

TCL Electronics' AI x IoT Strategy Enters New Era as Acquisition of TCL Communication Wins Strong Support from Shareholders

HONG KONG - 28 July 2020 - TCL Electronics Holdings Limited ("TCL Electronics" or "the Company", stock code: 01070.HK) held an extraordinary general meeting (EGM) on 28 July to cast votes on the acquisition of TCL Communication and the disposal of Moka International and other related matters. According to the announcement, an overwhelming majority of the shareholders casting votes at the EGM supported for the Company's business transformation moves.

Share price of TCL Electronics had surged from the next day after the Company issued an announcement in relation to its business transformation on 29 June, rising 36.6% cumulatively by the close of trading on 28 July. Its share price rallied to HK\$4.88 on 21 July, a record high in the past five years, with its market cap rising to HK\$11.573 billion; the highest daily gain reached 13.8%. Obviously, the Company's acquisition of high-quality asset TCL Communication is long anticipated, which was further proved by the majority vote approving the proposal by the Company's shareholders.

Kevin Wang, CEO of TCL Electronics, said that after the EGM, the business transformation is expected to be completed by the end of August and consolidation into financial statements will begin in September. After the completion of the transactions, TCL Electronics will add new business segments including TCL smart phones, smart tablets, smart wearables and smart connectivity, to further develop the Internet service business, and spin off the ODM business for TVs. TCL Electronics will focus on TV and mobile communication business, and enter the market segments of smart home, Internet services and smart commercial displays with a market size of more than RMB 1 trillion.

Essence Securities recently issued an updated report and remained a Buy rating on TCL Electronics, saying that after the full integration of TCL Communication, TCL Electronics is able to fully leverage on the synergies of its communication business and traditional TV business in market coverage, distribution channels, customers, products and technologies, and financial performance. It will focus on the global promotion of the TCL brand, thereby further enhancing the growth potential of TCL brand TVs and mobile communication devices in the global market. TCL Electronics has stepped out of the traditional manufacturing positioning and will gradually grow into a consumer electronics company with the "TCL brand" as its core in the future. The Company has the potential to benchmark with Xiaomi Corporation, which has a complete Internet product ecosystem.

TCL Communication merged into TCL Electronics, accelerating the implementation of smart home strategy in 5G era

AI × IoT is undoubtedly a strategic opportunity for the industry. The trillion-level market is like a big apple pie. Home appliance manufacturers, mobile phone manufacturers, Internet giants are all competing for deployment in this field. Ultimately, they will be competing with products and services and suitability of products and excellence of services are the key to success. The integration of TCL communication business will further enhance TCL Electronics' deployment of AI × IoT strategy in offering all-scenario smart living experiences for its users.

TCL Communication has established multiple research and development centers and an extensive sales network worldwide, with existing business covering three major business segments: smart phones, smart tablets and smart connectivity. As one of the leading communications companies in the global market, TCL Communication has always been dedicated to developing smart phone and 5G technology. As early as 2015, TCL Communication has been fully engaged in 5G R&D, and actively participated in standard setting. It is one of the very few communications companies in the world that possesses core patented technologies ranging from 2G to 5G. In 2019, TCL Communication became the first company to implement 5G end-to-end solution demonstration at MWC (Mobile World Congress), and became one of the first manufacturers to launch 5G smart terminals.

TCL Communication has extensive experience and robust technological capability in providing customized services for carriers. It leverages CSOT's technical advantages in display technology and with the integration of vertical supply chains, it is able to satisfy carriers by providing display customization services. In 2020, TCL Communication's 5G products have been awarded tenders by various carriers in North America and Europe. Meanwhile, it is also expanding to other Tier 2 carriers and open channels with carrier-customized models. Demand for its smart phones in the mid-to-high price range is increasing year on year. TCL Communication will seize the opportunity of the carrier-centered market at the initial stage of 5G activation to enter the mid-to-high-end market through TCL brand 5G mobile phones, so as to build up advantages and make breakthroughs.

Back in 2008, TCL Communication started the smart connectivity business, which mainly includes mobile MIFI, indoor CPE, Mesh, WIFI routers, as well as smart wearables and trackers. It is currently engaged in mobile device business under two major brands Alcatel and TCL, in the worldwide. In September 2018, TCL Communication officially set up the Smart Connectivity Division (SCD) as a strategic move with AI × IoT in top priority.

At the beginning of 2019, TCL Electronics formulated its new AI × IoT and set up a Eagle Lab at the end of September in that year, focusing on R&D and product innovation applications of AI, IoT and cloud services. However, the Company's strategic deployment of AI × IoT used to have TV only as the main screen with mobile phone absent in the picture. TCL Electronics had filled this gap with the acquisition of TCL Communication and TCL mobilephones will become an indispensable core part in the TCL smart home ecosystem. With the support of its mobile phone and TV businesses, it will continue to increase

customer loyalty and bring better experience to its users. The merger of TCL Electronics and TCL Communication will strengthen the synergies of all-scenario smart display ecosystem among different smart terminals, including large-screen products, small-screen gadgets, and wearable sub-screens, and further deepen the Company's ecosystem deployment.

Business transformation comes at the right time; integration of high-quality asset to improve Company's operational efficiency and revenue scale expectations

TCL Electronics' acquisition of TCL Communication took place at the right time. TCL Communication has completed its internal business transformation from 2017 to 2019. Over the past three years, TCL Communication has shown year-over-year gross profit margin improvement and continuous increase in net profit after its downscale of business. TCL Communication turned loss to profit in 2019. The acquisition of TCL Communication, which is a high-quality asset at the time, is conducive to improving the gross profit margin of TCL Electronics. TCL Communication and TCL Electronics can share and supplement in supply chain and global sales distribution of each other, and therefore the business transformation is conducive to the optimization of the logistics structure, capital flow and information flow, further enhancing the Company's profit growth potential.

A series of positive news of the Company, such as a growth in sales of core products the the second quarter against the background of the sluggish market, the continuous increase in global market share, and the investment of its industrial chain ecosystem, are also helpful to the resolutions with regards to the business transformation being duely passed at the EGM. Under the COVID-19 pandemic, TCL Electronics still maintained a continuous growth trend in the second quarter, with its rankings in terms of sales volume in Europe, America and emerging markets rising. On 20 July, TCL Electronics announced the acquisition of Danbay Technology, which will further strengthen the Company's core capabilities in AI × IoT smart home software and hardware integrated solution services, improve the layout of the smart software platform, and help explore large-scale 2B customers such as apartments, real estate, and accommodation. At the same time, the Danbay intelligent software platform and TCL Eagle Lab cloud platform technology will be collaboratively built to integrate TCL's all-category smart home appliances and smart home products and to enhance TCL Electronics' "all-scenario smart living solutions service capabilities of AI × IoT".

This business transformation is not only a major move of the Company's "AI x IoT" strategy, but also will push forward its business globalization and diversification, in order to build a significant layout on all-scenario smart products + services. Besides taking a leading poisiotn in large screens, picture quality, and sound-quality in globewide, the Company is going all out to develop "AI x IoT", smart cameras, connections between 5G and edge intelligence, proprietary smart TV OS and smart interaction capabilities, striving to become a global leading intelligent technology enterprise.

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About TCL Electronics

Headquartered in China, **TCL Electronics Holdings Limited** (stock code: **01070.HK**, incorporated in the Cayman Islands with limited liability) is one of the leading players in the global TV industry, and is engaged in the research and development, manufacturing and distribution of consumer electronic products. The Company proactively promoted intelligentisation, globalisation, R&D innovation and “AI x IoT” strategic transformation, focused on developing smart TV, Internet services, smart home and commercial display systems. The Company will continuously increase its investment in R&D to develop advanced display technologies such as QD, Mini LED and 8K, so as to further enhance its product competitiveness. At the same time, in order to become a fast-growing intelligent technology enterprise with constant revenue generated from user operation, the Company endeavours to develop its business in the field of IoT by establishing a household TV-centred IoT ecosystem. According to the latest Sigmaintell report, the market share of the Company in terms of sales volume ranked No.2 in the global TV markets in 2019. 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 its website: <http://electronics.tcl.com>.

For Enquiries:

TCL Electronics

Mr.Terence Ng Tel: 852-2437 7481

Email: terenceng@tcl.com

TCL Communication

Mr.Jason Gerdon Tel: +1 949 245 9913

Email: jason.gerdon@tcl.com

Hong Kong Zhixin Financial News Agency Limited

Ms.Rachel Lei Tel: (86-755) 8254 5361

Ms.Lilian Lam Tel: (86-755) 8255 0643

Ms.Jules Zhu Tel: (86-755) 8277 0579

Ms.Fancy Wang Tel: (86-755) 2589 3557

Mr.Jason Wang Tel: (86-755) 2394 1306

Mr.Alex Xiao Tel: (86-755) 8323 6296

Email: info@zhixincaijing.com