



(Incorporated in the Cayman Islands with limited liability)

TCL Electronics (01070.HK) Achieves Solid Growth in 2023 H1

Seizes market opportunities & scales up new businesses to empower second growth curve

Results Highlights

- Product mix optimisation proved effective, with the mid-to-high-end and large-screen strategy driving a 12.4% year-on-year increase in gross profit to HK\$6,500 million and a 1.4 percentage points year-on-year increase in overall gross profit margin to 18.6%
 - As a result of increasing economies of scale, the Group's profit after tax increased by 7.8% year-on-year to HK\$316 million and its profit attributable to owners of the parent increased by 5.7% year-on-year to HK\$264 million
 - TCL smart screens recorded a 12.9% year-on-year increase in shipments to 11.46 million sets. The global market share of TCL smart screens in terms of shipments and sales revenue increased by 1.3 percentage points and 1.5 percentage points to 12.4% and 10.2%, ranking among the top two and three in the world, respectively¹
 - Shipments of TCL smart screens of 65 inches and above increased by 67.8% year-on-year and accounted for 22.5% of TCL's total smart screen shipments, representing an increase of 7.4 percentage points year-on-year
 - Global shipments of TCL Mini LED smart screens increased by 114.5% year-on-year, while global shipments of quantum dot ("QLED") smart screens increased by 69.9% year-on-year
 - Innovative business recorded robust revenue growth of 65.2% year-on-year to HK\$8,688 million
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(25 August 2023, Hong Kong) -- **TCL Electronics Holdings Limited** ("**TCL Electronics**" or the "**Company**", 01070.HK) today announced its interim results for the six months ended 30 June 2023 (the "Period"). Leveraging the mid-to-high-end strategy and the "TCL + Falcon" dual-brand strategy, its top-tier global brand influence, innovative technology capabilities, and the advantages of its vertically integrated industrial chain, TCL Electronics seized market opportunities during the Period, rapidly scaling up its business to achieve high-quality growth and steady operational improvements.

During the Period, the Company's revenue amounted to HK\$34,916 million, representing a year-on-year increase of 3.7%. Thanks to its effective product mix optimisation efforts through the mid-to-high-end and large-screen strategy, gross profit increased by 12.4% year-on-year to HK\$6,500 million, while the overall gross profit margin improved by 1.4 percentage points year-on-year to 18.6%. In terms of expenses, the Company continued to reduce costs and enhance operational efficiency, with the administrative expense ratio dropping by 0.5 percentage points year-on-year.

In the first half of 2023, TCL Electronics continued to promote the rapid development of innovative businesses such as distributed photovoltaics and Augmented Reality ("AR") and Extended Reality ("XR") smart glasses by leveraging the advantages that TCL has accumulated over the years in the display business, namely global brand power, a comprehensive distribution network, and vertical integration

¹ Source: Global shipment and sales revenue data of the first half of 2023 from Omdia.

across the entire value chain. The Company also continued to utilise its internet business as a value-added service to empower its core business, and expand the all-category product offering of its “intelligent IoT (internet of things) ecosystem” with smart display products at its core. As a result of increasing economies of scale, during the Period, the Company’s profit after tax increased by 7.8% year-on-year to HK\$316 million and its profit attributable to owners of the parent amounted to HK\$264 million, representing a year-on-year increase of 5.7%.

Display Business Remained a Global Market Leader, Brand Advantage Drove Rapid Business Growth and Continued Margin Expansion

With demand for large-screen TVs becoming the dominant trend in the industry, TCL Electronics is focusing on executing its “mid-to-high-end + large-screen” strategy and the “TCL + Falcon” dual brand strategy. By focusing on the mid-to-high-end market, the Company’s display business has continued to lead in terms of scale and achieved significant breakthroughs in year-on-year growth. In the first half of 2023, TCL smart screens recorded a 12.9% year-on-year increase in shipments to 11.46 million sets. The global market share of TCL smart screens in terms of shipments and sales revenue increased by 1.3 percentage points and 1.5 percentage points to 12.4% and 10.2%, ranking among the top two and three in the world, respectively. Shipments of TCL smart screens of 65 inches and above increased by 67.8% year-on-year, and accounted for 22.5% of TCL’s total smart screen shipments, representing an increase of 7.4 percentage points year-on-year. The average size of TCL smart screens increased by 3.6 inches year-on-year to 49.9 inches.

In the PRC market, overall consumption in the TV industry remained weak, but TCL Electronics outperformed the industry average, driven by its enhanced brand power, optimised domestic distribution channels, and the 618 Shopping Festival in the first half of 2023. Shipments of TCL smart screens in the PRC market increased by 12.8% year-on-year in the first half of 2023, while shipments in the second quarter of 2023 increased by 14.0% year-on-year and 43.1% quarter-on-quarter. The corresponding revenue increased by 9.2% year-on-year to HK\$6,898 million, or 16.8% year-on-year denominated in Renminbi and excluding exchange rate effects. The corresponding gross profit margin for the first half of 2023 remained flat year-on-year at 22.2%. Gross profit margin for the second quarter increased by 3.2 percentage points quarter-on-quarter, reflecting the significant boost in gross profit margin levels resulting from the launch of new TCL smart screen products in the second quarter.

In international markets, despite global economic uncertainty, the Company successfully expanded its global market through a well-established global supply chain and sales network. In the first half of 2023, the shipment volume of TCL smart screens in international markets increased by 12.9% year-on-year, and at the same time, its shipment-based market share of TCL smart screens ranked among the top five nearly 30 countries². During the Period, TCL Electronics recorded a 6.0% year-on-year increase in revenue from TCL smart screens in international markets to HK\$14,144 million, with gross profit margin remaining stable, increasing by 0.8 percentage points year-on-year to 17.8%, demonstrating the strong resilience of the smart screens business.

Internet Business and Innovative Business Sustained Strong Revenue Growth, Empowering the Company’s Second Growth Curve

² Sources: GfK, TV shipments data from January 2023 to June 2023; NPD, TV retail sales data from January 2023 to June 2023

The internet business and the innovative business performed well and maintained strong growth during the Period, empowering the Company's efforts to achieve profitable growth in sectors with blue ocean market opportunities.

Internet Business

In the first half of 2023, the Company's global internet business recorded revenue of HK\$1,113 million, as continuous improvements in content quality led users to favour its smart screen products. In order to create an easy-to-use TV interface and further enhance user experience, TCL Electronics introduced its first fully customizable UI interface - LingKong UI (靈控UI), which won the 2023 German "Red Dot Design Award". LingKong UI has established in-depth partnerships with several leading video streaming platforms such as iQiyi, Tencent Video, and Youku to provide users with high-quality content. In addition, during the Period, the Company launched the internet TV industry's first custom content vertical generated by AI large language model technology - the "Super Story Painter" (超級智繪) AI story collection - aiming to efficiently generate intelligent device content and promote user interaction through innovative technology.

In the international market, TCL Electronics maintained close cooperation with prominent internet giants such as Google, Roku, and Netflix to continually enhance user experience. The Company increased its monetisation capability by reaching out to the vast audience of TCL smart screen users through partnerships with OTT platforms. As of the end of June 2023, TCL Channel, the Company's integrated content application, is available in 60 countries in North America, Europe, Central and South America, and Asia Pacific, with a total user base of over 21 million. In the first half of 2023, the Company's revenue from the international internet business reached HK\$226 million, representing a substantial increase of 77.1% year-on-year.

Innovative Business

In addition to the solid development of its core business, TCL Electronics seized the opportunity to continuously develop the innovative business through its well-established advantages. In the first half of 2023, the innovative business recorded robust revenue growth of 65.2% year-on-year to HK\$8,688 million, making it a significant new growth engine of the Company.

The Company's photovoltaic business, which officially commenced operations in the second quarter of 2022, exceeded HK\$1,685 million in revenue, representing more than eightfold growth year-on-year. This remarkable performance was enabled by the business unit's complete upstream photovoltaic industry chain, extensive financial partnership resources, and plentiful industrial and commercial project opportunities both domestically and overseas. Building upon its established channel coverage and penetration in the PRC market, the Company's distributed photovoltaic business has achieved continued expansion in both the B2B (business-to-business) and B2C (business-to-customer) segments. As of the end of June 2023, the Company's photovoltaic business had extended its coverage to 14 major provinces and cities in the PRC, with an increase of more than 35 new industrial and commercial contracted projects, more than 350 new channel distributors, and reached a total of more than 10,000 contracted farmers.

During the Period, leveraging its robust global brand power and comprehensive channel advantages, TCL Electronics promoted the continuous growth of its global all-category distribution businesses, which

includes smart appliances such as air conditioners, refrigerators, and washing machines under the TCL brand. Revenue from the all-category marketing segment increased by 43.0% year-on-year to HK\$6,073 million. According to the latest ChinalOL report on shipments in the first half of 2023, TCL air conditioners ranked fourth globally. Various new products garnered prestigious industry accolades such as the “iF Design Award” and “Red Dot Design Award”, further enhancing TCL’s brand reputation. In addition, TCL Electronics maintained its leading position in the AR industry. In the second quarter of 2023, sales volume of RayNeo smart glasses ranked the first in AR consumer-grade market in the PRC³. During the 618 Shopping Festival, TCL NXTWEAR smart glasses achieved remarkable success on both JD.com and Tmall, securing top positions in both sales volume and sales revenue in the AR category⁴.

Outlook: Core Display Business to Grow Market Share and Profitability, while Innovative Business Scales Up to Empower Second Growth Curve and Strengthen the Company’s Global Leadership Position

In terms of its core display business and technology, TCL Electronics will focus on mid-to-high-end products and continue to implement the “TCL + Falcon” dual-brand strategy, optimising its domestic and overseas channel layout while improving the product mix. This strategy aims to solidify the Company’s position as a global leader and foster high-quality growth. Meanwhile, the Company will effectively leverage the brand power and channel resources it has accumulated in its core business over the years in its new business categories. It will boost investment in the internet business with a focus on enhancing the user experience. The Company will also increase investment in the photovoltaics and AR smart glasses businesses to capture blue ocean growth opportunities in these new business lines and create a seamless and comfortable “intelligent IoT ecosystem” to drive the Company’s long-term growth.

Meanwhile, the Company aims to capitalise on favourable factors such as the rebound in consumption and supportive national policies to expedite the growth of the smart device industry and expand into emerging sectors. Focusing on enhancements in the five key areas of products, operations, marketing, organisation and creativity, the Company will also leverage its competitive strengths and adhere to its “Value Led by Brand with Relative Cost Advantage, Ultimate Efficiency Management and Collaborative Innovation” strategy to empower the twin development goals of “Globalisation” and “Technological Transformation”, and reinforce vertical integration throughout the entire industrial chain, advancing towards the goal of becoming a world-leading smart device enterprise.

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³ Source: CINNO Research

⁴ Statistical time interval of JD platform: 23 May 2023 to 18 June 2023; statistical time interval of Tmall platform: 31 May 2023 to 18 June 2023.

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 Operation 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
	All-Category Marketing
Smart Commercial Display	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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