

Stock Code: 000100

Stock Name: TCL Tech.

Announcement No. 2020-026

TCL 科技集团股份有限公司 TCL Technology Group Corporation



创意感动生活
The Creative Life

ANNUAL REPORT 2019 (SUMMARY)

31 March 2020

Achieve Global Leadership by Innovation and Efficiency

Chairman's Statement

Dear shareholders, customers and partners,

In 2019, as supply surged and growth of demand slowed down, the global semi-conductor display industry entered a cold winter with great earning pressure. To survive and also prepare for the growth of next cycle, became the top priority for every company. Under the severe and complicated business environment, the Company pursues its global leadership steadily, completed the significant assets spin-off, and continuously improved the efficiency by organization reformation, so as to promote steady growth in all the businesses.

Business Review for 2019

In 2019, on the reference basis (the consolidation scope after the Restructuring), the Company recorded revenue of RMB57.27 billion, up by 18.7% year-on-year; and a net profit of RMB3.56 billion, up by 0.53% yearly, of which the net profit attributable to the listed company's shareholders was RMB2.62 billion, down by 17.0% yearly.

The Company completes the significant assets spin-off, optimizes the capital structure and improves the operating efficiency. The net profit per capita increases to RMB74,000 from RMB38,600. And the debt/asset ratio decreases to 61.3% from 68.4%, while the net cash flow generated from operating activities amounted to RMB11.49 billion, both improve the sustainable potential greatly. The Company keeps on its strategy as global industry leader, concentrates on the long-term strategic industries which are high-tech and capital intensive. Enhance the ecological development of the industry, improves the ability of industrial finance and facilitates the industrial development after the restructuring. The clear development strategy of the Company will fully release the growth potential and the positive effect of the restructuring.

The panel price continuously drops to the historic low ebb with industry losses arising and the market further concentrated to the leading enterprises last year. TCL CSOT keeps the best efficiency and profitability of the industry by the business process improvement, ultimate cost reduction and the better product and customer mix. For the year under review, TCL CSOT recorded revenue of RMB33.99 billion, up by 22.9% year-on-year, and a net profit of RMB964 million, down by 58.5% year-on-year. The t6 (G11) plant in Shenzhen reached designed production at the end of the 2019 and the t4 (flexible AMOLED) plant

achieved mass production at the same time. The two plants will support the profit growth of this year firmly.

TCL CSOT continuously invests in R&D and actively develops the next generation of display technologies, from materials to manufacturing (including ink-jet printing flexible OLED). The PCT patent applications of the Company increases 2,752 in the current period and the accumulated patent applications reaches to 11,261.

The industrial finance business develops steadily and optimizes the capital operating system, improves the asset efficiency and risk control capability. The supply chain finance enables the industry development and meet the capital needs. TCL venture capital focuses on the opportunities of cutting-edge technology; Admiralty Harbour Capital starts its offshore operates smoothly. For the Reporting Period, the industrial finance, investment and venture capital recorded a net profit of RMB999 million totally; Earning from the significant assets spin-off was RMB1.15 billion. The other businesses of the Company were stable and recorded revenue of RMB22.9 billion and a net profit of RMB320 million. Earnings from finance and other businesses stabilize the performance of the Company during the winter of the panel cycle.

2020 business planning

Since the end of last year, the price of the big-size panel has risen as business environment improved. **I think that the global demand-supply relationship of the industry has not changed fundamentally, but the long-term prospect of the industry is bright with very large market potential.** The human-computer interaction technology creates the new application scenarios and expand the new market in demand of commercial display; Global industry reshuffling are accelerated and the industry concentrate to the leading companies. The environment of the global display industry will be better comparing last year and the enterprise with edge will have more opportunities.

TCL CSOT focuses on "improving efficiency and profitability", compares with all the benchmarks thoroughly, finds the root reason, responses quickly, builds up the core competencies, continues to reduce the cost, improves operation quality as well as actively expands new markets and customers to achieve business success. The Company will maintain the max production of the t6 plant, further expand the capacity of t3 plant, reach mass production of the Phase I of the t4 plant, complete Phase II and Phase III construction of t4, and start the t7 (G11) operation at the end of the year. Continuously max the existing

capacity and complete full sales. Keep on capacity expansion and support the revenue growth this year. The Company shall dedicated to the video interaction and commercial display technology, improve LTPS and flexible AM-OLED technology, further optimize product and customer structure, continuously strengthen the market position and enhance earnings. We are confident that TCL CSOT's revenue growth and profitability will exceed last year.

The industrial finance & investment business will support the semiconductor display from many aspects, further improve the financial status and asset turnover rate, as well as lower financial costs. TCL Capital will focus on investment from upstream to downstream of industrial chain and strategic technology, and support ecological perfection of the semi-conductor display. The industrial finance & investment business will continuously contribute to steady growth in earnings and improve the capability to counter the cycle.

The Company will continue to spin off the other business and keep an eye on the M&A opportunity in the semiconductor. Focus on the semi-conductor display business and shareholder return.

The Company has an active expectation this year. Although the COVID-19 epidemic causes greater uncertainty to the global economy, we have confidence to overcome difficulties and challenges to further expand the market share and achieve a strong revenue growth.

Medium-and-long term strategic outlook

China is the world's largest exporter. And the manufacture is the root of China's economic competitiveness, but the high-end manufacturing ability is insufficient with low value added. China need to upgrade its manufacturer, enhance their high-end manufacturing and technology ability. **The long-term strategy of the company is centralizing the resource and building up global leadership in strategic industries of technology-intensive and capital-intensive. On the other hand, the Company enhances the industrial financial capacity, develops the industrial finance business creatively, facilitates industrial development, establishes the efficient industrial financial business system and increases the investment income also.**

The semi-conductor display technology and material is one of the most important core and basic industries with great market prospects of which China has a global advantage.

I think there is an opportunity for China's display industry to become the global leader in big-size products, but in medium and small size will face the challenges from Korean

companies. China and Korea will become the final leading forces of global display industry. As the competition of the display industry will be heated, the business volatility will be lower finally. The leading player's advantages will be significant and the return will increase gradually. The Company will increase the scale and efficiency of the industry by interior and exterior development, increase R&D investment, establish the technical barrier, break through the next generation of display technology, deploy the global industrial chain layout actively and serve global customers, establish the ecological system of the industry, improve efficiency and become a global leader in the display industry.

With the advantages from technology, management and capital, the Company is looking for opportunity to create a new field in the capital-intensive and technology-intensive strategic industries to support long-term sustainable growth of the enterprise. The potential target will be the leading enterprise of the industry, which has consistent business logic and has synergy to increase earnings.

The Company always values shareholder returns and stabilizes the cash dividends. The Board of Directors proposes the dividend of RMB0.1 per share for the year under review. The Company has distributed cash dividends for 9 consecutive years since 2012 and cumulative dividends will exceed RMB8.1 billion. The Group will continuously execute the existing dividend policy and actively pay back the shareholders. In 2019, the Company cumulatively repurchased 565 million shares with total RMB1.934 billion of repurchase to enhance shareholder return.

I have personally increased my shares in the Company by a total of 175 million shares since Dec. 2018 and I have confidence in the long-term value of the Company.

Finally, on behalf of the Board of Directors, I'd like to take this opportunity to express my gratitude for the trusts of all our shareholders, for the support from all our partners and users, as well as for the hard work of management team and staff!



Li Dongsheng

31 March 2020

Part I Important Notes

This Summary is based on the full text of the 2019 Annual Report of TCL Technology Group Corporation (together with its consolidated subsidiaries, the “Group” or “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial position and future development plans, investors should carefully read the aforesaid full text on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Independent auditor’s modified opinion:

Applicable Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders:

Applicable Not applicable

Bonus issue from capital reserves:

Yes No

The Board has approved a final dividend plan for the ordinary shareholders as follows: based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of 13,528,438,719 shares minus the 528,066,412 shares in the Company’s special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,300,037,230.70. The retained earnings of RMB6,819,795,641.3 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year under review.

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

Part II Key Corporate Information

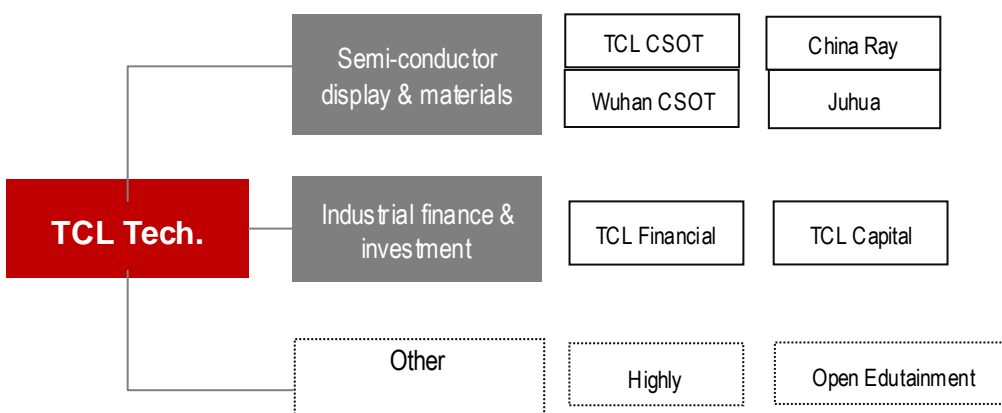
1. Stock Profile

| | | | |
|----------------------------------|-------------------------|------------|--------|
| Stock name | TCL Tech. | Stock code | 000100 |
| Previous stock name | TCL Corp. | | |
| Stock exchange for stock listing | Shenzhen Stock Exchange | | |
| Contact information | Board Secretary | | |

| | |
|---------------|---|
| Name | Liao Qian |
| Address | 19/F, Tower B, TCL Building, Gaoxin South First Road, Shenzhen High-Tech Industrial Park, Shenzhen, Guangdong Province, China |
| Fax | 0755-3331 3819 |
| Tel. | 0755-3331 1666 |
| Email address | ir@tcl.com |

2. Principal Activities or Products in the Reporting Period

During the Reporting Period, the Company primarily consists of the following three business segments: the semi-conductor display and materials business, the industrial finance & investment business and the other businesses.



Upholding the whole new development strategy of becoming a global leading intelligent technology company, the Company will continue to strengthen manufacturing competitiveness, focus on developing high-tech strategic businesses, and establish global cutting edges in related businesses. The industrial finance business will facilitate the development of the Company's manufacturing business and increase returns on investments. Capitalizing on the industrial superiority, the Company will invest in enterprises from the ecological industry chain for better comprehensive advantage. In the future, under the principle of concentrating on the core business and maximizing shareholder value, the Company will continue to promote M&As in the other businesses, so as to achieve higher returns on assets.

3. Key Financial Information

(1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

□ Yes ✓ No

Unit: RMB

| Item | 2019 | 2018 | 2019-over-2018 change (%) | 2017 |
|--|------------------|------------------|--|------------------|
| Operating revenue (RMB) ^{Note} | 74,933,085,688 | 113,360,075,545 | -33.90 | 111,577,362,348 |
| EBITDA | 14,224,327,742 | 14,096,523,261 | 0.91 | 13,395,054,317 |
| Net profit (RMB) | 3,657,735,320 | 4,065,194,164 | -10.02 | 3,544,702,884 |
| Net profit attributable to the listed company's shareholders (RMB) | 2,617,766,571 | 3,468,207,407 | -24.52 | 2,664,396,006 |
| Net profit attributable to the listed company's shareholders before non-recurring gains and losses (RMB) | 235,119,321 | 1,587,391,372 | -85.19 | 1,190,649,328 |
| Basic earnings per share (RMB/share) | 0.1986 | 0.2566 | -22.60 | 0.2178 |
| Diluted earnings per share (RMB/share) | 0.1935 | 0.2562 | -24.47 | 0.2178 |
| Weighted average return on equity (%) | 9.09 | 11.98 | -2.89 | 10.86 |
| Net cash generated from/used in operating activities (RMB) | 11,490,096,405 | 10,486,580,443 | 9.57 | 9,209,615,123 |
| Net cash per share generated from/used in operating activities (RMB/share) | 0.8493 | 0.7739 | 9.74 | 0.6814 |
| | 31 December 2019 | 31 December 2018 | Change of 31 December 2019 over 31 December 2018 (%) | 31 December 2017 |
| Total assets (RMB) | 164,844,884,926 | 192,763,941,739 | -14.48 | 160,293,985,835 |
| Total owners' equity (RMB) | 63,883,145,340 | 60,871,672,647 | 4.95 | 54,142,938,886 |
| Owners' equity attributable to the listed company's shareholders (RMB) | 30,111,946,237 | 30,494,364,951 | -1.25 | 29,747,067,178 |
| Share capital (share) | 13,528,438,719 | 13,549,648,507 | -0.16 | 13,514,972,063 |
| Equity per share attributable to the listed company's shareholders (RMB/share) | 2.2258 | 2.2506 | -1.1 | 2.2010 |

Note: In April 2019, the Company completed the handover of major assets in a restructuring. Therefore, the operating revenue data of 2019 and 2018 are not comparable as the former only includes the January-March 2019 operating revenue generated by the said assets, while the latter comprises the January-December 2018 such revenue. Adopting the same reference basis, operating revenue would be up by 18.72% in 2019 compared to 2018.

The key financial information of 2019 and 2018 exclusive of the effects of the businesses of the restructuring (reference data presented based on the consolidation scope after the restructuring) is as follows:

| Item | 2019 | 2018 | 2019-over-2018 change (%) |
|--|----------------|----------------|------------------------------|
| Operating revenue (RMB) | 57,270,940,685 | 48,240,376,808 | 18.72 |
| Net profit (RMB) | 3,564,025,084 | 3,545,237,938 | 0.53 |
| Net profit attributable to the listed company's shareholders (RMB) | 2,617,778,635 | 3,153,044,155 | -16.98 |
| Basic earnings per share (RMB/share) | 0.1986 | 0.2333 | -14.87 |

| | | | |
|--|--------|--------|--------|
| Diluted earnings per share (RMB/share) | 0.1935 | 0.2329 | -16.92 |
| Weighted average return on equity (%) | 9.09 | 9.74 | -0.65 |

Note: The data of 2019 and 2018 in the table above exclude the results of the businesses of the restructuring.

(2) Key Financial Information by Quarter

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|--|----------------|----------------|----------------|----------------|
| Operating revenue | 29,600,956,875 | 14,180,656,860 | 15,036,052,357 | 16,115,419,596 |
| Net profit | 1,006,077,530 | 1,730,985,146 | 750,351,631 | 170,321,013 |
| Net profit attributable to the listed company's shareholders | 779,088,389 | 1,313,260,303 | 484,981,289 | 40,436,590 |
| Net profit attributable to the listed company's shareholders before non-recurring gains and losses | 560,950,806 | -310,483,676 | 252,929,177 | -268,276,986 |
| Net cash generated from/used in operating activities | 2,243,903,241 | 3,906,918,581 | 1,458,452,367 | 3,880,822,216 |

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

4. Share Capital and Shareholder Information at the Period-End

(1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

| Number of ordinary shareholders at the period-end | 433,940 | Number of ordinary shareholders at the month-end prior to the disclosure of this Report | 546,906 | Number of preferred shareholders with resumed voting rights at the period-end (if any) (see note 8) | | Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8) | | |
|---|--|---|-------------------------------------|---|------------------------|---|------------------------------------|---|
| | | | | | | | | 5% or greater shareholders or top 10 shareholders |
| Name of shareholder | Nature of shareholder | Share holding percentage | Total shares held at the period-end | Increase/decrease in the Reporting Period | Restricted shares held | Unrestricted shares held | Shares in pledge or frozen | |
| | | | | | | | Status | Shares |
| Li Dongsheng and his acting-in-concert party | Domestic natural person/general legal person | 9.03 | 1,221,748,009 | 174,574,800 | 609,636,366 | 612,111,643 | Put in pledge by Li Dongsheng | 541,620,000 |
| | | | | | | | Put in pledge by Jiutian Liancheng | 408,899,521 |
| Huizhou Investment Holding Co., Ltd. | State-owned legal person | 6.48 | 878,419,747 | | | 878,419,747 | | |

| | | | | | | | | |
|---|--|------|-------------|-------------|--|-------------|--|--|
| Tibet Tianfeng Enterprise Management Co., Ltd. | Domestic general legal person | 3.89 | 526,095,642 | 526,095,642 | | 526,095,642 | | |
| China Securities Finance Corporation Limited | Domestic general legal person | 2.76 | 373,231,553 | | | 373,231,553 | | |
| Hong Kong Securities Clearing Company Ltd. | Foreign legal person | 2.61 | 353,489,854 | | | 353,489,854 | | |
| Central Huijin Asset Management Co., Ltd. | State-owned legal person | 1.53 | 206,456,500 | | | 206,456,500 | | |
| Xiaomi Communications Co., Ltd. | Domestic general legal person | 1.00 | 134,949,437 | | | 134,949,437 | | |
| Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) | Domestic general legal person | 0.86 | 115,726,278 | | | 115,726,278 | | |
| TCL Corporation – The First Employee Stock Ownership Plan | Domestic general legal person | 0.73 | 99,148,115 | | | 99,148,115 | | |
| Star Century Enterprises Limited | Foreign legal person | 0.67 | 90,532,347 | | | 90,532,347 | | |
| Strategic investor or general legal person becoming a top-10 ordinary shareholder in a rights issue (if any) (see note 3) | Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership) has also become a top-10 shareholder in a share offering of the Company, with its shareholdings locked up from 25 December 2017 to 25 December 2018. For further information, see the Implementation Report on TCL Corporation's Asset Purchase via Share Offering and the Related-Party Transaction & the New Share Listing Announcement. Changjiang Hanyi was de-registered as a legal person in November 2019 and the indirect equity-holding of the original partner has become direct equity-holding. Therefore, Tibet Tianfeng Enterprise Management Co., Ltd. has become a top-10 shareholder of the Company. | | | | | | | |
| Related or acting-in-concert parties among the shareholders above | Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) are the biggest shareholder of the Company with a total of 1,221,748,000 shares. | | | | | | | |

(2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

No preferred shareholders during the Reporting Period.

(3) Ownership and Control Relations between the Actual Controller and the Company

Applicable Not applicable

5. Corporate Bonds

(1) Bond Profile

| Bond name | Abbr. | Bond code | Maturity | Balance (RMB'0,000) | Coupon rate |
|-----------|-------|-----------|----------|---------------------|-------------|
|-----------|-------|-----------|----------|---------------------|-------------|

| | | | | | |
|---|---------|--------|-----------------|---------|-------|
| TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche1) (Type 2) | 16TCL02 | 112353 | 16 March 2021 | 150,000 | 3.56% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 2) | 16TCL03 | 112409 | 7 July 2021 | 200,000 | 3.50% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1) | 17TCL01 | 112518 | 19 April 2022 | 100,000 | 4.80% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2) | 17TCL02 | 112542 | 7 July 2022 | 300,000 | 4.93% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1) | 18TCL01 | 112717 | 6 June 2023 | 100,000 | 5.48% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2) | 18TCL02 | 112747 | 20 August 2023 | 200,000 | 5.30% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1) | 19TCL01 | 112905 | 20 May 2024 | 100,000 | 4.33% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) | 19TCL02 | 112938 | 23 July 2024 | 100,000 | 4.30% |
| TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3) | 19TCL03 | 112983 | 21 October 2024 | 200,000 | 4.20% |

| | |
|--|---|
| Interest payment and principal repayment during Reporting Period | <ol style="list-style-type: none"> 1. The principal of “16TCL01” was repaid with interest on 18 March 2019. 2. The interest for the period from 16 March 2018 to 15 March 2019 on “16TCL02” was paid on 18 March 2019. 3. The interest for the period from 19 April 2018 to 18 April 2019 on “17TCL01” was paid on 19 April 2019. 4. The interest for the period from 6 June 2018 to 5 June 2019 on “18TCL01” was paid on 6 June 2019. 5. The interest for the period from 7 July 2018 to 5 July 2019 on “16TCL03” was paid on 8 July 2019. 6. The interest for the period from 7 July 2018 to 5 July 2019 on “17TCL02” was paid on 8 July 2019. 7. The interest for the period from 20 August 2018 to 19 August 2019 on “18TCL02” was paid on 20 August 2019. |
|--|---|

(2) Latest Rating and Rating Change

According to the Follow-up Rating Report (2019) on TCL Corporation’s Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranches 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 May 2019, the AAA credit status of TCL Corporation and the said bonds was affirmed with a “Stable” outlook.

According to the Follow-up Rating Report (2019) on TCL Corporation’s Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranches 1 and 2) and on TCL Corporation’s Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranches 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 May 2019, the AAA credit status of TCL Corporation and the said bonds was affirmed with a “Stable” outlook.

According to the Credit Rating Report on TCL Corporation’s Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1) issued by China Chengxin Securities Rating Co., Ltd. on 9 May 2019, TCL Corporation was rated AAA with a “Stable” outlook, and the said bonds were also rated AAA.

According to the Credit Rating Report on TCL Corporation’s Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 September 2019, TCL Corporation was rated AAA with a “Stable” outlook, and the said bonds were also rated AAA.

According to the Credit Rating Report on TCL Corporation’s Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3) issued by China Chengxin Securities Rating Co., Ltd. on 9 October 2019, TCL Corporation was rated AAA with a “Stable” outlook, and the said bonds were also rated AAA.

(3) Selected Financial Information of the Company for the Past Two Years

| Item | 2019 | 2018 | Change |
|----------------------------------|-----------|-----------|---------|
| EBITDA(RMB'0,000) | 1,422,433 | 1,409,652 | 0.91% |
| Current ratio | 1.12 | 1.02 | 9.97% |
| Debt/asset ratio (%) | 61.25 | 68.42 | -7.17 |
| Quick ratio | 0.85 | 0.67 | 17.97% |
| Debt/EBITDA ratio | 14.09% | 10.69% | 3.40% |
| Interest cover (times) | 2.16 | 2.40 | -10.00% |
| Cash-to-interest cover (times) | 5.32 | 5.46 | -2.56% |
| EBITDA-to-interest cover (times) | 5.17 | 5.53 | -6.51% |
| Loan repayment ratio (%) | 100.00 | 100.00 | 0.00 |
| Interest coverage ratio (%) | 100.00 | 100.00 | 0.00 |

Part III Management Discussion and Analysis**1. Business Overview of the Reporting Period****I Overview**

In the Reporting Period, as supply surged and growth in demand slowed down, the global semi-conductor display industry entered a cold winter with tremendous pressure on earnings. In face of the tough internal and external challenges, the Company completed the Major Asset Restructuring, deepened reform and transformation, spun off the intelligent terminal and supporting business and shifted from diverse operations to specialized operations. **Focusing on the core business of semi-conductor display and materials and other strategic industries which are high-tech, capital intensive and of a long cycle, the Company aims to become a global leading intelligent technology group.**

In 2019, on the reference basis (the consolidation scope after the Restructuring), the Company recorded revenue of RMB57.27 billion, up by 18.7% year-on-year; and a profit of RMB3.56 billion, up by 0.53% year-on-year, of which the net profit attributable to the listed company's shareholders was RMB2.62 billion, down by 17.0% year-on-year. Under the complicated operating environment, the Company adhered to the strategy of being globally leading, deepened reform, and improved quality and efficiency, so as to steady growth in all the businesses. Prices of the major products have stabilized and begin to rebound at the end of the Reporting Period. As the supply and demand situation improves in the industry, the Company expects a strong earning.

The Company takes management ability and efficiency as the operation foundation, deepens organization reform, restructures business process, and improves operation quality, with the capital structure and operation efficiency improved constantly. By optimizing process and management, the expense ratio has decreased to 12.5% from 16.8%. Per capita net profit of the Company is improved from RMB38,600 to RMB74,000, the debt/assets ratio has dropped from 68.4% to 61.3%, and the net cash flow generated from operating activities is RMB11.49 billion. At the bottom of industry cycle, the risk resistance and sustainable development ability of the Company is further enhanced.

The Company takes technological innovation as the main driving force, constantly optimizes products and technologies, and actively deploys next generation display technology and new materials. In LCD field, the Company focuses on developing 4K/8K and Touch products. The Company launched the first Mini-LED BLU on Glass in the world, which will establish its competition advantage in high end market of household large screen and commercial display field. In the field of AMOLED, the Company developed the laminated technology which allows a switch between dual fold forms of outer and inner fold, such new technologies as multi-fold, curling, etc., have made prospective progress, and foldable screens of t4 production line have been put into mass production for delivery. In the field of next generation of display and materials, subordinated Guangdong Juhua of the Company, as the only national-level printing display R&D center of the industry, has coordinated the global industry chain resources, accelerated to promote the application of printing display technology; OLED material which is developed independently by the Company has started its mass production, with the efficiency and life of QLED material taking a leading position in the industry.

During the Reporting Period, there were 6,155 R&D technical staffs in the Company, with the R&D as RMB5.46 billion; the Company submitted 2,752 PCT international application, with cumulative applications of 11,261 and with the public patent of quantum dot ranking 2nd in the world; the Company held the first open conference of technological cooperation, employed 29 authoritative personnel of the industry as technological consultants, and published 13 frontier technology cooperation projects world-widely, and accelerated the breakthrough of core and basic technology and the conversion of major technological achievements through innovation of “self-research + cooperation”.

The Company keeps on improving its industrial ability, enhances scale advantages based on technology upgrading, and constantly enriches product portfolio. During the reporting period, t6 G11 production line reached the designed output in advance; t7 G11

production line was constructed smoothly; t3 G6 LTPS production line expanded its designed output and increased to 50K/month, and became the largest LTPS single plant in the world; t4 G6 flexible OLED had Phase I mass production and the foldable screen was delivered; Phase I of Huizhou module integration project reached the designed output; by 2023, five-year CAGR of shipping area of TCL CSOT will reach 10% and the market share will further increase. With two G8.5 production lines, two G11 production line and two G6 production lines, TCL CSOT has formed the plant layout for large, medium and small productions, which meet the needs of major products in the market. In 2019, market share of TV panel was improved to the 3rd in the world, and market share of LTPS mobile phone panel was improved to the 2nd in the world.

As a pioneer of international layout, the Company cooperates with upstream and downstream enterprises to construct global industry ecology integrating localized production, sales and service, completes the layout of global manufacturing and supply chain of TCL CSOT, and accelerates the globalization process of domestic semi-conductor display industry. On September 26th, 2019, the construction of the panel and module integrated intelligent manufacturing park in India under the cooperation of TCL CSOT and TCL Electronics officially kicked off. According to the plan, the Phase I project will produce 8 million pieces of 26-55 inch large-sized and 30 million pieces of 3.5-8 inch small- and medium-sized modules annually, and mass production is expected to be delivered in the first half of 2020, to meet the growing local market needs.

The industrial finance & investment business of TCL maintain a good momentum of development, and continue to contribute strategic synergy and earnings to the Group. Finance business of the Company optimizes capital operating system, guarantees the liquidity of the Company, and improves asset efficiency and risk control ability. The supply chain finance gives empowerment for industry development, and the financial investment business conducts investment to obtain stable profits by relying on its professional advantages. TCL venture capital business focuses on investment opportunities in frontier technological field; Admiralty Harbour Capital operates successfully, and bond issuing and underwriting, financial consulting, and asset management business develops quickly. During the Reporting Period, the industrial finance, investment and venture capital businesses recorded a profit of RMB999 million.

The other businesses develop stably, with revenue of RMB22.9 billion and a profit of RMB320 million for the year under review. The profit of TCL industrial finance and other

businesses improve the performance of the Company when the main business is low season.

Earnings from the Asset Restructuring are RMB1.15 billion in the year under review. The principle of the Company is to focus on the owner and maximize shareholders' value. It will keep on promoting M&As and improving return on assets. The growth potential of the Company will be thoroughly released through the Restructuring, which will lay a foundation for the long term development of the Company; the positive effect of the Restructuring will be further reflected in the future.

39-year development of the Company is an epitome of numerous Chinese enterprises. The Company establishes its market position, brand, channel and influence of global supply chain of intelligent terminal products in major countries and regions of the world with its efficiency, speed and cost advantages, starts to fight upward and focuses on strategic point in global technological map, and strives to the peak of the industry ecology.

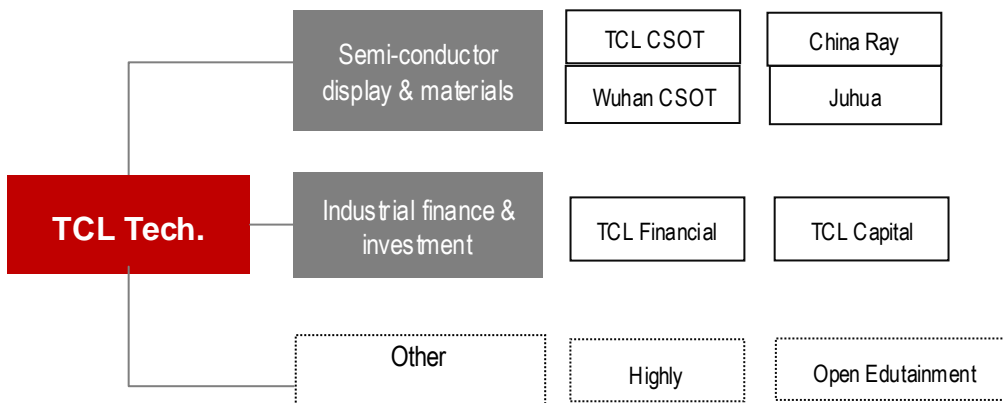
After 10 years of catching up, the Company has established scale and efficiency advantages in semi-conductor, new display technology and material has created opportunities for Chinese enterprises to catch up and surpass. Although the COVID-19 epidemic at the beginning of 2020 affected the operating performance of Q1 of the Company and brought uncertainty for global economic growth, the Company will adhere to the strategic goal of global leadership, make its utmost efforts, overcome difficulties and challenges, and further expand its market share to achieve the objective of a strong growth in full-year revenue. TCL CSOT will expand from application innovation to key technology breakthrough on the basis of leading efficiency, then to leading original technology and ecological layout of core industry chain, break through active Mini-LED backlight and direct-viewing product technology, and lead the development of printing OLED/QLED. The Group will improve scale and efficiency through internal and external extension development; enhance R&D, and establish technological barrier; accelerate to complete layout of global industry chain, and adapt to international competition; become the leading enterprise of global display industry; expand display industry advantage to other relevant industry chain, and improve competitiveness and operation efficiency.

The Company will take *The Strategy towards Global Leadership* as enterprise development outline, be led by strategy, be guaranteed by organization and culture, **reform and break through, improve quality and efficiency, and stride toward a technological industry group with global leadership**. The Company changed its name from "TCL Corporation" to

“TCL Technology Group Corporation” on February 7th, 2020, and entered its brand new development stage.

II. Core Business Analysis

TCL Tech.’s core businesses mainly include the semi-conductor display and material business, the industrial finance and investment business and other businesses .



Adhere to the strategy of becoming a global leading intelligent technology company, TCL Tech. will gradually quit from other businesses in accordance with the principle of maximizing shareholders’ value. It will take endogenous development power as the foundation, powerfully promote leading progress of semiconductor products and material business in product, technology and ecology in the world. It helps industrial development through industrial finance, and increases investment profits; invests in ecological enterprises by relying on industry advantages, and strengthens comprehensive competitiveness. It utilizes technology, management, and capital advantages to deploy Chinese enterprise assets which can establish sustainable leading advantages in capital and technology intensive strategic industries. The selected area will be similar to management and operation logic of the existing businesses and will be top enterprises in the respective industries with synergy, enhance income and realize sustainable development of high quality.

(I) Semi-conductor Display and Material Business

During the Reporting Period, TCL CSOT achieved shipping area of 22.184 million square meters, up by 23.8% compared with the same period last year, achieved revenue of RMB33.99 billion, up by 22.9% compared with the same period last year, achieved net

profit of RMB964 million, down by 58.5% compared with the same period of last year, and EBITDA was RMB8.68 billion. The comprehensive performance kept on taking a leading position in the industry.

The t1 and t2 plants in Shenzhen is operating at full capacity for strong sales, the t6 plant reached designed output in Q4 in advance, and the yield rate ramp-up was better than expected. During the reporting period, the total shipment of large-sized panels reached 20.82 million square meters, up by 19.1% compared with the same period last year, and the total shipment was 41.195 million pieces, up by 5% compared with the same period last year; market share of TV panel was improved to the 3rd in the world, the shipment of 55-inch products ranked the 1st in the world while that of 32-inch products ranked the 2nd in the world, and market occupancy of 86-inch commercial display panel ranked the 2nd in the world. However, because the price of main products is lower than the same period last year, the large size panel business achieved revenue of RMB18.93 billion, down by 12.5% year-on-year.

T3 plant in Wuhan was operating at full capacity for strong sales, and market share of LTPS-LCD products ranked at the 2nd in the world stably. Flexible AMOLED of t4 plant reached Phase I mass production in Q4, curved and foldable products had mass production successively. During the Reporting Period, the shipping area of small and medium size products was 1.365 million square meters, up by 2.12 times compared with the same period of last year, and the shipment was 113.978 million pieces, up by 1.25 times compared with the same period last year; the revenue reached RMB15.07 billion, up by 1.5 times compared with the same period last year.

In 2019, semi-conductor display industry ran downward, and the industry loss heavily, restructure accelerated, Chinese panel companies improved their global competitiveness and market share with their capital and efficiency advantages. By the end of last year, price of large size panel rebounded, and industry operating profits improved. The demand of global display industry has not fundamentally changed; however, long term development prospect of the industry gets optimistic, and the market potential is still great; the demand of video interaction technology and commercial display products increases quickly, which brings market increment; the global industry restructure and integration accelerates, and as a result industry concentration is further improved. In 2020, TCL CSOT will keep on promoting ultimate cost reduction and profit increase, improve efficiency, further optimize product and customer structure, develop video interaction and commercial product business, keep on operating at fully capacity for strong sales, and increase sales revenue

and operation interest; we are confident that revenue growth and profitability in 2020 will exceed 2019.

Through high efficient production line investment strategy, synergistic advantage of industry chain and excellent management, TCL CSOT always maintains leading operation efficiency and profits at low season of industry cycle. Since being put into production, TCL CSOT take advantage of aggregation effect of Gemini Plant layout, and improved production output and expanded efficiency through high efficient production line layout; exerted integration advantages of industry chain and taken ultimate efficiency cost measures to realize the lowest sales expense ratio and financial expense ratio, overcome the headwind of the industry, and keep momentum for the next round of industry growth.

As the capacity is stepping into high growth phrase, product mix will be refined continuously. T1 and t2 G8.5 production line of TCL CSOT operates at full capacity for strong sales; G6 LTPS production line of t3 is expanded from 45k/month to 50K/month; G11 production line of t6 reached designed output in Q4 and will have production at full capacity this year; G6 flexible OLED production line of t4 realized Phase I mass production in December, Phase II and Phase III construction will be completed in this year; G11 production line construction of t7 is progressed as planned and will be put into production at the end of this year, which lays a foundation for performance growth. While each production line is put into production successively, by 2023, five-year CAGR of shipping area of large size panel of TCL CSOT will be 17%, and five-year CAGR of shipping area of small and medium panel will be 26%. Meanwhile, the proportion of high margin products of TCL CSOT for commercial display, vehicle display, gaming monitor, etc. will improve continuously, and strategic cooperation is established with CVTE, HiteVision, BYD, Lenovo, etc. successively.

Take technological innovation as core drive, improve product competitiveness continuously. In large size field, TCL CSOT consolidates the application advantages of HVA technology in LCD high end products, improves the share of such products as 4K/8K, Touch, etc., launched MLED product based on Mini-LED backlight on Glass for the first time in the world, to meet the demand growth of high end market of large size LCD. In the small and medium size field, the yield rate and quality of CSOT LTPS production line has reached international top, proportion of Incell/COF/blind via product rises continuously, and the Company actively develops under screen/within screen fingerprint technology; flexible AMOLED focus on under screen shooting, foldable technology and other high end

technologies, with the curved punched screen and flexible foldable screen delivered already.

Actively promote new display technology, material & core technology development and ecology construction, and construct core advantages which lead the future.

Guangdong Juhua, as the only “national printing and flexible display innovation center” of the industry, has launched the manufacturing of 31-inch 4K RGB QLED sample machine for full quantum dot printing and the first 31-inch rollable flexible sample machine for ink-jet printing based on printing technology and OLED flexible display technology in the world, with its R&D innovation leading the industry development. China Ray mainly develops new OLED key materials with independent IP, and has developed more than 700 new materials currently, including more than 30 products which enter pilot scale experiment; synthesis mass production site and sublimation plant have been put into production, and part materials have entered into mass production stage. QLED R&D team has broken through key problems such as the life of red and green materials, etc., and the public patent in quantum dot electroluminescent field ranked 2nd in the world.

Though counter-globalization trend is severe in recent years, global supply chain restructures, competition advantages of China manufacturing in semi-conductor are hard to be shaken in short term. TCL CSOT will make its utmost efforts to achieve technology leadership and ecology leadership by efficiency and product mix, break through the next generation of new display technology and materials through horizontal expansion and vertical extension, and lead the global display industry.

(II) Industrial Finance and Investment Business

1. TCL Financial

TCL Financial mainly includes the Group’s finance and the supply chain finance.

Finance business targets at providing capital support and management support for main businesses and member companies, providing capital guarantee for the Group’s major investment projects, undertaking the function of improving the Group’s asset operation efficiency and risk control; supply chain finance business provides various financing and support supply-chain finance for related companies, establishes ecological circle of small and medium companies, and reduces cost of supply chain; meanwhile, financial investment business improves capital efficiency by creating stable profits through financial services,

and reduces financial expenses of the Company.

2. TCL Capital

TCL Capital consists of TCL Venture Capital, Admiralty Harbour Capital Limited and China Innovative Capital Management Limited (holding 49% of its equity), seek investment opportunities in key fields of technological industries, including new display technology, semi-conductor and their relevant industry chain, as well as high end materials and technological equipment, etc., which promotes technology and create synergy. At the same time, investment value was generated.

TCL venture capital business focuses on relevant new technologies, new materials and new applications of main business by establishing various funds. By the end of this reporting period, the scale of funds managed by TCL venture capital business reached RMB8.99 billion, and it invested in 115 projects cumulatively and exited from 33 projects, including 10 projects which it exited partially. Currently, it holds stocks of CATL, Dynanonic, Willsemi, and other listed companies, and the interest in Cambricon, Dkem, Transwarp, and other companies. Several projects invested by TCL venture capital business have good synergy with current business of TCL, and play a vital role in completing industry chain, technology foresight and layout, and lead to technology advance of the Company.

Admiralty Harbour Capital is a licensed financial company which is established in Hong Kong, with the license of investment bank and assets management, provides corresponding capital and financial service support for overseas business expansion, as well as merger and restructure. During the reporting period, Admiralty Harbour Capital completed the 12 bonds issuing and underwriting projects and 2 bond restructure projects, financial consultant and assets management business increase quickly, and it realized profit in the first year.

China Innovative Capital Management Limited mainly engages in equity investment for listed companies as well as merger and restructure, invested in more than 110 listed companies cumulatively, with good business operation and stable growing profits. China Innovative Capital Management Limited also provides professional support for domestic merger and purchasing as well as business expansion of the Company in China. During the

reporting period, the Company established Guangdong Rongchuang Lingyue Intelligent Manufacturing and IT Industry Equity Investment Fund together with China Innovative Capital Management Limited, Utrust, etc., focusing on investment in smart manufacturing, IT industry and relevant service upgrading field, etc.

At the end of the Reporting Period, the Company directly invests in a number of listed companies, including a 19.07% interest in 712 Corp. (603712.SH), a 5.14% interest in Bank of Shanghai (601229.SH) and a 20.06% interest in Fantasia Holdings (01777.HK). During the Reporting Period, the Company increased its interest in Bank of Shanghai by 0.15%, other direct interests in listed companies remained the same during the Reporting Period.

2. Significant Change to Principal Activities in the Reporting Period

Yes No

3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Unit: RMB

| Product category | Operating revenue | Operating profit | Gross profit margin | YoY change in operating revenue (%) | YoY change in operating profit (%) | YoY change in gross profit margin (%) |
|-------------------------------------|-------------------|------------------|---------------------|-------------------------------------|------------------------------------|---------------------------------------|
| Semi-conduct or display devices | 33,993,533,865.00 | 958,502,226.28 | 10.34% | 22.87% | -63.08% | -8.42% |
| Distribution of electronic products | 20,835,617,478.00 | 308,374,951.76 | 3.59% | 25.77% | 5.62% | -0.37% |

4. Business Seasonality to which Special Attention should Be Paid

Yes No

5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

In April 2019, the Company completed the handover of major assets in a restructuring. Therefore, the operating revenue data of 2019 and 2018 are not comparable as the former only includes the January-March 2019 operating revenue generated by the said assets, while the latter comprises the January-December 2018 such revenue. Adopting the same reference basis, operating revenue would be up by 18.72% in 2019 compared to 2018.

6. Possibility of Listing Suspension or Termination

Applicable Not applicable

7. Matters Related to Financial Reporting

(1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

Applicable Not applicable

For details, see “36. Changes to main accounting policies and estimates” in “III Significant accounting policies and estimates” in “Part X Financial Statements” of the full text of the annual report.

(2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable Not applicable

(3) YoY Changes to the Scope of Consolidated Financial Statements

Compared with 2018, 2019 saw the official exclusion of the intelligent terminal and supporting businesses from the consolidated financial statements as the Restructuring was completed in April 2019. The consolidated financial statements of 2019 included the Q1 data of the restructured businesses, while those of 2018 included the full-year data.