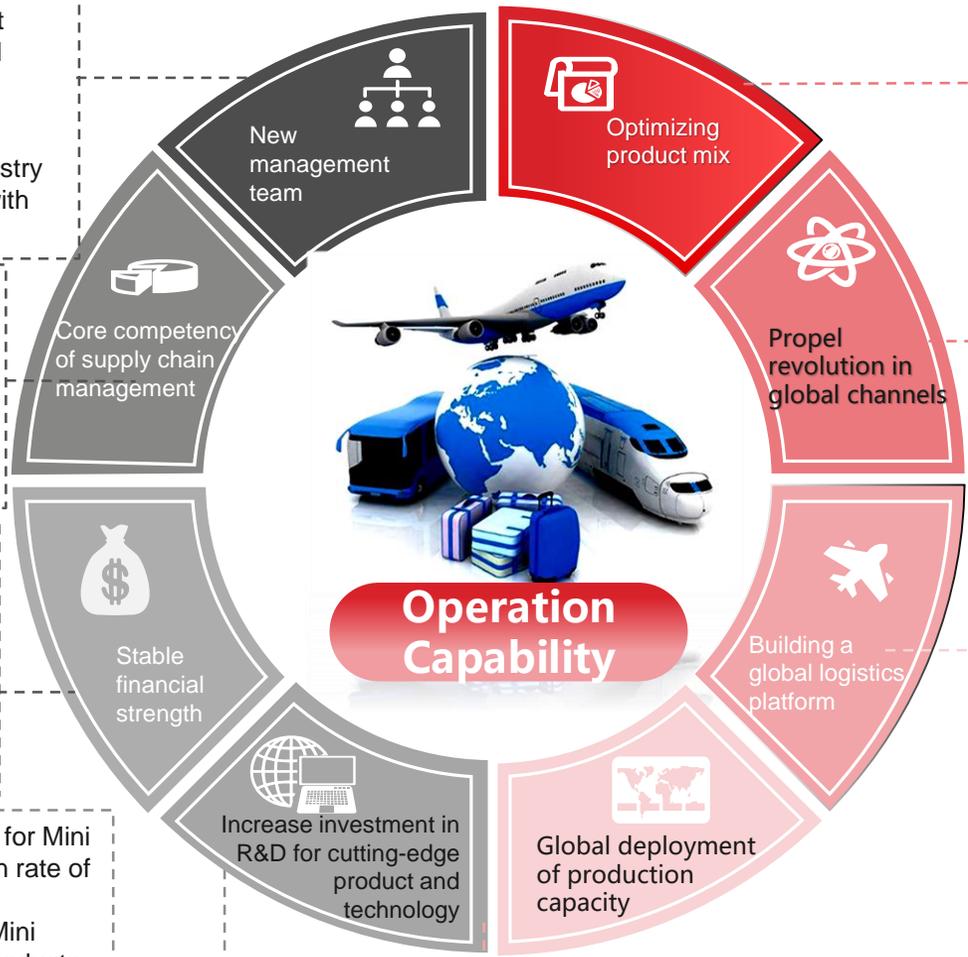
2021 Business Highlights | Proactively cope with changes in supply and market, persist in business innovation, keep stable financial strength, improve operation capability

- ✓ Unite elites in the organization of TCL to propel transformation and innovation, make a 5-year plan to set straight pathway of operation and optimize business and organizational structure
- ✓ The leader in each business unite has professional qualification and abundant experience in respective industry and can lead the Company in innovative breakthrough with powerful execution

- ✓ Synergy in upstream and downstream to become the only Chinese smart screen manufacturer owning the full vertical industrial chain manufacturing screens, modules and assembling
- ✓ Integrated supply chain, economies of scale, long-term and stable cooperation with suppliers, good financials, strategic stocking

- ✓ Generate net cash inflow from operating activities
- ✓ In low interest environment, make proper use of financial capability to expand business scale, increase R&D investment and incubate innovative businesses
- ✓ Enhance efficiency of capital management, effectively control financial risk and keep Gearing ratio (net) at zero

- ✓ Lead in strategic global deployment and mass production for Mini LED and increase the production capacity and penetration rate of Mini LED
- ✓ Focus on the R&D for high-end products like QLED and Mini LED to increase the competitive advantage in high-end products
- ✓ Enhance technologized development on smart mobile products, such as 5G mobile phones, tablets and proactively lay out in new business track such as AR/VR
- ✓ Integrate R&D on both software and hardware in the Eagle Lab, resulting in enhanced user experience of smart products and improved conversion efficiency of R&D



- ✓ Increase the proportion of sales volume for high-end products QLED by 1.9 p.p. and sales volume of Mini LED by 50% above
- ✓ Launch new products with high gross profit margin, gaining global awards
- ✓ Grow ASP of smart screen in PRC and international markets by 36.0% and 25.1%, respectively

- ✓ Continue to deepen open markets across the world
 - North America: With six major channels in the US, more than 90% of the market has been covered
 - Europe: The expansion for Europe channels has seen results by infiltrating the mainstream offline retail channels in the major markets
 - EM: Continue to strengthen the online sales
- ✓ Enhance advantages in operator channels in the globe
- ✓ Expedite transform in domestic channels, increase retailing capability and strengthen digitalized operation capability

- ✓ In 2022, we will continue cooperation with strategic partner COSCO Shipping and core supplier of Maersk
- ✓ Established our own warehouses in major markets to ensure smooth shipment in order to improve delivery efficiency and quickly respond to market changes
- ✓ The factories in Poland had increased the number of containers in the runs of Chengdu-Europe Railway Express, strengthening the land transportation capacity

- ✓ Set up factories in China, Mexico, Vietnam, Poland and Brazil. The annual production capacity has reached over 30 million sets, building global industrial capabilities
- ✓ Continue to increase overseas production capacity in response to market dynamics agilely



The industry-leading display technology helps to create a core technology edge

- ✓ Synergy with China Star Optoelectronics Technology, continuously improve the development and application of high-end display technology, and maintain a leading position in the industry
- ✓ Focus on image quality, human-computer interaction, operating system, AR optical design, audio and video, 5G, artificial intelligence and other technological innovation platforms, build top core technology control points, improve the comprehensive competitiveness of products, and create the ultimate experience and value for users.
- ✓ Through organizing R&D model reform, further consolidate the industry-leading product development efficiency

Strengthen connective capability to build all-scenario smart healthy life

- ✓ Build connective, interactive and intellectualized platform and apply in all scenarios, with focus on AI, IoT, big data, cloud servicing
- ✓ Keep users' need and service experience as the core and create best experience and greatest value for users

Enhance in building software platform and elevate experience of global users

- ✓ Focus to improve fluency and stability of system, AI algorithm and engineering capability on camera and voice, and security assurance capability
- ✓ Increase investment in Internet application service to improve users' experience and business monetization

Awarded at Consumer Electronics Show (CES) 2022

- TCL OD Zero Mini LED 8K TV X925 PRO was awarded "CES 2022 Best Innovation" and "Innovation Award of Mini LED Display Technology"
- TCL 20 Pro 5G Smartphone was awarded the "CES 2022 Innovation Award"
- Smart Glasses TCL NXTWEAR AIR was awarded "The Most Innovative Award of The Year"
- TCL NXTPAPER 10s was awarded "Eye Protection Innovation Award of The Year"

Expert Imaging and Sound Association (EISA) fully affirmed the audio and visual quality of TCL products

- TCL Mini LED 4K 65C825 was awarded "Premium LCD TV 2021-2022" by EISA
- TCL QLED 55C728 and soundbar TS8132 were awarded "Best Buy TV — 2021-2022" and "Best Buy Soundbar — 2021-2022", respectively by EISA.

Various kinds of awards and recognition on multiple high-end smart TVs

- TCL X10 8K QLED TV, with its new display technology such as Mini LED and rich product functions, was awarded "Best Display Product 2021" by SID, becoming the only domestic smart screen product to win this award
- In the CNET 2021 Best TV Awards held by the authoritative IT website, TCL products were well recognised by the international community. TCL 6 Series won the award for the most cost-effective 4K TV, TCL 55R635 won the award for the most cost-effective 55-inch TV, TCL 4 Series won the Best Discount 4K TV Award and TCL 8 Series won Best 4K Picture Quality in Non-OLED

TCL Brand Recognition

- TCL awarded by Global Top Brands 2021-2022 "TOP 10 CE Brands", "TOP15 Global Smart Connected Devices Brands", "TOP15 Global Smartphone Brands", "TOP10 Global TV Brands", "TOP50 Global CE Brands" and "International Innovation Enterprises Brand Award"
- According to the 2021 (27th) Chinese Brands Evaluation of Top 100 issued by R&F Global Ranking, TCL brand was estimated at RMB 112.92 billion, ranked No. 8 in the Top 100 Brand Value and ranked No. 1 in China's TV manufacturing industry, which further confirms the brand strength of TCL.

Falcon Innovation listed in "Future Series" High Growth New Consumer Brand by 36 Kr

- TCL Electronics' subsidiary Falcon Innovation had won recognition by professional analysts with its breakthrough in core technology in AR field, R&D in innovative products and technical innovation in the industry, as well as its rapid growth in brand itself
- TCL smart screen's UI5.0 won "Red Dot Design Award 2021"

Smart Products Awarded Globally

- TCL C12 washing machine was awarded "iF Design Award 2021", C12 refrigerator was awarded both "iF Design Award 2021" and "Red Dot Design Award 2021"
- Smart Air Purifier Breeva A2 and A5 were awarded "Red Dot Design Award 2021"
- Robot Vacuum Sweeva was awarded the "CES 2022 Innovation Award"

TCL



**INSPIRE
GREATNESS**

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Outlook

Outlook | **Strategy:** Adhere to the “globalization, technicalization” and pursue creation of sustainable growth in value for users

Strategic Path
Brand guides value
Relative cost advantage

Full Layout of **AI x IoT**
Interconnection of **all category smart devices** Intellectualized **All-scenarios**

Breakthrough in Distribution and Retail Capability

Intense investment in targeted markets to gain market share



Brand Premium and Influence Increase
Building a mid-to-high end brand image

Growth in both Revenue and Profits

Continue to accumulate capabilities for the mid-to-long term



Focus on and Iterate Product Platforms

Improve the input-output efficiency of products
Improve product competitiveness
Elevate **product value and price**



Form **relative cost advantage** in scale,
Continue to reduce cost and increase efficiency



User/Brand/Marketing

Business philosophy “Users above everything”
Brand building on consumers’ mind
Upgrade in marketing media and content quality



Retail/Channel

Reform in distribution channel
Enhance customer relationships and retail experience
Improve in-store penetration and operational efficiency



Product/Technology

Build a leading capability in making products for users’ need
Monetization driven by hard and soft technology



Strategic Management

Strategic management of multi-business portfolio
Innovation of business model
Strengthen strategic organization and systemization of processes



Innovation and Reform

Strengthen the existing Internet business
Accelerate the layout in advance for new products and new track



Cost/Efficiency

Build competitive advantage in total cost
Light assets, quick turnover and digitalization acceleration
Efficiency of straight access to users

Continue to Gain Global Market Shares of TCL Brand

- Enhance brand value and give full play to production advantages
- Deepen the synergic advantage in the industrial chain integration
- Continue to leverage on advantages in product capability and technological competitiveness



"Product + Service, Smart + Internet"

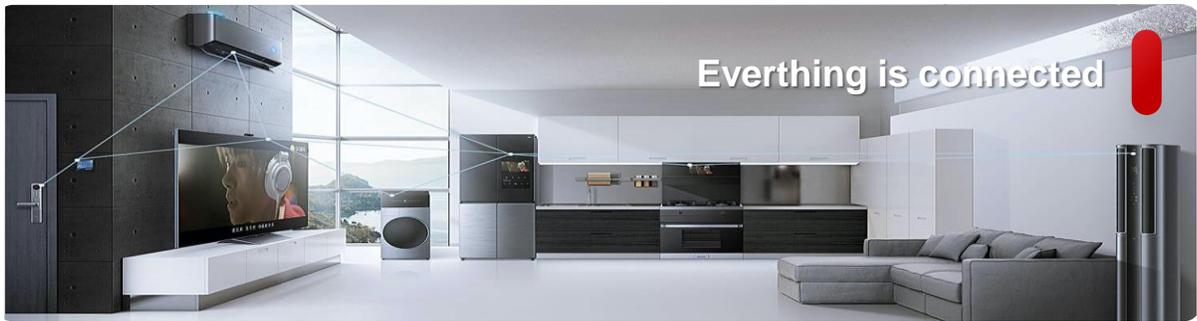
- Accelerate the development of TCL's global Internet business
- Expand user base and continue to grow ARPU



Displays are everywhere



Everything is connected



Channels spread all over the world



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THANKS

TCL電子控股有限公司

TCL ELECTRONICS HOLDINGS LIMITED

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