

TCL Electronics (01070.HK) Achieves Nearly 150% YoY Growth in Adjusted Net Profit in 1H 2024

Mid-to-High-End and Globalisation Strategies Yields Tangible Results Significantly Enhancing Profitability

Results Highlights

- TCL Electronics' mid-to-high-end and globalisation strategies yielded tangible results, enhancing its profitability significantly, during the first half of 2024, its revenue grew by 30.3% year-on-year ("YoY") to HK\$45.5 billion, its adjusted profit attributable to owners¹ grew by 147.3% YoY to HK\$654 million
 - In the first half of 2024, shipment of TCL TV grew by 9.2% YoY to 12.52 million sets, and its market share in terms of shipment increased by 0.9 percentage points YoY to 13.3%, ranking among the top two in the world²
 - Shipment of TCL's mid-to-high end products, QLED TV and Mini LED TV, recorded high YoY increases of 64.4% and 122.4% respectively, with Mini LED TV maintaining leading position worldwide in terms of shipment
 - Innovative business becomes a new growth driver, with revenue surging by 60.6% YoY to HK\$14.0 billion, and gross profit growing by 64.1% YoY to HK\$2.0 billion
 - Photovoltaic business achieved exponential growth, with revenue and gross profit surging 212.7% and 322.5% YoY to HK\$5.3 billion and HK\$542 million respectively, and the gross profit margin improving by 2.7 percentage points YoY to 10.3%
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(23 August 2024, 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 2024. During the reporting period, TCL Electronics continued to promote its mid-to-high-end and globalisation strategies. The Company's revenue grew by 30.3% YoY to HK\$45.5 billion in the first half of 2024, with the revenue from the innovative business surging by 60.6% YoY to HK\$14.0 billion, achieving continuous increase in its diversified revenue and significant enhancement of its profitability.

TCL Electronics demonstrated continuous improvements in operational efficiency, resulting in a reduction of expenses across multiple areas. The Company's administrative expense ratio

¹ Adjusted net profit attributable to owners of the parent is defined as net profit attributable to owners of the parent after adding back the following adjustments: (i) (gain)/loss from investment companies, net; (ii) (gain)/loss on disposal and liquidation of subsidiaries, net; (iii) (gain)/loss related to call options and put options, net; (iv) (gain)/loss on disposal of non-current assets, net.; and (v) income tax effect.

² Data source: Omdia, 1H 2024.

decreased by 1.1 percentage points YoY to 4.1%, while the selling and distribution expense ratio decreased by 0.9 percentage points to 9.6%, attributed to the Company's adherence to a precision marketing strategy. The overall expense ratio decreased by 2.0 percentage points YoY to 13.7%. As a result of the Company's commitment to a solid operational practices, its adjusted net profit attributable to owners of the parent experienced a significant 147.3% YoY increase, amounting to HK\$654 million, showing a significant improvement in the quality of operations.

Meanwhile, TCL Electronics has consistently maintained high dividend payout policy to reward shareholders since 2017, with a dividend payout ratio³ of 50.0% in 2023.

Capturing Large-Screen Market Opportunities, Performance of Large-Sized Display Business Far Outperforming Industry

Benefitting from the surge in demand from major sporting events such as the Euro Cup and the Olympic Games in the European and American TV markets, shipment of global TV industry increased by 1.9% YoY in the first half of 2024². Through the precise marketing on the sporting events by the Company, global shipment of TCL TV reached 12.52 million sets in the first half of 2024, representing a YoY increase of 9.2%, steadily ranking among the top two² in the world. Among which, shipment of large-sized and mid-to-high-end TCL TV grew significantly, the global shipment of TCL TV of 75-inch and above grew by 34.5% YoY, while the global shipment of TCL Mini LED TV surged by 122.4% YoY. Sales volume growth of large-sized and mid-to-high-end TV drove the revenue of the Company's large-sized display business to increase by 23.2% YoY to HK\$25.9 billion.

Regarding the PRC market, the retail sales volume of the domestic TV market declined by 10.7% YoY in the first half of 2024 due to the sustained decreased in domestic demand⁴. Nevertheless, TCL Electronics leveraged policy opportunities such as "trade-ins of consumer goods" and achieved upward breakthroughs in product mix upgrade through the TCL brand while targeting younger demographics with the Falcon brand, the shipment of TCL TV in the PRC market grew by 5.4% YoY in the first half of 2024, defying industry trends, and revenue increased by 21.1% YoY to HK\$8.4 billion. Meanwhile, the Company made further advancements in the mid-to-high-end market. The shipment of TCL TV of 75-inch and above in the PRC market grew by 17.7% in the first half of 2024, with corresponding proportion increasing by 3.5 percentage points to 33.2%. Shipment of TCL Mini LED TV surged by 120.1% YoY, with corresponding proportion increasing by 4.5 percentage points to 8.6%, and retail sales volume consistently ranking the first in the PRC market⁴.

³ Dividend payout ratio was calculated with adjusted net profit attributable to owners as the denominator.

⁴ Data source: CMM's omni-channel, H1 2024.

TCL Electronics' performance in the international market was particularly outstanding. In the first half of 2024, shipment of TCL TV in international market increased by 10.4% YoY, and revenue increased by 24.2% YoY to HK\$17.6 billion. Notably, the shipment of 75-inch and above TVs and TCL Mini LED TVs saw significant growth of 77.9% and 124.7% YoY, respectively, leading to further optimisation of the product mix. Through precise investments in brand marketing and expand and deepen the coverage of key channels across multiple regions, including North America, Europe, and emerging markets. TCL TV ranked steadily among the top five in terms of sales volume in nearly 30 countries overseas, according to data from GfK and Circana.

Continuous Growth for Internet Business and Innovative Business, Further Enhancing Profit Contribution

Internet Business

In the first half of 2024, internet business revenue reached HK\$1.2 billion, representing a YoY increase of 8.9%, and the gross profit margin was maintained at a high level of 54.0%.

As an innovator in the OTT field in the PRC market, TCL Electronics upgraded the “TCL LINGKONG UI 2.0”, which greatly enhanced the convenience and comfort of use, providing users with more personalised services. Meanwhile, the Company has created its proprietary IP of “Lei Dong Dong” (“雷咚咚”) based on the AI large-language model and cooperated with leading children's IPs to develop AI animation for children's education. In the first half of 2024, domestic internet business generated revenue of HK\$870 million, maintaining a stable performance.

Regarding the international market, the Company continued to strengthen its close cooperation with prominent internet giants such as Google, Roku and Netflix, while continued to make breakthroughs in its business model, the average daily consumption time⁵ spent on its self-developed content products for June 2024 doubled YoY and traffic monetisation capacity further enhanced. As at the end of June 2024, TCL Channel, an integrated content application, has covered 60 countries in North America, Europe, Central and South America, Asia Pacific and other regions, with a total of nearly 25 million cumulative users. During the period, internet business revenue from the international market amounted to HK\$342 million, representing a significant YoY increase of 51.2%.

Innovative Business

In the first half of 2024, the Company adhered to the “Relatively Light Asset” model in operating the

⁵ The average daily consumption time is calculated by taking the sum of the daily active users multiplied by the average daily usage hours within the month, and divided by the number of days in the month.

photovoltaic business, achieved quality growth in business scale through refined operations by strengthening core competencies in products, digitisation, engineering technology, finance and distribution channels. During the reporting period, the revenue of the photovoltaic business surged by 212.7% to HK\$5.3 billion, while gross profit increased significantly by 322.5% YoY to HK\$543 million, and gross profit margin improved by 2.7 percentage points to 10.3%. As of the end of June 2024, the photovoltaic business has covered 23 key provinces and cities in the PRC, with over 150 cumulative industrial and commercial contracted projects, over 1,200 cumulative channel distributors, and more than 70,000 cumulative contracted rural households. For the overseas markets, the Company will strategically identify the optimal path to globalisation, focus resources on channels, localise operations in markets where it has advantages, to transform its domestic photovoltaic power station business into an integrated global new energy solution provider.

Leveraging the global brand influence accumulated by the display business over the years and the trans-regional market channels, TCL Electronics' global brand distribution business of smart products, such as air conditioners, refrigerators, and washing machines, has maintained rapid growth. In the first half of 2024, the all-category marketing revenue increased by 27.7% YoY to HK\$7.8 billion, with gross profit increased by 37.1% YoY to HK\$1.3 billion, and the distribution gross profit margin improved by 1.1 percentage points YoY to 16.3%. In addition, RayNeo, a company internally incubated by the Company, launched RayNeo Air2s, the first AR glasses that has passed the ZREAL certification for ultra-high-definition video quality during the first half of 2024. During the 618 (18 June) Shopping Festival, RayNeo smart glasses secured the top positions in both sales volume and sales revenue on both JD.com and Tmall, demonstrating its market leadership.

Outlook: Expanding Scale and Strengthening Operations, Continuous Strengthening of Capabilities, High-Quality Development Driven by Globalisation

In the second half of 2024, TCL Electronics will vigorously pursue strategies centered at “Scale Expansion, Strong Operation, Organisation Activation, and Globalisation”, striving to achieve high-quality development with “net profit growth>gross profit growth>revenue growth”. While stabilising the mid-to-low-end market, the Company will continue to break through the mid-to-high-end market, deepen its overseas retail, channel, and marketing capabilities, and strengthen its global branding advantages. It will also strive for extreme operational efficiency, continuously improve its global organisational capabilities, and strengthen its data-driven operations to comprehensively assist in lowering costs, increasing efficiency, and enhancing user experience. Moreover, the Company will adhere to the globalisation of operations, achieving local or nearby supply of products through global production capacity deployment, fostering global talent cultivation to ensure the global

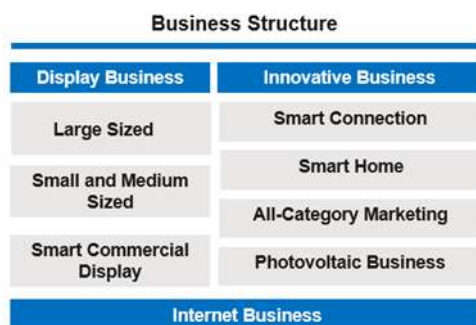
deployment of local talents, and promoting global localisation of brand marketing to effectively enhance the global brand influence.

Looking forward, the Company will adhere to the strategy of “Lead with Brand Value, Excel in Global Efficiency, Drive with Technology, Thrive on Global Vitality”, focus on strengthening core competencies in product power, marketing power, operation power, and organisational power, and promote the long-term sustainable development of the Company’s core businesses, such as the display business and internet business, as well as the innovative business. The Company will continue to deepen its “Globalisation” and “Technologisation” layout, moving towards the goal of becoming a “world-leading smart device enterprise”.

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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 “Lead with Brand Value, Excel in Global Efficiency, Drive with Technology, Thrive on Global Vitality”. 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 consecutive years since 2018.



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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