

TCL Electronics (01070.HK) Gross Profit Bucks the Trend for Growth in 2022 H1

Innovative Business Including Photovoltaic Has Become the New Growth Curve

(19 August 2022, Hong Kong) - TCL Electronics Holdings Limited (“TCL Electronics” or “the Company”, 01070.HK) announced today its interim results for the six months ended 30 June 2022.

In the first half of 2022, disruptive market forces such as intensifying global geopolitical risks, repeated Covid-19 outbreaks and high inflation in overseas brought great challenges to the economy. At the same time, the easing of supply chain pressure and the advances in smart technologies have presented great opportunities for sustainable development of the consumer electronics industry. In the face of market challenges and opportunities, TCL Electronics actively sought transformation and innovation. With its attention focused on the development of mid-to-high-end products, overseas markets and new tracks, the Company made continuous efforts to reduce cost and increase efficiency to gain relative cost advantages, leading to significantly improved operation quality.

The Company's overall revenue for the first half of 2022 reached HK\$33,679 million. Thanks to the optimised product structure and the dropping raw material prices, the Company's gross profit increased by 3.9% year-on-year to HK\$5,782 million, and the overall gross profit margin improved by 1.3 percentage points year-on-year to 17.2%. For the six months ended June 30, 2022, the Company's profit attributable to owners of the parent after deducting one-off non-operating items reached HK\$257 million, an increase of 4.9% year-on-year.

Adhered to the Mid-to-High-End Large Screen Strategy, Sought High Quality

Development of Display Business and Global Internet Business

Leveraging on TCL’s global brand power, vertical integration of the whole industry chain and global channel advantages, actively pushed forward TCL Electronics high-end products and large screen products in the first half of 2022. It remained to be the global leader in display business with significant profit contribution from its global Internet business.

TCL Smart Screen¹ Accelerated its Development of Large-Screen and High-End Products, Drove Up the Gross Profit Margin of Large-Sized Display Business

Sales volume of the global TV industry was under pressure in the first half of 2022 due to intensifying geopolitical tensions and the Covid-19 pandemic. In the first quarter, the shipments of the global TV industry dropped by 4.3% year-on-year to 49.07 million sets². In the face of the complex market environment, the Company adhered to the business strategy of "Value Led by Brand", focused on the mid-to-high-end market and persisted in development of large-screen and high-end products. Global sales volume of TCL smart screens reached 10.15 million sets in the first half of 2022. Of which the sales volume of its 65-inch and above smart screens increased 36.9% year-on-year to 1.53 million sets, and the proportion of its sales volume increased significantly by 5.1 percentage points to 15.1% year-on-year. At the same time, the high-end TCL Mini LED smart screens were also favored by the market, with sales volume increasing by 7.8% year-on-year. Among which, the sales volume of TCL Mini LED smart screens in the PRC market surged by 31.2% year-on-year. Thanks to the optimisation of product mix, the gross profit margin of large-sized display business increased by 2.6 percentage points year-on-year.

In the PRC market, the recurring pandemic and other factors led to weak consumer demand for home appliances, making the overall shipments of TVs industry-wide drop by 1.4% year-on-year to 17.07 million units³. However, thanks to the Company's breakthroughs in large-sized and high-end products, the integration of online and offline channels and improved marketing capabilities, the overall sales volume of TCL smart screens in the PRC market grew by 1.1% year-on-year against the downward trend in the first half of 2022, and the market share of its shipments increased by 0.7 percentage points year-on-year to 13.9%, allowing the company to remain the top 3³ in terms of shipments and the top 2⁴ in terms of retail sales in the PRC market. TCL Mini LED smart screen and TCL quantum dot smart screen both became the top-performers⁴ in retail sales volume across all channels. At the same time, TCL and Falcon both achieved outstanding performance during China's "618" Shopping Festival. According to the data of CMM, the online sales volume of TCL smart screen, the market share of the retail sales volume of TCL large-sized (65 inches and above) display products, the retail sales volume of TCL Mini LED smart screens and the retail sales volume of 120Hz+ high refresh rate smart screen all ranked first during China's "618" Shopping Festival⁵. Thanks to the optimisation and

¹ Smart screen mainly refers to smart television ("TV") of the related large-sized display products. By shipment over 95% of the Group's TV products are smart screen products.

² Source: Omdia.

³ Source: Sigmaintell.

⁴ Source: CMM, retail sales volume for the first half of 2022.

⁵ Statistics from Week 23 to Week 25 of 2022 (i.e., 30 May, 2022 to 19 June, 2022) and Week 23 to Week 25 of 2021 (i.e., 31 May, 2021 to 20 June, 2021).

upgrade of product mix, the gross profit margin of TCL smart screens in the PRC market increased by 1.8 percentage points year-on-year to 22.2% in the first half of 2022.

In the international market, the revenue of TCL smart screens in the first half of 2022 reached HK\$13,341 million, with a 13.0% year-on-year increase of the sales volume of 65-inch and above TCL smart screens. The large-screen strategy contributed to a significant increase of gross profit margin by 2.6 percentage points to 17.0%, and the market share of the sales volume of TCL smart screens ranked among the top 5⁶ in more than 20 overseas countries and regions with a year-on-year increase, demonstrating an improved operation quality.

Profitability of Its Global Internet Business Remained Strong with Continuous Fast Growth of Falcon Network Technology Group

The Company pushed forward its home Internet business globally, and focused on providing users with products and services featured with multi-screen, real-time interaction and all scenario smart sensing. Revenue from the Company's global Internet business reached HK\$942 million in the first half of 2022, representing a 30.7% year-on-year improvement.

As to the PRC market, revenue from the domestic Internet business (mainly the domestic business of Falcon Network Technology Group) of the Company reached HK\$814 million in the first half of 2022, representing a significant increase of 35.7% year-on-year. Falcon Network Technology Group enhanced its user experience and increased its user engagement through enriched platform content, innovative new scenarios and simplified operation system, and became very popular among the users with stronger adhesiveness. Revenue from its membership business, and vertical and innovative businesses increased by 19.0% and 95.8% year-on-year respectively in the first half of 2022, with ARPU reaching HK\$39.3, an increase of 25.3% year-on-year.

TCL Electronics deepened its cooperation with international Internet giants such as Roku and Google and started to enjoy its revenue sharing from its Google platform operations since 2021. Meanwhile, Falcon Network Technology Group has been rapidly accumulating TCL Channel users through cooperating with OTT platforms in the international market. By the end of June, TCL Channel had accumulated more than 10 million users in 60 countries in North America, Europe, Central and South America, and the Asia Pacific region, steadily expanding its Internet business worldwide. In the first half of 2022, the

⁶ Source: NPD and GfK.

revenue of the Company's Internet business registered HK\$128 million in the international market, an increase of 5.7% year-on-year.

Innovative Businesses Became New Growth Engine with Continued Expansion of

Photovoltaic/AR/VR Business

TCL Electronics believes in innovation-driven development. With vigorous expansion of all-category marketing, photovoltaic, smart connectivity and smart home businesses, innovation-generated revenue of the company in the first half of 2022 reached HK\$5,259 million, a significant increase of 21.1% year-on-year, raising the revenue proportion by 3.2 percentage points to 15.6%. Innovative businesses have gradually becomes a new growth engine of the company.

Leveraged on Its Industrial Synergy to Accelerate the Landing of Distributed Photovoltaic on the B2B and B2C End

TCL Electronics seized the global development trend of clean energy and carbon neutrality and leveraged on its industrial synergy with TCL Zhonghuan Renewable Energy Technology Co.,Ltd. to foray into photovoltaic business. The Company used household photovoltaic as its entry point, put green energy technology and innovative financial services at the core, and, via finance leases or operating leases, provided farmers with one-stop services, including green energy power plant development, investment, construction management, and operation as well as maintenance. Meanwhile, the company also explored commercial photovoltaic businesses for the industry and commerce, and was committed to providing green energy conversion services for industrial parks, logistics parks, specialised parks and commercial complexes. In the first half of 2022, the Company's photovoltaic business achieved a revenue of HK\$172 million, its monthly installed orders and revenue achieved exponential growth.

Accelerated the Growth of Its Global Distribution Business with Brand Influence, Channel Synergy and Proactively Laid out AR/VR Business

In the all-category marketing business, TCL Electronics actively propelled its all-category layout of "intelligent IoT ecosystem" and accelerated the growth of its global distribution of air conditioners, refrigerators and washing machines through strong global brand influence and channel resources. In the first half of 2022, the revenue the Company's all-category marketing distribution business reached HK\$4,248 million, an increase of 26.7% year-on-year, and the gross profit of the distribution business improved by 54.6% year-

on-year to HK\$586 million, with remarkable increase of 2.5 percentage points in the gross profit margin year-on-year. TCL's air conditioners, refrigerators and washing machines have been frequently recognised by international awards. Both TCL Smart Wing Fresh Air Conditioner and TCL Whisper whisper-Series Window Air-Conditioner won the “Red Dot Award” of 2022 in Germany.

At the same time, TCL Electronics continued to make breakthroughs in technologies like AR/VR. In January of this year, TCL Electronics launched the industry's first binocular full-color Micro LED holographic light waveguide AR smart glasses, LEINIAO AR Smart Glasses Pioneer Version, at the International Consumer Electronics Show (CES). In April, it launched the new consumer-grade XR smart glasses TCL NXTWEAR Air in the PRC market, applicable for multiple scenarios such as movie watching, mobile gaming and remote working. The Company will continue to invest in the research and development of optical and display, algorithm, software and other technologies to discover the need of the users and further improve the performance of XR products.

Future Outlook: Creating Sustainable Value Growth for Consumers

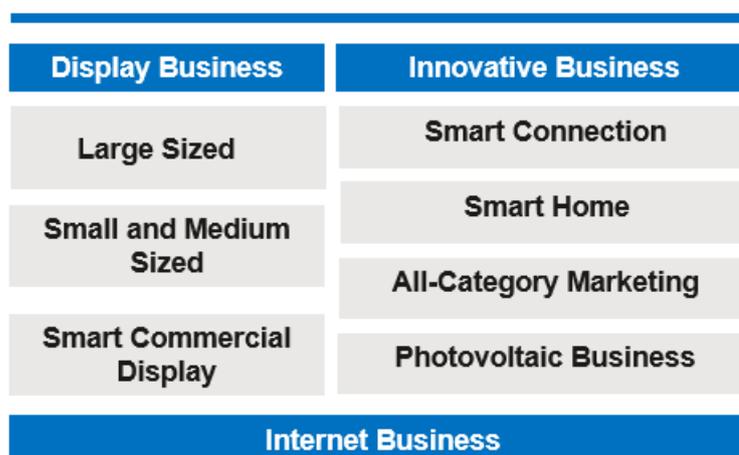
The Company will continue to forge ahead, adhere to the development strategy of "Value Led by Brand with Relative Cost Advantage", further drive globalisation and technological transformation, focus on the three core competencies of "Display, Connection and Channels", and vigorously expand its new track 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 devices.

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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.

Business Structure



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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