TCL CORPORATION
TCL 集团股份有限公司

创意感动生活
The Creative Life

ANNUAL REPORT 2018 (SUMMARY)

19 March 2019

Chairman's Statement

Dear shareholders, partners and employees,

In 2018, the greater downward pressure on the global and China's economy, as well as the slowing-down or even negative market growth posed a tough challenge to the Group's business operations. In face of such a complicated and harsh operating environment, TCL followed the set strategic reform and transformation direction, continued to refine its business structure, and made great efforts to promote development in all its businesses. As a result, its operating performance continued to improve. For 2018, the Group recorded operating revenue of RMB113.36 billion, flat with last year; and a net profit of RMB4.07 billion, of which the net profit attributable to TCL shareholders amounted to RMB3.47 billion, up by 30.2% over the figure of 2017 (2017-over-2016 growth: 66.3%). Therefore, all the operating objectives set for 2018 have been accomplished. The operating performance of the past two years has enhanced our determination to move on with the reform and transformation.

The Group promoted a strategic concentration, increased operational efficiency and continued to strengthen competitiveness. In 2018, following the reform and transformation strategy, we further concentrated on our core business, clarified development strategies for all the major businesses, optimized the organizational structure and flow, increased operational efficiency and enhanced technological innovation. In the year, the Group divested another 39 non-core subsidiaries. Its business structure has been adjusted to comprise four business groups, i.e. the semi-conductor display and material business, the intelligent terminal business, the industrial finance & investment and venture capital business, as well as the emerging business group, with the first two being the core. Thanks to better efficiency and competitiveness as a result of reform and restructuring, the Group's overall operating performance continued to improve.

Affected by the cyclical downturn of the global industry, the semi-conductor display business has witnessed, starting from the second quarter of the year, a considerable drop in product prices, a year-on-year decline in sales revenue and a significantly narrowed gross profit margin. CSOT maintained full production and sales through various reform and transformation initiatives. The LTPS plant in Wuhan (the t3 project) reached full capacity in the fourth quarter, and the G11 LCD plant in Shenzhen (the t6 project) started production in late 2018. The sales volumes of all the products registered ongoing growth in the year. Amid a weak industry, CSOT was able to maintain good profitability by means of promoting cost efficiency, strengthening coordination and improving technological capability. CSOT not only represented the biggest profit contributor to the Group, but also posted operating results much better than its peers in the year.

The intelligent terminal business group improved in 2018, turning from a huge deficit in 2017 (primarily caused by the mobile communication terminal business) to a profit of nearly RMB0.3 billion in 2018. To be specific, the color TV business showed a strong growth with a full-year sales volume (ODM inclusive) of 28.96 million units, ranking second around the world; the home appliance and smart speaker business registered steady development; and the mobile communication terminal business recorded a much smaller deficit.

But this is still a low-profit-margin business, with fast product and technology transitions. Except for a competitive scale for the smart TV business, all the other businesses are of a small scale with insufficient profitability and driving force. What's more, the intelligent terminal business and the semi-conductor display business vary greatly in organizational flow and management logic. Therefore, in order to concentrate resources for a bigger and stronger semi-conductor display business, the Group has decided to divest the intelligent terminal business. The newly incorporated TCL Holdings will acquire this business, together with its assets, liabilities and employees. We believe that this restructuring will also enable the intelligent terminal business to concentrate on its core operations, optimize its organizational structure and business flow, as well as increase its efficiency, economic benefits and competitiveness.

Having been approved at a general meeting, this major asset restructuring is expected to be completed soon, including the delivery of assets. After the restructuring, the Group will rely on the semi-conductor display and material business as its core, and sustain the industrial finance & investment and venture capital business in addition to other businesses.

The Group's major operating indicators improved significantly through the strategic restructuring. According to the 2018 figures for reference, after the restructuring, the Group's net profit margin will rise from 3.59% to 7.35%; debt/asset ratio will drop from 68.4% to 64.1% with a cash amount of RMB4.76 billion received; and number of employees will decrease from 90,000 to

30,000. Furthermore, the organizational and capital structure, as well as the financial position have been further improved. Despite a considerable drop in consolidated sales revenue caused by the restructuring, it is believed that the Group's sales revenue, operating profit and cash flow will continue to increase in the coming years as CSOT implements a production ramp-up and the other businesses expand. In addition, this restructuring has boosted the Group's financings, which means that equity financing is no longer needed for the subsequent construction and expansion of CSOT's t4 and t6 projects, as well as the construction of its t7 project.

This major asset restructuring is a big change to the Group's operating philosophy and organizational flow. The Group has shifted from diversified operations to dedicated operations, which are considered a more efficient and competitive model with a high return for shareholders in view of the history of business models around the world.

Looking forward into 2019, there are still many challenges and uncertainties ahead for the global and China's economy, but the fittest will survive amid the fiercer competition in the industry. What comes together with challenges is opportunities. The Chinese government continues to provide great support for the real economy with multiple such initiatives launched this year, which will help greatly boost the profit of the domestic manufacturing sector. Meanwhile, the reshuffle of the global economic landscape will also create new opportunities for Chinese enterprises with competitive global operations. China has become the center of the global semi-conductor display industry, with the largest scale, as well as fast growing technological capability and related industries. Despite a recently slight oversupply on the market, the core application expansion of new technologies will boost global demand and gradually change the supply-demand condition, which means a larger space for business development. We have absolute faith in the semi-conductor industry, a key basic high-tech industry with great potentials that calls for outstanding strength in technology, capital and management. We are confident that we will be able to achieve ongoing growth amid the competition in the global industry.

After this restructuring, the Group will become a high-tech conglomerate with a greater ability of sustainable development. CSOT will deepen its reform and transformation through optimizing the organizational flow, increasing operational efficiency, enhancing technological capability and fully strengthening competitiveness. Additionally, it will make efforts to develop new display technologies and materials, promote upstream and downstream business expansion, as well as carry out M&As when opportunities arise for better competitiveness. We are at the forefront of the global new semi-conductor display industry. Guangdong Juhua, a TCL subsidiary, has been given the green light to establish the “National Printed and Flexible Display Innovation Center”. In the field of new display materials, China Ray has undertaken the national “Printed OLED Key Material Commercialization Demonstration Programme”, with the materials developed being of a world-leading performance. Meanwhile, the research achievements in relation to QLED materials have been published on *Nature Communications*, a top international science magazine, with the number of QLED patents ranking No. 2 around the world. By the end of 2018, the Group has accumulatively applied for 9,990 patents through PCT, one of the highest numbers among Chinese companies. We are determined to establish leading competitive edges in the global semi-conductor display and material industry.

CSOT is believed to register a considerable rise in sales revenue and a double-digit growth in profit for 2019, driven by its great operating efficiency, global presence, synergy with other businesses and the production ramp-up of the t6 project.

The industrial finance & investment and venture capital business will concentrate on providing asset management and financial services for the development of the core business, as well as on generating steady and increasing profit. It will also actively expand the supply chain finance business for higher capital gains. The venture capital business will explore opportunities for business and technological synergy, as well as entering into new businesses. The investment business will generate stable earnings for the Group. The profit contributions from this business group can help offset the impact of cyclical performance swings on the semi-conductor display sector.

As for **the emerging business group**, the Group will further refine the business structure by continuing to divest non-core businesses according to the principle of maximum value for shareholders. The Group will also enter into other key basic high-tech industries when the timing is ripe by means of M&A, etc., so as to foster new driving force.

In addition to corporate development, we also pay attention to the protection of shareholder interests, enhancing shareholder value through various effective measures. The Group will maintain a proactive and sound business model, and keep operating risks under control while developing, so as to maintain ongoing, steady growth. We stick to a policy of stable and increasing dividend to deliver return to our shareholders, attract value investors, and achieve common long-term development with our shareholders.

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

Li Dongsheng

19 March 2019

Part I Important Notes

This Summary is based on the full text of the 2018 Annual Report of TCL 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 13,402,888,507 shares on 19 March 2019 that are eligible for profit distribution (the total share capital of 13,549,648,507 shares minus the 146,760,000 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, with no bonus issue from either profit or capital reserves.

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	Stock code	000100
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 Group primarily consists of the following three major business groups:

1. The Semiconductor Display Business Group

It consists of CSOT, CDOT (0334.HK), new technologies and new business layout in relation to semiconductor displays.

2. The Intelligent Terminal Business Group

It includes TCL Electronics (1070.HK) (including the commercial display operations), TCL Communication, TCL Household Electric Appliance Group and other new business related to the consumer electronics such as smart homes.

3. The Emerging Business Group

It is responsible for the overall management of the Group's platform services, strategic emerging business and financial control system.

A major asset restructuring plan has been approved at the Group's general meeting on 7 January 2019. And the restructuring is currently progressing on track. Upon the completion of the restructuring, the Group's core businesses will be modified to comprise the semi-conductor display and material business, the industrial finance & investment and venture capital business and the emerging business group:

1. The Semi-Conductor Display and Material Business

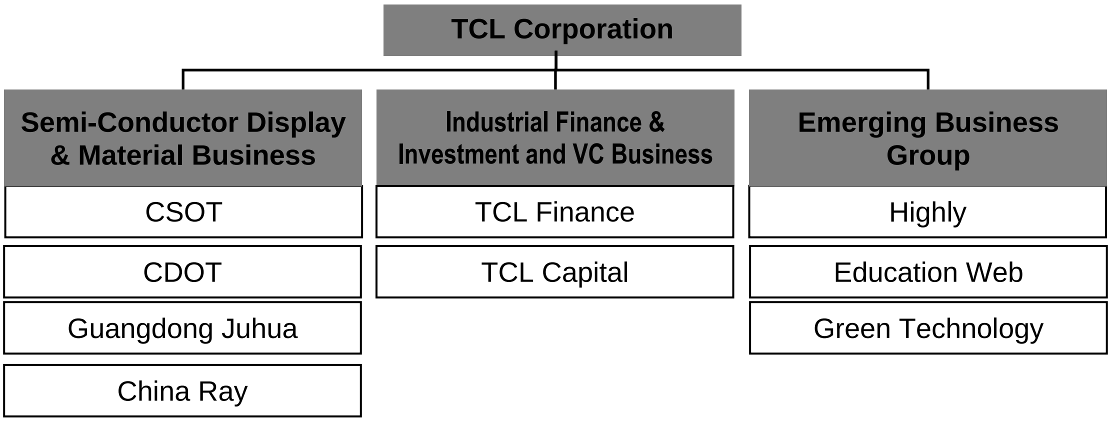
It consists of CSOT, CDOT (0334.HK), Guangdong Juhua and China Ray.

2. The Industrial Finance & Investment and Venture Capital Business

It includes TCL Finance and TCL Capital.

3. The Emerging Business Group

It comprises Highly, Educational Web and green technology.



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

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue	113,360,075,545.00	111,577,362,348.00	1.60%	106,473,499,866.00
Net profit attributable to the listed company's shareholders	3,468,207,407.00	2,664,396,006.00	30.17%	1,602,125,331.00
Net profit attributable to the listed company's shareholders before non-recurring gains and losses	1,587,391,372.00	1,190,649,328.00	33.32%	13,337,995.00
Net cash generated from/used in operating activities	10,486,580,443.00	9,209,615,123.00	13.87%	8,028,002,475.00
Basic earnings per share (RMB/share)	0.2566	0.2178	17.81%	0.1312
Diluted earnings per share (RMB/share)	0.2562	0.2178	17.63%	0.1312
Weighted average return on equity (%)	11.98%	10.86%	1.12%	7.17%
	31 December 2018	31 December 2017	Change of 31 December 2018 over 31 December 2017 (%)	31 December 2016
Total assets	192,763,941,739.00	160,293,985,835.00	20.26%	147,136,785,349.00
Equity attributable to the listed company's shareholders	30,494,364,951.00	29,747,067,178.00	2.51%	22,764,892,022.00

(2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4

Operating revenue	25,629,844,055.00	26,893,904,238.00	29,713,396,587.00	31,122,930,665.00
Net profit attributable to the listed company's shareholders	730,837,280.00	855,101,003.00	903,723,232.00	978,545,892.00
Net profit attributable to the listed company's shareholders before non-recurring gains and losses	521,159,061.00	472,277,800.00	601,362,425.00	-7,407,914.00
Net cash generated from/used in operating activities	3,034,386,560.00	1,340,841,734.00	3,181,204,574.00	2,930,147,575.00

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	463,789	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	479,128	Number of preferred shareholders with resumed voting rights at the period-end	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0

Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge or frozen	
					Status	Shares
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	Domestic non-state-owned legal person	7.82%	1,059,950,333	1,059,849,533	In pledge	747,420,000
Huizhou Investment Holding Co., Ltd.	State-owned legal person	6.48%	878,419,747			
Li Dongsheng	Domestic natural person	4.76%	644,873,688	483,655,266	In pledge	607,644,587
Beijing Ziguang Investment Co., Ltd.	State-owned legal person	3.58%	484,468,900			
Xinjiang	Domestic	3.34%	452,660,287		In pledge	452,660,287

Dongxing Huarui Equity Investment Partnership (Limited Partnership)	non-state-owned legal person					
Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	3.02%	408,899,521		In pledge	408,899,521
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.75%	373,231,553			
CDB Innovation Capital Co., Ltd.	State-owned legal person	2.37%	320,685,219			
Guangdong Guangxin Holdings Group Ltd.	State-owned legal person	2.34%	316,834,683			
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.52%	206,456,500			
Related or acting-in-concert parties among the shareholders above		During the Reporting Period, Mr. Li Dongsheng, Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) and Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership) have signed an agreement to become acting-in-concert parties. For further information, see the Reminder of Shareholders Signing an Agreement to Act in concert and the Change of the Biggest Shareholder.				
Shareholders involved in securities margin trading (if any)		None				

(2) Number of Preferred 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

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report’s approval or were due but could not be redeemed in full? Please refer to the relevant information disclosed in the full text of this annual report.

(1) Bond Profile

Bond name	Abbr.	Bond code	Maturity	Balance (RMB'000)	Coupon rate
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 1) (Type 1)	16TCL01	112352	16 March 2019	2,500,000	3.08%
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 1) (Type 2)	16TCL02	112353	16 March 2021	1,500,000	3.56%
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 2)	16TCL03	112409	7 July 2021	2,000,000	3.50%
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 1)	17TCL01	112518	19 April 2022	1,000,000	4.80%
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 2)	17TCL02	112542	7 July 2022	3,000,000	4.93%
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1)	18TCL01	112717	6 June 2023	1,000,000	5.48%
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 2)	18TCL02	112747	20 August 2023	2,000,000	5.30%
Interest payment during the Reporting Period	1. The interest for the period from 16 March 2017 to 15 March 2018 on "16TCL01" and "16TCL02" was paid on 16 March 2018. 2. The interest for the period from 19 April 2017 to 18 April 2018 on "17TCL01" was paid on 19 April 2018. 3. The interest for the period from 7 July 2017 to 6 July 2018 on "16TCL03" was paid on 9 July 2018. 4. The interest for the period from 7 July 2017 to 6 July 2018 on "17TCL02" was paid on 9 July 2018.				

(2) Latest Rating and Rating Change

According to the Credit Rating Report on TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Phase 1) issued by China Chengxin Securities Rating Co., Ltd. on 28 May 2018, TCL Corporation was rated AAA with a "Stable" outlook, and the said bonds were also rated AAA. According to the Follow-up Rating Report (2018) on TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Phase 1 and 2) issued by China Chengxin

Securities Rating Co., Ltd. on 25 June 2018, the AAA credit status of TCL Corporation and the said bonds was affirmed with a “Stable” outlook.

According to the Follow-up Rating Report (2018) on TCL Corporation’s Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Phase 1 and 2) issued by China Chengxin Securities Rating Co., Ltd. on 25 June 2018, 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 2018 to Qualified Investors (Phase 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 August 2018, 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	2018	2017	Change
Debt/asset ratio	68.42%	66.22%	2.20%
Debt/EBITDA ratio	10.69%	12.62%	-1.93%
Interest cover (times)	2.4	2.76	-13.04%

Part III Management Discussion and Analysis

1. Business Overview of the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

Overview:

In order to promote high-quality growth on such a large business scale, the Group started in 2017 the reform and transformation through “modifying the operating philosophy, refining the organizational flow, innovating business models and removing development obstacles”. It streamlined the operation and management process, optimized the business and organizational structures, kept promoting cost efficiency, as well as strengthened the position and competitive edges of its core businesses in the industry. For 2018, the Group recorded operating revenue of RMB113.36 billion, representing a year-on-year increase of 1.60%; core business revenue of RMB112.28 billion, rising by 1.60% compared to a year ago; a net profit of RMB4.07 billion, representing a 14.7% year-on-year increase; and a net profit attributable to TCL shareholders of RMB3.47 billion, representing an increase of 30.2% compared to a year ago. Meanwhile, net profit margin was up from 2% in 2016 to 3.6%, ROE up from 7.2% to 12%, and per-capital net profit up from RMB35,500 to RMB38,600, representing notably better operational efficiency and performance. In all, this round of reform has yielded preliminary results.

Upon efforts of more than two years, the sale and shutdown of 63 non-core enterprises resulted in a considerable drop in enterprises running in the red and redirected human, capital and technology resources to the core businesses with increasing competitiveness. During the Reporting Period, CSOT maintained full production and sales, as well as industry-wide leading operational efficiency and profitability, posting a steady profit of RMB2.32 billion amid a weakening industry. The intelligent terminal business saw better profitability with greater product strength and a larger market share thanks to resource support from other businesses in R&D, manufacturing, supply chain management, distribution channel, branding, etc. And all the other businesses registered stable operation and growth with profit contributions to the Group. As a result, the Group's profitability is gradually improving.

However, due to the different natures and development stages of the industries of the Group's businesses, they differ greatly in business model and way of operation and management. This remains the major obstacle of the Group's business growth and value creation. Therefore, the Group accelerates the refining of its business and capital structures by stripping off its terminal and related business, so as to further concentrate resources to satisfy the needs of the capital- and technology-intensive semi-conductor display and material business. It aims to build up the competitive edges of its core businesses through continuous concentration and sufficient resource commitment. The said restructuring plan has been approved at the First Extraordinary General Meeting of 2019 on 7 January 2019. And the restructuring is currently progressing on track. In the Reporting Period, the Group still managed and measured based on the old business structure, i.e. the semi-conductor display business group, the intelligent terminal business group and the emerging business group.

The capital structure and profitability have been improved to build up the Group's ability of sustainable development.

The said major asset restructuring is a cash deal. The Group received RMB4.76 billion in cash for the asset sale, which was considered a one-off restructuring income of the period of the settlement. This brought up both the assets and profit attributable to TCL shareholders.

Excluding the target assets in the restructuring, for 2018, the Group recorded a net profit of RMB3.55 billion, of which the net profit attributable to TCL shareholders stood at RMB3.15 billion. Meanwhile, major financial indicators improved to varying degrees. To be specific, the debt/asset ratio dropped from 68.4% to 64.1%, the net profit margin on sales rose from 3.59% to 7.35%, the number of employees decreased from 89,750 to 31,645, and the per-capital net profit increased from RMB 38,600 to RMB 99,600.

This restructuring has helped refine the Group's capital structure, as well as significantly boost profitability and returns for shareholders. The Group will embrace a whole new development stage with high-speed and high-quality growth.

The strategic transformation towards a technology conglomerate will help the Group concentrate resources on its core businesses.

Upon the completion of the said restructuring, the Group will become a technology conglomerate.

The semi-conductor display and material business will be the Group's core. It will further solidify its leading advantages in product and technology innovation and operational efficiency, obtain a larger market share and a better position in the industry through production ramp-up plus technology and production process upgrade, as well as build a bigger and stronger business of semi-conductor display and materials by vertical extension to the upstream and downstream industrial chain, as well as by horizontal cross-industry integration. It is committed to becoming a leader in the global industry.

The industrial finance & investment and venture capital business will be sustained to provide sufficient resource assurance for the development of the core business. The industrial finance business is positioned to offer capital and asset management services for the core business. It helps increase capital utilization efficiency and cut down finance costs under controllable risk. The investment and venture capital business will explore opportunities at the forefront of core-business-related new technologies, new materials and new applications, so as to increase the Group's control over the key links of its industrial chain. The stable profit contributions from the industrial finance & investment and venture capital business can also help offset the impact of cyclical swings on the semi-conductor display sector.

As for the other businesses that have been sustained in the restructuring, they are generally operating in a steady manner with profit contributions to the Group. But they are not closely connected to the core business, so for further concentration, the Group will gradually divest these businesses by means of restructuring, divestiture, sale or other ways at proper timings according to the principle of maximum value for shareholders.

Meanwhile, the Group will make use of its capital, technology and operational and management efficiency advantages to look for M&A opportunities in technology- and capital-intensive high-tech industries. This is to create a new driving force of the Group's business growth in addition to the semi-conductor display and material business, driving growth with technology.

The Group focuses on the three core technologies and drives growth through product and technology innovation.

New semi-conductor display technologies and materials, artificial intelligence (AI) and big data, as well as intelligent manufacturing and the industrial Internet are the Group's three major strategic directions. In 2018, the Group spent RMB5.67 billion on R&D, up by 20% year-on-year.

In the field of printed display, the "National Printed and Flexible Display Innovation Center" of Guangdong Juhua is the only national innovation center in China's display sector, as well as the most advanced printed display public platform around the world. It has successfully developed the 31-Inch 4K Printed OLED and the world's first 31-Inch 4K Printed H-QLED. In terms of material development for OLED, China Ray has developed, in an independent manner, red-light and green-light evaporated OLEDs which are domestically advanced. In addition, the Group's QLED R&D team has solved key issues such as the useful life of red-light and green-light QLEDs, and the self-developed blue-light QLED shows the best performance around the world.

The Group has set up multiple R&D centres across the world, which are dedicated to the basic common technology research of AI and big data. The Hong Kong R&D Centre specializes in intelligent product application, as well as key image and big data technologies; the R&D centre in the U.S. works on supporting Internet operation technologies; the Wuhan R&D Centre concentrates on algorithms in relation to AI technologies such as image recognition, as well as voice recognition and understanding; and the European R&D Centre will focus on AI algorithms. Thanks to the introduction of global leading talent, the Group has achieved better abilities in algorithm, data and application scenario construction in a fast pace, which have been applied to its products and the development of display materials.

In the area of intelligent manufacturing and industrial Internet, the Group develops such products, technologies and solutions with independent core intellectual properties (IP). Deeply integrating industrial and information technology resources, the Group will provide an industrywide advanced industrial Internet platform to help upgrade the semiconductor display plants with intelligent, digital and modular management systems, as well as with scenario-based intelligent manufacturing solutions.

During the Reporting Period, the Group applied for 1,607 international patents through PCT, representing a cumulative number of 9,990, covering Europe, the U.S., South Korea, etc. In addition, up to the end of the Reporting Period, the Group has cumulatively applied for 36,389 Chinese patents and 8,363 U.S. patents. Among those, CSOT has applied for 14,372 Chinese patents and 7,684 U.S. patents, indicating a domestically advanced level of patented technologies in domestically; in the quantum-dot electroluminescence field, applications have been filed for 757 patents, ranking the world’s second highest in this regard.

With significantly improved industrial capability, the Group keeps enriching its product range and multi-scenario applications.

The t6 project (the G11 production line), mainly for 65-inch, 75-inch and other super-large-sized new display panels, went into production in November 2018, which was ahead of schedule. The t7 project (another G11 production line), positioned to produce 8K and OLED large-sized display panels, is under construction. As for small- and medium-sized displays, the t3 project (the G6 LTPS-LCD production line) started to run at full capacity for quick sale in the fourth quarter of 2018, with its shipment jumping to No. 3 around the world, representing the world’s fastest growth speed. The t4 project (the G6 flexible LTPS-AMOLED production line) has started production, with capacity and the yield rate gradually improving. CSOT is also proactively making plans to enter new markets of large-sized panels for touch modules, electronic whiteboards, tiled video walls, specialized high-end monitors, etc. as a way to increase the proportion of high-tech and high-added-value products in its product mix.

The intelligent terminal business continued to optimize its product mix and significantly improved its product strength. According to China Market Monitor, a data firm, TCL TV’s brand-price index on China’s market has risen from 102 in 2017 to 110 in 2018, jumping to No. 2. In the Reporting Period, the sales volume of TCL Electronics’ 55-inch-and-above products accounted for a market share 25.2%, up by 4.6 percentage points year-on-year; the sales volume of 4K products went up fast, with a market share of 40%; and the sales volume of curved TV ranked first on the market.

With progress in branding and global operations, the Group has started to utilize its industrial chain capability overseas.

During the Reporting Period, with opportunities arising from the “Belt and Road Initiative” and the integration of the consumer electronics industry, the Group beefed up its global expansion. As a result, it has broken into the European market and expanded its business in India and Russia. The Group integrates the business resources of TCL Electronics, TCL Communication and TCL Household Electric Appliance Group, as well as promotes intragroup cooperation in product development, industrial chain management, marketing and global branding. Through enhancing branding and product strength, TCL is shifting from a Chinese brand to a competitive global brand. The Group owns 28 R&D centres, 10 joint labs and 22 manufacturing bases across the world, covering over 160 countries and regions. In the Reporting Period, revenue generated by the Group's overseas business accounted for 49.7% of its total revenue.

The whole-module integrated intelligent manufacturing industrial park in India, which has started construction in late December 2018, helps materialize the shift from a single product model to a screen-to-whole-module industrial chain. This will help improve the global operation and management ability, so as to lay a solid foundation for the globalization of the Group's semi-conductor display and material business.

With a well-established global network covering R&D, products, distribution channels and marketing, and featuring strong competencies of global management and localized operations covering supply chain management, IP protection, risk control and compliance, TCL is able to deal with various trade disputes and maintain steady growth in global business.

The Group builds up its digital operation capability to promote digitization in management and business operation.

To promote digitization and improve intelligent manufacturing, the Group coordinated internal resources in a bid to deeply integrate industrial technology and information technology resources, as well as promote digitization and IT in management and operation. Meanwhile, the Group's intelligent manufacturing resources are tapped to establish an intelligent manufacturing service center to boost the intelligent manufacturing capability of all the businesses. So far, the Company's digital operation platform has reserved products with independent IP in the Industrial Internet, intelligent enabling technology, intelligent plants and intelligent equipment. It is launching products and services in three major fields, IoT platforms, industrial software and IT service for factory management. In order to seize overseas opportunities in the accelerating transformation and upgrade of China's manufacturing sector, the Group will, based on years of accumulation in the manufacturing sector and advanced technologies in the industry, provide intelligent manufacturing products and solutions for overseas customers, as well as build an industry-level industrial Internet platform.

The major asset restructuring plan has been approved at the Group's general meeting on 7 January 2019. And the restructuring is currently progressing on track. Upon the completion of the restructuring, the Group's core businesses will be modified to comprise the semi-conductor display and material business, the industrial finance & investment and venture capital business and the emerging business group:

1. The Semi-Conductor Display and Material Business

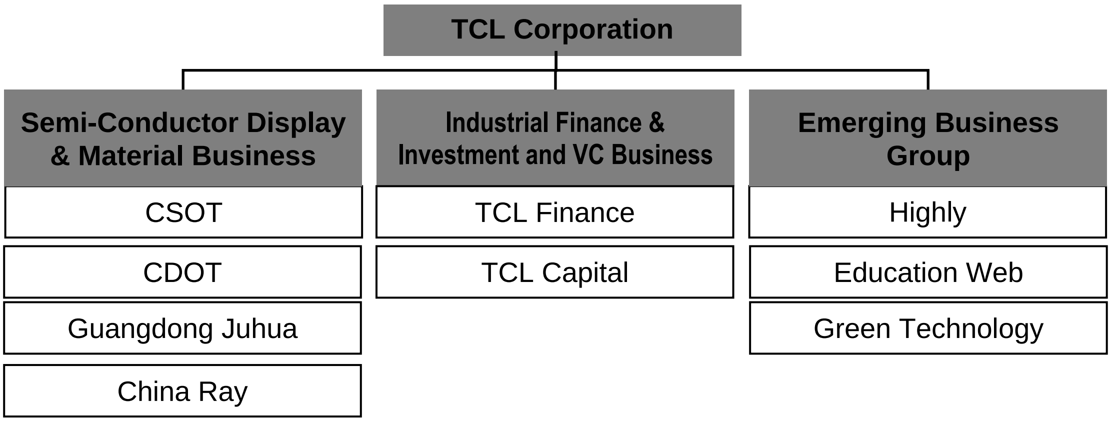
It consists of CSOT, CDOT (0334.HK), Guangdong Juhua and China Ray.

2. The Industrial Finance & Investment and Venture Capital Business

It includes TCL Finance and TCL Capital.

3. The Emerging Business Group

It comprises Highly, Educational Web and green technology.



(I) The Semi-Conductor Display and Material Business

1. CSOT

CSOT is mainly engaged in the R&D, production and sales of semiconductor display panels and the collaborative management of semiconductor display related industries. In addition to further consolidating its leading position as a large-sized TV panel provider, CSOT is strengthening its product advantage in the area of small- and medium-sized panels through ongoing technology innovation, so as to increase its overall competitiveness. In the meantime, it also accelerates its transformation towards a multi-application-scenario display interface provider. By expanding its segment market share of products with high added value, it strives for higher profit.

Moreover, CSOT is promoting organizational structure optimization and business model transformation to further improve efficiency and reduce costs for leading efficiency and effectiveness in the industry. In the Reporting Period, CSOT recorded operating revenue of RMB27.67 billion and a net profit of RMB2.32 billion.

1.1 Large-Sized Panel Business Group

During the Reporting Period, the two G8.5 lines of CSOT, t1 and t2 projects, maintained full production and sales. A total of 3.593 million glass substrates were inputted, representing a year-on-year increase of 7.95%. CSOT’s large-sized LCD panel shipment remains the fifth in the globe, with the shipments of the 32-inch and 55-inch UD products both being the second largest in the world, as well as consecutively ranking first in shipment to major domestic brand customers.

The G11 TFT-LCD and AMOLED new display production line (t6 project), mainly producing 65-inch, 75-inch and other ultra-large-sized new display panels, has started production in November 2018 and is expected to reach full capacity in late 2019. The G11 UHD new display production line (t7 project), which has started construction in November 2018, is mainly responsible for the production and sales of 65-inch, 70-inch (21:9) and 75-inch 8K UHD displays and AMOLED display products.

The first phase of CSOT’s integrated intelligent module manufacturing base (High Generation Module Project) has been put into production, with an annual processing capacity of 40 million LCD modules. Bulk shipment has been achieved. Supporting the G8.5 and G11 production lines, this project is positioned to provide high-end and large-sized display modules to solve problems for customers, and further enhance the manufacturing capability of CSOT in the sector of semiconductor displays.

1.2 Small- and Medium-Sized Panel Business Group

Benefiting from a sharp rise in the shipment to international top brand customers, the G6 LTPS-LCD production line (t3 project) realized full production and sales in the fourth quarter of the year under review, with remarkable year-on-year improvements in market share and profitability. According to AVC, a data firm, in the fourth quarter of 2018, the shipments of t3 project of CSOT have achieved 24.8 million pieces ranked No. 3 worldwide and No. 2 domestically, representing the world’s fastest growth speed.

The G6 LTPS-AMOLED flexible production line (t4 project) is expected to start mass production in 2019, with the development and verification of key technologies well underway. CSOT’s G4.5 flexible AMOLED trial line in Wuhan has helped prepare for the rapid mass production of t4 products in terms of beforehand technology and talent reserve.

CSOT will give full play to its existing capacity and technology advantages, so as to transform faster towards a multi-application-scenario display interface provider. In order to do that, CSOT continues to refine its existing product and customer structures, as well as actively work on the development of display products for interactive whiteboards, tiled video walls, advertisement players, e-sports, vehicles, etc. for a larger share in these segment markets with high added value. It aims to promote market demand with its multi-scenario display application, and boost profit with differentiated products with high added value.

2. CDOT

CDOT (0334.HK) is engaged in the R&D, production and sales of small- and medium-sized TFT-LCD/OLED display modules.

In the Reporting Period, CDOT fully leveraged synergy with CSOT, refined its product mix and brought in a number of international top brand customers. As a result, it sold 60.48 million modules (a 13.0% year-on-year increase), generating sales revenue of RMB5.28 billion (a 52.4% year-on-year increase). Meanwhile, following the business strategy of being a provider of multi-application-scenario display interface, CDOT is actively expanding its share in the smart home and commercial display markets by way of working with famous Internet companies to launch smart home products equipped with its display modules. It will also improve its business composition and enhance its product competitiveness and profitability.

3. Guangdong Juhua

As the contractor of the "National Printed and Flexible Display Innovation Center", Guangdong Juhua is the first national innovation center in China’s display sector. It is mainly engaged in the research of key common technologies of printed and flexible display. To build up China’s public R&D platform for printed display and create a printed display eco-system, it cooperates with universities, research institutes, internationally renowned materials and equipment companies, so as to integrate resources within the industry and develop such core technology.

In the Reporting Period, Guangdong Juhua’s development of printed display technology went well. In the large-sized area, it has successfully developed the 31-Inch UHD (4K) Printed OLED and the 31-Inch UHD Top-Emitting Printed H-QLED, which is the world’s highest resolution printed QLED, as well as the world’s first such product to adopt both advantages of electroluminescent quantum-dot materials and OLED materials. While in the small-sized area, it completed the development of the 5-inch ultra-high resolution (400ppi) printed AMOLED, which is the highest resolution display device completed by the printed technology.

4. China Ray

China Ray is mainly engaged in the development of new OLED key materials with independent IP, focusing on evaporated OLED small molecule materials and printed OLED materials.

During the Reporting Period, China Ray's R&D of new materials was progressing in a smooth manner. It has developed over 700 types of emitting materials with independent IP, many of which have been accepted by China's mainstream panel production lines and some of them have realized bulk supply. China Ray now has three kinds of emitting materials with independent IP—red-light and green-light materials based on evaporation process, as well as solution-processed green-light materials, all of which are of a globally advanced performance.

To support the national overall planning of new display materials and technologies, China Ray independently develops printed OLED materials, including red-light and green-light emitting materials and devices, which reach domestically advanced performance. And breakthroughs have also been made concerning the blue-light emitting materials.

(II) The Industrial Finance & Investment and Venture Capital Business

The Group will sustain the industrial finance & investment and venture capital operations after the restructuring, primarily comprising TCL Finance and TCL Capital. TCL Finance provides financial services to the upstream and downstream partners of the core businesses and the industrial chain, increasing capital utilization efficiency and cutting down finance costs under controllable risk. It also uses the surplus capital for more gains. TCL Capital focuses on the core business chain, investing in the forefront of areas such as key electronic devices, basic software and high-end universal chips.

The industrial finance & investment and venture capital business can help concentrate on the core businesses, as well as boost management and operational efficiency. The stable profit contributions from it can also help offset the impact of cyclical swings on the semi-conductor display sector.

1. TCL Finance

TCL Finance mainly comprises the Group's finance and the supply chain finance.

The Group's finance primarily involves providing financial and management support to the major businesses and subsidiaries within the Group, and undertaking the functions of efficiency improvement and risk management of Group assets. During the Reporting Period, TCL Finance Co., Ltd. enhanced its financial support to the Group's business development according to the Group's strategic goals, and further improved its active management ability for capital and risks. The operation of TCL Finance is progressing smoothly. Its asset scale, gross profit, ROE and capital concentration are all of a leading level in the industry.

The supply chain finance is divided into industrial chain finance and consumer finance, providing financial services for industrial chain partners, Group employees and Group product consumers respectively. During the Reporting Period, the supply chain finance business was improved internally and externally to provide quality and convenient account receivable financing services for industry chain partners, especially small and medium enterprises. By 2018, the number of B2B finance clients reached more than 13,000, while the registered retail finance clients were close to 50,000.

2. TCL Capital

TCL Capital includes the venture capital and financial investment business, as well as Admiralty Harbour Capital Limited.

The venture capital business focuses on investment opportunities in prospective and innovative technology according to the development needs of the Group's core businesses, with major investments in new materials, new energy, major consumption and high-end manufacturing industries. Up to the end of the Reporting Period, the venture capital business manages funds of RMB9.365 billion in total, and has accumulatively invested in 108 projects, with shareholdings in listed companies such as Petro-King, Sky Solar, Jinyu, ZJBC, HyUnion Holding, CATL and S.C. In addition, in the non-core investments, the Group cautiously evaluates financial investment opportunities. At present, it holds a 19.07% interest in 712 Corp. (603712.SH), a 20.08% interest in Fantasia Holdings (01777.HK), and a 4.99% interest in Bank of Shanghai (601229.SH).

Admiralty Harbour Capital Limited, a majority-owned subsidiary of the Group and a financial institution holding Licenses No. 1, No. 4 and No. 9 in Hong Kong, is approved in 2017 by the Securities and Futures Commission of Hong Kong to engage in securities trading, providing securities-related advice and offering asset management service. The subsidiary signed and introduced in March 2018 a management and operation team comprising international senior experts, with the purpose of building an innovative, efficient financial service platform. It has been providing financial service for third-party clients for revenue since August 2018. On the capital market, it completed two bond issues in 2018, and provides debt management consulting service for a Hong Kong listed company as their financial advisor. In regard with asset management, the subsidiary has accomplished the preparations for two global bond funds, and has been engaged in investment management since November 2018.

(III) The Emerging Business Group

1. Highly Information

Highly Information (835281) is a business platform specializing in the sales and service of IT products, covering domestic and foreign top-brand notebook computers, desktop computers, digital products and related accessories.

Following the strategy of "sales + service", Highly Information is committed to becoming a computing equipment provider in the intelligent era. Highly Information achieved sales revenue of RMB16.54 billion and a net profit attributable to the Company as the parent of RMB199 million in the Reporting Period.

2. Educational Web

Open Edutainment is the largest web-based degree course provider in China. It is a leader in web-based degree course services, and also actively develops Internet education and vocational education. During the Reporting Period, the enrollment for the degree courses of Educational Web was successfully completed, and teacher training was steadily processing. On the basis of the existing business, Open Edutainment intensified the integration of educational resources and B2C business development. Up to the end of the Reporting Period, the registered users of the Internet IT vocational education platform (IMOOC) reached 14.70 million, ranking first in the industry.

(IV) Major Target Businesses of the Restructuring Plan

Having been approved at a general meeting on 7 January 2019, the Group’s major asset restructuring plan is targeted at the restructuring of the intelligent terminal and related business. Upon the completion of relevant transaction, this business will be stripped off from the Group and excluded from the Group’s consolidated financial statements.

1. TCL Electronics

TCL Electronics is mainly engaged in the R&D, production and sales of large-screen display terminals, and provides users with Internet value-added services and system solutions. It is aimed at becoming a world-leading intelligent technology firm and achieving market leadership in China and around the world.

During the Reporting Period, the sales revenue of TCL Electronics increased by 9.25% year-on-year to RMB38.57 billion (HK$45.58 billion). The net profit attributable to the Company as the parent increased by 14.4% year-on-year to RMB0.801 billion (HK$0.944 billion). The aggregate sales volume of LCD TVs reached 28.606 million sets (including commercial displays), showing an increase of 23.1% year-on-year. According to Sigmaintell, a consulting firm, TCL Electronics achieved a global market share of 11.6% in terms of TV shipment in 2018, the second largest.

TCL Electronics achieved a sales volume of 18.214 million TV sets in overseas markets, representing an increase of 29.5% year-on-year. To be specific, the sales volume in the North America market rose by 41.8% from a year ago, jumping to No. 2 in the third quarter and November; the sales volume in the emerging markets increased by 30.7% year-on-year, with impressive growth in India, Southeast Asia, Brazil and Australia; and the sales volume in the European market increased by 43.1% year-on-year, with growth particularly in France, Germany, Italy, Spain, etc.

2. TCL Communication

TCL Communication operates three major brands, namely TCL, Alcatel and BlackBerry worldwide. It is committed to providing users with innovative mobile terminal products and services. TCL Communication aims to become the world's leading brand of mobile terminal devices, as well as establish a customer-oriented product definition and sales system.

Following the operating strategy of “building strength in products, the supply chain and marketing, as well as improving the basic corporate management system”, TCL Communication shortened the time needed for the development of a product, increased the supply chain efficiency, and set up a customer-oriented marketing system. As a result, it has seen the average selling price and gross profit margin increase, operating expenses go down, and loss decrease as compared to the previous year. However, due to the fiercer market competition and the impact of reforms and adjustments, TCL Communication only sold 33.87 million units of products during the Reporting Period, representing a drop of 23% year-on-year.

3. TCL Household Electric Appliance Group

TCL Household Electric Appliance Group is mainly engaged in the R&D, production and sales of air conditioners, refrigerators, washing machines and health electrical products. It maintains its market position in the second lineup by large-scale development and product innovation.

In face of the complicated operating environment at home and abroad, TCL Household Electric Appliance Group drove product upgrades based on the category leading strategy, as well as proactively promoted cost efficiency throughout the industrial chain. Capitalizing on the marketing and brand advantages of TCL Electronics, it promoted lean management, improved its customer structure, and optimized the domestic and foreign sales mix to achieve high-quality scale growth. During the Reporting Period, it sold 9.197 million units of air-conditioners (an 0.3% year-on-year increase), 2.368 million units of washing machines (a 23.5% year-on-year increase), and 1.77 million units of refrigerators (a 14.6% year-on-year increase). During the Reporting Period, TCL Household Electric Appliance Group posted sales revenue of RMB17.46 billion, up by 9.87% when compared to the prior year.

4. Tonly Electronics

Tonly Electronics develops, manufactures and markets high-quality audio and video products and wireless smart connected products for the world's top consumer electronics brands.

In the Reporting Period, in addition to strengthening the development and innovation of smart voice speakers, Tonly Electronics also worked actively on cross-industry smart voice application products. Leveraging its first mover advantage in smart voice technology and the cooperation relationship with various voice ecosystems, it marketed its smart products to brand customers outside the smart speaker industry. During the Reporting Period, Tonly Electronics achieved sales revenue of RMB6.18 billion (HK$7.30 billion), representing a year-on-year increase of 21.8%.

2. Significant Change to Principal Activities in the Reporting Period

□ Yes √ No

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

√ Applicable □ Not applicable

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 (%)
TVs	38,569,124,963.00	970,054,426.00	15.67%	15.76%	34.89%	20.03%
LCD panels	27,537,312,308.00	2,596,202,783.00	18.43%	27.88%	23.42%	-54.79%
Cellphones	12,564,163,915.00	-233,761,849.00	26.37%	21.96%	-38.37%	87.95%
Refrigerators, washing machines and air conditioners	17,458,889,700.00	226,086,913.00	15.55%	15.51%	44.60%	134.11%
Distribution of PCs	16,536,580,699.00	291,958,169.00	3.80%	3.74%	-0.84%	8.66%
Audio and video, as well as electron wave products	6,176,286,717.00	198,833,747.00	12.11%	14.48%	69.77%	-15.95%

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

□ Applicable √ Not applicable

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

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

No such cases.

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

Compared with 2017, 35 subsidiaries (34 newly incorporated and another one due to acquisition of control) are newly included in and 31 subsidiaries (20 de-registered, four transferred and another seven due to cease of control caused by a decreased interest) are excluded from the consolidation scope of 2018.