

Stock Code: 000100

Stock Name: TCL Tech.

Announcement No. 2021-008

TCL 科技集团股份有限公司

TCL Technology Group Corporation



ANNUAL REPORT 2020 (SUMMARY)

11 March 2021

Ramp up, Catch up and Go all out to be A Global Leader

Chairman's Statement

The year 2020 marked the start of our global leading strategy, as well as a critical turning point for TCL. In face of the internal and external shocks at the beginning of the year, TCL adhered to the established strategies and business plans, and put forward the business strategy of "Ramp up, Catch up". It identified opportunities amid the challenges, scaled up business against headwinds, and forged ahead to bring up the competitiveness to a new level.

Business Review for 2020

In the Reporting Period, on the same basis after the 2019 spin-off, the Group recorded a revenue of RMB76.68 billion, up by 33.9% year-on-year; a net profit of RMB5.07 billion, up by 42.1% year-on-year; a net profit attributable to the company's shareholders of RMB4.39 billion, up by 67.6% year-on-year; a debt/asset ratio of 65.1% and the net cash flow generated from operating activities of RMB16.7 billion. As stated above, the operating efficiency of the Company continued to improve and all the financial objectives were over-fulfilled for the year.

TCL CSOT maintained a leading operating efficiency in the current period, as demonstrated by its revenue of RMB46.77 billion, rising by 37.6% year-on-year, and net profit of RMB2.42 billion, up by 151.1% year-on-year. Through technological reform and efficiency enhancement, the capacity of the t3 (LTPS) production line in Wuhan grew from 48K to 53K. The t4 production line (OLED) Phase I produced at full capacity while Phases II and III were under rapid construction as scheduled. The t1\2 and t6 (G11) production lines in Shenzhen continued to operate at full capacity for strong sales. Especially, the capacity of the t6 production line increased from 90K to 98K. The shipment area of large-size products climbed by 32.9%. Thanks to the increasing market demand for LCD products across the world, prices of large-size LCD panels began to rise in June, boosting the operating profit of TCL CSOT month by month.

TCL CSOT constantly raised its R&D investments in new display technologies, such as printed OLED, QLED, Micro-LED and related key materials and equipment, and made a great stride forward. In the Reporting Period, the PCT applications of the Company increased by 1,536 and the accumulated PCT applications reached 12,797. Meanwhile, the company made a strategic investment in JOLED Inc., aiming to expand the footprint in next-generation display technologies.

During the Reporting Period, the Group successfully acquired Tianjin Zhonghuan Electronics Group Co., Ltd. (Zhonghuan Electronics), which holds a controlling interest in Tianjin Zhonghuan Semiconductor Co., Ltd. (002129.sz) and Tianjin Printronics Circuit Corporation (002134.sz) respectively, as well as other assets including Zhonghuan Computer. Following the acquisition in late September, Zhonghuan Electronics has been included in the consolidated financial statements since October 2020. Through the acquisition, the Group has entered the industries of semi-conductor photovoltaic and semi-conductor materials.

Business Forecast for 2021

In 2021, imbalance between the supply and demand of LCD panel is expected to remain, due to the short of chips and glass and the delayed new capacity. It is predicted that product prices will remain high in the first half of the year, while the second half will witness a balance of supply and demand. Higher demand for LTPS panels will come from vehicle display and IT products, as supply and demand come close to a balance. In recent years, the OLED capacity has been raised quickly. The monopolistic advantage of leading enterprises has turned increasingly apparent. Hence, the competition will be extremely fierce.

Phase I of the t7(G11) plant of TCL CSOT in Shenzhen has been put into production. The LCD and module plant of Samsung in Suzhou acquired by the Company are estimated to be consolidated in the second quarter of this year. In view of this, the shipment and revenue of LCD panels will jump significantly. The t3 (LTPS) production line of Wuhan CSOT has stepped into vehicle display and IT industries with positive performance. A 39.95% non-controlling interest of the t3 production line has been repurchased, lifting the profit in the current period. Though t4 still faces fierce competition in OLED we will endeavor to improve our operating results. We expect a strong growth in both revenue and profitability of TCL CSOT in 2021.

Zhonghuan Semiconductor will release its endogenous power through reform, while optimizing its development strategy, promoting innovation in products and technologies forward, and reinforcing quality and profitability. It is estimated that its business performance will go up continuously and contribute more to the revenue and profit of the Group this year.

The industrial finance and investment business will help raise profit in line with the development plan. The operating results of Highly, TPC, and other businesses are expected to rise steadily.

I am confident that the revenue and profit of the Group will increase remarkably this year.

Strategic Development Planning

The Group has kept promoting business reform and transformation since 2017 to intensify its core competitiveness. In 2019, it completed the spin-off of businesses like terminal products, and focused on "high-tech, heavy-asset and long-cycle" industries. Business strategies, organizational procedures, and resource allocation were adjusted accordingly. The Group will further its business development in accordance with the operating strategy regarding "improving operating quality and profitability, consolidating advantages and improving disadvantages, accelerating global layout, and driving development via innovation".

The semi-conductor display business is a core business of the Group. Through the acquisition of Zhonghuan Semiconductor, the Group extended its presence to the semi-conductor photovoltaic and semi-conductor materials industry. The above two industries own the features of high technology, huge investment, and a long industrial cycle. In the meantime, long-term strategic management, business capacity across the industrial cycle, and constant financing ability are a must. Furthermore, we must maintain a technological leadership, achieve the best business scale, and plan development strategies with the goal of global leadership. These are exactly the core capabilities and business logic of the Group.

The reason why we have chosen these two core industries lies in that China has built up an industry scale and a competitive edge across the globe in the semi-conductor photovoltaic and in LCD field of semi-conductor display industries. Moreover, Zhonghuan Semiconductor and TCL CSOT have distinguished themselves to become industry leaders. With the growth in global demand and industry concentration, more opportunities and challenges will be brought.

The "9205" five-year strategic development plan of the Group specifies that Zhonghuan Semiconductor will reinforce its strengths in monocrystalline silicon products, improve its capacity in the photovoltaic industrial chain, and intensify its global business capacity in order to meet the dual goals of global leadership in the photovoltaic industry and national leadership in the semi-conductor silicon-wafer industry. Meanwhile, TCL CSOT is expected to improve its strengths in LCD and LTPS, make technical breakthroughs in new display technologies and materials so as to become a leading player in the semi-conductor display industry worldwide.

TCL's industrial finance and investment business supports the development of the Group's other businesses and contributes steadily improving income. In terms of industrial finance, the Group features both highly efficient internal fund management and external financing and supply chain

financial services. With respect to capital and investment, TCL has established a differentiated competitive edge in the corresponding field and turned capital and investment into a core business.

In short, the core businesses of the Group consist of three business segments, namely, the semi-conductor display business, the semi-conductor photovoltaic and semi-conductor materials business, and the industrial finance and investment business. TCL selects suitable projects related to the core industrial chain and gradually perfects the industrial ecosystem. In addition, it aims to achieve the strategic goal of global leadership in the two core businesses.

Subsidiaries including Highly and TPC embraced robust operations and sustainable profitability. The Group will continuously support their independent development and business expansion.

Prospects

There are great uncertainties in global economic recovery. Trade protectionism and unilateralism aggravate. I believe that: the advantages of China include social stability, efficient governance, sufficient economic vitality, huge domestic demand, rapid progress in science and technology, and an apparent relative competitive advantage in manufacturing. However, China's disadvantages lie in inadequate quality and profitability of economic development, insufficient core technical capabilities, rapid growth in government debts, and huge risks in finance and enterprise debts, which may affect China's economic progress.

This year, China has put forward and implemented the "14th Five-year Plan" to build a new development pattern. The government will continue to vigorously support the real economy, especially manufacturing, strengthen China's comparative advantage in manufacturing in the global economy and improve the competitiveness and value of enterprises. More capital will flow to manufacturing. In other words, the excellent manufacturing industry will access more resources. China's manufacturing industry has shifted its competitive edge from efficiency and cost control to products, technologies and global operations, and will usher in a new development period.

Manufacturing constitutes the basis of China's economic competitiveness. Based on the established industry foundation and rapid growth in domestic demand, Chinese enterprises will catch up with leading players in the high-tech manufacturing field and develop a competitive edge, which signifies both challenges and opportunities. Personally, I am confident of the prospects of China's high-tech manufacturing!

The semi-conductor display industry and the semi-conductor photovoltaic and semi-conductor

materials industry, as two strategic and emerging industries, embrace huge markets and promising prospects. We have laid a favorable foundation and accumulated strength in the two industries. TCL will embark on new industry planning and distribution in conformity with the "9205" strategic plan.

The Board has proposed a final dividend of RMB1.20 per 10 shares, in light of the consistent dividend payout policy of the Group.

I would like to express my sincere gratitude to all shareholders and partners for their trust and support, and to thank all employees for their efforts!



Li Dongsheng

11 March 2021

Part I Important Notes

This Summary is based on the full text of the 2020 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”).

All the directors of the Company attended in person the board meeting for the approval of this Report.

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 13,546,581,599 shares on 10 March 2021 that are eligible for profit distribution (the total share capital of 14,030,788,362 shares minus the 484,206,763 shares in the Company’s special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1.2 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,625,589,791.88. The retained earnings of RMB7,145,804,477.12 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year under review.

Where any changes occur, before the implementation of the dividend plan, to the share capital of the Company due to any convertible bonds-to-stock programs, share repurchases, exercises of equity incentives, new share issues in refinancing, etc., the dividend will be adjusted according to the principle of “adjusting the total payout amount under the same dividend ratio”, subject to the actual payout amount.

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

Applicable Not applicable

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 version shall prevail.

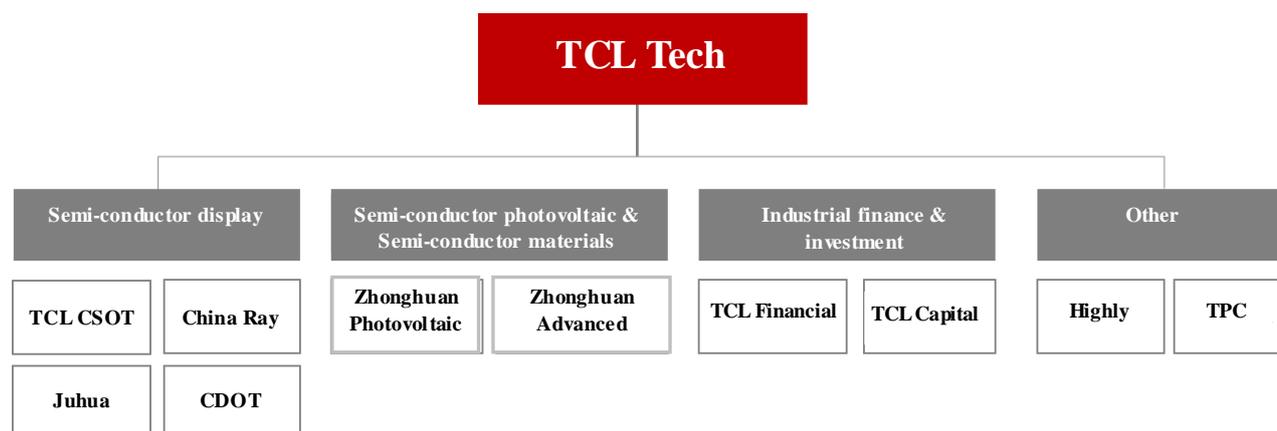
Part II Key Corporate Information

1. Stock Profile

Stock name	TCL Tech.	Stock code	000100
Place of listing	Shenzhen Stock Exchange		
Contact information	Board Secretary		
Name	Liao Qian		
Office address	10/F, Tower G1, International E Town, TCL Science Park, 1001 Nanshan District, Shenzhen, Guangdong Province, China		
Tel.	0755-3331 1666		
Email address	ir@tcl.com		

2. Principal Activities or Products for the Reporting Period

During the Reporting Period, the Company acquired 100% equity of Tianjin Zhonghuan Electronics Group Co., Ltd. Therefore, the businesses of the Company primarily consist of the semi-conductor display business, the semi-conductor photovoltaic and semi-conductor materials business, the industrial finance and investment business, as well as the other businesses.



For further information about the Company's businesses, please refer to "Part III Directors' Report" herein.

3. Key Financial Information

(1) Key Financial Information of the Past Three Years

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

Yes No

Unit: RMB

Item	2020	2019	2020-over-2019 change (%)	2018
Revenue (RMB) (note)	76,677,238,079	74,933,085,688	2.33	113,360,075,545
Revenue on the same basis after the spin-off (RMB) (note)	76,677,238,079	57,270,940,685	33.89	48,240,376,808
EBITDA (RMB)	19,059,818,227	14,224,327,742	33.99	14,096,523,261
Net profit (RMB)	5,065,202,767	3,657,735,320	38.48	4,065,194,164
Net profit attributable to the company's shareholders (RMB) (note)	4,388,159,018	2,617,766,571	67.63	3,468,207,407
Net profit attributable to the company's shareholders on the same basis after the spin-off (RMB) (note)	4,388,159,018	2,617,778,635	67.63	3,153,044,155
Net profit attributable to the company's shareholders before non-recurring gains and losses (RMB)	2,933,248,153	235,119,321	1147.56	1,587,391,372
Basic earnings per share (RMB/share)	0.3366	0.1986	69.49	0.2566
Diluted earnings per share (RMB/share)	0.3226	0.1935	66.72	0.2562
Weighted average return on equity (%)	13.75	9.09	4.66	11.98
Net cash generated from/used in operating activities (RMB)	16,698,282,775	11,490,096,405	45.33	10,486,580,443
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets (RMB)	257,908,278,887	164,844,884,926	56.46	192,763,941,739
Owners' equity attributable to the company's shareholders (RMB)	34,107,795,454	30,111,946,237	13.27	30,494,364,951

Note: In April 2019, the Company completed the handover of assets in a significant spin-off. Therefore, the 2019 data included the results of the spun-off assets for January-March 2019 and a gain of RMB1.15 billion from the spin-off. Provided that the 2019 data were on the same basis after the spin-off, revenue would be up by 33.9% year-on-year. In 2020, the Company continued to focus on its core business and maximize shareholder's value by spinning off the Educational Web business, which generated a gain of RMB234 million. Provided that the spin-off gains were excluded from both of the 2020 and 2019 data, the net profit attributable to the company's shareholders would be up by 191.8% year-on-year on the same basis.

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Revenue	13,742,129,162	15,591,081,694	19,376,776,395	27,967,250,828
Net profit attributable to the company's shareholders	408,125,802	799,940,184	817,109,760	2,362,983,272

Net profit attributable to the company's shareholders before non-recurring gains and losses	-109,881,642	291,744,489	678,187,625	2,073,197,681
Net cash generated from/used in operating activities	2,299,183,493	5,048,627,286	4,523,259,350	4,827,212,646

Indicate 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 Preference Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Name of shareholder	Nature of shareholder	Shareholding 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	8.26	1,158,599,393	-63,875,598	613,931,602	544,667,791	Put in pledge by Li Dongsheng	224,000,000
							Put in pledge by Jiutian Liancheng	344,899,521
Huizhou Investment Holding Co., Ltd.	State-owned legal person	5.30	743,139,840	-135,279,907	-	743,139,840	-	-
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	3.73	523,742,567	170,252,713	-	523,742,567	-	-
Wuhan Optics Valley Industrial Investment Co., Ltd.	State-owned legal person	3.65	511,508,951	511,508,951	511,508,951	-	-	-

China Securities Finance Corporation Limited	Domestic general legal person	2.66	373,231,553	-	-	373,231,553	-	-
Tibet Tianfeng Enterprise Management Co., Ltd.	Domestic general legal person	2.54	355,863,715	-170,231,927	-	355,863,715	-	-
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.47	206,456,500	-	-	206,456,500	-	-
National Social Security Fund-Portfolio 601	Fund, wealth management product, etc.	0.99	1,38,831,524	85,831,524	-	1,38,831,524	-	-
Swiss Finance (Hong Kong) Limited	Foreign legal person	0.91	128,247,257	128,247,257	-	128,247,257	-	-
Star Century Enterprises Limited	Foreign legal person	0.65	90,532,347	-	90,532,347	-	-	-
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) (hereinafter referred to as "Jiutian Liancheng") are the biggest shareholder of the Company with a total of 1,158.5994 million shares.							
Top 10 ordinary shareholders involved in securities margin trading (if any)	None							

Note: The top 10 shareholders in the table above do not include "The Securities Account of TCL Technology Group Corporation for Repurchases". As of the end of the Reporting Period, there were 528,066,412 shares in the account.

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

Applicable Not applicable

(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	Value date	Maturity	Outstanding balance (RMB'0,000)	Coupon rate	Way of principal repayment and interest payment
TCL Corporation's Corporate Bonds Publicly	16TCL02	112353	16 March 2016	16 March 2021	150,000	3.56%	Interest payable annually and principal

Offered in 2016 to Qualified Investors (Tranche 1) (Type 2)							repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 2)	16TCL03	112409	7 July 2016	7 July 2021	200,000	3.50%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1)	17TCL01	112518	19 April 2017	19 April 2022	100,000	3.40%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2)	17TCL02	112542	7 July 2017	7 July 2022	15,700	3.45%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1)	18TCL01	112717	6 June 2018	6 June 2023	100,000	5.48%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2)	18TCL02	112747	20 August 2018	20 August 2023	200,000	5.30%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)	19TCL01	112905	20 May 2019	20 May 2024	100,000	4.33%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly	19TCL02	112938	23 July 2019	23 July 2024	100,000	4.30%	Interest payable annually and principal

Offered in 2019 to Qualified Investors (Tranche 2)							repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3)	19TCL03	112983	21 October 2019	21 October 2024	200,000	4.20%	Interest payable annually and principal repayable in full upon maturity
TCL Technology Group Corporation's Short-Term Corporate Bonds Publicly Offered in 2020 to Professional Investors (Tranche 1)	20TCLD1	149140	8 June 2020	5 December 2020	0	2.50%	Principal repayable in full upon maturity with interest

(2) Latest Rating and Rating Change

According to the Follow-up Rating Report (2020) on TCL Technology Group Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranches 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 27 May 2020, the AAA credit status of TCL Corporation and the said bonds was affirmed with a "Stable" outlook.

According to the Follow-up Rating Report (2020) on TCL Technology Group Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranches 1 and 2) and on TCL Technology Group Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranches 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 27 May 2020, 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 Technology Group Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranches 1, 2 and 3) issued by China Chengxin Securities Rating Co., Ltd. on 28 May 2020, the AAA credit status of TCL Corporation and the said bonds was affirmed with a "Stable" outlook.

During the Reporting Period, the corporate credit ratings conducted on the Company in its programs of corporate bonds and debt financing instrument issues arrived at the same results as its existing corporate credit rating result.

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

Item	2020	2019	Change (%)
EBITDA (RMB'0,000)	1,905,982	1,422,433	33.99%
Current ratio	0.92	1.12	-19.34%
Debt/asset ratio (%)	65.08	61.25	3.83
Quick ratio	0.66	0.85	-18.82%
Debt/EBITDA ratio	11.36%	14.09%	-2.73%
Interest cover (times)	2.58	2.16	19.44%
Cash-to-interest cover (times)	6.45	5.32	21.24%
EBITDA-to-interest cover (times)	5.98	5.17	15.67%
Debt repayment ratio (%)	100	100	-
Interest payment ratio (%)	100	100	-

Part III Directors' Report**(I) Business Overview for the Reporting Period****1. Overview**

The year 2020 was extraordinary. The COVID-19 pandemic severely hit the global economy. Trade frictions further impacted the global industrial chain layout. Consequently, technology enterprises suffered from a complicated and changeable business environment. That said, de-globalization has accelerated the optimization of the industrial layout and the structure of the supply chain. The gist of the allocation of production factors lied in efficiency, profitability, and costs. The cluster effect and management advantage of the Chinese manufacturing industry are gradually becoming prominent. In the context of both opportunities and challenges, we adhered to our strategic target, held the business bottom line of maximizing cost efficiency, and **put forward the business strategy of "Ramp up, Catch up"**. The Group identified opportunities among challenges and achieved expansion against headwinds. Besides, TCL grasped opportunities in emerging strategic industries. For instance, it acquired 100% equity of Zhonghuan Electronics to open up new markets. **The Group established the business layout consisting of three business segments, namely, the semi-conductor display business, the semi-conductor photovoltaic and semi-conductor materials business, and the industrial finance and investment business, laying a solid foundation for becoming a global leading technology group.**

In the Reporting Period, on the same basis after the 2019 spin-off, the Group recorded a revenue of

RMB76.68 billion, up by 33.9% year-on-year; a net profit of RMB5.07 billion, up by 42.1% year-on-year; and a net profit attributable to the company's shareholders of RMB4.39 billion, up by 67.6% year-on-year. Especially, the net profit attributable to the company's shareholders in Q4 2020 amounted to RMB2.36 billion, up by RMB2.32 billion year-on-year and 189.2% quarter-on-quarter, thanks to the expanded scale, leading efficiency, improved industry cycle, and optimized product structure of TCL CSOT as well as the incorporation of Zhonghuan Semiconductor into the consolidated financial statements. Moreover, the Group continued to underline the development of core technologies. R&D investments jumped by 41.2% year-on-year to RMB6.54 billion on the same basis after the spin-off. In the Reporting Period, the PCT applications of the Company increased by 1,536 and the accumulated PCT applications reached 12,797. The number of days of cash turnover was reduced to 13. The net profit per capita surged by 45.4% to RMB108,000. The debt/asset ratio was 65.1%. The net cash flow generated from operating activities was RMB16.7 billion. The Company enjoyed enhanced operating efficiency and a robust capital structure.

The global political and economic landscape enters a long-term game. The complex and changing external environment leads to increasing uncertainties. That said, de-globalization has accelerated the restructuring of the global economic pattern. The Chinese manufacturing industry will usher in better development opportunities under China's new development pattern whereby "domestic and foreign markets can boost each other". The year 2021 marks the 40th anniversary of TCL. Based on its constant efforts in the manufacturing industry as well as transformation and innovation in the past four decades, the Group will grasp the golden period for the adjustment of the global economic pattern and progress of the Chinese manufacturing industry. It will regard "improving operating quality and profitability, consolidating advantages and improving disadvantages, accelerating global layout, and driving development via innovation" as its operating strategy and promote the two core businesses, namely, the semi-conductor display business and the semi-conductor photovoltaic and semi-conductor materials business in order to achieve its strategic goal of global leadership.

With respect to the semi-conductor display business, the Group will constantly push forward management reform and consider leading efficiency and profitability as a solid foundation for sustainable development. Besides, it will further perfect the strategic layout of businesses and the plan of production lines, optimize the product structure and customer portfolios, make innovation and breakthroughs in new display technologies and materials, and lead the global display industry in comprehensive competitiveness.

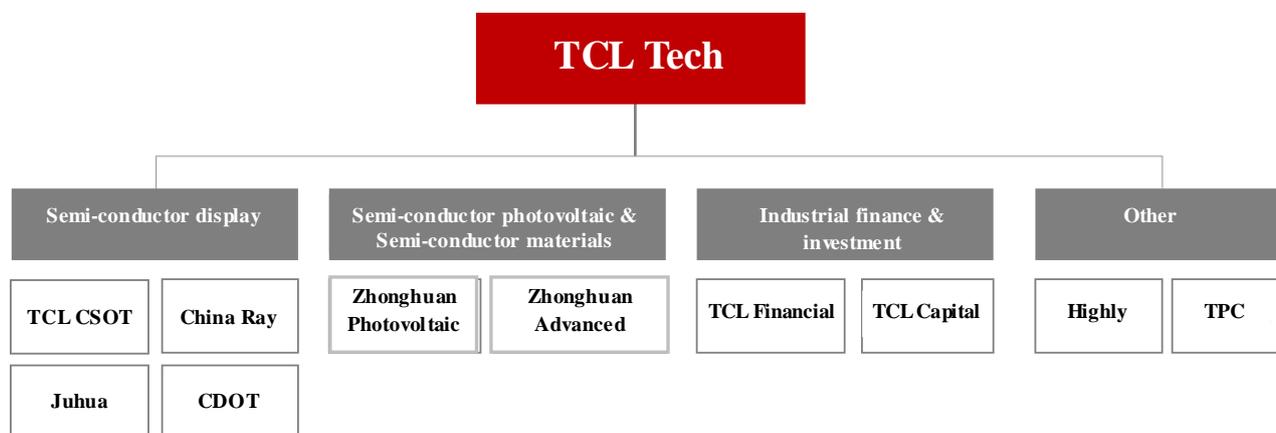
In regard to the semi-conductor photovoltaic business, the Group will enhance its strengths in the field of monocrystalline silicon and wafer, drive product iteration via technological innovation, and speed up the building of the photovoltaic industrial chain. In addition, it will intensify the competitiveness in differentiated products, mainly overlapped-cell modules, and global capabilities in order to become a leader in the semi-conductor photovoltaic industry across the world.

In terms of the semi-conductor materials business, the Group will keep exerting more efforts to optimize the investment and products structures of Zhonghuan Advanced and orderly promote the coverage of power semiconductors and integrated circuit chips of all kind. As the Group maintains the leading superiority of 8-12-inch products of Zhonghuan Advanced in semi-conductor chips of all powers, it will further improve 12-inch products for customers with the advanced production process to raise market share. Meanwhile, it will firmly seize opportunities in China's integrated circuit industry, focus on the angle of global competition, and accelerate to reinforce its core capabilities. It will conscientiously extend and expand the semi-conductor industrial chain and catch up with international standards.

TCL Tech. will embark on a new development phase and march forward with a stronger driving force for development!

2. Core Business Analysis

During the Reporting Period, the Company acquired 100% equity of Tianjin Zhonghuan Electronics Group Co., Ltd. Therefore, the business structure of the Company primarily consists of the semi-conductor display business, the semi-conductor photovoltaic and semi-conductor materials business, the industrial finance and investment business, as well as the other businesses.



(1) Semi-conductor display business

A turning point of the display industry occurred at the historical bottom in 2020. Prices of large-size panels have kept rising since June 2020. Industry profitability has gradually recovered.

TCL CSOT demonstrated excellent anti-recession and anti-risk capabilities in a down cycle, and improved its scale, market share, and profitability against headwinds, attributable to maximized lean management and business synergy. In the Reporting Period, TCL CSOT recorded a product sales area of 29,097,000 square meters, up by 31.2% year-on-year; a revenue of RMB46.77 billion, up by 37.6% year-on-year; and a net profit of RMB2.42 billion, up by 151.1% year-on-year. In particular, the net profit in Q4 2020 stood at RMB1.86 billion, up by RMB2.19 billion year-on-year.

The large-size panel business maintained leading efficiency and profitability in the world, continued to expand its scale advantage, and further promoted its market position. In the Reporting Period, t1, t2 and t6 plants continued to operate at full capacity for strong sales. The t7 plant was put into production. The shipment of large-size products reached 27,675,000 square meters, up by 32.9% year-on-year. 45,746,000 pieces were shipped with a year-on-year increase of 11.0%. Sales revenue was RMB28.98 billion, rising by 53.1% year-on-year. Globally, the Company rose to second place in the ranking of market shares in TV panels. Besides, it was ranked first, second, and second regarding the market shares in 55-inch, 32-inch, and 65-inch & 75-inch products respectively. In terms of commercial displays, the shipment of interactive whiteboards jumped to the top across the world. Market shares in rail transit products and Esports products climbed swiftly.

For the medium-sized panel business, product and customer structures were optimized. For the small-size panel business, close attention was paid to technological innovation and enhancement. Both businesses advanced quickly in high-end segments. In terms of the t3 production line, the shipment of LTPS mobile panels took third place globally. Multiple brands of high-end notebooks, tablets, and vehicle displays were introduced to the medium-size panel business, thus quickly developing the business. The shipment of LTPS notebook panels was ranked second in the world. The t4 production line of flexible AMOLED displays produced at full capacity in Phase I. Equipment for Phases II and III are being moved in. Foldable screens and double-curved screens for brand manufacturers were mass produced and delivered. The Company successively introduced global first-class brand customers. In the Reporting Period, the shipment area of small- and medium-size products was 1,422,000 square meters with a year-on-year increase of 4.2%. 99,235,000 pieces were shipped, down by 12.8% year-on-year. The revenue amounted to RMB17.79 billion, increasing by 18.1% year-on-year.

During the historically low ebb of the semi-conductor display, **TCL CSOT adhered to its strategic focus, achieved countercyclical expansion, and marched toward the strategic goal of global leadership.** TCL CSOT adopted multiple measures to enhance its strengths: First, it acquired Samsung Suzhou to reinforce the comprehensive competitiveness in the large-size panel business. Second, it acquired a 39.95% non-controlling interest in the t3 plant to raise the contribution of the small- and medium-size panel business to the Group's earnings. Third, it acquired a stake in JOLED Inc. in Japan to accelerate the industrialization of printed display technologies. Fourth, a laboratory was jointly established by TCL CSOT and San'an Semiconductor, committed to Micro-LED development. Fifth, it acquired Moka International Limited to offer customized and one-stop services related to large-size TV and commercial displays, medium-size IT displays, and vehicle displays.

Looking into the future, the long-term prospects of the semi-conductor display industry are promising. The LCD industry has basically completed the relocation to Mainland China. At present, industry capacity expansion is drawing to a close. The outdated capacity is being eliminated gradually. Consequently, as industrial concentration is further improved, leading enterprises have developed a high industry barrier.

TCL CSOT will continue intensifying its scale advantage through endogenous growth and M&A deals and join hands with upstream suppliers and downstream customers to create an industrial ecosystem featuring closer cooperation. In 2021, the t7 production line will continue its production ramp-up. Phases II and III of the t4 production line are in progress as scheduled. The takeover of Samsung Suzhou will be completed. TCL CSOT will expand its scale by over 50%, further consolidating its market share and position. In the meantime, the Company will deepen the cooperation with globally top-level brand customers, cultivate global industrial chain resources, and build a supply chain system that is more resilient and competitive.

Product and revenue structures will be continuously optimized; a layout of high-end products will be implemented to drive sustainable and quality progress. TCL CSOT will constantly raise the proportions of high-end products, such as large-size products, 8K products and 120Hz products. For medium-size products, it will accelerate to introduce products with high added value like notebook and vehicle displays. Regarding small-size flexible OLED, priorities will be given to differentiated technologies, such as under-display camera, foldable screen and LTPO, whereby TCL CSOT has already enjoyed a competitive advantage. In 2021, it will successively start mass production and delivery.

The Group will actively expand its presence in next-generation display technologies and materials to lead the future technology trend. TCL CSOT will accelerate the industrial production and ecosystem construction of printed display processes, through its "National Printed and Flexible Display Innovation Center"—Guangdong Juhua and JOLED Inc. where TCL CSOT acquired a stake. China Ray will vigorously push forward the development of OLED and QLED materials with independent intellectual property rights. It has submitted samples of R-prime and GH materials to domestic panel manufacturers. Moreover, it has over 30 core patents in printed OLED materials and is ranked second globally in terms of the number of public patents in the quantum dot electroluminescent field.

(2) Semi-conductor photovoltaic and semi-conductor materials

In 2020, Zhonghuan Semiconductor continued promoting the goals of achieving global leadership in the photovoltaic industry and domestic leadership in the semi-conductor silicon-wafer industry. Additionally, it implemented reforms by adjusting the organizational structure, improving management efficiency, and transforming the manufacturing model to drive quality development. In the Reporting Period, Zhonghuan Semiconductor recorded a total revenue of RMB19.06 billion, climbing by 12.8% year-on-year, and a net profit of RMB1.48 billion with a year-on-year increase of 17.0%. Zhonghuan Semiconductor has been included in the consolidated financial statements since Q4 2020.

① Semi-conductor photovoltaic business

In terms of new energy materials, the Company focused on the decline of LCOE and has developed and promoted G12 photovoltaic silicon-wafer products and photovoltaic cells and components, which have been widely recognized in the market. It has proposed multiple new technologies related to the improvement of capacity, the upgrading of product quality, and cost reduction in order to further reinforce the global competitiveness of photovoltaic products. Besides, the company has developed patented technologies and know-how with independent intellectual property rights, as well as further sped up Industry 4.0 application and upgrading, covering whole industrial production procedures. The total capacity of monocrystalline silicon wafer amounted to 55GW/year at the end of the Reporting Period, wherein nearly 20% was from the improvement of the original capacity.

With respect to new energy photovoltaic cells and components, the Company has continued its input and innovation to the overlapped-cell modules, which the company owns intellectual property

and industry leadership. It has performed the R&D of the overlapped-cell 3.0 production line so as to enhance the performance and reduce the costs of overlapped-cell modules. Collaborative and joint innovation have been conducted with domestically leading G12 PERC cell manufacturers. The capacity turned 4GW/year at the end of the Reporting Period. The Company considers global manufacturing as an essential component of globalization, respects international commercial practices and intellectual property, and strives to stand out among domestic peers. In the Reporting Period, the Company and Total, a French company, jointly completed the incorporation of MAXEON SOLAR that is registered in Singapore and listed on the NASDAQ market. MAXEON features intellectual property rights and outstanding R&D capacities in IBC cells and components and overlapped-cell modules. It will build up its manufacturing system of cells and components as well as surface and distributed power stations worldwide.

② Semi-conductor materials business

Semi-conductor silicon-wafers are core and fundamental materials of integrated circuits. TCL has grasped the opportunities brought by the industrial chain transfer, given full play to the synergy effect of the semi-conductor display industry, and forged ahead toward the goal of domestic leadership in the semi-conductor materials industry.

In the Reporting Period, the Group accelerated the product verification and customer development in the semi-conductor materials industry and won recognition of major customers across the world. 8- and 12-inch products met the international standards and domestic leading customers highly recognized their performance and quality. All launched production lines produced at full capacity. With respect to product structure, the Group has emerged to be a major player regarding digital logic and storage products, while consolidating the strengths of traditional semi-conductor products. The year-on-year growth rate of the shipping area of silicon wafers surpassed 30% in 2020. Meanwhile, the Group accelerated to perfect its global business landscape, actively built a network of market channels, created a technical support platform, and improved services of its global system in Europe, Japan and Taiwan where semiconductor businesses cluster. Its overseas sales accounted for 40% in 2020.

(3) Industrial Finance and Investment Business

① TCL Financial

TCL's industrial finance business mainly includes the Group's finance and the supply chain finance.

The finance team focused on the funding needs of the Group's key projects, strengthened the active management of liquidity and currency risk, and gradually satisfied financial needs of business globalization. The supply chain finance took full advantage of Internet platform. Jointly with domestic financial institutions, it continuously provided high quality and convenient receivables financing services for small and medium enterprises, realizing the sound development of the industry.

② TCL Capital

TCL Capital seeks investment opportunities in key fields of high-tech industries, including new display, semi-conductor industry chain, as well as key materials and process equipment. These investments took a balanced approach to promote technology development and derive economic benefits. By the end of the Reporting Period, the AUM of TCL Capital exceeded RMB9 billion, and 126 projects were invested cumulatively. Currently, it holds the stake of CATL, DKEM, Cambricon and some other listed companies, in addition to interests in Tengyuan Cobalt, Shangtai Tech, ASR Microelectronics, GalaxyCore, etc. As for Admiralty Harbour Capital, it has issued and underwritten 18 bonds and 7 debt management projects. Its investment banking and asset management business grew steadily. China Innovative focused on investment opportunities related to the Company's two core businesses, and it has invested in more than 130 listed companies cumulatively with a steady growth in performance.

At the end of the Reporting Period, the Company holds a stake of several listed companies directly, including the 712 Corp. (603712.SH), the Bank of Shanghai (601229.SH) and the Fantasia Holdings (01777.HK).

(II) Significant Change to Principal Activities in the Reporting Period

Yes No

(III) Product Category Contributing over 10% of Principal Business Revenue or Profit

Unit: RMB

Product category	Revenue	Cost of sales	Gross profit margin	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
Semi-conductor display devices	46,765,152,291.00	2,696,687,047.00	16.89%	37.57%	181.34%	6.55%
Distribution of electronics	22,518,401,333.49	330,678,166.00	3.47%	8.08%	7.23%	-0.12%

(IV) Business Seasonality that Calls for Special Attention

Yes No

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

Applicable Not applicable

(VI) Possibility of Listing Suspension or Termination

Applicable Not applicable

(VII) Matters Related to Financial Reporting**1. YoY Changes to Accounting Policies, Accounting Estimates and Measurement Methods**

For details, see “44. Changes to main accounting policies and estimates” in “V Significant accounting policies and estimates” in “Part XI Financial Report” of the full text of the 2020 Annual Report.

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

Applicable Not applicable

3. YoY Changes to the Scope of the Consolidated Financial Statements

Compared with 2019, 91 subsidiaries (11 newly incorporated and the other 80 over which the Company newly obtained control) are newly included in and 6 subsidiaries (3 transferred and the other 3 de-registered) are excluded from the consolidation scope of 2020.