

## **TCL Electronics' Revenue in the Second Quarter Increased by 36.6% Against Downward Trend to HK\$10.28 Billion with Market Share Jumping to Second in the Global Market**

**HONG KONG - 25 August 2020 - TCL Electronics Holdings Limited** (“TCL Electronics” or “The Company”, stock code: 01070.HK) announced its financial results in the second quarter and interim results of 2020. According to the interim announcement (all the figures in this press release excluded ODM business), the Company’s revenue reached HK\$17.28 billion in the first half of 2020 and the revenue in the second quarter reached HK\$10.28 billion, up by 36.6% year-on-year and by 46.8% quarter-on-quarter. In the first half of 2020, the Company’s gross profit arrived at HK\$3.54 billion, up by 3.9% year-on-year. Gross profit margin in the first half of 2020 increased by 1.4 percentage points year-on-year to 20.5% and the gross profit in the second quarter was HK\$2.14 billion, up by 29.5% year-on-year. The net profit attributable to owners of the parent in the first half reached HK\$470 million and the net profit attributable to owners of the parent after deducting one-off non-operating gain reached HK\$455 million.

In the second quarter of 2020, against the backdrop of a 4.9% year-on-year decrease in terms of sales volume in the global TV market, the sales volume of TCL brand TV increased by 31.6% year-on-year to 5.81 million sets. In accordance to Omdia’s (formerly IHS) report, by sales volume, the market share of TCL brand TV increased by 3.3 percentage points from 9.4% in the second quarter of 2019 to 12.7% in the second quarter of 2020. The Company’s ranking jumped to No.2 in the second quarter of 2020 among the global TV brands, compared to its ranking of No.3 for the year of 2019.

### **With its Core Competitiveness Further Enhanced, Market Share Jumped to the Second in the Global Market Against Downward Trend**

Affected by global pandemic, people’s entertainment and consumption demand experienced tremendous changes in 2020. Desire for entertainment shifted from offline to online. Stay-at-home economy thrived and demand for online entertainment such as watching TV series, playing games and attending exhibitions in the cloud increased significantly, bringing new opportunities of demand for smart display in worldwide. With smart display as the core and 5G and “AI x IoT” as the driver for technology, TCL Electronics provides users with an

all-scenario smart and healthy life.

As the brand driving force of the TCL display industrial chain, TCL Electronics leverages on its leading advantages of synergy industrial chain, global sales channels + capacity layout, and “hardware + software + content”, upholds customer-centered, accelerates response to supply and demand balance, optimises distribution structure, and seizes opportunities to lower costs, so as to achieve further growth of market shares in both the PRC and overseas markets, leading in the world.

According to GfK and NPD’s research, as of 30 June 2020, the sales volume of TCL brand TV topped in ranking in 19 countries with market share rising year-on-year; explosive growth was seen in the North American and European markets and market share in the emerging markets also grew rapidly. By reference to CMM’s research, by sales revenue and sales volume in the PRC market, TCL brand TV jumped to No.2 in the second quarter of 2020, versus its ranking of No.4 for the year of 2019, largely attributable to the multiple effects of its increased competitiveness of products, optimised distribution structure and vertical integration in industrial chain.

TCL Electronics had seized upper hand in strategic layout in the worldwide, and focused on optimizing its global supply chain deployment so as to enhance its competitive edge in different regions and the world. In the second quarter of 2020, TCL Electronics achieved mass production as planned in Phase I Project of the MASA factory located in Ciudad Juárez, Mexico, mainly producing large-screen smart TVs. In addition, the Company kicked off the preparation for Phase II project of the MASA factory, to meet the increasing demand for large-screen TV in the North American markets as well as the global market. Moreover, TCL Electronics continued to ramp up production in its factory in Vietnam. The output of Phase I Project achieved the target and the Phase II Project is under construction. As a result, the Company’s total global production capacity of brand TV has rose to 27 million sets per year, thus further enhancing its deployment in supply chain.

### **Lead in Cutting-edge Industrial Technology    Build Barrier of Core Competitiveness**

Mr. Kevin WANG Cheng, CEO of TCL Electronics, said, “5G will enable comprehensive upgrading of the display industry in areas such as content, encoding and decoding, chip, transmission channel, AI x IoT and display technology, creating omnipresent display scenarios such as smart space, smart home and household smart display.”

Facing the new era of technology boom, TCL Electronics has been leading in cutting-edge technology, taking a firm foot in “5G + AI + 8K + IoT” matrix of the core technology, and building up its competitive edge in the industry . In the first half of 2020, TCL Electronics invested HK\$513 million in R&D, up by 43.6% year-on-year. Eagle Lab, as TCL’s global R&D base that converges energies and resources to accelerate industrialization of relevant technologies, had applied the leading smart technologies to the full range of smart display products and is constantly investing to build its leading technology capacity in AIoT. According to statistics, TCL’s Eagle Lab currently consists of four technological centers across the world, including over 200 employees for big data and cloud platform and more than 400 employees for AI algorithm. The research and development of the Eagle Lab is based on the core business of smart display to build an AI x IoT all-scenario smart life and push forward the globe-wide development of all-category business.

The transformation of display technology generates a new wave of opportunities for the industrial development. With smart display as its core and 5G and “AI x IoT” as the driver for technology, TCL Electronics is consistently propelling the progress of 5G’s innovative application. At the 2020 new product release conference of TCL 5G 8K smart screen, TCL Electronics and China Mobile jointly announced to “build the 5G smart screen demonstration project together”, and deepen cooperation in areas such as 5G products, technology, scenario, content and cost. The Company is committed to creating smart and healthy life within household, mobile and commercial scenarios and becoming a global leading smart technology Company.

In the process of promoting 5G + industrial Internet, TCL Electronics is also devoted to creating a leading-in-technology, scene-extensive and replicable 5G + industrial Internet demonstration park. The Company had built TCL Electronics 5G+Industrial Internet Application Demonstration Park in Huizhou Zhongkai High-Tech Industrial Development Zone, where the integration of 5G and industrial Internet is taking place and new ecosystem in the industry is shaping up. With 5G-equipped AMR (Automated Mobile Robot) intelligent logistics vehicle integrated with MES (Manufacturing Execution System), WMS (Warehouse Management System) and other internal systems, the “last mile” of logistics work have been intelligentized, which reduced material overstocking on production lines by more than 20%, greatly improved production management efficiency, and raised the workshop comprehensive efficiency by 21%.

From research investment to 5G development, TCL Electronics is transforming from “Made in China” to “Intelligent Manufacturing in China”, which not only empowers the industry in

depth but also builds moat for long-term development in the future.

### **Establish All-Scenario of Smart Display Drives Internet Services in Full Force**

Recently at the second Universal Display Expo (UDE2020), TCL Electronics showcased its smart technology products, representative of large screen and rotatable smart screen series. Moreover, TCL Electronics also cooperated with gaming companies such as Tencent, Perfect World Games and Season Entertainment, and made an impressive presence at the China Joy. The extraordinary audio-visual experience and powerful entertainment functions is secured by the Company's strong R&D capability.

TCL Electronics is making effort to gradually transform into a global consumer electronics Company to accommodate the industry trend and its business development. The Company's business transformation was approved with a majority vote at the Extraordinary General Meeting held on 28 July 2020, with regards to spin-off of TV ODM business and acquisition of the TCL Communications' global business. After the transaction is completed, TCL Electronics engages in a diversified consumer electronics business, with new business segments added such as TCL smartphone, smart tablet, smart wearables and smart connection.

As of today, TCL Electronics has built up an all-scenario ecosystem of smart display, with household, mobile and commercial scenarios centered, which is also the foundation for developing Internet business. Additionally, TCL Electronics has further broadened value-added service of the Internet business, making big stride towards the goal of becoming a global leading smart technology company.

The user base of Internet business of TCL Electronics continues to expand caused by the Company's growing brand value and increase in sales volume of TV products. By the end of June 2020, along with the constant connection with IoT smart TV devices, the average monthly number of active users of Internet (the platform of Falcon Network Technology) in the PRC market increased by 24.2% year-on-year to 16.96 million, ranking at top among Chinese Internet operators on home large-screens; the average time spent on TV per user increased by 16.8% year-on-year and the ARPU in the first half of 2020 reached HK\$23.9, up by 28.8% year-on-year. Operations in 2020 show that significant rise was achieved in multiple key indicators such as revenue of Falcon Network Technology, net profit and number of user base. In fact, such progress reflected the innovation and efforts Falcon Network Technology had made on its products, user experience, technology, business

models and etc.. Falcon Network Technology was highly recognised by the industry for its quick development and was listed in the “2020 Chinese top 100 startups mostly attended to by investors” released by 36Kr.

The overseas Internet business of TCL Electronics grew fast amid the “stay-at-home-economy”. As a result of in-depth cooperation with overseas Internet giants, the overseas Internet business is further developing and providing households across the globe with increasingly richer Internet services for home large-screens. The Company had cooperated with global streaming giant Roku in North America since 2014, and the cooperation will be expanded to the overseas markets outside North America in the second half of 2020. In the second quarter of 2020, TCL Electronics’ cooperation with Google was expanded to the North American markets and by then, this partnership has covered all the major markets in the world. The Company also rolled out a new deal with the top streaming service provider Netflix this year. TCL Electronics has become the first Chinese enterprise in the industry to have relatively large-scale and sustainable overseas Internet business revenue.

### **Next Destination for TCL Electronics: A Global Leading Smart Technology Company**

TCL Electronics outperformed in the second quarter of 2020 when its global sales volume grew and market share further increased, demonstrating a global consumer electronics giant. Mr. LI Dongsheng, the founder of TCL, expressed that TCL will form three major business engines in the future: the smart terminal business group with TCL Electronics at the core, the semiconductor display and materials business group with TCL CSOT at the core, and the semiconductor and new energy material business group with Zhonghuan Electronics at the core.

TCL Electronics will increase investment in research and development to develop industry-leading high-end display technologies, namely quantum dot, Mini LED and 8K and continuously consolidate its core competitive edge in technologies such as AI, Internet big data, 5G and intelligent manufacturing. The distinctive advantage in the vertically integrated industrial chain was fully leveraged to continuously increase TCL Electronics’ market shares in both domestic and overseas TV markets. The Company will seize the opportunity of 5G development, push forward upgrading of products and application, deeply explore three big smart scenarios namely home, mobile and commercial, to build “all-scenario, all-category and all-connectivity” smart living experience and services for users.

TCL Electronics will further gain market share in domestic Internet market by expanding the user base and increasing ARPU, and extend application of OTT on big screens in households to application of IoT on smart screens. Facing opportunities in the overseas markets, TCL Electronics will keep expanding cooperation with overseas Internet partners geographically, and grow user base and strengthen profitability jointly with its partners.

The accelerated development of 5G technology will drive the comprehensive upgrade in intelligentization of the display industry. TCL Electronics will stick to “Smart Screens Interconnect Everything and Lead to the Future”, rely on high-quality display technology to implement its development strategy of intelligentization and globalization, continuously increase investment in R&D and product innovation, proactively propel digitalization transformation and increase revenue in Internet value-added services. In the future, TCL Electronics will provide users with premium products and services featured with multi-screen real time interactions and all-scenario intelligent cognition, take the high-speed lane of the 5G era and make big strides toward the goal of becoming a global leading smart technology company.

### **About TCL Electronics**

Headquartered in Shenzhen, China, TCL Electronics Holdings Limited (stock code: 01070.HK, incorporated in the Cayman Islands with limited liability) is engaged in the research and development, manufacturing and distribution of consumer electronic products such as smart TVs and mobile communication devices and Internet services by relying on TCL Technology Group’s core technology advantages in the upper reach of the display industrial chain. TCL Electronics has emerged as a world-leading and China’s only diversified consumer electronics platform with advantages of vertically integrated industrial chain. With smart display as the core of the strategy and 5G and “AI x IoT” as technology drivers, TCL Electronics provides users with a smart and healthy life with household, mobile and commercial scenarios and is devoted to becoming a world-leading smart technology company. According to the latest data of the globally authoritative OMDIA (the former IHS), the market share of global brand smart TV of TCL Electronics in the second quarter of 2020 jumped to second in the world. With leading positions in the domestic and overseas markets, the MAU and ARPU of TCL Electronics’ home Internet operation platform (Falcon Network Technology) both ranked among the top in the PRC market. It has also emerged as the industry’s only Chinese company with sustainable and large-scale revenue in the overseas Internet services. TCL Electronics is included in the eligible shares list of the Shenzhen-Hong Kong Stock Connect Scheme, Hang Seng Stock Connect Hong Kong Index, Hang Seng Composite MidCap & SmallCap Index and Hang Seng Corporate Sustainability Benchmark Index. For more information, please visit the website of investor relations of TCL Electronics: <http://electronics.tcl.com>.



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