



(Incorporated in the Cayman Islands with limited liability)

## TCL Electronics (01070.HK) Profitability Significantly Improves in 2023

*The Impact of the Mid-to-High-End Strategy Is Evident, with Strong Leadership in Core Business and Active Establishment of a Diversified Presence in Various Sectors*

### Results Highlights

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- Continued optimisation of TCL smart screen product mix and the execution of “the mid-to-high-end + large-screen” strategy drove significant improvement in profitability, leading a 12.5% year-on-year increase in gross profit to HK\$14.8 billion and a 0.3 percentage point year-on-year increase in overall gross profit margin to 18.7%.
  - As a result of increasing economies of scale, the Company’s profit attributable to owners of the parent increased by 66.4% year-on-year to HK\$743.6 million.
  - The shipment of TCL smart screen increased by 6.2% year-on-year to 25.3 million sets. The global market share of TCL smart screen in terms of shipment and sales revenue increased to 12.5% and 10.7%, ranking among the top two and top three in the world, respectively<sup>1</sup>.
  - The global shipment of TCL Mini LED smart screen increased by 180.1% year-on-year, while shipment of QLED smart screen increased by 116.1% year-on-year.
  - TCL's high-end products, including TCL Mini LED smart screens and TCL QLED smart screens, ranked the first in terms of both retail volume and sales revenue across all channels in the Chinese market, respectively<sup>2</sup>.
  - Innovative business recorded robust revenue growth of 78.5% year-on-year to HK\$18.6 billion, and the revenue of the photovoltaic business increased significantly by 1,820.3% year-on-year to HK\$ 6.3 billion, and achieved profitability.
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(28 March 2024, Hong Kong) -- **TCL Electronics Holdings Limited** (“**TCL Electronics**” or the “**Company**”, 01070.HK) today announced its annual results for the year ended 31 December 2023.

In 2023, in the face of a challenging external environment, the Company adapted a “Value Led by Brand with Global Efficiency in Operations, Driven by Technology and Paramount Vitality” development strategy and implemented the key initiatives through the continuous enhancement of its five core capabilities, namely product, marketing, operational, organisational and collaborative innovation capabilities. By emphasizing the mid-to-high-end market positioning strategy and international operations, the Company diversified its revenue streams and enhanced operational quality.

During the year, the Company’s revenue reached HK\$79.0 billion, up by 10.7% year-on-year. Benefiting from the optimisation of TCL smart screen product mix and the significant improvement

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<sup>1</sup> Source: Global TV brand shipment and sales revenue data of 2023 from Omdia.

in profitability driven by the “mid-to-high-end + large-screen” strategy, the Company’s gross profit grew by 12.5% year-on-year to HK\$14.8 billion. The overall gross profit margin improved by 0.3 percentage points year-on-year to 18.7%. Profit attributable to owners of the parent amounted to HK\$743.6 million, representing a year-on-year increase of 66.4%. Adjusted profit attributable to owners of the parent increased by 14.0% year-on-year to HK\$802.7 million.

In recognition of the unwavering support from the Company’s shareholders, the Board proposed a final dividend of HK16.0 cents in cash per share, representing a dividend payout ratio of 50.0% of the adjusted profit attributable to owners of the parent.

### **Display Business Maintained a Solid Market-Leading Position, Technology Led to Quality Growth in Shipment and Revenue**

As the trend toward high-end and large-screen products in the global TV industry continues, TCL Electronics seized market opportunities created by shifting demand to further promote the implementation of the “mid-to-high-end + large screen” strategy and the “TCL + Falcon” dual-brand strategy. To meet diverse consumer needs, the Company launched high-quality and cost-effective products, which were received favorably by the market. In 2023, the shipment of TCL smart screen increased by 6.2% year-on-year to 25.3 million sets, maintaining the second position globally in shipment scale. The shipment of TCL smart screen of 65 inches and above grew by 35.3% year-on-year, the global shipment of TCL Mini LED smart screen increased by 180.1% year-on-year. The successful market strategy resulted in the Company’s revenue from the smart screen business growing by 7.6% year-on-year to HK\$48.6 billion.

During the year, despite the overall PRC TV industry exhibiting signs of consumption fatigue, TCL Electronics significantly outperformed the industry average. Although the annual shipment of TCL smart screen in the PRC market fell by 4.3% year-on-year, shipment in the second half of the year increased by 24.8% compared to the first half of the year, with the fourth quarter experiencing a 33.0% quarter-on-quarter increase, indicating a gradual improvement in market conditions, which drove annual revenue of TCL smart screen in the PRC market up by 5.4% year-on-year to HK\$16.0 billion. At the same time, TCL Electronics continued to promote the high-end upgrading of TV products throughout the year. In 2023, shipment of 65 inches and above TCL smart screen in the PRC market increased by 18.2% year-on-year. TCL Mini LED smart screens and TCL QLED smart screens, ranked the first in terms of both retail volume and sales revenue across all channels in the Chinese market<sup>2</sup>.

The global economy remained complex and volatile, with wide disparities in consumer market conditions across different regions, with North American markets and emerging markets showed relatively ideal performance. TCL Electronics has successfully captured the growing demand for high-end and large-screen display products, driving a 10.0% year-on-year increase in the shipment of TCL smart screen in international markets. Shipment of 65 inches and above TCL smart screen

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<sup>2</sup> Source: The PRC TV industry shipment data from China Market Monitor Co., Ltd

in the international market increased by 60.3% year-on-year, which drove TCL smart screens' revenue in the international market up by 8.7% year-on-year to HK\$32.6 billion during the year. The Company achieved remarkable globalisation progress. According to the latest reports by GfK and Circana, the market share of the Company's TCL smart screen in terms of shipment ranked among the top five in nearly 30 overseas countries.

### **Flourishing Development of the Internet and Innovative Businesses, with Steady and Substantial Contribution to Profitability**

As a strong opportunity for the Company to drive profit growth, the internet and innovative businesses demonstrated impressive performance in 2023, exhibiting a significant improvement in profitability.

#### *Internet Business*

In 2023, the overall internet business revenue achieved a 20.2% year-on-year increase to HK\$2.8 billion. The gross profit margin increased by 4.6 percentage points year-on-year to 55.1%, representing a significant improvement in profitability.

In terms of the PRC market, as an innovator in the OTT<sup>3</sup> field, TCL Electronics launched its self-developed smart screen system "TCL LINGKONG UI" during the year that integrated design aesthetics, innovative technology and user experience, effectively addressing issues such as the difficulty of operating traditional TV interfaces, further meeting the personalised needs of different family members in different scenarios and enhancing the user experience. Meanwhile, the Company also launched "Super Story Painter" (超級智繪) AI story collection, the first customised content column based on a cutting-edge AI large-language model in the internet TV industry, efficiently empowering smart terminal content and interaction through innovative technologies. With enrichment in platform content, the Company will continuously expand its vertical and innovative businesses such as music, games, education, children and application stores in the future.

In terms of the international markets, TCL Electronics actively maintains close cooperation with internet giants like Google, Roku and Netflix to continuously enhance users' experience. At the same time, the Company reached out to the vast number of TCL smart screen users through partnerships with OTT platforms. As of the end of December 2023, TCL Channel, the Company's integrated content application, has been available in 60 countries and regions in North America, Europe, Central and South America, and Asia-Pacific, with a total user base of more than 23 million. In 2023, the Group's internet business revenue from the international market reached HK\$702.1 million, representing a substantial increase of 40.1% year-on-year.

#### *Innovative Business*

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<sup>3</sup> OTT refers to Over The Top, which is an acronym for a variety of media services provided directly to viewers via the Internet.

While solidly developing its core business, TCL Electronics has taken advantage of opportunities and continuously explored innovative businesses leveraging its existing advantages. In 2023, the Company's revenue from innovative businesses grew significantly by 78.5% year-on-year to HK\$18.6 billion, becoming a new engine that is driving stable performance growth.

Since the Company has officially operated the photovoltaic business since the second quarter of 2022, with the goal of becoming a “User-Oriented, World-Leading Distributed Intelligent Energy Solutions Service Provider”, the Company has fully leveraged the industrial synergy advantages. Relying on the comprehensive upstream photovoltaic industry chain, rich financial partner resources, abundant industrial and commercial project reserves and the channel coverage and penetration advantages accumulated over the years in the PRC, the scale of distributed photovoltaic business has expanded continuously. In 2023, the Company's revenue from the photovoltaic business achieved a year-on-year growth of over 18 times, reaching HK\$6.3 billion. The photovoltaic business had extended coverage to 20 major provinces and cities in the PRC, with more than 70 new industrial and commercial contracted projects and more than 500 new channel distributors during the year, and a total of more than 40,000 contracted rural residents. In overseas markets, the Company has achieved product launches and will strive to enter the leading optical storage professional distributor and installer channels in key overseas countries and to create a complete product matrix.

Furthermore, leveraging the global brand influence and cross-regional market channel layout accumulated from the display business over the years, the Company's global distribution business of smart appliances—including air conditioners, refrigerators and washing machines—continued to grow. During the year, revenue from the all-category marketing business increased by 26.3% year-on-year to HK\$10.4 billion. At the same time, the Company successfully launched consumer-grade AR glasses RayNeo X2 and RayNeo X2 Lite in China, as well as the new XR glasses RayNeo Air 2. As of 31 December, 2023, RayNeo stay on the top position in the domestic consumer-grade AR glasses in terms of online market share<sup>4</sup>.

### **Outlook: Strengthening the Core Display Business and Accelerating the Cultivation and Expansion of New Businesses**

Going forward, TCL Electronics will deepen the strategy of “Value Led by Brand with Global Efficiency in Operation, Driven by Technology and Paramount Vitality”, continue to consolidate the display business and the internet business which leverages and develops based on the display business, firmly implement the mid-to-high-end strategy and the dual-brand strategy of "TCL + Falcon," prioritise users' experience continuously, while advancing supply chain cost reduction and efficiency improvement to steadily increase revenue and profitability.

On the other hand, the Company will seize opportunities in Emerging Markets, efficiently leverage the existing vertical industry chain, sales channels, financial resources, and technological advantages to explore the second growth curve, which will drive the continuous expansion of

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<sup>4</sup> Source: AR online sales volume data for the PRC market of 2023 from RUNTO.

diversified businesses such as distributed photovoltaic, all-category marketing and smart glasses, and accelerate the cultivation and development of new products and new tracks.

TCL Electronics will continuously enhance the product, marketing, operational, organisational and collaborative innovation capabilities, continuously upgrade the brand power and product competitiveness, deepening the layout of “Globalisation” and “Technological”, and be committed to advancing 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 “Value Led by Brand with Global Efficiency in Operations, Driven by Technology and Paramount 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 many consecutive years since 2018.

<b>Business Structure</b>	
<b>Display Business</b>	<b>Innovative Business</b>
Large Sized	Smart Connection
Small and Medium Sized	Smart Home
	All-Category Marketing
Smart Commercial Display	Photovoltaic Business
<b>Internet Business</b>	

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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