

TCL 科技集团股份有限公司

TCL Technology Group Corporation



创意感动生活
The Creative Life

ANNUAL REPORT 2019

31 March 2020

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Achieve Global Leadership by Innovation and Efficiency

Chairman's Statement

Dear shareholders, customers and partners,

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

Business Review for 2019

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

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

The panel price continuously drops to the historic low ebb with industry losses arising and the market further concentrated to the leading enterprises last year. TCL CSOT keeps the best efficiency and profitability of the industry by the business process improvement,

ultimate cost reduction and the better product and customer mix. For the year under review, TCL CSOT recorded revenue of RMB33.99 billion, up by 22.9% year-on-year, and a net profit of RMB964 million, down by 58.5% year-on-year. The t6 (G11) plant in Shenzhen reached designed production at the end of the 2019 and the t4 (flexible AMOLED) plant achieved mass production at the same time. The two plants will support the profit growth of this year firmly.

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

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

2020 business planning

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

The environment of the global display industry will be better comparing last year and the enterprise with edge will have more opportunities.

TCL CSOT focuses on "improving efficiency and profitability", compares with all the benchmarks thoroughly, finds the root reason, responses quickly, builds up the core competencies, continues to reduce the cost, improves operation quality as well as actively expands new markets and customers to achieve business success. The Company will maintain the max production of the t6 plant, further expand the capacity of t3 plant, reach mass production of the Phase I of the t4 plant, complete Phase II and Phase III construction of t4, and start the t7 (G11) operation at the end of the year. Continuously max the existing capacity and complete full sales. Keep on capacity expansion and support the revenue growth this year. The Company shall dedicated to the video interaction and commercial display technology, improve LTPS and flexible AM-OLED technology, further optimize product and customer structure, continuously strengthen the market position and enhance earnings. We are confident that TCL CSOT's revenue growth and profitability will exceed last year.

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

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

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

Medium-and-long term strategic outlook

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

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

I think there is an opportunity for China's display industry to become the global leader in big-size products, but in medium and small size will face the challenges from Korean companies. China and Korea will become the final leading forces of global display industry. As the competition of the display industry will be heated, the business volatility will be lower finally. The leading player's advantages will be significant and the return will increase gradually. The Company will increase the scale and efficiency of the industry by interior and exterior development, increase R&D investment, establish the technical barrier, break through the next generation of display technology, deploy the global industrial chain layout actively and serve global customers, establish the ecological system of the industry, improve efficiency and become a global leader in the display industry.

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

The Company always values shareholder returns and stabilizes the cash dividends. The

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

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

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



Li Dongsheng

31 March 2020

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”), the Supervisory Committee as well as the directors, supervisors and senior management of TCL Technology Group Corporation (hereinafter referred to as the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions therein.

All the Company’s directors have attended the Board meeting for the review of this Report and its summary. And all the Company’s supervisors have attended the meeting of the Supervisory Committee for the review of this Report and its summary.

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

Mr. Li Dongsheng, the Chairman of the Board, Ms. Du Juan, the person-in-charge of financial affairs (Chief Financial Officer), and Mr. Xi Wenbo, the person-in-charge of the financial department, hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

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.

Definitions

Term	Definition
The “Company”, the “Group”, “TCL”, “TCL Tech.” or “we”	TCL Technology Group Corporation and its consolidated subsidiaries, except where the context otherwise requires
The “Reporting Period”	The period from 1 January 2019 to 31 December 2019
The reference basis or the reference report	The financial reports of the Reporting Period and last year that the Company prepares based on the consolidation scope after the restructuring, i.e. exclusive of the effects of the restructured businesses
TCL Industries	TCL Industries Holdings Inc.
The “Major Asset Restructuring”, “Restructuring” or “significant assets spin-off”	The major asset restructuring approved at the 13 th meeting of the 6 th Board of Directors on 7 December and the First Extraordinary General Meeting of 2019 on 7 January 2019 and settled in April 2019
TCL CSOT	TCL China Star Optoelectronics Technology Co., Ltd.
Wuhan CSOT	Wuhan China Star Optoelectronics Technology Co., Ltd.
Guangdong Juhua	Guangdong Juhua Printed Display Technology Co., Ltd.
China Ray	Guangzhou China Ray Optoelectronic Materials Co., Ltd.
Highly	Highly Information Industry Co., Ltd., a majority-owned subsidiary of the Company listed on the National Equities Exchange and Quotations (stock code: 835281)
CDOT	China Display Optoelectronics Technology Holdings Limited, a majority-owned subsidiary of the Company listed on the Stock Exchange of Hong Kong (stock code: 00334.HK)
Bank of Shanghai	Bank of Shanghai Co., Ltd. (stock code: 601229.SH), with the Company holding a 5.14% interest
712 Corp.	Tianjin 712 Communication & Broadcasting Co., Ltd. (stock code: 603712.SH), with the Company holding a 19.07% interest as its second largest shareholder
Fantasia	Fantasia Holdings Group Co., Limited, a listed company on the Stock Exchange of Hong Kong (stock code: 01777.HK), with the Company holding a 20.06% interest as its second largest shareholder
Admiralty Harbour Capital	Admiralty Harbour Capital Limited
Huizhou Environmental Resource	Huizhou TCL Environmental Resource Co., Ltd.
TCL Industries (HK)	TCL Industries Holdings (HK) Limited
TCL Household Electric Appliance	Huizhou TCL Household Electric Appliance Group Co., Ltd.
Open Edutainment	Beijing National Center for Open & Distance Education Co., Ltd.
Hefei Home Appliances	TCL Home Appliances (HeFei) Co., Ltd.
Cool Friends Technology	Huizhou Cool Friends Network Technology Co., Ltd.

Koyoo Online Service	Koyoo Online Service Co., Ltd.
TCL Technology Park	TCL Technology Park Co., Ltd.
JDH	JDH Information Tech (Zhuhai) Co., Ltd.
HAWK Internet	Shenzhen HAWK Internet Co., Ltd.
Getech	Getech Ltd.
t1 project	The generation 8.5 (or G8.5) TFT-LCD production line of TCL CSOT
t2 project	The generation 8.5 (or G8.5) TFT-LCD (including oxide semiconductor) production line of TCL CSOT
t3 project	The generation 6 (or G6) LTPS-LCD panel production line of TCL CSOT
t4 project	The generation 6 (or G6) flexible LTPS-AMOLED panel production line of TCL CSOT
t6 project	The generation 11 (or G11) new TFT-LCD production line of TCL CSOT
t7 project	The generation 11 (or G11) new ultra-high-definition (UHD) TFT-LCD and AMOLED production line of TCL CSOT

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	TCL Corp.	Stock code	000100
Changed stock name ¹	TCL Tech.		
Stock exchange for listing	Shenzhen Stock Exchange		
Company name in Chinese	TCL 科技集团股份有限公司		
Abbr.	TCL 科技		
Company name in English	TCL Technology Group Corporation		
Abbr.	TCL TECH.		
Legal representative	Li Dongsheng		
Registered address	TCL Tech Building, 17 Huifeng Third Road, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province, China		
Zip code	516001		
Office address	TCL Tech Building, 17 Huifeng Third Road, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province, China		
Zip code	516001		
Company website	http://www.tcl.com		
Email address	ir@tcl.com		
Company honors	<p>Fortune China 500</p> <p>Top 60 Chinese Corporate Citizens 2019</p> <p>Responsibility Value Innovation Enterprise Award</p> <p>Outstanding Enterprise in Social Responsibility granted by China Corporate Social Responsibility Annual Conference</p> <p>Investors' Favorite Award granted by Cailianpress.com</p> <p>Best Board Award granted by the 15th Gold Round Table</p> <p>Sustainability Innovation Award granted by the Caijing magazine</p> <p>Best A-stock Company in Investment Value Award granted by Gelonghui</p> <p>Best China Listed Companies in Corporate Social Responsibility Award 2018 granted by JRJ.com</p>		

¹In order to reflect its business scope and operations in an accurate and clear manner, as well as its strategic positioning to become a globally leading technology company, the Company has changed, upon approval, its Chinese name from “TCL 集团股份有限公司” to “TCL 科技集团股份有限公司”, English name from “TCL Corporation” to “TCL Technology Group Corporation”, stock name in Chinese from “TCL 集团” to “TCL 科技”, stock name in English from “TCL” to “TCL Tech.”, and the abbreviation of its English name from “TCL Corp.” to “TCL Tech.”. The stock code of “000100” remains unchanged.

II 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
Tel.	0755-3331 1666
Fax	0755-3331 3819
Email address	ir@tcl.com

III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for information disclosure	Securities Times, China Securities Journal, Shanghai Securities News and Securities Daily
Website designated by CSRC for publication of this Report	http://www.cninfo.com.cn
Place where this Report is lodged	Board Office of TCL Technology Group Corporation

IV Change to Company Registered Information

Unified social credit code	91441300195971850Y
Change to principal activity of the Company since going public (if any)	Not applicable
Every change of controlling shareholder since incorporation (if any)	Not applicable

V Other Information

The independent audit firm hired by the Company:

Name	Da Hua Certified Public Accountants (Special General Partnership)
Office address	Room 1101, Building 7, No. 16 Xi Si Huan Zhong Road, Haidian District, Beijing
Accountants writing signatures	Qiu Junzhou and Jiang Xianmin

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

☐ Applicable ☒ Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Name	Office address	Representative	Period of supervision
CITIC Securities Co., Ltd.	CITIC Securities Tower, No. 8 Zhongxin 3rd Road, Futian District, Shenzhen, China	Huang Biao and Liu Jian	From 1 March 2019 to 31 December 2020

VI Key Financial Information

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

☐ Yes ☒ No

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

Note: In April 2019, the Company completed the handover of major assets in a restructuring. Therefore, the revenue data

of 2019 and 2018 are not comparable as the former only includes the January-March 2019 revenue generated by the restructured assets, while the latter comprises the January-December 2018 such revenue. Adopting the same reference basis, revenue would be up by 18.72% in 2019 compared to 2018.

The total share capital at the end of the last trading session before the disclosure of this Report:

Total share capital at the end of the last trading session before the disclosure of this Report (share)	13,528,438,719
Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.1935

Note: After the restructuring, the Company has shifted to a globally leading intelligent technology company concentrating on the semi-conductor display and materials business. It is the key operational philosophy and mission of the Company to create value for and grow with the shareholders. In order to effectively protect shareholders' interests and enhance shareholder value, the Company carried out a share repurchase programme during the Reporting Period, which has been completed on 10 January 2020. Cumulatively, 565,333,922 shares (or 4.18% of the total share capital) have been repurchased, of which 3,875,613 shares have been used for the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan, 33,391,897 shares have been used for the Second Global Partner Plan, and the rest will be kept as treasury shares and used for employee stock ownership plans, equity incentive plans or convertible bonds.

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

Item	2019	2018	2019-over-2018 change (%)
Revenue (RMB)	57,270,940,685	48,240,376,808	18.72
Net profit (RMB)	3,564,025,084	3,545,237,938	0.53
Net profit attributable to the listed company's shareholders (RMB)	2,617,778,635	3,153,044,155	-16.98
Basic earnings per share (RMB/share)	0.1986	0.2333	-14.87
Diluted earnings per share (RMB/share)	0.1935	0.2329	-16.92
Weighted average return on equity (%)	9.09	9.74	-0.65

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

Indicate whether there are any corporate bonds.

☒ Yes ☐ No

Indicate whether the Company has seen a deficit for the past two years.

☐ Yes ☒ No ☐ Not applicable

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

No such differences for the Reporting Period.

2. Net Profit and Equity Differences under CAS and Foreign Accounting Standards

No such differences for the Reporting Period.

3. Reasons for Accounting Data Differences Above

☐ Applicable ☒ Not applicable

VIII Key Financial Information by Quarter

Unit: RMB

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

Indicate 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

IX Non-Recurring Gains and Losses

Unit: RMB

Item	2019	2018	2017	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	1,419,020,969	-58,305,452	420,543,530	Not applicable

Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	1,170,648,526	1,377,064,570	1,159,442,050	Not applicable
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	-	-	191,917,137	Not applicable
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	186,339,457	162,729,226	-207,276,526	Not applicable
Non-operating income and expense other than the above	77,285,628	871,846,769	504,575,138	Not applicable
Less: Corporate income tax	165,397,982	191,940,974	310,502,820	Not applicable
Non-controlling interests (net of tax)	305,249,348	280,578,104	284,951,831	Not applicable
Total	2,382,647,250	1,880,816,035	1,473,746,678	Not applicable

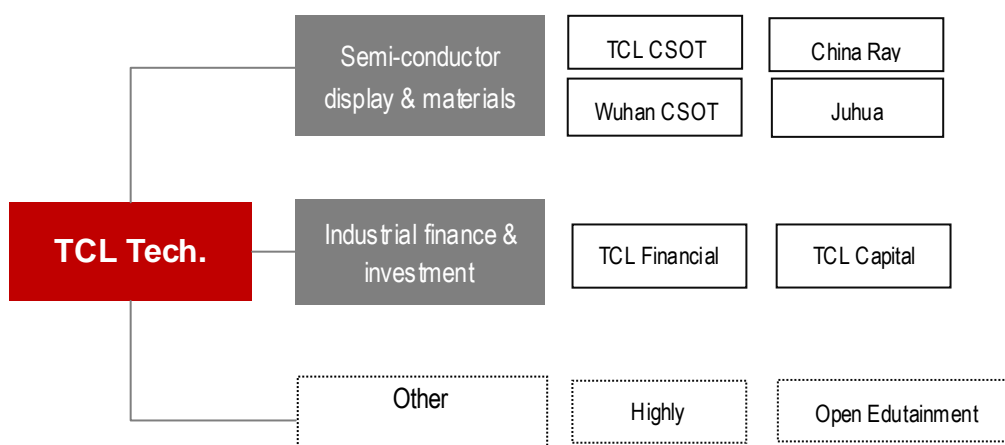
Explanation of why the Company reclassifies as recurrent a non-recurring gain/loss item defined or listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Gain/Loss Items:

☐ Applicable ☒ Not applicable

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

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



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

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

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Significant change
Fixed assets	Primarily driven by the transfer of the construction in progress of the t2, t3, t4 and t6 production lines to fixed assets
Intangible assets	Primarily driven by spinoffs in the Restructuring

2. Major Assets Overseas

☐ Applicable ☒ Not applicable

III Core Competitiveness Analysis

Through the development of 39 years, TCL always adheres to the manufacturing industry, change and innovate continuously. In the latest reform, the Company spins off the intelligent terminal and supporting businesses, reconfirmed the technology-centric business direction at the beginning of 2019. Furthermore, for the purpose of accurately reflecting the strategic position—"To become a globally leading technology company", the Company renamed to "TCL Tech." and achieved a new round of industrial upgrading and technological transformation with expansion and improvement on the core business.

Scale and efficiency are prominent advantages and the competitiveness was intensified during the industry trough

TCL CSOT has a rapid growth of production capacity and continuously increases the market shares, sales through the max capacity of t1 and t2, as well as t6 G11 reaches design capacity in advance. Wuhan CSOT t3 LTPS product sales ranks second in the world, t4 flexible AMOLED begins mass production and supply, t7 G11 project construction is in smooth progress and TCL module and whole-widgit integrated project Phase I reaches target output. Now, the position of TCL CSOT big-size panel is stable in the market segment: The shipment of 55-inch TV panels ranks first, the shipment of 65-inch TV panels ranks third, the shipment of 86-inch TV panels in the white board field ranks second and the

shipment of 32-inch TV panels in the e-sports field ranks third. The overall advantages of TCL CSOT stand among the forefront of the global display panel industry.

Since operation, TCL CSOT improves the efficiency of capacity expansion by efficient production line layout, gives full play to Gemini plant layout assembly effect and industrial chain integration advantage and drives extreme efficiency cost measures with efficiency and benefit indicators continuing to be the global industry leader. With the industry reshuffle intensified and concentration increased, TCL Technology can successfully cross the bottom of the cycle based on scale and efficiency advantages and will benefit from the next industry boom cycle with sufficient resources.

Strengthening the ability of technology research and development and product innovation and beforehand layout of the next generation display technology and materials

In 2019, the Company's R&D investment reached RMB5.46 billion. TCL Tech. submitted 2,752 PCT international patent applications with accumulative applications of 11,261 covering countries and regions such as Europe, America and Korea. The number of the Company's patents in the quantum dot material ranks second in the world.

After 10 years development, TCL has entered the stage of advanced technology development from technological catch-up in the semi-conductor display field. For the large size panel, the Company continuously optimizes the HVA technology. The Mini-LED backlight product released for the first time in the world in 2019 and the first glass substrate integration LED scheme have better performance in comparison to existing PCB integrated solution. 8K and Touch technologies will be continuously used for high-end products. In the small and medium size panel, the Company expands LTPS-LCD application scenarios with technology, including LCD special-shaped screen, blind hole technology, small and medium size vehicle display screen/notebook computer technology, and focuses on developing such high-end application technologies as AMOLED foldable screen and under-panel camera shooting. Several flexible folding products of TCL CSOT will mass produce and sale in 2020 and the key technology of multifold and curl type is steadily developed.

The Company takes the lead in layout of new technologies and materials and aims to lead the next generation display technology. In the printing OLED field, "National Printed and Flexible Display Innovation Center" of Guangdong Juhua subordinate to the Company is the only national innovation center in the display field in China which has built the world's most advanced printing display public platform; The mass supply of China Ray OLED materials has started. The QLED R&D team of the Company has solved key problems (such as life of red and green materials), the performance of the blue-light emitting material independently researched and developed is world-leading and related research achievements have been published on the international scientific journal-Nature Communication.

Taking the advantages of industrial finance business and providing the performance contribution with sustained and stable growth

After the Restructuring, the Company keeps the industrial finance and investment venture capital, mainly by TCL Financial and TCL Capital. TCL Financial improves asset turnover and enhances the efficiency and advantage of the main business by continuously optimizing the asset allocation efficiency. TCL Capital focuses on investment of upstream and downstream chain and strategic technology industry and supports ecological perfection of the semi-conductor display. Many invested projects have synergy with the main business with cutting-edge technology and applications jointly developed. The industrial finance & investment and venture capital business will support industrial chain layout by the Company in the main business and the stable profit contribution brought also makes for offsetting the down cycle of the semi-conductor display sector.

Stable strategic customer relationship and efficient order management and production scheduling capability

The Company is the largest big-size panel supplier among top six TV manufacturers of China. And with a good strategic partnership with first-tier brand customers (including Samsung, TCL Electronics and MI); For the fast growth of commercial display, the Company works with main manufacturers (such as CVTE and Hitevision) smoothly. The G6

LTPS t3 plant accounts for 80% shipment of first-tier mobile phone brand customers. Folding and hole digging screens from G6 AMOLED t4 plant mass produced and shipped to Lenovo and MI, as well as successively cooperate with BYD and Lenovo about vehicle display screen, notebook computer, etc. in medium size.

The long-term partnership between TCL CSOT and customers is conducive to the Company's product market share growth and cost control, remarkably strengthens the predictability regarding relation between supply and demand in the market and production scheduling for orders and makes for the Company optimizing capacity utilization and product structure which is the base of the Company management hard power.

Strengthening team building, upgrading TCL's corporate culture and revitalizing the vitality of organizational competition

Team organization ability and enterprise cultural construction are important for achieving strategic objectives. The Company will further enhance the vitality of the organization and team, vigorously carry forward the TCL corporate culture and comprehensively enhance the advantages of the enterprise.

The Company will continue to improve the governance structure and establish a "customer-centric" process-driven organization to adapt to the rapid growth of industrial scale in the future and ensure long-term stable and healthy development of the Company, continuously promote the upgrading of corporate culture, build consensus by systematically sorting out corporate vision, mission, core values as well as carry out the vision of "to become a global leading intelligent technology company", the core value of "accountability, innovation and excellence" and the realization of "global leadership" in every aspect of daily work.

Part IV Directors' Report

I Overview

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

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

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

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

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

The Company keeps on improving its industrial ability, enhances scale advantages based on technology upgrading, and constantly enriches product portfolio. During the reporting period, t6 G11 production line reached the designed output in advance; t7 G11 production line was constructed smoothly; t3 G6 LTPS production line expanded its designed output and increased to 50K/month, and became the largest LTPS single plant in the world; t4 G6 flexible OLED had Phase I mass production and the foldable screen was delivered; Phase I of Huizhou module integration project reached the designed output; by

2023, five-year CAGR of shipping area of TCL CSOT will reach 10% and the market share will further increase. With two G8.5 production lines, two G11 production line and two G6 production lines, TCL CSOT has formed the plant layout for large, medium and small productions, which meet the needs of major products in the market. In 2019, market share of TV panel was improved to the 3rd in the world, and market share of LTPS mobile phone panel was improved to the 2nd in the world.

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

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

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

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

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

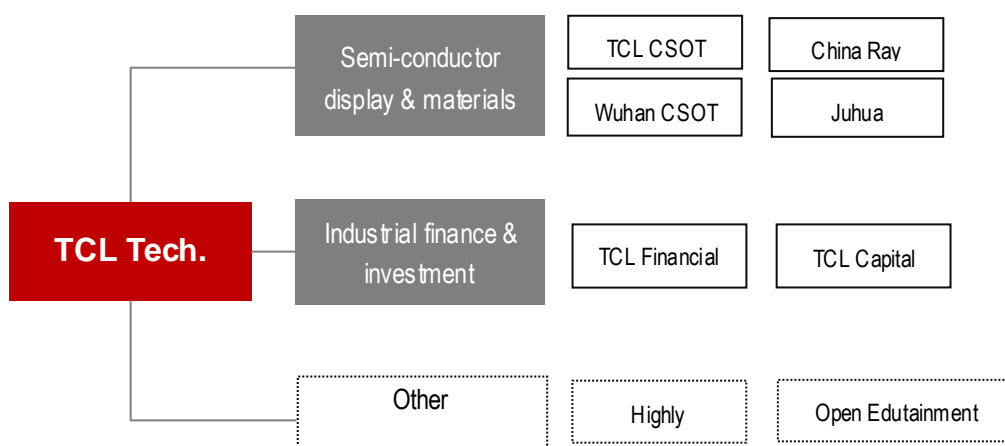
39-year development of the Company is an epitome of numerous Chinese enterprises. The Company establishes its market position, brand, channel and influence of global supply chain of intelligent terminal products in major countries and regions of the world with its efficiency, speed and cost advantages,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

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

The Company will take *The Strategy to wards Global Leadership* as enterprise development outline, be led by strategy, be guaranteed by organization and culture, **reform and break through, improve quality and efficiency, and stride toward a technological industry group with global leadership**. The Company changed its name from “TCL Corporation” to “TCL Technology Group Corporation” on February 7th, 2020, and entered its brand new development stage.

II. Core Business Analysis

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



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

management and operation logic of the existing businesses and will be top enterprises in the respective industries with synergy, enhance income and realize sustainable development of high quality.

(I) Semi-conductor Display and Material Business

During the Reporting Period, TCL CSOT achieved shipping area of 22.184 million square meters, up by 23.8% compared with the same period last year, achieved revenue of RMB33.99 billion, up by 22.9% compared with the same period last year, achieved net profit of RMB964 million, down by 58.5% compared with the same period of last year, and EBITDA was RMB8.68 billion. The comprehensive performance kept on taking a leading position in the industry.

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

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

times compared with the same period last year; the revenue reached RMB15.07 billion, up by 1.5 times compared with the same period last year.

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

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

As the capacity is stepping into high growth phrase, product mix will be refined continuously. T1 and t2 G8.5 production line of TCL CSOT operates at full capacity for strong sales; G6 LTPS production line of t3 is expanded from 45k/month to 50K/month; G11 production line of t6 reached designed output in Q4 and will have production at full capacity this year; G6 flexible OLED production line of t4 realized Phase I mass production in December, Phase II and Phase III construction will be completed in this year; G11

production line construction of t7 is progressed as planned and will be put into production at the end of this year, which lays a foundation for performance growth. While each production line is put into production successively, by 2023, five-year CAGR of shipping area of large size panel of TCL CSOT will be 17%, and five-year CAGR of shipping area of small and medium panel will be 26%. Meanwhile, the proportion of high margin products of TCL CSOT for commercial display, vehicle display, gaming monitor, etc. will improve continuously, and strategic cooperation is established with CVTE, HiteVision, BYD, Lenovo, etc. successively.

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

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

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

(II) Industrial Finance and Investment Business

1. TCL Financial

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

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

2. TCL Capital

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

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

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

China Innovative Capital Management Limited mainly engages in equity investment for listed companies as well as merger and restructure, invested in more than 110 listed companies cumulatively, with good business operation and stable growing profits. China Innovative Capital Management Limited also provides professional support for domestic merger and purchasing as well as business expansion of the Company in China. During the reporting period, the Company established Guangdong Rongchuang Lingyue Intelligent Manufacturing and IT Industry Equity Investment Fund together with China Innovative Capital Management Limited, Utrust, etc., focusing on investment in smart manufacturing, IT industry and relevant service upgrading field, etc.

At the end of the Reporting Period, the Company directly invests in a number of listed companies, including a 19.07% interest in 712 Corp. (603712.SH), a 5.14% interest in Bank of Shanghai (601229.SH) and a 20.06% interest in Fantasia Holdings (01777.HK). During

the Reporting Period, the Company increased its interest in Bank of Shanghai by 0.15%, other direct interests in listed companies remained the same during the Reporting Period.

2. Revenue and Cost Analysis

(1) Breakdown of Revenue

Unit: RMB

Operating division	2019		2018		Change (%)
	Revenue	As % of total revenue (%)	Revenue	As % of total Revenue (%)	
TCL CSOT	33,993,533,865	45.37%	27,666,368,029	24.41%	22.87%
Highly	20,835,617,478	27.81%	16,566,992,566	14.61%	25.77%
Other businesses and eliminated intercompany accounts	20,103,934,345	Not applicable	69,126,714,950	Not applicable	Not applicable
Total	74,933,085,688	100.00%	113,360,075,545	100.00%	-33.90%

Note: On the reference basis, the revenue amounted to RMB57.27 billion in 2019, up by 18.72% year-on-year.

(2) Revenue by Operating Segment

Unit: RMB

Operating segment	2019		2018		Change (%)
	Revenue	As % of total Revenue (%)	Revenue	As % of total Revenue (%)	
Domestic core businesses	47,799,405,342	63.79%	56,473,133,329	49.82%	-15.36%
Overseas core businesses	26,256,983,394	35.04%	55,809,459,497	49.23%	-52.95%
Other businesses	876,696,952	1.17%	1,077,482,719	0.95%	-18.63%
Total	74,933,085,688	100.00%	113,360,075,545	100.00%	-33.90%

Unit: RMB'0,000

	2019				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	2,960,095.69	1,418,065.69	1,503,605.24	1,611,541.96	2,562,984.41	2,689,390.42	2,971,339.66	3,112,293.07
Net profit attributable to the listed company's shareholders	77,908.84	131,326.03	48,498.13	4,043.66	73,083.73	85,510.10	90,372.32	97,854.59

(3) Operating Division, Product Category or Operating Segment Contributing over 10% of Revenue or Operating Profit

Unit: RMB

	Revenue	Cost of sales	Gross profit margin	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Semi-conductor display business	33,993,533,865	30,478,907,024	10.34%	22.87%	35.61%	-8.42%
Distribution business	20,835,617,478	20,087,790,401	3.59%	25.77%	26.26%	-0.37%
By product category						
Semi-conductor display devices	33,993,533,865	30,478,907,024	10.34%	22.87%	35.61%	-8.42%
Distribution of electronics	20,835,617,478	20,087,790,401	3.59%	25.77%	26.26%	-0.37%
By operating segment						
Mainland China	47,799,405,342	42,114,423,773	11.89%	-15.36%	-8.84%	-6.30%
Overseas (including Hong Kong)	26,256,983,394	23,888,804,820	9.02%	-52.95%	-47.72%	-9.11%

(4) Whether Revenue from Physical Sales Is Higher than Service Revenue

Operating division	Item	Unit	2019	2018	Change (%)
Semi-conductor display business	Sales volume	0,000 m ²	2,218	1,792	23.83%
	Output	0,000 m ²	2,234	1,842	21.27%
	Inventory	0,000 m ²	84	68	23.53%

(5) Execution Progress of Major Signed Sales Contracts in the Reporting Period

☐ Applicable ☒ Not applicable

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

Compared with 2018, 17 subsidiaries (all newly incorporated) are included in and 313 subsidiaries (which 288 transferred in the Restructuring, 9 de-registered, and 16 that have shifted from subsidiaries to associates) are excluded from the consolidation scope of 2019.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

☐ Applicable ☒ Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	21,701,692,572
Total sales to top five customers as % of total sales of the Reporting Period (%)	29.30%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	-

Top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	Customer A	8,141,718,792	10.99%
2	Customer B	5,377,820,556	7.26%
3	Customer C	2,907,012,016	3.93%
4	Customer D	2,803,131,747	3.79%
5	Customer E	2,472,009,462	3.34%
Total		21,701,692,572	29.30%

Other information about major customers:

☐ Applicable ☒ Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	14,959,258,051
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	22.66%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	-

Top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	Supplier A	5,108,937,201	7.74%
2	Supplier B	4,336,151,947	6.57%
3	Supplier C	2,031,503,382	3.08%

4	Supplier D	1,815,015,871	2.75%
5	Supplier E	1,667,649,650	2.53%
Total		14,959,258,051	22.66%

Other information about major suppliers:

☐ Applicable ☒ Not applicable

3. Expense

Unit: RMB

	2019	2018	Change (%)	Reason for any significant change
Selling expense	2,857,488,890	8,887,021,380	-67.85%	The Restructuring
Administrative expense	1,895,087,528	4,299,610,008	-55.92%	The Restructuring
Finance costs	1,248,800,752	973,260,519	28.31%	Increase in financings
R&D expense	3,396,804,603	4,677,578,988	-27.38%	The Restructuring

4. R&D Expense

Details about R&D expense:

	2019	2018	Change (%)
Number of R&D personnel ^{Note}	6,155	12,481	-50.69%
R&D personnel as % of total employees	17.40%	16.63%	0.77%
R&D expense (RMB)	5,464,281,132	5,670,918,950	-3.64%
R&D expense as % of revenue	7.29%	5.00%	2.29%
Capitalized R&D expense (RMB)	2,067,476,529	1,832,275,281	12.84%
Capitalized R&D expense as % of total R&D expense	37.84%	32.31%	5.53%

Note: During the Reporting Period, the Company completed the settlement of the Major Asset Restructuring and spun off the terminal and supporting businesses. As such, it has become a globally leading intelligent technology company with its core business being the semi-conductor display and material business. The number of R&D personnel and R&D expense has decreased accordingly, which is why the data of 2019 and 2018 in the table above are not comparable. Based on the reference basis, the number of R&D personnel would be up by 2.7% in 2019 compared to 2018.

Reasons for any significant YoY change in the percentage of R&D expense in revenue:

☐ Applicable ☒ Not applicable

5. Cash Flows

Unit: RMB

Item	2019	2018	Change (%)
Subtotal of cash generated from operating activities	86,264,894,716	130,101,601,946	-33.69%
Subtotal of cash used in operating activities	74,774,798,311	119,615,021,503	-37.49%
Net cash generated from/used in operating activities	11,490,096,405	10,486,580,443	9.57%
Subtotal of cash generated from investing activities	28,039,344,036	60,058,874,214	-53.31%
Subtotal of cash used in investing activities	59,771,052,922	88,289,416,141	-32.30%
Net cash generated from/used in investing activities	-31,731,708,886	-28,230,541,927	12.40%
Subtotal of cash generated from financing activities	47,909,796,502	63,323,909,094	-24.34%
Subtotal of cash used in financing activities	35,958,990,471	43,284,087,005	-16.92%
Net cash generated from/used in financing activities	11,950,806,031	20,039,822,089	-40.36%
Net increase in cash and cash equivalents	-8,064,640,553	2,421,213,397	-433.08%

Explanation of why any of the data above varies significantly on a year-on-year basis:

The significant changes to the cash flow statement items in the table above were primarily driven by spinoffs in the Restructuring.

Explanation of why net cash generated from/used in operating activities varies significantly from net profit of the Reporting Period

Net cash generated from operating activities was higher than net profit primarily driven by high depreciation and amortization amounts in the semi-conductor display industry.

III Analysis of Non-Core Businesses

☐ Applicable ☒ Not applicable

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2019		1 January 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	18,648,184,663	11.31%	26,801,342,532	13.89%	-2.58%	The Restructuring
Accounts receivable	8,340,353,992	5.06%	13,647,564,194	7.07%	-2.01%	The Restructuring
Inventories	5,677,963,123	3.44%	19,887,971,677	10.31%	-6.87%	The Restructuring
Investment property	82,272,964	0.05%	1,676,210,635	0.87%	-0.82%	The Restructuring
Long-term equity investments	17,194,284,162	10.43%	17,117,936,085	8.87%	1.56%	-
Fixed assets	45,459,070,330	27.58%	35,983,131,306	18.64%	8.94%	The transfer of the construction in progress of the t2, t3, t4 and t6 production lines to fixed assets
Construction in progress	33,578,289,802	20.37%	38,924,586,355	20.17%	0.20%	-
Short-term borrowings	12,069,657,099	7.32%	13,287,723,834	6.89%	0.43%	The Restructuring
Long-term borrowings	38,512,059,200	23.36%	36,864,922,669	19.10%	4.26%	-

2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Other changes	Ending amount
Financial assets							
1.	4,602,601,228	555,470,011	-	12,036,720,572	8,577,351,625		8,617,440,

Held-for-trading financial assets (excluding derivative financial assets)							186
2. Derivative financial assets	391,558,256	138,118,918	-344,080,595	-	26,560,987	-	159,035,592
3. Investments in other equity instruments	488,457,175	-	9,800,832	-	221,004,516	2,630,024	279,883,515
Subtotal of financial assets	5,482,616,659	693,588,929	-334,279,763	12,036,720,572	8,824,917,128	2,630,024	9,056,359,293
Financial liabilities	212,097,067	219,916,229	-225,185,927	183,390,434	117,293,115	-	272,924,688

Significant changes to the measurement attributes of the major assets in the Reporting Period:

☐ Yes ☒ No

3. Restricted Asset Rights as at the Period-End

Restricted assets	Carrying amount (RMB'0,000)	Reason for restriction	As % of total assets	Remark
Monetary assets	57,100	Deposited by the finance subsidiary in the central bank as the required reserve	0.35%	Restricted
Monetary assets	43,944	Other monetary assets	0.27%	Restricted
Held-for-trading financial assets	174,320	Put in pledge for loan	1.06%	In pledge
Fixed assets	3,657,178	As collateral for loan	22.19%	Collateralized
Intangible assets	248,370	As collateral for loan	1.51%	Collateralized
Total	4,180,912	-	25.36%	-

V Investments Made

1. Total Investment Amount

Total investment amount in 2019 (RMB)	Total investment amount in 2018 (RMB)	Change (%)
21,060,912,197	12,577,112,494	67.45%

2. Major Equity Investments Made in the Reporting Period

With confidence in the Company's core business and long-term investment value, during the Reporting Period, Mr. Li Dongsheng, Chairman of the Company's Board, increased his shareholdings in the Company through centralized bidding and block trading by a total of 167,974,800 shares with RMB513,869,000 on 3 January, 15 January, 30 January, 31 January, 29 April and 6 June 2019. As of 31 December 2019, Mr. Li Dongsheng and his acting-in-concert party Jiutian Liancheng together held a total of 1,221,748,000 shares (a 9.02% stake) in the Company, and is the biggest shareholder of the Company.

3. Major Non-Equity Investments Ongoing in the Reporting Period

☐ Applicable ☒ Not applicable

4. Financial Investments

(1) Securities Investments

Security type	Security code	Security name	Measurement method	Beginning carrying amount (RMB'0,000)	Purchased in Reporting Period (RMB'0,000)	Sold in Reporting Period (RMB'0,000)	Ending carrying amount (RMB'0,000)	Gain/loss in Reporting Period (RMB'0,000)	Accounting title	Funding source
Entrusted wealth management	Not applicable	China Development Bank Win-Win RMB Wealth Management	At fair value through profit or loss	-	50,000	-	50,753	753	Held-for-trading financial assets	Self-funded

		nt Product Tranche 2017666								
Trust plan	Not applicable	CCB Principal Shengjing Tongying Debenture Investment Collective Capital Trust Plan	At fair value through profit or loss	-	40,000	-	40,907	907	Held-for-trading financial assets	Self-funded
Asset management plan	Not applicable	Guotai Jun'an Asset Management Junxiang Yinghuo No. 2	At fair value through profit or loss	-	30,000	-	30,681	681	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	ICBC Wealth Management-Enterprise RMB Wealth Management	At fair value through profit or loss	-	30,000	-	30,488	488	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	Agricultural Bank of China "Anxin Deli" Directional RMB Wealth Management Product	At fair value through profit or loss	-	30,000	-	30,475	475	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	Changjiang Securities Lexiang 1-Day Collective Asset Management	At fair value through profit or loss	-	20,000	-	20,426	426	Held-for-trading financial assets	Self-funded

		nt Plan								
Entrusted wealth management	Not applicable	Agricultural Bank of China "Anxin Deli" Directional RMB Wealth Management Product	At fair value through profit or loss	-	20,000	-	20,321	321	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	Guotai Jun'an Asset Management Junxiang Yinghuo No. 1	At fair value through profit or loss	-	10,000	-	10,227	227	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	Guotai Jun'an Asset Management Junxiang Yinghuo No. 3	At fair value through profit or loss	-	10,000	-	10,227	227	Held-for-trading financial assets	Self-funded
Entrusted wealth management	Not applicable	Changjiang Securities Lexiang 1-Day Collective Asset Management Plan	At fair value through profit or loss	-	10,000	-	10,213	213	Held-for-trading financial assets	Self-funded
Other securities investments held at period-end				429,117	855,791	994,424	361,376	75,532	Not applicable	Self-funded
Total				429,117	1,105,791	994,424	616,094	80,250		

(2) Investments in Derivative Financial Instruments

Funding source	Mostly foreign-currency revenue
Legal matters involved (if applicable)	Not applicable

Disclosure date of board announcement approving derivative investment (if any)	28 April 2018
Disclosure date of general meeting announcement approving derivative investment (if any)	Not applicable
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>In order to effectively manage the exchange and interest rate risks of foreign currency assets, liabilities and cash flows, the Company, after fully analyzing the market trend and predicting the operation (including orders and capital plans), adopts forward foreign exchange contracts, options and interest rate swaps to avoid future exchange rate and interest rate risks. As its business scale changes subsequently, the Company will adjust the exchange rate risk management strategy according to the actual market conditions and business plans.</p> <p>Risk analysis:</p> <ol style="list-style-type: none"> 1. Market risk: the financial derivatives business carried out by the Group belongs to hedging and trading business related to main business operations, and there is a market risk of loss due to the fluctuation of underlying interest and exchange rates, which lead to the fluctuation of prices of financial derivatives; 2. Liquidity risk: the derivatives business carried out by the Group is an over-the-counter transaction operated by a financial institution, and there is a risk of loss due to paying fees to the bank for the operations of evening up or selling the derivatives below the buying prices; 3. Performance risk: the Group conducts the derivative business based on rolling budgets for risk management, and there is a risk of performance failure due to deviation between the actual operating results and budgets; 4. Other risks: in the case of specific business operations, if the operator fails to finish the prescribed procedures for report or approval, or fails to record the financial derivative business information accurately, timely and completely, it may result in loss of derivative business or trading opportunities. Moreover, if the trading operator fails to fully understand the terms of transaction contracts or product information, the Group will face the legal risks and transaction losses therefrom. <p>Measures taken for risk control:</p> <ol style="list-style-type: none"> 1. Basic management principles: the Group strictly follows the hedging principle and the main purpose of locking costs and avoiding risks. It is required that the financial derivatives business to be carried out matches the variety, size, direction and duration of spot goods, and no speculative trading should be involved. In the selection of hedging instruments, only simple financial derivatives that are closely related to the main business operation and meet the requirements of hedge accounting treatment should be selected, and avoid complex business that exceeds the prescribed business scope or is difficult to recognize in terms of risk and pricing; 2. The Group has formulated a special risk management system tailored to the risk

	<p>characteristics of the financial derivatives business, covering all key aspects such as pre-emptive prevention, in-process monitoring and post-processing. Professional personnel are rationally arranged for investment decision-making, business operations and risk control. Investment participants are required to fully understand the risks of financial derivatives investment and strictly implement the business operations and risk management systems of derivatives. Before starting the derivatives business, the holding company must submit to the management department of the Group detailed business reports including its internal approval, main product terms, operational necessity, preparations, risk analysis, risk management strategy, fair value analysis and accounting methods, and special summary reports on business operated. Operations can be implemented only after getting opinions from the professional department of the Group;</p> <p>3. Relevant departments should track the changes in the open market price or fair value of financial derivatives, timely assess the risk exposure changes of invested financial derivatives, and make reports to the board of directors on business development;</p> <p>4. When the combined impairment of the fair value of derivatives and changes in the value of the assets (if any) used for risk hedging by the Group results in a total loss or floating loss amounting to 10% of the recently audited net assets of the Company, and the absolute amount exceeds RMB10 million, the Group will disclose it in a timely manner.</p>
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	With the rapid expansion of overseas sales, the Company keeps following the above rules in the operation of forward foreign exchange contracts, interest rate swap contracts and futures contracts to avoid and hedge foreign exchange risks arising from operation and financing. It saw a loss of RMB6.35 million for the Reporting Period. The fair value of derivatives is determined by real-time quoted price of the foreign exchange market, based on the difference between the contractual price and the forward exchange rate quoted immediately in the foreign exchange market on the balance sheet date.
Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No major changes
Opinion of independent directors on derivative investments and risk control	<p>According to the Guiding Opinion of CSRC on Establishing the Independent Director System in Listed Companies, the Stock Listing Rules of Shenzhen Stock Exchange (2018 Revision), the Company's Articles of Association, the Rules of Procedure for Independent Directors, etc., we, as the independent directors of the Company, express our independent opinion on the trading of financial derivatives in 2019 as follows:</p> <p>In view of the fact that certain raw materials of the core business of the Company are purchased overseas, a wide range of settlement currencies is involved. The Company reduces exchange losses and locks transaction costs by reasonable financial derivatives, which helps to reduce risk control costs and improve company competitiveness. Risks are effectively controlled as the Company has taken series of measures such as conducting a rigorous internal evaluation for the operation of financial derivatives business, establishing a corresponding regulatory mechanism, formulating reasonable accounting policies and</p>

	<p>specific accounting principles, setting limits for risk exposure management, and operating simple financial derivatives. The contracting agent for financial derivatives business of the Company is a sound financial agent with good credit standing.</p> <p>We believe that the financial derivatives transactions carried out by the Company in 2019 are closely related to the daily operation needs of the Company with controllable risks. The business is in line with the interests of minority shareholders of the company and the relevant laws and regulations.</p>
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Positions of derivative investments at the period-end:

Unit: RMB'0,000

Type of contract	Beginning amount		Ending amount		Gain/loss in Reporting Period	Ending contractual amount as % of the Company's ending net assets	
	Contractual amount	Actual amount	Contractual amount	Actual amount		Contractual amount	Actual amount
1. Forward forex contracts	2,531,633	86,070	1,279,232	36,087	-635	20.02	0.56
2. Interest rate swaps	465,325	13,960	528,098	15,843		8.27	0.25
3. Currency swaps	311,589	15,579	215,565	14,399		3.37	0.23
Total	3,308,547	115,609	2,022,895	66,329	-635	31.66	1.04

5. Use of Funds Raised

(1) General Information about the Use of Raised Funds

Unit: RMB'0,000

Year of raising	Way of raising	Total amount raised	Used in the Current Period	Cumulatively used	Amount with changed use in the Reporting Period	Cumulative amount with changed use	Cumulative amount with changed use as % of total amount raised	Unused amount	Purpose and whereabouts of the unused amount	Amount being idle for more than two years
2019	Public offering to qualified investors	400,000	400,000	400,000	-	-	-	-	-	-
Total	--	400,000	400,000	400,000	-	-	-	-	--	-

Remark
During the Reporting Period, TCL Technology Group Corporation raised a total of RMB4 billion through the Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Phase 1), (Phase 2) and (Phase 3), which was used up for supplementing the working capital and repaying loans.

Promised Use of Raised Funds

☐ Applicable ☒ Not applicable

Changed Use of Raised Funds

☐ Applicable ☒ Not applicable

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

The Proposal on the Review of the Report of TCL Corporation on the Sale of Major Assets & Related-Party Transaction (Draft) and Its Summary, as well as the relevant proposals, were approved at the 13th meeting of the 6th Board of Directors on 7 December 2018 and later at the First Extraordinary General Meeting of 2019 on 7 January 2019. At the price of RMB4.76 billion, the Company sold the following directly-held equity interests to TCL Industries: 100% interest of TCL Industries (HK), 100% interest of Huizhou Household Electric Appliance, 100% interest of Hefei Home Appliances, 56.50% interest in Cool Friends Technology, 100% interest of Koyoo Online Service, 100% interest of TCL Technology Park, 75% interest in JDH, and 36.00% interest in Getech. For details of this restructuring, see the Report of TCL Corporation on the Sale of Major Assets & Related-Party Transaction (Draft), its revised version and other relevant documents disclosed on www.cninfo.com.cn dated 8 and 22 December 2018, respectively. Up to April 2019, the Company had received all the amount for this sale of major assets, marking the completion of the restructuring. And the gain/loss on the restructuring has been recognized.

Considering the weak connection to the Company's core business and the small contributions to the Company's revenue of Huizhou TCL Environmental Resource Co., Ltd. ("Huizhou Environmental Resource") and Shenzhen HAWK Internet Co., Ltd. ("HAWK Internet"), in order to further concentrate on its core business, the Company sold a 71%

interest in Huizhou Environmental Resource to TCL Industries for the consideration of RMB274,891,300; and sold the 100% interest in HAWK Internet to TCL Electronics (Huizhou) Ltd., a subsidiary of TCL Industries, for the consideration of RMB200,109,800. This transaction has been approved at the 21st Meeting of the 6th Board of Directors of the Company on 30 October 2019. For further details, see the Announcement on Sale of Interests in Subsidiaries & the Related-Party Transactions disclosed by the Company on www.cninfo.com.cn dated 31 October 2019.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

VII Major Subsidiaries

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Name	Relationship with the Company	Principal activity	Registered capital	Total assets (RMB)	Net assets (RMB)	Revenue (RMB)	Operating profit (RMB)	Net profit (RMB)
TCL China Star Optoelectronics Technology Co., Ltd.	Subsidiary	Semiconductor display	RMB19.823 billion	130,582,409,307	55,231,216,844	33,993,533,865	958,502,226	964,444,373
Highly Information Industry Co., Ltd.	Subsidiary	Distribution of notebook	RMB133 million	4,520,509,132	1,002,879,862	20,835,617,478	308,374,952	215,604,321

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Subsidiaries obtained or disposed in the Reporting Period:

See “(6) Changes to the Consolidation Scope of the Reporting Period” in Item II of Part IV.

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Prospects

The external environment is complex and severe, and opportunities and challenges both exist in 2020. Trade war between China and the United States has intensified, the economic globalization has encountered twists and turns and China's economic restructuring and industrial restructuring are under increasing pressure. On the other hand, the development of 5G, AI, IoT, big data and cloud technology brings new development opportunities for new infrastructure and application and the global display business environment will be improved compared to last year, but the global epidemic development increases uncertainty.

China has manufacture and consume a lot of intelligent terminals. And the market is the biggest size and the fastest growth of semi-conductor display industry. Chinese companies will quickly become a global leader in the display industry based on efficiency, scale, cost and customer response advantages and the industry chain is accelerating to transfer to China. Moreover, the continuous product technology innovation can meet the new market requirement, especially various high performance display products in the commercial sector. Smart TV big screen upgrade and increase in needs for overseas market bring industrial development opportunities. The China Industry is expected to exert an advantage in the industry low, accelerate merging and reorganization, increase industrial concentration and speed up development of the global industrial chain.

TCL Tech. has completed the Major Asset Restructuring and is positioned as a technology conglomerate which proposes the "global leadership" strategic target as well as achieves long-term effective growth and gradually achieves global leadership by continuously improving product quality and management efficiency, breaking through the core and key technologies and rational ecological layout. The Company will further concentrate its

resources to increase scale and market competitiveness of semi-conductor display and material business based on TCL CSOT as the core, so as to strengthen and deepen the semi-conductor display and material industrial chain. It will also explore integration and expansion opportunities for relevant business in the area of key, high-end and basic information technology.

2020 is the opening year of implementing the new strategy of the Company and various key works has been comprehensively implemented. The volume production of G6 AMOLED production line t4 is conducted, the G11 oversize display t7 project is constructed and the next generation of display technology proceeds orderly. The Company will actively lay out the upstream and downstream industrial chain, participate in development of new materials and layout of new process and equipment as well as further improve the global competitiveness of the semi-conductor display industry by cooperation, investment and participation, acquisition and reorganization, etc. TCL CSOT will achieve steady growth by efficient industrial structure layout, innovative technical capacity and stable financial capital structure. The Company also will take advantages of technology, management and capital and actively enter the new area of the capital-intensive and technology-intensive strategic industries to become a global leading intelligent technology company.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

Date	Way of communication	Type of communication party	Index to main information communicated
18 January 2019	By visit	Institutional investor	www.cninfo.com.cn
12 February 2019	By visit	Institutional investor	www.cninfo.com.cn
18 February 2019	By visit	Institutional investor	www.cninfo.com.cn
19 February 2019	By visit	Institutional investor	www.cninfo.com.cn
20 February 2019	By visit	Institutional investor	www.cninfo.com.cn
20 February 2019	By visit	Institutional investor	www.cninfo.com.cn
25 February 2019	By visit	Institutional investor	www.cninfo.com.cn
27 February 2019	By visit	Institutional investor	www.cninfo.com.cn

1 March 2019	By visit	Institutional investor	www.cninfo.com.cn
4 March 2019	By visit	Institutional investor	www.cninfo.com.cn
7 March 2019	By visit	Institutional investor	www.cninfo.com.cn
20 March 2019	By visit	Institutional investor	www.cninfo.com.cn
28 March 2019	By visit	Institutional investor	www.cninfo.com.cn
29 March 2019	By visit	Institutional investor	www.cninfo.com.cn
9 April 2019	By visit	Individual investor	www.cninfo.com.cn
24 April 2019	By visit	Institutional investor	www.cninfo.com.cn
25 April 2019	By visit	Institutional investor	www.cninfo.com.cn
24 May 2019	By visit	Institutional investor	www.cninfo.com.cn
29 May 2019	By visit	Institutional investor	www.cninfo.com.cn
12 June 2019	By visit	Institutional investor	www.cninfo.com.cn
13 June 2019	By visit	Institutional investor	www.cninfo.com.cn
28 June 2019	By visit	Institutional investor	www.cninfo.com.cn
25 July 2019	By visit	Institutional investor	www.cninfo.com.cn
13 August 2019	By visit	Institutional investor	www.cninfo.com.cn
12 September 2019	By visit	Institutional investor	www.cninfo.com.cn
20 September 2019	By visit	Institutional investor	www.cninfo.com.cn
31 October 2019	By phone	Institutional investor	www.cninfo.com.cn
1 November 2019	By visit	Institutional investor	www.cninfo.com.cn
5 November 2019	By visit	Institutional investor	www.cninfo.com.cn
5 November 2019	By visit	Institutional investor	www.cninfo.com.cn
6 November 2019	By visit	Institutional investor	www.cninfo.com.cn
19 November 2019	By visit	Institutional investor	www.cninfo.com.cn
20 November 2019	By visit	Institutional investor	www.cninfo.com.cn
27 November 2019	By visit	Institutional investor	www.cninfo.com.cn
2 December 2019	By visit	Institutional investor	www.cninfo.com.cn
12 December 2019	By visit	Institutional investor	www.cninfo.com.cn

Times of communications	36
Number of institutions communicated with	456
Number of individuals communicated with	118
Number of other communication parties	0

Tip-offs or leakages of substantial supposedly-confidential information during communications	None
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Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	No changes to the dividend policy and the relevant conditions and procedures are in compliance with applicable regulations and transparent

The 2017 annual equity distribution plan: based on the share capital of 13,514,972,063 shares on 27 April 2018 plus the granted restricted shares for profit distribution of 34,676,444 shares, i.e. a total of 13,549,648,507 shares, a cash dividend of RMB1 (tax inclusive) per 10 shares was to be distributed to the shareholders, totaling RMB1,354,964,850.7. The retained earnings would carry forward for future distribution. Meanwhile, there was no bonus issue from either profit or capital reserves for the year.

The 2018 annual equity distribution plan: based on the share capital of 13,402,888,507 shares on 19 March 2019 that were 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 were not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares was to be distributed to the shareholders, totaling RMB1,340,288,851. The retained earnings would carry forward for future distribution. Meanwhile, there was no bonus issue from either profit or capital reserves for the year.

The 2019 annual equity distribution plan: based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of

13,528,438,719 shares minus the 528,066,412 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,300,037,230.70. The retained earnings will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year.

The Company carried out a share repurchase program of up to RMB1.934 billion in 2019, which has been completed in early January 2020. As attaching great importance to the reasonable return of investors, the Company reviews the return plan of shareholders for the coming three years in 2020, which not only ensures an ongoing and consistent profit distribution policy, but also pay full attention to what the shareholders, especially the minority shareholders, want so as to sufficiently protect their rightful interests.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (like share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (A+C)	A+C as % of B (%)
2019	1,300,037,230.7	2,617,766,571	49.66%	1,933,596,514.47	73.86%	3,233,633,745.17	123.53%
2018	1,340,288,851	3,468,207,405	38.65%	-	-	1,340,288,851	38.65%
2017	1,355,091,606.3	2,664,396,006	50.86%	-	-	1,355,091,606.3	50.86%

Indicate whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

☐ Applicable ☒ Not applicable

II Final Dividend Plan for the Reporting Period

Bonus issue from profit (share/10 shares)	0
Cash dividend/10 shares (RMB) (tax inclusive)	1.00

Bonus issue from capital reserves (share/10 shares)	0
Share base (share)	13,000,372,307
Cash dividends (RMB) (tax inclusive)	1,300,037,230.7
Cash dividends in other forms (like share repurchase) (RMB)	1,933,596,514.47
Total cash dividends (including those in other forms) (RMB)	3,233,633,745.17
Distributable profits (RMB)	8,119,832,872
Total cash dividends (including those in other forms) as % of total profits to be distributed (%)	100%
Cash dividend plan	
Based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of 13,528,438,719 shares minus the 528,066,412 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,300,037,230.70. The retained earnings of RMB6,819,795,641.3 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year.	
Cash and/or stock dividend plan in detail	
Based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of 13,528,438,719 shares minus the 528,066,412 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,300,037,230.70. The retained earnings of RMB6,819,795,641.3 will carry forward for future distribution. Meanwhile, there will be no bonus issue from either profit or capital reserves for the year.	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in major asset restructuring	Li Dongsheng, Jiutian Liancheng and Donging Huarui	About avoiding horizontal	1. Before and after this transaction, I/we as an enterprise or our controlled enterprises shall have no horizontal competition with the principal activities of TCL	7 December 2018	During the period when being the biggest shareholder	No violations

		zont al com petit ion	<p>Corporation or its subsidiaries.</p> <p>2. After this transaction, I/we as an enterprise shall take active measures to avoid carrying out business activities that are or may be in competition with the principal activities of TCL Corporation or its subsidiaries, and shall urge our controlled enterprises to do so.</p> <p>3. In the event that I/we as an enterprise or any enterprise controlled by me/us as an enterprise obtains an opportunity for a new business, which constitutes or may constitute horizontal competition with the main business of TCL Corporation or any of its affiliates, I/we as an enterprise will make maximum efforts to drive the business opportunity to be provided to TCL Corporation or its affiliate on reasonable and fair terms and conditions in favor of the interests of TCL Corporation under the permission of conditions.</p> <p>4. If due to the investment needs of me/us as an enterprise or the business development of TCL Corporation, the business of me/us as an enterprise or any enterprise controlled by me/us as an enterprise overlaps with that of TCL Corporation, which may constitute horizontal competition, I/we as an enterprise and the enterprise controlled by me/us as an enterprise agree to solve the horizontal competition problem arising thereof within the time limit specified then.</p> <p>5. During the period of being the first majority shareholder of TCL Corporation, the aforementioned commitments are unconditional and irrevocable. I/we as an enterprise will make</p>		r of TCL Corporatio n	
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			comprehensive and timely joint compensations in full amount to TCL Corporation for any losses incurred from the violation of the aforementioned commitments.			
	Li Dongsheng, Jiutian Liancheng and Donging Huarui	Abolishing and controlling related-party transactions	<p>1. I/we as an enterprise will minimize related-party transactions between me/us as an enterprise as well as any enterprise controlled by me/us as an enterprise and TCL Corporation as well as any of its affiliates.</p> <p>2. In respect of any unavoidable or reasonable related-party transaction, I/we as an enterprise as well as the enterprise controlled by me/us as an enterprise and TCL Corporation as well as its affiliate shall deal with it in accordance with fair market principles and normal commercial conditions, ensure the fairness of related-party transaction prices, perform the decision-making procedures for related-party transactions in accordance with laws, undertake not to make use of the transaction to transfer the funds or profits of TCL Corporation illegally, and undertake not to take advantage of the transaction to infringe upon the legitimate rights and interest of TCL Corporation and its shareholders.</p> <p>3. I/we as an enterprise and the enterprises controlled by me/us as an enterprise will not request TCL Corporation or any of its affiliates to offer more favorable conditions than the conditions offered to an independent third party in any fair market transaction.</p> <p>4. During the period of being the first majority shareholder of TCL Corporation, the aforementioned commitments are unconditional and</p>	7 December 2018	During the period when being the biggest shareholder of TCL Corporation	No violations

			irrevocable. I/we as an enterprise will make comprehensive and timely joint compensations in full amount to TCL Corporation for any losses incurred from the violation of the aforementioned commitments.			
	Li Dongsheng, Jiutian Liancheng and Donging Huarui	Abolishing the listed company's independence	<p>Upon the completion of this transaction, I/we as an enterprise will continue to exercise the shareholder's rights in accordance with laws, regulations and the Articles of Incorporation of TCL Corporation and maintain the independence of TCL Corporation in assets, personnel, finance, business and institution. The specific contents are as follows:</p> <p>(I) Commitment to the personnel independence from TCL Corporation</p> <p>I/we as an enterprise undertake to maintain personnel independence from TCL Corporation. General managers, deputy general managers, financial principals, board secretaries and other senior managers of TCL Corporation will not serve in any position other than Director and Supervisor in any enterprise which is a wholly-owned or holding subsidiary of me/us as an enterprise or any other subsidiary over which I/we as an enterprise has control (hereinafter referred to as "the subsidiaries"). They will not be paid salaries in the subsidiaries of me/us as an enterprise. The financial personnel of TCL Corporation will not work in the subsidiaries of me/us as an enterprise on a part-time basis.</p> <p>(II) Commitment to the asset independence and completeness of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL</p>	7 December 2018	During the period when being the biggest shareholder of TCL Corporation	No violations

		<p>Corporation has independent and complete assets.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has no funds or assets misappropriated by me/us as an enterprise or the subsidiaries of me/us as an enterprise.</p> <p>(III) Commitment to the financial independence of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL Corporation establishes an independent finance department and an independent financial accounting system.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has standard and independent financial accounting policies.</p> <p>3. I/we as an enterprise undertake that TCL Corporation opens accounts independently in the bank without sharing any bank account with me/us as an enterprise.</p> <p>4. I/we as an enterprise undertake that the financial personnel of TCL Corporation not work in the subsidiaries of me/us as an enterprise on a part-time basis.</p> <p>5. I/we as an enterprise undertake that TCL Corporation is able to make financial decisions independently and that I/we as an enterprise not intervene in the fund use of TCL Corporation.</p> <p>(IV) Commitment to the institutional independence of TCL Corporation</p> <p>1. I/we as an enterprise undertake that TCL Corporation has an independent and complete organizational institution and run it independently and autonomously.</p> <p>2. I/we as an enterprise undertake that the office institutions and production and operation places of TCL</p>			
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			<p>Corporation are separate from my subsidiaries/us as an enterprise.</p> <p>3. I/we as an enterprise undertake that the Board of Directors, Board of Supervisors and functional departments of TCL Corporation are operated independently without any affiliation with the functional department of us as an enterprise.</p> <p>(V) Commitment to the business independence from TCL Corporation</p> <p>1. I/we as an enterprise undertake to maintain business independence from the TCL Corporation after this transaction.</p> <p>2. I/we as an enterprise undertake that TCL Corporation has the assets, personnel, qualifications and capabilities for independent performance of operating activities and the capabilities for autonomous operation targeting market.</p> <p>I/we as an enterprise or the subsidiaries of me/us as an enterprise will make bear the corresponding compensation liabilities in accordance with laws for any losses incurred to TCL Corporation due to the violation of the commitments under the commitment letter.</p>			
Commitments made in refinancing	Star Century Enterprises Limited; Linzhou Xinglan Venture Investment Management Partnership (Limited Partnership); Linzhou Xingyong Venture Investment Management Partnership (Limited	Abolished share trading restrictions	<p>We agree not to transfer the shares that we subscribe for within 36 months since the end of TCL's asset purchase via share offering (25 December 2017).</p>	25 December 2017	25 December 2020	No violations

	Partnership); Linzhou Xingyuan Venture Investment Management Partnership (Limited Partnership); and Linzhou Xinglian Venture Investment Management Partnership (Limited Partnership)				
	Li Dongsheng; Bo Lianming; Liao Qian; Huang Xubin; Yan Xiaolin and Shi Wanwen	<div> <div> About horizontal competition, related-party transaction and capital occupation </div> <div> I will comply with obligations specified in the management regulations for short-swing trading, insider trading and changes in the shareholding of senior management; I agree to have me and the partnership enterprise recognized as persons acting in concert and have the number of shares I hold of TCL Corporation and that the partnership enterprise holds of TCL Corporation calculated in consolidation in accordance with the provisions of related regulations such as Article 83 of the Management Measures on the Acquisition of Listed Companies and the Articles of Incorporation when the </div> </div>	4 February 2015	Long-standing	No violations

			related parties perform their legal obligations of information disclosure on major equity changes and tender offer.			
	Li Dongsheng	About horizontal competition, related-party transaction and capital occupation	1) I shall avoid horizontal competition between the companies, enterprises or other business organizations that I own, control, control with others, have significant influence on and TCL Corporation with its subsidiaries; and 2) I shall reduce and control related-parties transactions between the companies, enterprises or other business organizations that I own, control, control with others, or have significant influence on and TCL Corporation with its subsidiaries.	30 August 2013	During the period when being TCL Corporation's director, supervisor or senior management	No violations
Other commitments	Li Dongsheng; Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	About not reducing shareholdings in the Company	I/We as an enterprise shall not reduce our shareholdings in the Company within 12 months since 19 June 2018.	19 June 2018	19 June 2019	No violations
	The Company	About horizontal	The Company undertakes to TCL Multimedia that: The Company and its subsidiaries (other than	16 June 2014	Long-standing	No violations

		al com petit ion, relat ed-p arty tran sact ion and capi tal occ upat ion	TCL Multimedia and its subsidiaries) will not engage in the manufacturing, assembly and distribution of TV sets (“restricted businesses”) and will engage in the R&D, manufacturing and sales of audio and video products (excluding TV sets) (“related businesses”) which are not restricted businesses, provided that the party making the commitment or any party therein runs or engages in related businesses through equity investment in Tonly Electronics. The distribution and maintenance of TV sets and the manufacturing, assembly, distribution and maintenance of information technology products related to Internet from time to time will no longer be included in the scope of restricted businesses. The termination condition is that the total equity which TCL Multimedia and its subsidiaries hold of Cool Friends Technology is less than 15%.			
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step	Not applicable					

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

☐ Applicable ☒ Not applicable

Commitments made by the Company's shareholders and transaction counterparties regarding the operating performance of the Reporting Period:

☐ Applicable ☒ Not applicable

IV Occupation of the Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

☐ Applicable ☒ Not applicable

V Explanations Given by the Board of Directors, the Supervisory Committee and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

☐ Applicable ☒ Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

For details, see "36. Changes to main accounting policies and estimates" in "III Significant accounting policies and estimates" in "Part X Financial Report".

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

☐ Applicable ☒ Not applicable

VIII YoY Changes to the Scope of the Consolidated Financial Statements

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

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Da Hua Certified Public Accountants (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'0,000)	316
How many consecutive years the domestic independent auditor has provided audit service for the Company	12
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Qiu Junzhou and Jiang Xianmin
How many consecutive years the certified public accountants have provided audit service for the Company	1 year for both

Indicate whether the independent auditor was changed for the Reporting Period.

☐ Yes ☒ No

Indicate whether the independent auditor was changed during the audit period.

☐ Yes ☒ No

X Possibility of Listing Suspension or Termination after Disclosure of this Report

☐ Applicable ☒ Not applicable

XI Insolvency and Reorganization

☐ Applicable ☒ Not applicable

XII Major Legal Matters

☐ Applicable ☒ Not applicable

XIII Punishments and Rectifications

☐ Applicable ☒ Not applicable

XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

(I) The First Top 400 and Key Personnel Stock Ownership Plan and the Global

Partner Plan

1. On 28 March 2019, the Company disclosed the Announcement on the Quota Allocation and Equity Vesting of the First Top 400 and Key Personnel Stock Ownership Plan and the Global Partner Plan (the “First Stock Ownership Plan”). This plan set out a company performance-related condition of a not-lower-than-15% growth in the net profit attributable to shareholders of the Company as the parent in 2018 compared to 2017. According to the 2018 Annual Independent Auditor’s Report for TCL Corporation issued by Da Hua Certified Public Accountants (Special General Partnership), the net profit attributable to shareholders of the Company as the parent in 2018 grew by 30.17% compared to 2017, which meant the said condition had been satisfied.

2. A total of 99,148,115 shares were purchased for the First Stock Ownership Plan. As per the rules governing the First Stock Ownership Plan, the Management Committee of the First Stock Ownership Plan decided to vest a total of approximately 47.49 million shares in the holders of the First Stock Ownership Plan. To be specific, a total of about 4.26 million shares were vested in directors, supervisors and senior management (Mr. Li Dongsheng, Ms. Du Juan, Mr. Huang Wei, Mr. Jin Xuzhi, Mr. Liao Qian, Mr. Yan Xiaolin and Mr. Mao Tianxiang), and the rest of 43.23 million shares were given to the other holders. The unvested about 51.66 million shares under the First Stock Ownership Plan and the corresponding dividends (if any) were taken back by the Management Committee of the First Stock Ownership Plan with no compensation. These shares would be sold at a proper timing before the expiry of the First Stock Ownership Plan, and the proceeds generated therein would be returned to the Company.

(II) The Second Global Partner Plan

1. The Proposal on the Second Global Partner Plan (Draft) and Its Summary, and the Measures for the Management of the Second Global Partner Plan were approved respectively at the 16th Meeting of the 6th Board of Directors on 23 April 2019 and the Third Extraordinary General Meeting of 2019 on 8 May 2019. Shares for the Second Global Partner Plan would be obtained through a non-deal transfer from the special securities account for repurchases.

2. The Proposal on Adjustments to the Second Global Partner Plan (Draft) and Its Summary was approved at the 22nd Meeting of the 6th Board of Directors on 12 August 2019. The Company's independent directors expressed their independent opinion on whether the interests of the Company and its shareholders would be jeopardized by these adjustments.

3. The shares used for the Second Global Partner Plan were part of the shares repurchased in 2019. On 23 August 2019, the Company initiated a non-deal transfer procedure with the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. Up to that day, the cumulative shares in the special securities account for repurchases were repurchased at an average price of RMB3.394/share through centralized bidding. The capital used for the Second Global Partner Plan came from the Special Fund for the 2019 Stock Ownership Plans, with a ceiling of RMB113.3321 million. Based on the aforesaid average repurchase price, the shares to be transferred from the special securities account for repurchases to the Second Global Partner Plan would be 33.3919 million shares in total.

4. The Announcement on the Completion of the Non-Deal Transfer to the Second Global Partner Plan was disclosed on the designated media dated 12 October 2019. The Company had received the Securities Transfer Confirmation issued by the Shenzhen branch of China Securities Depository and Clearing Co., Ltd. 33.3919 million shares (or 0.25% of the Company's total share capital) had been transferred in a non-deal manner from the special securities account for repurchases to the securities account for employee stock ownership plans. As required by the Second Global Partner Plan (Draft), the shares under the Second Global Partner Plan would be locked up for a period of no less than 12 months starting from the disclosure of the announcement on the completion of the transfer of target shares from the special securities account for repurchases, i.e. from 12 October 2019 to 11 October 2020.

(III) The 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan

1. As authorized by the First Extraordinary General Meeting of 2018, the Company convened the 16th Meeting of the 6th Board of Directors and the 10th Meeting of the 6th Supervisory Committee on 23 April 2019. At the meetings, the Proposal on an Adjustment

to the Repurchase Price of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan was approved. As such, it was decided to adjust the repurchase price of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan (the “2018 Restricted Stock Incentive Plan” for short) from RMB1.83/share to RMB1.63/share.

2. The Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted to Certain Awardees under the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan But Are Still in Lockup was approved respectively at the 18th Meeting of the 6th Board of Directors and the 12th Meeting of the 6th Supervisory Committee both dated 20 May 2019. As such, it was agreed to repurchase and retire the 21,209,788 restricted shares that had been granted to 755 awardees but were still in lockup due to reasons such as job transfer to TCL Industries in the Restructuring, resignation, or failure of fulfillment of the performance indicator.

The Proposal on the Satisfaction of the Unlocking Condition for the First Unlocking Period of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan was also approved. A total of 712 awardees could apply to unlock their restricted shares of 6,685,704 shares in total (or 0.05% of the Company’s existing total share capital) for trading.

3. On 29 October 2019, 21,209,788 restricted shares were repurchased and retired through the Shenzhen branch of China Securities Depository and Clearing Co., Ltd.

(IV) The 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan

1. On 23 April 2019, the Proposal on the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation, the Proposal on Asking the General Meeting to Authorize the Board to Handle Matters Related to the 2019 Restricted Stock Incentive Plan and other proposals were approved at the 16th Meeting of the Sixth Board of Directors. Meanwhile, the Company’s independent directors expressed

their independent opinion on whether these incentive plans would be good for the Company's sustained development and whether the interests of the Company and its shareholders would be jeopardized.

2. On 23 April 2019, the Proposal on the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation, and the Proposal on the Awardee List for the 2019 Restricted Stock Incentive Plan were approved at the 10th Meeting of the Sixth Supervisory Committee.

3. Following the publication of the awardee list within the Company, the Supervisory Committee's Statement Regarding the Review and Publication of the Awardee List for the Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan was disclosed to the public on 6 May 2019.

4. On 8 May 2019, the Proposal on the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation (Draft) and the Summary, the Proposal on the Measures for the Implementation of the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan of TCL Corporation, and the Proposal on Asking the General Meeting to Authorize the Board to Handle Matters Related to the 2019 Restricted Stock Incentive Plan were approved at the Third Extraordinary General Meeting of 2019.

5. On 10 May 2019, the Proposal on the Adjustments to the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan were approved at the 17th Meeting of the Sixth Board of Directors and at the 11th Meeting of the Sixth Supervisory Committee. As such, it was approved to grant 3,875,600 restricted shares to 122 eligible awardees on 10 May 2019. The Company's independent directors expressed their independent opinion that the awardee determination method and the grant date were in compliance with the applicable requirements.

6. On 27 June 2019, the Company disclosed the Announcement on the Completion of the Grant of Restricted Stock for 2019. This grant had been completed by the Board. And the granted shares were listed on 26 June 2019.

XVI Major Related-Party Transactions

1. Continuing Related-Party Transactions

☐ Applicable ☒ Not applicable

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

Indicate whether there were any credits and liabilities with related parties for non-operating purposes:

☐ Yes ☒ No

5. Other Major Related-Party Transactions

Title of announcement	Date of disclosure	Website for disclosure
Announcement on Intended Continuing Related-Party Transactions with TCL Industries Holdings (Guangdong) Inc.	8 December 2018	http://www.cninfo.com.cn
Announcement on TCL Finance Co., Ltd. and TCL Industries Holdings Inc. Signing a Financial Service Agreement and the Related-Party Transaction	13 June 2019	
Announcement on the Acquisition of Interest in Subsidiary and the Related-Party Transaction	13 August 2019	
Announcement on Investment in Equity Investment Fund and the Related-Party Transaction	13 August 2019	

Announcement on Increase in the Estimated Amount of Continuing Related-Party Transactions with TCL Industries Holdings Inc.	31 October 2019	
Announcement on the Sale of Interest in Subsidiary and the Related-Party Transaction	31 October 2019	
Announcement on Investment in Equity Investment Fund and the Related-Party Transaction	19 November 2019	

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

☐ Applicable ☒ Not applicable

(2) Contracting

☐ Applicable ☒ Not applicable

(3) Leases

☐ Applicable ☒ Not applicable

2. Major guarantees

Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not

TCL King Electrical Appliances (Huizhou) Co., Ltd.	2019/3/19	345,000	2019/07/23	232,163	Joint-liability	39 days--60 months	Not	Yes
TCL Overseas Electronics (Huizhou) Ltd.	2019/3/19	120,000	2019/07/17	83,200	Joint-liability	19—365 days	Not	Yes
TCL King Electrical Appliances (Chengdu) Co., Ltd.	2019/3/19	60,000	2019/11/18	4,000	Joint-liability	302 days	Not	Yes
Huizhou TCL Mobile Communication Co., Ltd.	2019/3/19	450,000	2019/07/29	223,585	Joint-liability	1 day—15 months	Not	Yes
TCL Communication Technology Holdings Limited	2019/3/19	120,000	2017/11/20	106,903	Joint-liability	18—60 months	Not	Yes
TCL Mobile Communication (HK) Company Limited	2019/3/19	248,500	2019/10/8	42,099	Joint-liability	3—4 months	Not	Yes
TCT Mobile Overseas Limited	2019/3/19	6,625	-	-	Joint-liability	-	- Not	Yes
TCT Mobile (US) Inc.	2019/3/19	84,500	-	-	Joint-liability	-	- Not	Yes
TCT Mobile International Limited	2019/3/19	31,000	-	-	Joint-liability	-	- Not	Yes
TCT Mobile Italy S.R.L	2019/3/19	1,600	-	-	Joint-liability	-	- Not	Yes
TCT MOBILE - TELEFONES LTDA.	2019/3/19	12,000	-	-	Joint-liability	-	- Not	Yes
TCL Home Appliances (Hefei) Co., Ltd.	2019/3/19	140,000	2020/01/02	59,189	Joint-liability	2—365 days	Not	Yes
TCL Home Appliances (Zhongshan) Co., Ltd.	2019/3/19	16,000	2019/07/13	12,187	Joint-liability	4—185 days	Not	Yes
TCL Air-Conditioner (Zhongshan) Co., Ltd.	2019/3/19	158,600	2016/09/09	91,686	Joint-liability	27—1,804 days	Not	Yes

TCL Air Conditioner (Wuhan) Co., Ltd.	2019/3/19	131,600	2019/05/07	67,124	Joint-liability	33—360 days	Not	Yes
Zhongshan TCL Refrigeration Equipment Co., Ltd.	2019/3/19	75,300	2019/06/21	26,211	Joint-liability	90—196 days	Not	Yes
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	2019/3/19	7,000	2019/07/30	5,964	Joint-liability	90—189 days	Not	Yes
TCL Home Appliances (Huizhou) Co., Ltd.	2019/3/19	11,500	-	-	Joint-liability	-	Not	Yes
TCL Intelligent Technology (Hefei) Co., Ltd.	2019/3/19	800	2019/01/15	2	Joint-liability	76 days	Not	Yes
TCL Air-Conditioner (Jiujiang) Co., Ltd.	2019/3/19	25,000	2019/07/09	12,019	Joint-liability	180—365 days	Not	Yes
TCL Home Appliances (Hong Kong) Limited	2019/3/19	20,000	-	-	Joint-liability	-	Not	Yes
Shenzhen TCL Hangxiang Supply Chain Service Co., Ltd.	2019/3/19	500	-	-	Joint-liability	-	Not	Yes
Zhongshan Hhappy Tree Network Technology Co., Ltd.	2019/3/19	2,000	2019/12/16	3	Joint-liability	31—31 days	Not	Yes
TCL Tonly Electronics (Huizhou) Co., Ltd.	2019/3/19	40,000	2019/02/15	7,206	Joint-liability	1—2 years	Not	Yes
TCL Commercial Information Technology (Huizhou) Co., Ltd.	2019/3/19	14,000	2018/11/16	-	Joint-liability	3—259 days	Not	Yes
TCL Very Lighting Technology (Huizhou) Co., Ltd.	2019/3/19	9,500	2019/07/11	4,795	Joint-liability	2—196 days	Not	Yes
TCL Capital (Hong Kong) Limited	2019/3/19	100,000	-	-	Joint-liability	-	Not	Yes

Huizhou Cool Friends Network Technology Co., Ltd.	2019/3/19	13,000	2019/11/11	12,989	Joint-liability	6—204 days	Not	Yes
SHIFENDAOJIA Online Service Co., Ltd.	2019/3/19	3,000	2019/06/28	1,216	Joint-liability	2—189 days	Not	Yes
TCL Technology Park Co., Ltd.	2019/3/19	27,000	-	-	Joint-liability	-	Not	Yes
Guangzhou Yunsheng Tianji Technology Co., Ltd.	2019/3/19	110,000	2017/09/28	94,900	Joint-liability	120—144 months	Not	Yes
Guangzhou TCL Science and Technology Development Co., Ltd.	2019/3/19	200,000	2018/12/18	38,250	Joint-liability	156—156 months	Not	Yes
Shenzhen Bao'an TCL Haichuanggu Technology Park Development Co., Ltd.	2019/3/19	20,000	2018/09/25	16,144	Joint-liability	36—36 months	Not	Yes
TCL Industries Holdings (HK) Limited	2019/3/19	800,000	2016/10/4	631,197	Joint-liability	1—5 years	Not	Yes
Huizhou TCL Environment Technology Co., Ltd.	2019/3/19	6,000	2019/01/24	684	Joint-liability	7 days-3 months	Not	Yes
Canyon Circuit Technology (Huizhou) Co., Ltd.	2019/3/19	5,000	2019/07/03	3,205	Joint-liability	24—188 days	Not	Yes
Huizhou Shenghua Industrial Co., Ltd.	2019/3/19	9,000	2019/06/28	7,421	Joint-liability	59—239 days	Not	Yes
Taiyang Electro-optic (Huizhou) Co., Ltd.	2019/3/19	4,000	2019/07/05	3,235	Joint-liability	109—184 days	Not	Yes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2019/3/19	110,000	2018/3/27	28,052	Joint-liability	2-12 months	Not	Yes

Qihang Import&Export Limited	2019/3/19	30,000	-	-	Joint-liability	-	Not	Yes
Huizhou Gaoshengda Technology Co., Ltd.	2019/3/19	9,000	2019/06/25	390	Joint-liability	89—245 days	Not	Yes
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	2019/6/12	40,000	-	-	Joint-liability	-	Not	Yes
Total approved line for such guarantees in Reporting Period (A1)			3,617,025		Total actual amount of such guarantees in Reporting Period (A2)			3,893,397
Total approved line for such guarantees at end of Reporting Period (A3)			3,617,025		Total actual balance of such guarantees at end of Reporting Period (A4)			1,816,017
Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Wuhan China Star Optoelectronics Technology Co., Ltd.	2019/3/19	800,000	2016/07/05	554,546	Joint-liability	14 days—96 months	Not	Not
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2019/3/19	4,763,100	2017/03/31	1,079,113	Joint-liability	6—96 months	Not	Not
TCL China Star Optoelectronics Technology Co., Ltd.	2019/6/12	889,535	2015/04/27	404,127	Joint-liability	18 days—96 months	Not	Not
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2019/3/19	1,160,000	2017/12/22	642,500	Joint-liability	3—96 months	Not	Not
Huizhou China Star Optoelectronics Technology Co., Ltd.	2019/3/19	500,000	2019/09/25	100,611	Joint-liability	24 days—12 months	Not	Not

China Star Optoelectronics International (HK) Limited	2019/3/19	260,000	2019/08/30	48,000	Joint-liability	24 months	Not	Not
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	2019/3/19	150,000	2019/09/26	37,713	Joint-liability	7 days—60 months	Not	Not
Wuhan China Display Optoelectronics Technology Co., Ltd.	2019/3/19	50,000	2019/04/10	7,790	Joint-liability	22—196 days	Not	Not
Guangdong Juhua Printed Display Technology Co., Ltd.	2019/3/19	30,000	-	-	Joint-liability	-	Not	Not
TCL Finance Co., Ltd.	2019/3/19	150,000	-	-	Joint-liability	-	Not	Not
TCL Commercial Factoring (Shenzhen) Co., Ltd.	2019/3/19	50,000	-	-	Joint-liability	-	Not	Not
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	2019/3/19	50,000	2019/03/10	22,989	Joint-liability	12—12 months	Not	Not
Guangzhou TCL Internet Microcredit Co., Ltd.	2019/3/19	50,000	-	-	Joint-liability	-	Not	Not
Highly Information Industry Co., Ltd.	2019/3/19	283,000	2018/04/12	212,192	Joint-liability	1—26 months	Not	Not
Beijing Hecheng Nuoxin Technology Co., Ltd.	2019/3/19	20,000	2018/09/05	2,000	Joint-liability	22—22 months	Not	Not
Beijing Lingyun Data Technology Co., Ltd.	2019/3/19	35,000	2018/01/01	33,340	Joint-liability	1—24 months	Not	Not
Beijing Sunpiestore Technology Co., Ltd.	2019/3/19	67,000	2018/09/05	47,000	Joint-liability	12—22 months	Not	Not
Shaanxi Titi Electronic Technology Co., Ltd.	2019/3/19	3,000	2018/09/05	1,000	Joint-liability	22—22 months	Not	Not

TCL Technology Park (Huizhou) Co., Ltd.	2019/3/19	200,000	-	-	Joint-liability	-	Not	Not
TCL Technology Investments Limited	2019/6/12	400,000	-	-	Joint-liability	-	Not	Not
Total approved line for such guarantees in the Reporting Period (B1)		9,910,635		Total actual amount of such guarantees in the Reporting Period (B2)		3,024,432		
Total approved line for such guarantees at the end of the Reporting Period (B3)		9,910,635		Total actual balance of such guarantees at the end of the Reporting Period (B4)		3,192,920		
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guaranteee for a related party or not
Total approved line for such guarantees in the Reporting Period (C1)				Total actual amount of such guarantees in the Reporting Period (C2)		-		
Total approved line for such guarantees at the end of the Reporting Period (C3)				Total actual balance of such guarantees at the end of the Reporting Period (C4)		-		
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)		13,527,660		Total actual guarantee amount in the Reporting Period (A2+B2+C2)		6,917,829		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		13,527,660		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		5,008,937		
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				166%				
Of which:								
Balance of guarantees provided for shareholders, actual controller and their related parties (D)				1,816,016.79				

Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)	2,284,430.79
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	3,503,339.28
Total of the three amounts above (D+E+F)	7,603,786.86
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)	-
Guarantees provided in breach of prescribed procedures (if any)	-

Irregularities in Provision of Guarantees

☐ Applicable ☒ Not applicable

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Overview of wealth management entrustments in the Reporting Period:

Unit: RMB'0,000

Type	Source of capital	Amount	Undue amount	Unrecovered overdue amount
Bank's wealth management product	Self-owned capital	770,029	145,424	0-
Securities firm's wealth management product	Self-owned capital	95,000	95,000	0-
Trust plan	Self-owned capital	150,000	40,000	0-
Other	Self-owned capital	91,751	26,944	0-
Total		1,101,751	307,368	0-

High-risk wealth management transactions with a significant single amount, low liquidity and no principal protection:

☐ Applicable ☒ Not applicable

Situation where the principal is expectedly irrecoverable or an impairment may be incurred:

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

Overview of entrusted loans provided in the Reporting Period:

Unit: RMB'0,000

Total amount	Source of capital	Undue amount	Unrecovered overdue amount
0	Self-owned capital	711.09	0

High-risk entrusted loans with a significant single amount, low liquidity and no principal protection:

☐ Applicable ☒ Not applicable

Situation where the principal is expectedly irrecoverable or an impairment may be incurred:

☐ Applicable ☒ Not applicable

4. Other Major Contracts

☐ Applicable ☒ Not applicable

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

Please refer to The 2019 Corporate Social Responsibility Report of TCL Technology Group Corporation.

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

To respond to the "Opinions of the China Securities Regulatory Commission on the Role of Capital Markets in Serving the Country in Poverty Alleviation", the Company has been fulfilling its social responsibilities in poverty alleviation and public service, especially in the field of education poverty alleviation. The "TCL Hope Engineering Candlelight Awards Program" jointly established by CYDF and Shenzhen TCL Public Welfare Foundation in 2013 is one of the earliest public welfare projects for rural teachers in the country. The investment to this project is over RMB34 million in six years. The purpose of the award is to demonstrate the morality and professional dreams of outstanding rural teachers who have worked hard in the grassroots education front in poverty-stricken areas for their posts, and encourage more outstanding young teachers to take root in rural basic education and promote rural education development.

(2) Summary of the Related Work Done in the Reporting Period

In the 2019 "Candlelight Awards Program", a total of 402 outstanding rural teachers were selected. The 100 rural teacher representatives who participated in the award ceremony were awarded the "Candlelight Award" for dedication, innovation and guidance. The award-winning teachers will receive funding and training support. The individual award, which is worth RMB8,000, includes a cash reward of RMB5,000 and a "candle classroom" training of RMB3,000 in online and offline "Flipped Classroom" per person. In 2019, the coverage of "Candlelight Micro-Loan" was expanded. Except for the outstanding teachers who were rewarded by the "TCL Hope Engineering Candlelight Awards", all the teachers under training who belong to the Hope Primary School Teacher Training Office of CYDF can apply for the loan.

In order to serve the national poverty alleviation work and respond to the call for targeted poverty alleviation, Shenzhen TCL Public Welfare Foundation initiated an "assistance program for retired private substitute teachers" jointly with CYDF to solve the problem of low-paid and difficult living for retired private substitute teachers in poverty-stricken areas. This program helps and supports retired private substitute teachers who contributed to education in poverty-stricken areas to improve their living conditions by funding services and social advocacy, and encourage them to develop for social respect and self-development.

(3) Results

Indicators	Measurement Unit	Quantity/Development
I. Overall summary	—	—
Of which: 1. Cash	RMB'0,000	779.298
4. Poverty alleviation by education	—	—
4.3 Investment amount in improvement of educational resources in poverty-stricken areas	RMB'0,000	360
8. Poverty alleviation by public programmes	—	—

8.2 Investment amount in targeted poverty alleviation	RMB'0,000	10
8.3 Investment amount in public fund for poverty alleviation	RMB'0,000	409.298

(4) Subsequent Plans

In 2020, the Company will expand the existing award scale and publicity impact of the TCL Hope Project—Candlelight Awards Program, and strengthen interaction with netizens on the Internet platform to maintain social attention.

Starting from 2020, the Company will also expand the coverage of the Candlelight Micro-loan Project to solve the financial needs of more rural teachers and improve their lives. This is to ensure the positive development of rural education.

3. Issues Related to Environmental Protection

The Company as the parent is not a major polluter. The subsidiaries in the table below were major polluters declared by the environmental protection authorities in 2019, and “subsidiaries” mentioned in this section refer to the following subsidiaries in particular.

Name of the Company or subsidiary	Major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Governing discharge standards (mg/L)	Total discharge (metric ton)	Approved total discharge (metric tons/year)	Excessive discharge
TCL China Star Optoelectronics Technology Co., Ltd.	COD	Intermittently discharged to Guangming Sewage Plant	1	Northwestern corner of the plant area	106.9mg/L	260 mg/L	777.23t	1226.05t	None
	Ammonia nitrogen				5.6 mg/L	30 mg/L	40.81t	/	None
	COD	Continuously discharged to Dongkeng shui	1	Artificial wetland to the north of the plant area	16.6 mg/L	30 mg/L	70.15t	174.89t	None
	Ammonia nitrogen				0.65 mg/L	1.5 mg/L	2.7t	7.7t	None

Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	COD	Intermittently discharged to Guangming Sewage Plant	1	Northeastern corner of the plant area	50mg/L	110mg/L	237.25t	494.52t	None
	Ammonia nitrogen				3mg/L	30mg/L	14t	79.12t	None
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Intermittently discharged to Zuoling Sewage Plant	1	Northwestern corner of the plant area	16-34mg/L	400mg/L	250.45t	353.55t	None
	Ammonia nitrogen				0.306-5.59 mg/L	30mg/L	25.05t	35.36t	None

Construction and operation of facilities for preventing pollution:

During the Reporting Period, no major environmental pollution incidents occurred in either the Company or any of its subsidiaries. An advanced sewage management system has been established for each subsidiary, and regular monitoring and supervision and inspection mechanisms have been adopted to ensure the emission and disposal of waste water, waste gas, and solid waste and factory noises generated during the operation are in compliance with the national and local laws and regulations.

The waste water of each subsidiary company includes domestic waste water and industrial waste water, of which domestic waste water is discharged into the local municipal sewage treatment pipe network after being pre-treated by oil separation and septic treatment, and industrial waste water enters different treatment systems according to its characteristics, and is discharged subjected to the standards after physical and chemical and biochemical treatment. The atmospheric pollutants produced by each subsidiary are mainly process waste gases in the production process. For different types of waste gases, each subsidiary has constructed corresponding waste gas treatment systems, such as alkaline waste gas treatment system, acidic waste gas treatment system, organic waste gas treatment system, waste gas treatment system for waste water treatment station, cloth bag dedusting system, etc. for the collection of waste gases through pipelines to the corresponding waste gas treatment system, where waste gases are discharged at a high altitude after meeting

relative standards. The concentration and total amount of waste water and exhaust gas discharged meet the relevant national and local standards. The solid wastes generated by each subsidiary include general waste, hazardous waste and domestic garbage, of which, hazardous wastes are treated by an entrusted qualified hazardous waste disposal agency according to the regulations; general wastes are disposed of by a resource recycling firm after being classified in the plant area; while domestic garbage is disposed of by the property management company. All the disposals meet the regulatory requirements. The factory noise generated by each subsidiary comes from the mechanical noises of production and power equipment, including refrigerators, cooling towers, air compressors, fans, various types of pumps, etc.. The Company reduces the impact of noise on the surrounding environment by the use of low-noise equipment, vibration reduction, noise reduction, etc., and noise reduction measures such as sound insulation and sound absorption in the factories and equipment rooms. The monitoring results show that the factory boundary noise and emission of all subsidiaries meet the standards in a stable manner.

Environmental Impact Assessment on Construction Projects and Other Environmental Protection Administrative Licenses

Each subsidiary complies with the laws and regulations of environmental impact assessment on construction projects and other environmental protection administrative licenses, and no violations occurred during the Reporting Period.

Emergency Response Plan for Environmental Incidents

Each subsidiary has set up an environmental incident emergency organization led by the senior management of the enterprise and prepared an environmental emergency response plan, which has been filed with the local environmental protection department in accordance with relevant national laws and regulations. In addition, regularly emergency drills are conducted for environmental incidents according to the plan to ensure the validity of emergency response plan.

Environmental Self-Monitoring Program

Each subsidiary has formulated an environmental self-monitoring program in accordance

with national regulations, and monitors the discharge of pollutants by manual monitoring or manual monitoring performed by a third-party qualified agency. The monitoring plans and annual monitoring reports can be checked on the key environmental monitoring information platform managed by local environmental authorities or subsidiary websites.

Other environment-related information that should be disclosed:

None.

Other relevant information:

None.

XIX Other Significant Events

On 25 March 2019, the Company disclosed the Announcement on the Investment in an Overseas Equity Investment Fund (Announcement No. 2019-039). As the electronic information industry (where the Company competes) features a typical global vertical specialization in terms of capital allocation as well as technological expertise. In view of that, the Company has established R&D centers in Guangzhou, Wuhan, Hong Kong, the U.S., Europe, etc. based on local resources and global planning. By cooperating with professional investing institutions across the globe through the platform of TCL Capital, the Company strengthens insight in cutting-edge technologies and look for investment targets with high growth potential, business synergy and financial returns. Therefore, through its majority-owned subsidiary Li Rong Development Limited as a limited partner, the Company intended to make an investment of US\$25 million in Sierra Ventures XII, L.P., a venture capital fund registered in Delaware, the U.S. The fund is currently in normal operation.

On 13 August 2019, the Company disclosed the Announcement on the Investment in an Equity Investment Fund and the Related-Party Transaction (Announcement No. 2019-113). In order to find investment projects with high growth potential, and promote the improvement of industrial chain and technological progress through investment, the Company intended to establish Chongqing Zhongxin Rongxin Investment Center (Limited Partnership) jointly with Chongqing Zhongxin Rongchuang Investment Co., Ltd. and Tibet Zhongxin Ruiyin Investment Management Co., Ltd. As a limited partnership, the fund aims for a goal of RMB2.31 billion, of which Chongqing Zhongxin Rongchuang Investment Co.,

Ltd. subscribed for RMB0.06 billion, the Company subscribed for RMB1.5 billion and Tibet Zhongxin Ruiyin Investment Management Co., Ltd. subscribed for RMB0.75 billion. The fund is currently in normal operation.

On 19 November 2019, the Company disclosed the Announcement No. 2019-151 on Investment in an Equity Investment Fund and the Related-Party Transaction. In order to coordinate and leverage various resources to optimize the allocation of various elements for faster realization of the Company's strategies, the Company intended to make an investment in Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership) to be established. As a limited partnership, the fund aimed to raise RMB3 billion in two tranches. The goal of the first tranche was RMB2.03 billion, of which the Company subscribed for RMB0.75 billion, Guangdong Utrust Industry Investment Fund Partnership (Limited Partnership) subscribed for RMB0.4 billion, Chongqing Sokon Industry Group Stock Co., Ltd. subscribed for RMB0.15 billion, Win-All Hi-Tech Seed Co., Ltd. subscribed for RMB0.1 billion, Shenzhen Qianhai Zhongxin Financial Capital Management Company Limited subscribed for RMB0.03 billion, Ningbo Meishan Bonded Port Area Chuangyi Asset Management Partnership (Limited Partnership) subscribed for RMB0.1 billion, Chongqing Haorong Ruigong Investment Center (Limited Partnership) subscribed for RMB0.3 billion, and Tangying (Ningxia) Investment Management Co., Ltd. subscribed for RMB0.2 billion. The goal of the second tranche was RMB0.97 billion. The fund is now in normal operation.

XX Significant Events of Subsidiaries

Title of current announcement	Disclosure date	Disclosure website
Announcement on Shenzhen Industry Development Fund Increasing Its Capital Increase to the G11 New Display Device Production Line Project Company	24 April 2019	http://www.cninfo.com.cn
Announcement on Name Change of Subsidiary TCL China Star Optoelectronics Technology Co., Ltd.	4 November 2019	

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)		After	
	Shares	Percentage (%)	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	1,825,653,291	13.47%	-957,888,311	-957,888,311	867,764,980	6.41%
1.1 Shares held by state-owned legal persons	0	0.00%	0	0	0	0.00%
1.2 Shares held by other domestic investors	1,734,836,800	12.80%	-957,734,601	-957,734,601	777,102,199	5.74%
Among which: Shares held by domestic legal persons	1,210,757,974	8.94%	-1,059,849,533	-1,059,849,533	150,908,441	1.12%
Shares held by domestic natural persons	524,078,826	3.86%	102,114,932	102,114,932	626,193,758	4.63%
1.3 Shares held by foreign investors	90,816,491	0.67%	-153,710	-153,710	90,662,781	0.67%
Among which: Shares held by foreign legal persons	90,532,347	0.67%	0	0	90,532,347	0.67%
Shares held by foreign natural persons	284,144	0.00%	-153,710	-153,710	130,434	0.00%
2. Unrestricted shares	11,723,995,216	86.53%	936,678,523	936,678,523	12,660,673,739	93.59%
2.1 RMB-denominated	11,723,995,216	86.53%	936,678,523	936,678,523	12,660,673,739	93.59%

ordinary shares						
3. Total shares	13,549,648,507	100.00%	-21,209,788	-21,209,788	13,528,438,719	100.00%

Reasons for share changes:

Some of the shares in a share offering made in 2017 for asset purchase, i.e. 1,059,849,533 shares, were unlocked on 4 January 2019, reducing the restricted shares and increasing the unrestricted shares accordingly; and 6,685,704 restricted shares under the 2018 Restricted Stock Incentive Plan were unlocked, reducing the restricted shares and increasing the unrestricted shares accordingly. 3,875,613 restricted shares were granted under the 2019 Restricted Stock Incentive Plan, increasing the restricted shares accordingly. Mr. Li Dongsheng increased his shareholding by 167,974,800 shares, increasing the restricted shares accordingly. 21,209,788 restricted shares under the 2018 Restricted Stock Incentive Plan were repurchased and retired, reducing the total share capital from 13,549,648,507 shares to 13,528,438,719 shares.

Approval of share changes:

☐Applicable ☒Not applicable

Transfer of share ownership:

☐Applicable ☒Not applicable

Progress on any share repurchase:

It is the key operational philosophy and mission of the Company to create value for and grow with the shareholders. In order to effectively protect shareholders' interests and enhance shareholder value, the Company convened the 14th Meeting of the 6th Board of Directors on 10 January 2019, at which the Proposal on the Repurchase of Certain Public Shares was approved. The Report on the Repurchase of Certain Public Shares was disclosed on 14 February 2019. In view of the trends on the secondary market of stocks, the Company convened the 15th Meeting of the 6th Board of Directors on 19 March 2019, at which the Proposal on the Adjustment to the Upper Limit of the Share Repurchase Price. As such, the upper limit of the share repurchase price was adjusted from RMB3.80/share to RMB5.00/share. The Company implemented the share repurchase from 14 February 2019. Up to 10 January 2020, the Company has cumulatively repurchased 565,333,922 shares (or 4.18% of the Company's total share capital) in its special securities account for repurchases by way of centralized bidding, with the highest trading price being RMB4.17/share, the lowest trading price being RMB3.13/share, and the average trading price being RMB3.42/share. The total transaction amount was RMB1,933.5965 million (exclusive of trading fees). The share repurchase has been implemented in a process in compliance with the applicable regulations including the Specific Rules of the Shenzhen Stock Exchange for Share Repurchase by Listed Companies. The actual number of shares repurchased, repurchase price and amount used were in compliance with the repurchase plan approved at the 14th Meeting of the 6th Board of Directors, with no difference with the disclosed Report on Share Repurchase. As such, the Company has completed the share repurchase as per the repurchase plan that it disclosed.

Progress on reducing the repurchased shares by means of centralized bidding:

☐ Applicable ☒ Not applicable

Effects of share changes on the basic earnings per share, diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

☐ Applicable ☒ Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

Unit: share

Shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership)	1,059,849,533	1,059,849,533	-	-	IPO restricted shares	2019-1-4
Star Century Enterprises Limited	90,532,347	-	-	90,532,347	IPO restricted shares	2020-12-25
Duiling Xinglan Venture Investment Management Partnership (Limited Partnership)	42,521,163	-	-	42,521,163	IPO restricted shares	2020-12-25
Duiling Xingyong Venture Investment Management Partnership (Limited Partnership)	38,380,684	-	-	38,380,684	IPO restricted shares	2020-12-25

Duiling Xingyuan Venture Investment Management Partnership (Limited Partnership)	37,695,315	-	-	37,695,315	IPO restricted shares	2020-12-25
Duiling Xinglian Venture Investment Management Partnership (Limited Partnership)	32,311,279	-	-	32,311,279	IPO restricted shares	2020-12-25
Other	489,686,526	-	125,981,101	615,667,627	Locked-up shares of senior management	9999-99-99
2018 Restricted Stock Incentive Plan	34,676,444	27,859,492		6,780,952	Restricted shares granted as incentives	2020-5-16
2019 Restricted Stock Incentive Plan	-	-	3,875,613	3,875,613	Restricted shares granted as incentives	2020-5-10
Total	1,825,653,291	1,087,709,025	129,856,714	867,764,980	--	--

II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issued number	Listing date	Number approved for public trading	Termination date of transaction
Type: convertible corporate bonds, convertible corporate bonds with warrants, corporate bonds						
Corporate bonds	2019-5-20	4.33%	10,000,000	2019-06-06	10,000,000	
Corporate bonds	2019-7-23	4.30%	10,000,000	2019-08-06	10,000,000	
Corporate bonds	2019-10-21	4.20%	20,000,000	2019-10-29	20,000,000	

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Some of the shares in a share offering made in 2017 for asset purchase, i.e. 1,059,849,533

shares, were unlocked on 4 January 2019, reducing the restricted shares and increasing the unrestricted shares accordingly; and 6,685,704 restricted shares under the 2018 Restricted Stock Incentive Plan were unlocked, reducing the restricted shares and increasing the unrestricted shares accordingly. 3,875,613 restricted shares were granted under the 2019 Restricted Stock Incentive Plan, increasing the restricted shares accordingly. Mr. Li Dongsheng increased his shareholding by 167,974,800 shares, increasing the restricted shares accordingly. 21,209,788 restricted shares under the 2018 Restricted Stock Incentive Plan were repurchased and retired, reducing the total share capital from 13,549,648,507 shares to 13,528,438,719 shares.

3. Existing Staff-Held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders at the period-end	433,940	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	546,906	Number of preferred shareholders with resumed voting rights at the period-end (if any) (see note 8)		Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)		
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	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-conc	Domestic natural person/g	9.03	1,221,748,009	174,574,800	609,636,366	612,111,643	Put in pledge by Li	541,620,000

ert party	eneral legal person						Dongsh eng	
							Put in pledge by Jiutian Lianche ng	408,899,521
Huizhou Investment Holding Co., Ltd.	State-ow ned legal person	6.48	878,419,747			878,419,747		
Tibet Tianfeng Enterprise Management Co., Ltd.	Domestic general legal person	3.89	526,095,642	526,095,642		526,095,642		
China Securities Finance Corporation Limited	Domestic general legal person	2.76	373,231,553			373,231,553		
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	2.61	353,489,854			353,489,854		
Central Huijin Asset Management Co., Ltd.	State-ow ned legal person	1.53	206,456,500			206,456,500		
Xiaomi Communicatio ns Co., Ltd.	Domestic general legal person	1.00	134,949,437			134,949,437		
Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership)	Domestic general legal person	0.86	115,726,278			115,726,278		
TCL Corporation —	Domestic general	0.73	99,148,115			99,148,115		

The First Employee Stock Ownership Plan	legal person							
Star Century Enterprises Limited	Foreign legal person	0.67	90,532,347			90,532,347		
Strategic investor or general legal person becoming a top-10 ordinary shareholder in a rights issue (if any) (see note 3)		Hubei Changjiang Hezhi Hanyi Equity Investment Fund Partnership (Limited Partnership) has also become a top-10 shareholder in a share offering of the Company, with its shareholdings locked up from 25 December 2017 to 25 December 2018. For further information, see the Implementation Report on TCL Corporation’s Asset Purchase via Share Offering and the Related-Party Transaction & the New Share Listing Announcement. Changjiang Hanyi was de-registered as a legal person in November 2019 and the indirect equity-holding of the original partner has become direct equity-holding. Therefore, Tibet Tianfeng Enterprise Management Co., Ltd. has become a top-10 shareholder of the Company.						
Related or acting-in-concert parties among the shareholders above		Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) are the biggest shareholder of the Company with a total of 1,221,748,000 shares.						
Top 10 unrestricted shareholders								
Name of shareholder		Unrestricted shares held at the period-end		Shares by type				
				Type	Shares			
Huizhou Investment Holding Co., Ltd.		878,419,747		RMB-denominated ordinary stock		878,419,747		
Li Dongsheng and his acting-in-concert party		612,111,643		RMB-denominated ordinary stock		612,111,643		
Tibet Tianfeng Enterprise Management Co., Ltd.		526,095,642		RMB-denominated ordinary stock		526,095,642		
China Securities Finance Corporation Limited		373,231,553		RMB-denominated ordinary stock		373,231,553		
Hong Kong Securities Clearing Company Ltd.		353,489,854		RMB-denominated ordinary stock		353,489,854		
Central Huijin Asset Management Co., Ltd.		206,456,500		RMB-denominated ordinary stock		206,456,500		
Xiaomi Communications Co., Ltd.		134,949,437		RMB-denominated ordinary stock		134,949,437		
Xinjiang Dongxing Huarui Equity Investment Partnership (Limited Partnership)		115,726,278		RMB-denominated ordinary stock		115,726,278		

TCL Corporation — The First Employee Stock Ownership Plan	99,148,115	RMB-denominated ordinary stock	99,148,115
Jiaxing Junying Youchang Investment Partnership (Limited Partnership)	87,208,957	RMB-denominated ordinary stock	87,208,957
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) are the biggest shareholder of the Company with a total of 1,221,748,000 shares.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	None		

Indicate whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

☐ Yes ☒ No

2. Controlling Shareholder

The Company has no controlling shareholder.

Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) are the biggest shareholder of the Company with a total of 1,221,748,000 shares.

As per Article 217 of the Company Law, a controlling shareholder refers to a shareholder who owns over 50% of a limited liability company's total capital or over 50% of a joint stock company's total share capital; or, despite the ownership of less than 50% of a limited liability company's total capital or less than 50% of a joint stock company's total number of shares, who can still prevail in the resolution of a meeting of shareholders or a general meeting of shareholders according to the voting rights corresponding to his interest in the limited liability company's total capital or the joint stock company's total number of shares. According to the definition above, the Company has no controlling shareholder or actual

controller.

3. Actual Controller and Its Acting-in-Concert Parties

The “actual controller” refers to an entity which is not a shareholder of a company but actually controls the company behaviors through investment relationship, agreement or other arrangements. According to the definition above, the Company has no actual controller.

Whether there is any shareholder with a greater than 10% interest at the ultimate control level:

☐ Yes ☒ No

Shareholders with a greater than 5% interest at the ultimate control level:

☐ Applicable ☒ Not applicable

Change of the actual controller in the Reporting Period:

☐ Applicable ☒ Not applicable

Indicate whether the actual controller controls the Company via trust or other ways of asset management.

☐ Applicable ☒ Not applicable

4. Other 10% or Greater Corporate Shareholders

☐ Applicable ☒ Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

☐ Applicable ☒ Not applicable

Part VII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Li Dongsheng	Chairman of the Board and CEO	Incumbent	Male	62	2002-4-16	2020-8-31	644,873,688	167,974,800	-	-	812,848,488
Liu Bin	Vice Chairman of the Board	Incumbent	Male	50	2015-8-31	2020-8-31	0	-	-	-	0
Du Juan	Director, COO and CFO	Incumbent	Female	49	2018-3-2	2020-8-31	0	-	-	-	0
Liao Qian	Director and Board Secretary	Incumbent	Male	39	2014-4-23	2020-8-31	0	-	-	-	0
Jin Xuzhi	Director and Senior Vice President	Incumbent	Male	65	2015-8-13	2020-8-31	0	-	-	-	0
Yan Yan	Independent Director	Incumbent	Male	63	2015-3-24	2020-8-31	0	-	-	-	0
Lu Xin	Independent Director	Incumbent	Female	57	2014-9-1	2020-8-31	0	-	-	-	0
Zhou Guofu	Independent Director	Incumbent	Male	56	2014-9-1	2020-8-31	0	-	-	-	0
Liu Xundi	Independent Director	Incumbent	Male	61	2017-9-1	2020-8-31	0	-	-	-	0
He Zhuohui	Chairman of the Supervisory Committee	Incumbent	Male	54	2015-9-2	2020-8-31	0	-	-	-	0
Mao Tianxiang	Employee Supervisor	Incumbent	Male	39	2017-9-1	2020-8-31	0	-	-	-	0

Qiu Haiyan	Supervisor	Incumbent	Female	45	2014-9-1	2020-8-31	0	-	-	-	0
Yan Xiaolin	Senior Vice President and CTO	Incumbent	Male	53	2014-9-1	2020-8-31	599,500	-	-	-	599,500
Wang Cheng	Senior Vice President	Former	Male	45	2018-3-19	2019-1-10	0	-	-	-	0
Huang Xubin	Director and CFO	Former	Male	54	2011-6-20	2019-1-10	3,383,380	-	845,000	-	2,538,380
He Jinlei	Vice Chairman of the Board	Former	Male	46	2017-9-1	2019-5-21	0	-	-	-	0
Wu Xiaohui	Director	Former	Female	48	2017-9-1	2019-8-7	0	-	-	-	0
Huang Wei	Director and Senior Vice President	Former	Male	57	2015-8-13	2019-12-13	0	-	-	-	0
Total	--	--	--	--	--	--	648,856,568	167,974,800	845,000	-	815,986,368

II Change of Directors, Supervisors and Senior Management

Name	Office title	Type of change	Date of change	Reason for change
Wang Cheng	Senior Vice President	Resignation	10 January 2019	Transferred to TCL Industries upon the Restructuring according to the principle of “people follow assets”
Huang Xubin	Director and CFO	Resignation	10 January 2019	Personal and family reason
He Jinlei	Director and Vice Chairman of the Board	Resignation	21 May 2019	Job change
Wu Xiaohui	Director	Resignation	7 August 2019	No longer worked in the shareholder entity due to job transfer

Huang Wei	Director and Senior Vice President	Resignation	13 December 2019	On 30 October 2019, the plan on sale of the 71% interest in Huizhou TCL Environmental Resource Co., Ltd. was approved at the 21 st Meeting of the 6 th Board of Directors. The relevant liabilities and personnel would be transferred along with the asset. As the Chairman of the Board of Huizhou TCL Environmental Resource Co., Ltd., Mr. Huang Wei has been transferred to the transaction counter-party.
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III Biographical Information

Born in July 1957, **Mr. Li Dongsheng** is the founder of TCL Technology Group Corporation and currently serves as the Company's Chairman and CEO; he was elected as a delegate to China's 16th National Congress of the CPC and a deputy to the 10th, 11th, 12th and 13th National People's Congress. Mr. Li holds a number of prestigious positions: Vice Chairman of All China Federation of Industry and Commerce (ACFIC), Honorary President of China Video Industry Association, Vice Chairman of China Commerce of International Chamber, President of Guangdong Provincial Enterprise Confederation, President of Guangdong Provincial Association of Entrepreneurs, First President of China Manufacturing Innovation Alliance, Honorary President of South China University of Technology Education Development Foundation, Vice President of Alumni Association South China University of Technology, Member of the Council of South China University of Technology, Visiting Professor in Wuhan University and Honorary Professor in Beijing Institute of Technology.

From 1982 to 1985, he served as Technician, Workshop Manager and Production Director in TTK Household Appliances Co., Ltd.; from 1985 to 1986, he served as First General Manager of TCL Communication Devices Company; from 1986 to 1989, he served as Director of the Introduction Department in Guangdong Huizhou Industrial Development Corporation; from 1990 to 1993, he served as Deputy General Manager, Deputy Secretary of the Party Committee and Secretary of the Youth League Committee of Huizhou Electronic Communication Corporation; from 1993 to 1996, he served as General Manager of TCL Electronics Group; from 1996 to 2002, he served as Chairman and President of the Company and in 2002, Mr. Li Dongsheng was selected as "CCTV's Economic Person of the

Year 2002”; from April 2002 to January 2004, he served as Chairman and President of the Company; from January 2004 till now, he serves as Chairman and CEO of the Company. On October 24, 2018, he was selected on the “List of 100 Outstanding Private Entrepreneurs of 40 Years of Reform and Opening Up” of the United Front Work Department and All China Federation of Industry and Commerce. On December 18, 2018, he was selected on the list of “100 Outstanding Contributors of Reform and Opening Up” of the Central Committee of the Party and the State Council; he won the title of Pioneer of Reform and awarded with the medal with the comment “A pioneer opening the international market in electronics industry”.

As one of the founders of TCL, Mr. Li Dongsheng has led TCL in acquiring the global color TV business of Thomson-CSF and the global mobile terminal business of Alcatel and established a global business structure. He was honored as the “Asian Economic Person of the Year 2004” by the Fortune magazine and won the National Medal of Honor of France. In June 2006, Mr. Li Dongsheng wrote the famous article titled “Rebirth of the Eagle” as a call for TCL team members to carry out reform and innovation with the spirit of rebirth and firmly promote the international business. In February 2014, Mr. Li Dongsheng launched TCL’s strategic transformation of “Double+” and in the same year, TCL achieved a sales revenue of over RMB100 billion. In 2015, the sales revenue of TCL again exceeded RMB100 billion.

Mr. Li Dongsheng always holds the firm belief that a strong country is built on the basis of strong economy, which in turn requires a group of world-class enterprises. It is his steadfast belief and persistent goal to firmly stick to industry and develop the Company into a world-class enterprise as the backbone of China’s economy.

Born in February 1970, **Mr. Liu Bin** has obtained the Bachelor’s Degree and is an Assistant Economist and Member of the Communist Party of China. He graduated from the Department of Management Engineering of South China University of Technology. Currently, he serves as Chairman and General Manager of Huizhou Investment Holdings Co., Ltd.. From July 1992 to December 1993, he served as Deputy Director of the General Office in Huizhou Foreign Investment Service Corporation; from December 1993 to December 1998, he served as Secretary to the General Manager, Administrative Assistant

to the General Manager and Assistant to the General Manager (the Deputy Section Head level) of Huizhou Economy and Trade Group Co., Ltd.; from December 1998 to June 2003, he served as Manager of Huizhou Tea Import and Export Company (the Section Head level); from June 2003 to June 2010, he served as Deputy General Manager and General Manager of Huizhou Economy and Trade Group Co., Ltd.; from June 2010 to May 2015, he served as Deputy General Manager of Huizhou Investment Holdings Co., Ltd. (from May 2011 to June 2015, he concurrently served as Director and Deputy General Manager of Huizhou Fairway Investment and Construction Co., Ltd.; from September 2013 to August 2015, he concurrently served as Supervisor and Chairman of the Board of Supervisors of the Company); from February 2014 till now, he serves as Director of Huizhou Investment Holdings Co., Ltd.; from May 2015 till now, he serves as Chairman and General Manager (the Deputy Division Head level) (from June 2015 to May 2018, he concurrently served as Chairman of Huizhou Investment Holding Asset Operation Co., Ltd., Chairman of Huizhou Financing Guarantee Co., Ltd. and Vice Chairman of the Company; from June 2015 to January 2017, he concurrently served as Chairman of Huizhou Fairway Investment and Construction Co., Ltd.; from May 2016 to March 2017, he concurrently served as Director of Uirust.

Ms. Du Juan currently serves as Chief Operating Officer, Chief Financial Officer and Member of the Execution Commission of the Company. Born in May 1970, she graduated from the Department of Investment of Zhongnan University of Economics and Law and obtained EMBA from CKGSB. From July 1991 to May 1999, she worked in CCB Huizhou Branch. In May 1999, she joined in the Company and served as General Manager of the Settlement Center and General Manager of the Finance Company in the Company. From October 2014 till now, she serves as President and Chairman of TCL Financial Holdings Group (Guangzhou) Co., Ltd.. From July 2016 to February 2018, she served as Vice President of the Company. From February 2018 till now, she serves as Chief Operating Officer (COO) of the Company. From January 2019 till now, she concurrently serves as Chief Financial Officer (CFO) of the Company.

Mr. Liao Qian currently serves as Executive Director, Vice President, Chief of Staff and

Board Secretary of the Company. He has obtained the Master's Degree and holds the Occupational Qualification Certificate of the People's Republic of China for Law. From August 2006 to February 2014, he worked in Guotai Junan International Holdings Co., Ltd. and was engaged in the investment banking business in Hong Kong and Mainland China. Joining the Company in March 2014, he is in charge of Board affairs, strategic planning and matters in relation to the domestic and overseas capital markets. He is also Independent Director of JiaWei Renewable Energy (300317.SZ), Chairman of the Board of Tonly Electronics (1249.HK) and CDOT (0334.HK), Non-Executive Director of Fantasia (1777.HK) and Vice Chairman of the Board of Tianjin 712 Communication & Broadcasting Co., Ltd. (603712.SH).

Mr. Jin Xuzhi currently serves as Senior Vice President of the Company and CEO and Director of TCL CSOT. Born in September 1955, he has obtained the Master's Degree in Material Engineering from Yonsei University in South Korea and MBA from McGill University. He worked in LG Semiconductor Co., Ltd. and served as Deputy General Manager in LG Display (formerly known as LG Philips LCD) and Head of the IT Business Division. From April 2009 to March 2010, he served as Senior Consultant in Fuhrmeister Electronics. He joined in the Company in March 2010 and served as Senior Vice President, President and CEO of CSOT and General Manager of Wuhan CSOT.

Mr. Yan Yan currently serves as Founding Managing Partner of SAIF Partners. Born in September 1957, he holds the nationality of Hong Kong, China. Before founding SAIF, Mr. Yan had served as Managing Director of AIG Asia Infrastructure Investment Fund and Director of the Hong Kong Office. Between 1989 and 1994, he served as Economist in the head office of World Bank, Researcher in Hudson Institute, a famous think tank in the U.S., and Director of the Strategic Planning and Business Development for Asia Pacific Region in Sprint International Corporation. Mr. Yan obtained the Bachelor's Degree of Engineering from Nanjing University of Aeronautics and Astronautics. He studied in the Master's Program in Social Sciences in Peking University from 1984 to 1986. From 1986 to 1989, he studied in the PhD Program in Princeton University and obtained the Master's Degree in International Economics in 1989. In 1995, he studied in the Program of Advanced Finance

and Accounting in The Wharton School.

Mr. Yan is a member of China Private Equity Investment Association and a Co-Chairman of the Professional Committee of the association. He is also a member of Peking University Education Foundation and of the Investment Commission. He was selected as “Venture Capitalist of the Year” by China Venture Capital Association in 2004 and 2007. In 2007, he was honored as one of the “Fifty Finest Private Equity Investors in the World” by Private Equity International. He was voted as the No. 1 Best Venture Capitalist in China for 2008 and 2009 by Forbes China. In 2009, he won the title of “Venture Capital Professional of the Year” granted by Asia Venture Capital Journal. Under Mr. Yan’s leadership, SAIF was voted as “VC Firm of the Year” by China Venture Capital Association in 2004 and 2007. and it was also named as “The Best Performing Fund in Asia” by Private Equity International in 2005, 2006 and 2008, and “The Best Growth Investment Fund of 2009 in Asia”.

Ms. Lu Xin is a professor in the major of Accounting in the School of Management, Jinan University and Deputy Director in the Management Accounting Research Center, Jinan University. Born in October 1963, she has obtained the PhD in Management from Renmin Business School and was elected a deputy to the 12th and 13th National People’s Congress. From July 1989 to December 2003, she worked in Dalian University in Liaoning; from January 2004 till now, she serves in Jinan University. She concurrently serves as Vice Chairperson of Taimeng Guangdong Provincial Party Committee.

Ms. Lu Xin has presided over and engaged in a number of fund projects of the national and provincial levels. She has won the Sixth National Foreign Trade Research Outstanding Creation Award from the Ministry of Commerce for her work titled Building Competitive Strength - Multinational Management Strategies of Chinese Enterprises. She has published over 50 academic papers in Accounting Research, China Industrial Economics, Journal of Industrial Engineering and Engineering Management and other journals. She has extensive practical experience in management accounting and has presided over and engaged in a number of management consultation projects for large and medium-sized enterprises.

Mr. Zhou Guofu currently serves as Director of South China Academy of Advanced

Optoelectronics. Born in October 1964, he holds the Dutch Nationality. He has obtained the PhD in Material Sciences from IMR and the PhD in Physics from the University of Amsterdam. From 1994 to 1995, he was engaged in postdoctoral research in the University of Cambridge; from 1995 to 2011, he worked in Philips Research; from January 2011 till now, he serves as Senior Consultant in Philips Research; from 2012 to 2016, he served as Distinguished Professor in the Department of Electrical Engineering and the Department of Industrial Design in Eindhoven University of Technology; from 2016 till now, he serves as Science Adviser in Eindhoven University of Technology; from April 2011 till now, he serves as Professor and Doctoral Supervisor in South China Normal University and Director of South China Academy of Advanced Optoelectronics.

Mr. Zhou Guofu won the ISMANAM1994 Gold Award for French Young Scientists, Royal Philips Major Invention Bronze Award and Silver Award, Guangdong Province Science and Technology Cooperation Award at the first such awarding event, and Individual Innovation Award for China Production, Education and Research Collaboration. He was named as “Star of Entrepreneurship and Innovation” in Guangdong Province, Honorary Citizen of Guangzhou City and “Hero of Innovation” of Guangzhou City. He was selected into the Recruitment Program for Global Expert, as a distinguished expert of the country, a leading professional of Guangdong Province and an “Outstanding Professional” under the Special Support Program of Guangdong Province. He has published 474 scientific papers and applied for 749 patents, including 255 international ones. 52 U.S. patents, one Japanese patent, one European patent and 133 China Invention Patents have been authorized. Mr. Zhou Guofu holds a number of prominent positions, including Chief Scientist of National Key R&D Program of China; Director of the “Center for International Research on Green Optoelectronics” of the National International Science and Technology Cooperation Base; Head of 111 Project - Optical Information Innovation and Expert Introduction Center; Director of “International Joint Laboratory for Optical Information Technologies” under the Ministry of Education; Chairman of the Organization Committee for the International Conference on Display Technology (2018) hosted by the Society for Information Display (SID); Member of the Society for Information Display (SID) Asia Branch; Member of the

Committee for the International Conference on Display Technology; Reviewer of Physical Review Letters, Reviews of Modern Physics, Applied Physics Letters and Applied Physics; Member of CSOE; Member of MNSC; Strategic Expert for the fundamental research of Guangdong Province; Executive Director of the Council of GDMRS; Deputy Secretary-General of Guangdong Alliance of Printed Display Technology Innovation; and President of Shenzhen Alliance of Industrial Technology Innovation.

Born in Shaoyang City, Hunan Province, **Mr. Liu Xunci** is a professor with the Master's Degree in economics. He graduated from Central China Normal University and served as a lecturer, associate professor, department head, member of the Organization Department and the Publicity Department at the university. Also, he once worked in the Audit Office and the Finance Office of Huizhou University. He is now a professor in Huizhou University, an expert of the Decision-Making and Consultation Commission of the Huizhou Government, and a "Top Professional" of Huizhou City. From July 2006, he stayed in the University of Greenwich as a visiting scholar for a year.

Mr. Liu Xunci has presided over and engaged in a number of fund projects of the national and provincial levels. His works include Analysis of Industrial and Commercial Management Strategies, Theory and Practice on the Strategic Planning of Regional Economy, Corporate Strategy Management, etc.. He has published quite many papers on academic journals. His major research interests include planning of regional economy, corporate strategy management and finance management. In recent few years, he has led and completed "12th Five-Year" and "13th Five-Year" economic and social development plans and corporate management consultations commissioned by governments and enterprises and special research reports, and researched and evaluated projects such as "Pan-Pearl River Delta", "Ring Daya Bay Economic Zone" and "Guangdong-Hong Kong-Macao Greater Bay Area", with quite a few research projects going into the government's decision-making list.

Born in July 1966, **Mr. He Zhuohui** currently serves as Full-time Deputy Secretary and Director in Huizhou Investment Holdings Co., Ltd.. From August 1991 to June 1995, he served as Deputy Director of the General Office and Director of the Office in China Construction Bank Huiyang Branch; from June 1995 to August 2008, he served as

Manager in Renchengchang (Huizhou) Investment Co., Ltd.; from August 2008 to September 2009, he served as General Manager of Huizhou Investment Holdings Asset Management Co., Ltd.; from September 2009 to December 2012, he served as Manager of the Management and Development Department in Huizhou Investment Holdings Co., Ltd. and Deputy General Manager and Director of Huizhou Fairway Investment and Construction Co., Ltd.; from December 2012 till now, he serves as Full-time Deputy Secretary in Huizhou Investment Holdings Co., Ltd.; from February 2014 till now, he serves as Director in Huizhou Investment Holdings Co., Ltd. (from April 2010 to January 2017, he concurrently served as Director of the First and Second Session of the Board of Huizhou Fairway Investment and Construction Co., Ltd.; from August 2015, he concurrently serves as Chairman of the Fifth Session of the Board of Supervisors of the Company).

Mr. Mao Tianxiang currently serves as Member of the Party Committee, Head of the Audit and Supervision Department and Deputy Secretary of the Discipline Committee in the Company. He was born in January 1980 and graduated from Guangxi University with a Bachelor degree. From July 2003 to June 2005, he served as Secretary in China Telecom Guangxi Guilin Company; from July 2005 to November 2007, he served as Supervisor of PR and Communications in the Strategic OEM Business Division and Officer in the President's Office in the Company; from November 2007 to June 2009, he served as Deputy Head of the Legal Section and Head of the General Section in Huizhou Auditing Bureau; from June 2009 to August 2014, he served as Deputy Director and Deputy Director of the Divisional Level in the Law Enforcement Inspection Office and the Efficacy Inspection Office of Huizhou Discipline Committee. He has been working in the Company since September 2014. He served as Deputy Director of the Party-Masses Work Department in the Company and Secretary of the Youth League Committee of the Company; from August 2015 to January 2016, he concurrently served as Acting General Manager of the Electronic Device Business Division in Techne Corporation; in November 2016, he was elected as Member of the Party Committee and Deputy Secretary of the Discipline Committee in the Company; from March 2017 to December 2018, he concurrently served as General Manager of TCL Resource Investment Company. From February 2017 till now, he serves

as Head of the Audit and Supervision Department. Since 2019, he has successively been a Supervisor of Tianjin 712 Communication & Broadcasting Co., Ltd. (603712.SH), the Chairman of the Supervisory Committee of Highly Information Industry Co., Ltd., the Chief Supervisor of TCL Finance Co., Ltd., etc. From July 2019, he has served concurrently as the Chief Auditor of TCL CSOT.

Born in December 1975, **Ms. Qiu Haiyan** obtained the Bachelor's Degree from Central Radio & TV University in 2011. She is an accountant and member of the Communist Party of China. From July 1995 to March 1998, she served as a finance officer in Huizhou Zongli Real Estate Company; from March 1998 to June 2002, she served as a finance officer in Huizhou Trust Investment Company; from June 2002 till now, she serves as Accountant, Deputy Manager and Manager of the Finance Department in Huizhou Investment Holdings Co., Ltd.; from February 2014 till now, she serves as Workers' Director in Huizhou Investment Holdings Co., Ltd. (from June 2009 to February 2013, she concurrently served as Supervisor in Huizhou Fairway Investment and Construction Co., Ltd.; from June 2013 to May 2018, she concurrently served as Director in Huizhou Investment Holdings Asset Operation Co., Ltd.; from March 2014, she concurrently serves as Workers' Representative Director in Huizhou Investment and Development Co., Ltd.; from April 2014, she concurrently serves as Supervisor of the Fifth Supervisory Committee of the Company).

Dr. Yan Xiaolin is a professor-level senior engineer, party-time professor in Peking University, Chairman of IEC/TC110, Vice Chairman of SID and President of the Asian Region. He graduated from ASIPP with the Doctor's Degree in July 1999. From July 1999 to May 2001, he was engaged in postdoctoral research in the Chinese Academy of Sciences. He joined in TCL in May 2001. From May 2001 to December 2004, he served as Project Manager in TCL Multimedia Electronic R&D Center and Director and Deputy General Manager of the Research Institute; from December 2004 to October 2005, he served as CTO in the Component Business Division of the Company and Deputy Director and Acting Director of TCL Industrial Technology Research Institute; from October 2005 till now, he serves as Director of TCL Industrial Technology Research Institute; from May 2008 to November 2012, he served as Vice President of the Company; from December 2012 till

now, he serves as CTO and Senior Vice President of the Company. He is holding a number of positions currently, including CTO and Senior Vice President of the Company, Director of TCL Industrial Technology Research Institute, Executive Director of TCL Multimedia, Director of CSOT, Chief Scientist of CSOT, Chairman of Guangdong Juhua, Chairman of China Ray, Vice Chairman of Amlogic (Shanghai) Inc. and Director of Kateeva.

Mr. Wang Cheng, an EMBA degree holder, graduated from Harbin University of Commerce. He joined TCL in 1997 and worked as a frontline salesman of color TVs. In 2005, after further learning upon the Company's appointment, he successively worked in many important positions including Deputy Director of HR Department in TCL Multimedia Sales Company, Director of the European Channel Account Department in the OEM Business Center, TTE Strategy, TCL Multimedia, General Manager of TCL Multimedia Vietnam Branch, General Manager of the Overseas Business Center and Vice President of TCL Multimedia. Therefore, he has rich experience of working overseas. From June 2015 to July 2016, he served as HR Director in TCL Corporation (now known as "TCL Technology Group Corporation"). After that, he returned to TCL Multimedia (now known as "TCL Electronics") and successively served as General Manager of the Supply Chain Center, General Manager of the Chinese Business Division, COO, etc. Since October 2017, he has served as CEO of TCL Electronics.

In January 2019, as TCL Technology Group Corporation carried on with its strategic business restructuring plan and TCL Industries Holdings Inc. was incorporated, Mr. Wang Cheng resigned as a Senior Vice President of TCL Technology Group Corporation. No longer holding any offices in TCL Technology Group Corporation, he is now the CEO of TCL Industries Holdings Inc.

Mr. Huang Xubin used to be the Executive Director and CFO of the Company. Born in November 1965, he graduated from Hunan University (the former Hunan Institute of Finance and Economics). Later, he obtained the Master's Degree in Economics from the Department of Postgraduate of the Ministry of Finance of China and EMBA from CEIBS and became a Senior Economist. He served as Officer in the Investment Institute, Deputy General Manager of the Credit Card Division, Deputy Division Head and Division Head of

the Credit Loan Division in China Construction Bank Guangdong Branch. During the period, he concurrently served as Manager in Guotai Junan Securities Co., Ltd. Guangzhou Branch and Senior Manager in China Cinda Guangzhou Office. He joined in TCL in March 2001. In 2002, he served as Vice Group Leader of the Application and Preparations Leading Group in the Finance Company of the Company; from May 2002 to December 2008, he served as Director and General Manager of the Financial Settlement Center in the Company; from June 2004 to June 2008, he served as Chief Economist of the Company; from October 2006 to December 2008, he served as General Manager of the Finance Company of the Company; from April 2008 to January 2011, he served as Vice President of the Company; from June 2008 to January 2011, he served as Director of Finance of the Company; from January 1, 2011 to March 30, 2011, he concurrently served as Board Secretary of the Company (in an acting capacity); from January 28, 2011 to January 10, 2019, he served as CFO of the Company. He has resigned as Director and CFO of the Company in January 2019.

Born in December 1974, **Mr. He Jinlei** has obtained MBA. He served in China Construction Bank, Southwest Securities and Institute of Software Chinese Academy of Sciences. From June 2005 to December 2009, he served as Chief Operating Officer of Beida Jade Bird Group; from December 2009 to December 2011, he served as Director of Peking University Resource College; from December 2011 to April 2019, he served as Vice President of China Development Bank Capital Co., Ltd. He has resigned as Director and Vice Chairman of the Board of the Company in May 2019.

Born in July 1972, **Ms. Wu Xiaohui** has obtained the PhD in Law from Sun Yat-sen University and is a Senior Economist. From June 1993 to April 1995, she served as a leader in the Law Office of the Operation Department in Guangzhou Engineering Contractor Group Co., Ltd.; from April 1995 to October 2000, she served as a leader in the Law Office of the Operation Department and Corporate Youth League Committee Secretary in Guangzhou Engineering Contractor Group Co., Ltd.; from October 2000 to March 2016, she served as Deputy General Manager and Head of the Legal Affairs Department, Vice Chairman of the Labor Union, Chief Legal Consultant, Deputy General Manager and

Member of the Party Committee in Guangdong Guangye Group Co., Ltd. and concurrently as Director of South China Sea Oil Joint Service Corp. and Director of Guangdong Petro-Trade Development Corporation. From March 2016 to July 2019, she served as General Manager, Deputy Secretary of the Party Committee and Director of Guangdong Guangxin Holdings Group Ltd. She has resigned as Director of the Company in August 2019. After that, she has become a standing committee member of the Party Committee of Meizhou Municipality, the Deputy Secretary of the Leading Party Members' Group of the Huizhou Municipal Government, and the Executive Vice Mayor of Huizhou City.

Born in October 1963, **Mr. Huang Wei** is an MBA degree holder. He served as Deputy Director of Wuhan Television Set Factory; Director and Deputy General Manager of Wuhan JVC Electronic Industry Co., Ltd.; Director of Wuhan Television Set Factory and Chairman of Wuhan JVC Electronic Industry Co., Ltd.. Mr. Huang Wei joined in TCL in May 1998. He served as Assistant to the General Manager in TCL King Electrical Appliances (Huizhou) Co., Ltd.; Director and Deputy General Manager in TCL-Melody; Deputy Director of the President's Office, Head of the Human Resource Department, Director of the President's Office, Secretary of the Discipline Commission, Senior Vice President, Deputy Secretary of the Party Committee, Executive Director, and a member of the Executive Committee in the Company. He has resigned as Director and Senior Vice President of the Company in December 2019.

Offices held concurrently in shareholding entities:

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Li Dongsheng	Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership)	Assigned representative of the managing partner	August 2014	Ongoing	None
Liu Bin	Huizhou Investment Holding Co., Ltd.	Chairman of the Board and General Manager	May 2015	Ongoing	Yes

He Zhuohui	Huizhou Investment Holding Co., Ltd.	Full-Time Deputy Secretary and Director	December 2012	Ongoing	Yes
Qiu Haiyan	Huizhou Investment Holding Co., Ltd.	Employee Director	February 2014	Ongoing	Yes
Note	Not applicable				

Offices held concurrently in other entities:

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Li Dongsheng	TCL Industries Holdings Inc.	Chairman of the Board	September 2018	Ongoing	Yes
	Tencent Holdings Limited	Independent Non-Executive Director	April 2004	Ongoing	Yes
	Fantasia Holdings Group Co., Limited	Non-Executive Director	January 2014	Ongoing	Yes
Liu Bin	Huizhou Financing Guaranty Co., Ltd.	Chairman of the Board	August 2015	Ongoing	No
Du Juan	TCL Industries Holdings Inc.	Director	September 2018	Ongoing	No
	Bank of Shanghai Co., Ltd.	Director	October 2019	Ongoing	No
	Getech Ltd.	Chairman of the Board	September 2018	Ongoing	No
	TCL Technology Park Co., Ltd.	Director	October 2017	Ongoing	No
Liao Qian	Fantasia Holdings Group Co., Limited	Non-Executive Director	March 2017	Ongoing	Yes
	Shenzhen Jiawei Photovoltaic Lighting Co., Ltd.	Independent Director	November 2016	Ongoing	Yes
	Tianjin 712 Communication & Broadcasting Co., Ltd.	Vice Chairman of the Board	June 2019	Ongoing	No
Yan Yan	SAIF Partners	Founding Managing Partner	October 2001	Ongoing	No
	China Resources Land Limited	Independent Non-Executive Director	July 2006	Ongoing	Yes

	Guodian Technology and Environment Group Corporation Limited	Non-Executive Director	June 2012	Ongoing	No
	Bluefocus Intelligent Communications Group Co., Ltd.	Independent Director	March 2014	Ongoing	Yes
	ATACreativity Global	Director	March 2005	Ongoing	Yes
	Haier Smart Home Co., Ltd.	Director	June 2019	Ongoing	Yes
	Shanghai Welltech Automation Co., Ltd.	Director	June 2019	Ongoing	No
	360 Finance, Inc	Independent Director	July 2019	Ongoing	Yes
	Appotronics Corporation Limited	Director	June 2019	Ongoing	No
Lu Xin	Jinan University	Professor	January 2004	Ongoing	Yes
	Kingfa Sci. & Tech. Co., Ltd.	Independent Director	May 2014	Ongoing	Yes
	PCI-Suntek Technology Co.,Ltd.	Independent Director	September 2019	Ongoing	Yes
	Guangdong Hengxing Feed Industry Co., Ltd.	Independent Director	January 2018	Ongoing	Yes
	Medprin Regenerative Medical Technologies Co., Ltd.	Independent Director	November 2018	Ongoing	Yes
Zhou Guofu	Philips Research in the Netherlands	Senior advisor	January 2011	Ongoing	No
	Eindhoven University of Technology in the Netherlands	Science Consultant	April 2012	Ongoing	No
	South China Academy of Advanced Optoelectronics of South China Normal University	Professor and Dean	April 2011	Ongoing	Yes
Liu Xunci	Huizhou University	Professor	October 2006	Ongoing	Yes
Mao Tianxiang	Tianjin 712 Communication & Broadcasting Co., Ltd.	Supervisor	June 2019	Ongoing	No
Note	Not applicable				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure and determination basis of remuneration for directors, supervisors and senior management:

The allowances for directors and supervisors have been approved at the Fourth Extraordinary General Meeting of 2011 on 14 July 2011. And the remuneration of senior management is determined as per the Company's remuneration management rules.

The remuneration and allowances of directors:

The remuneration and allowances of executive directors: As the Company pays remuneration to executive directors, it shall not pay additional allowances to them. The remuneration of five of the executive directors is determined as per the Company headquarters' remuneration management rules.

The allowances and other payments to independent non-executive directors: The allowance for each independent non-executive director is RMB160,000/year (tax inclusive), and the allowance for the convener of the Audit Committee is RMB200,000/year (tax inclusive). And the Company shall bear the travel expense arising from the independent directors' attending the Company's board and general meetings, as well as other expenses arising from independent directors' exercising their functions and powers as per the Company's Articles of Association.

The remuneration and allowances of supervisors:

The allowance for the Chairman of the Supervisory Committee is RMB160,000/year (tax inclusive); the allowance for the shareholder supervisor is RMB100,000/year (tax inclusive); and as the Company pays remuneration to the employee supervisor, it shall not pay additional allowances to him/her.

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/ Former	Total before-tax remuneration from the Company	Any remuneration from related party
Li Dongsheng	Chairman of the Board and CEO	Male	62	Incumbent	678.51	Yes
Liu Bin	Vice Chairman of the Board	Male	50	Incumbent	16.00	Yes

Du Juan	Director, COO and CFO	Female	49	Incumbent	343.59	No
Liao Qian	Director and Board Secretary	Male	39	Incumbent	203.36	No
Jin Xuzhi	Director and Senior Vice President	Male	65	Incumbent	875.35	No
Yan Yan	Independent Director	Male	63	Incumbent	16.00	No
Lu Xin	Independent Director	Female	57	Incumbent	20.00	No
Zhou Guofu	Independent Director	Male	56	Incumbent	16.00	No
Liu Xunci	Independent Director	Male	61	Incumbent	16.00	No
He Zhuohui	Chairman of the Supervisory Committee	Male	54	Incumbent	16.00	Yes
Mao Tianxiang	Employee Supervisor	Male	39	Incumbent	72.12	Yes
Qiu Haiyan	Supervisor	Female	45	Incumbent	10.00	Yes
Yan Xiaolin	Senior Vice President and CTO	Male	53	Incumbent	306.96	No
Wang Cheng	Senior Vice President	Male	45	Former	4.43	Yes
Huang Xubin	Director and CFO	Male	54	Former	5.84	No
He Jinlei	Vice Chairman of the Board	Male	46	Former	0	No
Wu Xiaohui	Director	Female	48	Former	0	No
Huang Wei	Director and Senior Vice President	Male	57	Former	363.75	Yes
Total	--	--	--	--	2963.91	--

Equity incentives for directors, supervisors and senior management in the Reporting Period:

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	226
Number of in-service employees of major subsidiaries	35,153
Total number of in-service employees	35,379
Total number of paid employees in the Reporting Period	35,379
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	22
Functions	
Function	Employees
Production	23,865
Sales	1,430
R&D and technical	6,155
Financial	340
Administrative	323
Managerial	1,141
Other	2,125
Total	35,379
Educational backgrounds	
Educational background	Employees
Doctorate degree	260
Master's degree	2,234
Bachelor's degree	7,138
Junior college	1,506
Senior high school/technical secondary school	260
Junior high school and below	6
Total	11,404

Note 1: Since the Company completed the Restructuring in April 2019, the data of employees are on an after-restructuring basis.

Note 2: The “educational backgrounds” section excludes operating workers and overseas employees.

2. Employee Remuneration Policy

The Company implements the remuneration management principle of “determining position by responsibilities, determining salary by position and determining remuneration by performance”. Fixed income is determined based on position assessment, variable income is determined based on performance appraisal and a remuneration distribution mechanism oriented by position and performance is established inside the Company.

3. Employee Training Plans

On 10 September 2000, the Training Department of TCL Headquarters shifted to TCL Training Institute. On 16 August 2005, TCL Training Institute changed its name to TCL Leadership Development Institute, which focused on cultivation of management talent and development of leadership. In 2015, the institute has been upgraded to TCL University. As such, TCL University has expanded its value positioning, with changes to service recipients, services provided and the ways of providing services. It focuses on strategic talent for long-term development, and promotes performance improvement by solving the existing business bottlenecks. It provides services for the Group and the broader ecosystem, as well as offers trainings and development opportunities. It captures and creates demand. And it trains and motivates.

“Eagle Elites”, the top talent cultivation program, has been running for 20 years. Every course it has offered is closely related to strategy. For instance, Eagle Elites Course 13 was offered in 2019 to cater to the new finance requirements of the Group. Eagle Elites Course 14—Reform and Transformation Pioneer Camp cultivates talent tailored to the needs of reform and transformation.

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part VIII Corporate Governance

I General Information of Corporate Governance

Since it was listed, the Company has been attaching great importance to corporate governance and dedicated to the establishment and refinement of internal control policies. So far, it has established an organization structure that accommodates the Company's business scale and business management needs. At the same time, it observes the principle of separating incompatible duties, sets up departments and positions in a reasonable manner, plans responsibilities and authorization scientifically and forms an internal control system with well-defined duties and responsibilities, mutual cooperation and mutual restraints. The Company has comprehensive audit and internal control policies, especially in terms of internal audit, in respect of which the hierarchies are clear-cut and the duties and responsibilities are well-defined, which can effectively prevent Group risks; the Company has purchased liabilities insurance for its directors, supervisors and senior management for eight consecutive years; although the shareholding proportion of its majority shareholders is less than 30%, the Company still adopts the cumulative voting system in the election of directors and supervisors, which is higher than the standards of corporate governance and effectively protects the voting rights of minority shareholders; in addition, the Company's Board of Supervisors works with diligence and the supervisors go deep into corporate research and proactively propose management suggestions, which effectively refine the Company's internal governance mechanism; by establishing new management policies, the Company continues to improve its information disclosure management and investor relationship management; the Company is passionate about commonweal and establishes donation funds for public benefits and all those measures have enabled the Company to stand in the industry leading position for its governance level.

During the Reporting Period, in accordance with the *Company Law*, the *Securities Law*, the *Code of Corporate Governance for Listed Companies* and other relevant laws and regulations, the Company continued to refine its governance structure and further

standardized its operations to comply with the requirements of related laws and regulations. During the Reporting Period, the Company's directors, supervisors and senior management furthered their learning of regulations and documents in respect of the corporate governance for listed companies, strengthened their self-discipline and diligence, and faithfully safeguarded the interests of all shareholders, in particular the minority shareholders.

Currently, there is no difference between the actual status of the Company's corporate governance structure and the standard documents on the corporate governance for listed companies published by China Securities Regulatory Commission. The names of the policies are shown in the following table and all the policies have been published on www.cninfo.com.cn.

Category of rules	Title of rules
Articles of Association	The Articles of Association of TCL Corporation
Dividend rules	The Dividend Rules of TCL Corporation
	The Shareholder Return Plan for 2017-2020 of TCL Corporation
	The Rules Governing the Shareholdings of Directors, Supervisors and Senior Management in TCL Corporation and Changes therein
	The Rules Governing the Registration of Information Insiders of TCL Corporation
Information disclosure rules	The Accountability Rules for Material Errors in Annual Report Disclosure of TCL Corporation
	The Rules Governing External Users of Information of TCL Corporation
	The Rules Governing Investor Relations of TCL Corporation
	The Work Rules for Independent Directors Concerning Annual Reports of TCL Corporation

	The Reception and Promotional Work Rules of TCL Corporation
	The Rules Governing Internal Reporting of Significant Information of TCL Corporation
	The Work Rules for the Board Secretary of TCL Corporation
	The Rules Governing Information Disclosure of TCL Corporation
	The Rules of Procedure for the General Meeting of TCL Corporation
	The Rules of Procedure for the Supervisory Committee of TCL Corporation
	The Rules of Procedure for the Board of Directors of TCL Corporation
	The Work Rules for the Independent Directors of TCL Corporation
	The Rules Governing the Use of Raised Funds of TCL Corporation
Governance and operation rules	The Rules of Procedure for the Audit Committee under the Board of Directors of TCL Corporation
	The Rules of Procedure for the Remuneration and Appraisal Committee under the Board of Directors of TCL Corporation
	The Specific Work Rules for the CEO of TCL Corporation
	The Rules of Procedure for the Nomination Committee under the Board of Directors of TCL Corporation
	The Rules of Procedure for the Strategy Committee under the Board of Directors of TCL Corporation
	The Rules Governing Major Investments of TCL Corporation
	The Internal Control Rules for Venture Capital of TCL Corporation
	The Rules Governing Securities Investment of TCL Corporation
Internal control rules	The Internal Control Rules for Investment in Derivative Financial Instruments of TCL Corporation
	The Internal Control Rules for the Online New Share Subscription of TCL Corporation
	The Internal Control Rules for the Entrusted Wealth Management of TCL Corporation

The Work Procedures for the Annual Audit by the Audit Committee under the Board of Directors of TCL Corporation

The Internal Control Rules for the Online New Share Subscription of TCL Corporation

The Majority-Owned Subsidiary Management Measures of TCL Corporation

The Rules Governing the Related-Party Transactions of TCL Corporation

The Rules Governing the Guarantees Provided for External Parties of TCL Corporation

The Internal Control Rules of TCL Corporation

The Internal Audit Charter of TCL Corporation

The Internal Control Evaluation Rules of TCL Corporation

There is no material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

Special corporate governance campaigns, as well as the formulation and implementation of the rules governing the registration of information insiders:

Upon various special checks of corporate governance by the regulatory authority and work conferences on the governance of listed companies, the Company has revised its Articles of Association. The rules strictly standardize the Company's behaviors and protect the interests of investors.

The following rules have been revised in 2019 so as to further improve corporate governance:

Title of rules	
Revised	The Articles of Association of TCL Corporation

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

☐ Applicable ☒ Not applicable

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The First Extraordinary General Meeting of 2019	Combination of on-site and online voting	47.17%	7 January 2019	8 January 2019	http://www.cninfo.com.cn
The Second Extraordinary General Meeting of 2019	Combination of on-site and online voting	33.72%	25 January 2019	26 January 2019	
The 2018 Annual General Meeting	Combination of on-site and online voting	33.37%	9 April 2019	10 April 2019	
The Third Extraordinary General Meeting of 2019	Combination of on-site and online voting	33.33%	8 May 2019	9 May 2019	
The Fourth Extraordinary General Meeting of 2019	Combination of on-site and online voting	33.17%	28 June 2019	29 June 2019	
The Fifth Extraordinary General Meeting of 2019	Combination of on-site and online voting	26.74%	15 November 2019	16 November 2019	
The Sixth Extraordinary General Meeting of 2019	Combination of on-site and online voting	26.35%	4 December 2019	5 December 2019	

2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Lu Xin	9	2	7	0	0	No	2
Zhou Guofu	9	2	7	0	0	No	0
Yan Yan	9	0	9	0	0	No	0
Liu Xunci	9	3	6	0	0	No	6

2. Objections Raised by Independent Directors on Matters of the Company

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

In the Reporting Period, in strict accordance with the applicable laws and regulations, as well as the Company's Articles of Association, the independent directors of the Company paid attention to the Company's operations and faithfully fulfilled their duties as independent directors. They put forward a lot of valuable, professional advice regarding the improvement of the Company's rules and daily operating decision-making. They issued their independent and fair opinion on the matters of the Company that required their opinion. Therefore, they have played their part in improving the Company's supervision mechanism, as well as in protecting the legal interests of the Company and its shareholders.

Issue date of opinion	Matter	Type of opinion
11 January 2019	The Plan for the First Phase of the Repurchase of Certain Public Shares, and the nomination of director candidates and the appointment of senior management	Consent

20 March 2019	The 2018 Annual Profit Distribution Plan, the Proposal on Reappointment of the CPA Firm, the 2018 Annual Internal Control Evaluation Report, The Proposal on the Guarantee Line for Subsidiaries in 2019, the Special Statement on the Capital Occupation by the Controlling Shareholder or Other Related Parties and the Guarantees Provided for External Parties, The Special Statement on Securities Investments in 2018, The Proposal on Authorization Adjustments for Securities Investment and Wealth Management, the derivative financial instrument transactions carried out by the Company in 2018, and The Plan on the Adjustment to the Upper Limit of the Share Repurchase Price	Consent
24 April 2019	Changes to the Company's accounting policies, The Proposal on the Adjustment to the Share Repurchase Price of The 2018 Restricted Stock Incentive Plan & Global Innovation Partner Plan, The Second Global Partner Plan of TCL Corporation (Draft) and its Summary, The 2019 Restricted Stock Incentive Plan & The Second Global Innovation Partner Plan of TCL Corporation (Draft) and its Summary, and the derivative financial instrument transactions carried out by the Company in Q1 2019	Consent
11 May 2019	The adjustments to The 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan, and the grant of restricted shares to the awardees	Consent
22 May 2019	The Proposal on the Satisfaction of the Unlocking Condition for the First Unlocking Period of the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan, and The Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted to Certain Awardees under the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan But Are Still in Lockup	Consent
13 June 2019	Related-party transactions, The Proposal on the Adjusted Guarantee Line for Subsidiaries, and The Continuing Risk Evaluation Report of TCL Finance Co., Ltd.	Consent
13 August 2019	The acquisition of interest in subsidiary and the related-party transaction, The Proposal on Adjustments to the Second Global Partner Plan (Draft) and Its Summary, investments in equity investment funds and the related-party transactions, the derivative financial instrument transactions carried out by the Company in H1 2019, The Continuing Risk Evaluation Report of TCL Finance Co., Ltd., and The Special Statement on the Capital Occupation by the Controlling Shareholder or Other Related Parties and the Guarantees Provided for External Parties	Consent

31 October 2019	The sale of interest in subsidiary and the related-party transaction, the increase in the estimated amount of continuing related-party transactions with TCL Industries Holdings Inc., and the derivative financial instrument transactions carried out by the Company in Q1~Q3 2019	Consent
19 November 2019	Investment in equity investment fund and the related-party transaction	Consent

VI Performance of Duty by Specialized Committees under the Board in the Reporting Period

1. Performance of Duty by the Audit Committee

In the principle of being diligent, pragmatic and realistic, all the members of the Audit Committee under the Board proactively pushed forward the 2019 annual audit. During the annual audit, the Audit Committee convened four meetings to review the audit plan and the financial statements. It also fully communicated with the accountants responsible for the annual audit. Two letters were issued to urge the auditor to carry out the audit in strict compliance with the audit plan.

The Audit Committee summarized the 2019 annual audit carried out by Da Hua Certified Public Accountants (Special General Partnership) as follows:

On 20 January 2020, we reviewed and confirmed the Audit Plan of the Internal Control of TCL Technology Group Corporation in 2019 and the Audit Plan of the 2019 Annual Financial Statements of TCL Technology Group Corporation submitted by Da Hua Certified Public Accountants (Special General Partnership), the independent auditor for the year 2019.

In October 2019, the auditor started the pre-audit of the annual report. On 2 January 2020, the auditor came to the Company and started the official audit. Afterwards, according to the audit plan, we emailed and called a few times to learn about and urge the audit progress, as well as went to the audit site to offer advice and urge the audit progress. We issued Urge Letters on 28 February and 4 March 2020 respectively to ask the auditor to carry out the audit in accordance with the audit plan, as well as to raise the following major questions: 1. whether the Company's accounting statements were prepared in strict compliance with the Chinese Accounting Standards for Business Enterprises, the Company's financial rules, as

well as the applicable laws and regulations; 2. whether the Company's accounting treatments needed to be improved; and 3. whether the Company provided sufficient materials as required by the auditor. The auditor replied to these questions in a timely manner.

On 4 March 2020, we reviewed the unaudited 2019 annual financial statements of the Company and agreed that the 2019 annual audit should be carried out based on the said financial statements.

On 28 March 2020, the auditor issued a preliminary "unmodified unqualified" audit opinion on the Company's financial statements, to which we agreed.

We believed that Da Hua Certified Public Accountants (Special General Partnership), the independent auditor for the year 2019, provided audit service for the Company in a diligent and responsible way. It completed the audit in strict accordance with the audit plan. The audited financial statements were a factual and complete reflection of the Company's financial position as at 31 December 2019, as well as the operating results and cash flows of the year then ended. The audit opinion they issued factually reflected the Company's realities. On 28 March 2020, the Audit Committee convened a meeting, where the following proposals were approved and submitted to the Board for further review: The 2019 Annual Financial Report, the Summary Report of the Audit Committee under the Board Regarding the 2019 Annual Audit Carried out by Da Hua Certified Public Accountants (Special General Partnership), and the Proposal on the Reappointment of Da Hua Certified Public Accountants (Special General Partnership) as the Independent Auditor for 2020.

2. Performance of Duty by the Nomination Committee

During the Reporting Period, the Nomination Committee convened one meeting, where the Proposal on the Nomination of a Director Candidate for the Sixth Board was reviewed and Mr. Jin Xuzhi was nominated as a director.

3. Performance of Duty by the Remuneration and Appraisal Committee

During the Reporting Period, the Remuneration and Appraisal Committee convened one meeting, where The 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan (Draft) and other proposals were reviewed.

VII Performance of Duty by the Supervisory Committee

Indicate whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

☐ Yes ☒ No

Meeting	Date of the meeting	Supervisor present	Proposal reviewed at the meeting	Resolution	Index to the disclosed resolution	Disclosure date
The Ninth Meeting of the Sixth Supervisory Committee	19 March 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The Proposal on The 2018 Annual Work Report of the Supervisory Committee; 2. The Proposal on The 2018 Annual Financial Report; 3. The Proposal on The 2018 Annual Report and its summary; 4. The Proposal on The 2018 Annual Internal Control Evaluation Report; 5. The Proposal on The Social Responsibility & Sustainable Development 2018; 6. The proposal on the write-off of the doubtful accounts in 2017; 8. The Proposal on the 2018 Final Dividend	Resolutions of the Ninth Meeting of the Sixth Supervisory Committee	http://www.cninfo.com.cn	20 March 2019

The Tenth Meeting of the Sixth Supervisory Committee	23 April 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The Proposal on The First Quarter Report 2019 and Its Summary; 2. The Proposal on Changes to the Accounting Policies; 3. The Proposal on the Adjustment to the Share Repurchase Price of The 2018 Restricted Stock Incentive Plan & The Global Innovation Partner Plan; 4. The Proposal on The Second Global Partner Plan (Draft) and Its Summary; 5. The Measures for the Management of The Second Global Partner Plan; 6. The Proposal on The 2019 Restricted Stock Incentive Plan and The Second Global Innovation Partner Plan (Draft) and Its Summary; 7. The Management Measures for the	Resolutions of the Tenth Meeting of the Sixth Supervisory Committee		24 April 2019
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			Implementation and Appraisal with respect to The 2019 Restricted Stock Incentive Plan and The Second Global Innovation Partner Plan; 8. The Proposal on the Examination of the Awardee List for The 2019 Restricted Stock Incentive Plan and The Second Global Innovation Partner Plan		
The 11th Meeting of the Sixth Supervisory Committee	10 May 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1.The Proposal on Adjustments to the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan; 2. The Proposal on the Grant of Restricted Stock to the Awardees	Resolutions of the 11th Meeting of the Sixth Supervisory Committee	11 May 2019
The 12th Meeting of the Sixth Supervisory Committee	20 May 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The Proposal on the Satisfaction of the Unlocking Condition for the First Unlocking Period of the 2018 Restricted Stock Incentive Plan and the Global	Resolutions of the 12th Meeting of the Sixth Supervisory Committee	21 May 2019

			Innovation Partner Plan; 2. The Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted to Certain Awardees under the 2018 Restricted Stock Incentive Plan and the Global Innovation Partner Plan But Are Still in Lockup		
The 13th Meeting of the Sixth Supervisory Committee	12 August 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1. The Proposal on The Interim Report 2019 and Its Summary	Resolutions of the 13th Meeting of the Sixth Supervisory Committee	13 August 2019
The 14th Meeting of the Sixth Supervisory Committee	30 October 2019	He Zhuohui Qiu Haiyan Mao Tianxiang	1. Third Quarter Report 2019 and its summary; 2. The Proposal on Increase in the Estimated Amount of Continuing Related-Party Transactions with TCL Industries Holdings Inc.	Resolutions of the 14th Meeting of the Sixth Supervisory Committee	31 October 2019

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

During the Reporting Period, the Company carried out performance appraisal and competence examination on managers. The KPI (key performance indicators) system was used for performance appraisal. In respect of the team led by each manager, the key factors of performance appraisal included phased goals of strategic transformation and operating indicators of the current period (such as profits, cash flow, products and service quality); the comprehensive results of the accomplishment of each goal were considered as the main basis for motivating managers. In that way, corporate strategies were converted into internal management activities through the process of goal settings, implementation and accomplishment to steer the work orientation of all systems of the Company and serve the purpose of enhancing the overall efficiency of the Company. Leader examination consisted of four dimensions of assessment, being leader's performance, competence, experience and quality (potential, personality and aspiration/values). An annual examination report for leaders was generated through annual performance assessment, virtual assessment center, 360-degree behavior interview or online assessment, supported by key experience, personality or management style assessment, which served as the main basis for appraising, appointing and dismissing leaders.

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

☐ Yes ☒ No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	31 March 2020
Index to the disclosed internal control self-evaluation report	http://www.cninfo.com.cn
Evaluated entities' combined assets as % of consolidated total assets	95%
Evaluated entities' combined revenue as % of consolidated revenue	94%

Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Material weaknesses: (1) an invalid control environment; (2) fraud of directors, supervisors and senior management; (3) any material misstatement of the financial reporting of the current period which is identified by the registered accountants but the Company fails to do so; and (4) invalid internal control supervision by the Audit Committee and the internal audit organ.</p> <p>Serious weaknesses: A single weakness or a group of weaknesses which are less serious than a material weakness but could still cause deviation from the control objectives</p> <p>Common weaknesses: Other internal control weaknesses that are neither material nor serious</p>	<p>Material weaknesses: (1) material violations of the country's laws or regulations in the Company's operating activities; (2) any material decision-making error that is caused by an irrational decision-making procedure and causes material property loss to the Company; (3) a massive loss of the key managerial or technical personnel; and (4) frequent negative news coverage that causes great concern of the regulatory administration and a material long-lasting impact on the Company's brand and reputation.</p> <p>Serious weaknesses: A single weakness or a group of weaknesses which are less serious than a material weakness but could still cause deviation from the control objectives</p> <p>Common weaknesses: Other internal control weaknesses that are neither material nor serious</p>
Quantitative standard	<p>Material weaknesses: misstatements \geq 5% of profit before tax;</p> <p>Serious weaknesses: 3% of profit before tax \leq misstatements $<$ 5% of profit before tax;</p> <p>Common weaknesses: misstatements $<$ 3% of profit before tax</p>	Not applicable
Number of material weaknesses in internal control over financial reporting	0	
Number of material weaknesses in internal control not related to financial reporting	0	
Number of serious weaknesses in internal control over financial reporting	0	
Number of serious weaknesses in internal control not related to financial	0	

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X Independent Auditor's Report on Internal Control

Opinion paragraph in the independent auditor's report on internal control	
In our opinion, TCL Technology Group Corporation maintained, in all material respects, effective internal control over financial reporting as of 31 December 2019, based on the Basic Rules on Enterprise Internal Control and other applicable rules.	
Independent auditor's report on internal control disclosed or not	The Internal Control Audit Report of TCL Technology Group Corporation disclosed on http://www.cninfo.com.cn dated 31 March 2020
Disclosure date	31 March 2020
Index to such report disclosed	http://www.cninfo.com.cn
Type of the auditor's opinion	Unmodified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

☐ Yes ☒ No

Indicate whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

☒ Yes ☐ No

Part IX Corporate Bonds

I General Information of Corporate Bonds

Bond name	Abbr.	Bond code	Value date	Maturity	Balance (RMB'0,000)	Coupon rate	Way of principal repayment and interest payment
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 1) (Type 2)	16TCL02	112353	16 March 2016	16 March 2021	150,000	3.56%	Interest payable annually and principal 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	4.80%	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	300,000	4.93%	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	19TCL02	112938	23 July 2019	23 July 2024	100,000	4.30%	Interest payable annually and

Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2)							principal 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
Place for bond listing and trading	Shenzhen Stock Exchange						
Investor eligibility	These bonds are for qualified investors only.						
Interest payment and principal repayment during Reporting Period	<p>1. The principal of "16TCL01" was repaid with interest on 18 March 2019.</p> <p>2. The interest for the period from 16 March 2018 to 15 March 2019 on "16TCL02" was paid on 18 March 2019.</p> <p>3. The interest for the period from 19 April 2018 to 18 April 2019 on "17TCL01" was paid on 19 April 2019.</p> <p>4. The interest for the period from 6 June 2018 to 5 June 2019 on "18TCL01" was paid on 6 June 2019.</p> <p>5. The interest for the period from 7 July 2018 to 5 July 2019 on "16TCL03" was paid on 8 July 2019.</p> <p>6. The interest for the period from 7 July 2018 to 5 July 2019 on "17TCL02" was paid on 8 July 2019.</p> <p>7. The interest for the period from 20 August 2018 to 19 August 2019 on "18TCL02" was paid on 20 August 2019.</p>						
Where the bond carries any issuer or investor option clause, interchangeable clause or other special clauses, give the execution details (if applicable) of these clauses during the Reporting Period	<p>1. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is April 19 from 2018 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is April 19 from 2018 to 2020 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>2. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors</p>						

	<p>(Tranche 2) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is July 7 from 2018 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is July 7 from 2018 to 2020 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>3. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is June 6 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is June 6 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>4. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is August 20 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is August 20 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>5. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is May 20 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is May 20 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>6. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is July 23 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is July 23 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).</p> <p>7. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3) is of a five-year term, with the issuer's call option, the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is October 21 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an</p>
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	investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is October 21 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).
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II Bond Trustee and Credit Rating Agency

Bond trustee:							
Name	Guotai Junan Securities Co., Ltd.	Office address	33/F, Bohua Plaza, 669 Xinzha Road, Shanghai	Contact person	Wu Lei	Tel.	021-38676503
Name	CITIC Securities Co., Ltd.	Office address	8 Zhongxin Third Road, Futian District, Shenzhen, Guangdong Province	Contact person	Deng Xiaoqiang	Tel.	0755-23835888
Credit rating agency which conducted follow-up ratings for bonds during Reporting Period:							
Name	China Chengxin Securities Rating Co., Ltd.			Office address	Room 968, Tower 1, 599 Xinye Road, Qingpu District, Shanghai		
Where the bond trustee or credit rating agency was changed during the Reporting Period, explain the reasons, the executed procedures, the impact on investors' interests, etc. (if applicable)			Not applicable				

III Utilization of Funds Raised through Corporate Bonds

Utilization of funds raised through corporate bonds and procedures executed	The raised funds were used to supplement the working capital and repay debt, which is in strict compliance with the prospectus. And with the authorization of the Board and the general meeting, the related internal decision-making procedure was executed according to the relevant rules approved by the Board and the general meeting.
Ending balance (RMB'0,000)	0
Operation of special account for raised funds	The Company has signed the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2015 to Qualified Investors, the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2), the Escrow Account Agreement for the Funds

	<p>Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) and the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3), with China Development Bank (Guangdong branch) and the Industrial and Commercial Bank of China (Huizhou branch) to ensure that the raised funds will be used as earmarked.</p>
Whether the utilization of raised funds is in line with the promised usages, utilization plan or other promises in the prospectus	Yes

IV Rating Results of Corporate Bonds

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

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

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

According to the Credit Rating Report on TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) issued by China Chengxin Securities Rating Co., Ltd. on 9 September 2019, TCL Corporation was rated AAA with a "Stable"

outlook, and the said bonds were also rated AAA.

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

V Credit Enhancement, Repayment Plans and Other Repayment Guarantee Measures

No credit enhancement measures were taken for the Company's bonds during the Reporting Period.

The capital for principal repayment and interest payment for the Company's bonds is primarily sourced from the revenue, net profit and cash flows arising from its ordinary course of business. The repayment guarantee measures include a specialized task group, a strict capital management plan, a bond trustee, the Rules for Bondholders' Meetings, strict information disclosure, and an undertaking to not distribute profits to shareholders, as well as suspend capital expenditures such as major investments in external parties and mergers and acquisitions where the Company fails to, or expectedly fails to, repay the principal and pay the interest on any bonds on time.

The Company's credit enhancement mechanism, repayment plans and other repayment guarantee measures remained unchanged during the Reporting Period.

VI Meetings of Bondholders Convened during Reporting Period

No such cases in the Reporting Period.

VII Performance of Duties by Bond Trustee during Reporting Period

As the trustee of the "16TCL02", "16TCL03", "17TCL01", "17TCL02", "18TCL01", "18TCL02" and "19TCL01" bonds, Guotai Junan Securities Co., Ltd., in strict accordance with the applicable laws and regulations including the Measures for the Issue and Trading of Corporate Bonds and the Professional Code of Conduct for Corporate Bond Trustees, keeps a close eye on the Company's operating, financial and credit conditions to fulfill its duties as a bond trustee and protect the legal rights and interests of the bondholders. And

the bond trustee has no conflicts of interests in any kind with the Company.

As the trustee of the “19TCL02” and “19TCL03” bonds, CITIC Securities Co., Ltd., in strict accordance with the applicable laws and regulations including the Measures for the Issue and Trading of Corporate Bonds and the Professional Code of Conduct for Corporate Bond Trustees, keeps a close eye on the Company’s operating, financial and credit conditions to fulfill its duties as a bond trustee and protect the legal rights and interests of the bondholders. And the bond trustee has no conflicts of interests in any kind with the Company.

VIII Selected Financial Information of the Company in the Past Two Years

Item	2019	2018	Change (%)
EBITDA(RMB'0,000)	1,422,433	1,409,652	0.91%
Current ratio	1.12	1.02	9.97%
Debt/asset ratio (%)	61.25	68.42	-7.17
Quick ratio	0.85	0.67	17.97%
Debt/EBITDA ratio	14.09%	10.69%	3.40%
Interest cover (times)	2.16	2.40	-10.00%
Cash-to-interest cover (times)	5.32	5.46	-2.56%
EBITDA-to-interest cover (times)	5.17	5.53	-6.51%
Debt repayment ratio (%)	100	100.00	0.00
Interest payment ratio (%)	100	100.00	0.00

Explanation of why any financial indicator in the table above registered a year-on-year change of over 30%:

□ Applicable ■ Not applicable

IX Principal Repayment and Interest Payment of Other Bonds and Debt Financing Instruments during the Reporting Period

No.	Bond abbreviation	Principal amount (RMB'00,000,000)	Issue date	Maturity	Coupon rate	Principal repayment and interest payment
1	18TCL-SCP001	20	2018-4-23	0.74 year	4.80%	Repaid in full on time
2	15TCL-MTN001	5	2015-4-1	5 years	5.50%	The interest for the period from 2 April 2018 to 1 April 2019 was paid on 2 April 2019

3	18TCL-MTN001	20	2018-12-3	3 years	4.58%	The interest for the period from 3 December 2018 to 2 December 2019 was paid on 3 December 2019
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Credit Lines Granted by Banks, as well as Their Utilization and Repayment during the Reporting Period

The Company operates in compliance, with a fine credit reputation, strong profitability and a great ability to repay debt. Additionally, it maintains a long-term partnership with the China Development Bank, The Export-Import Bank of China, the Industrial and Commercial Bank of China, etc. As at 31 December 2019, the credit lines granted by the major bank partners to the Company totaled RMB199.6 billion, with RMB59.3 billion utilized and RMB140.3 billion left. During the Reporting Period, there were no defaults on bank loans.

Fulfillment of Commitments Made in Bond Prospectuses during Reporting Period

Up to the date of the approval of this Report for issue, the Company has been executing all the commitments given in its bond prospectuses, without any negative impact on the investors caused by the Company's weak execution of such commitments.

Significant Events during the Reporting Period

☐ Applicable ☒ Not applicable

Guarantor for Corporate Bonds

☐ Yes ☒ No

Indicate whether the guarantor is a legal person or other organization.

☐ Yes ☒ No

Indicate whether the financial statements of the guarantor (including the balance sheet, the income statement, the cash flow statement, the statement of changes in owners' /shareholders' equity and the notes to the financial statements) for the reporting period are disclosed separately within four months when every accounting year ends.

☐ Yes ☒ No

The Company is required to separately provide the financial statements of the guarantor for the reporting period within four months when every accounting year ends, and indicate whether the financial statements are audited or not.

TCL Technology Group Corporation
For the Year Ended 31 December 2019
Independent Auditor's Report

Da Hua Shen Zi [2020] No. 000688

Da Hua Certified Public Accountants (Special General Partnership)

TCL Technology Group Corporation

Independent Auditor's Report and Financial Statements

(For the year from 1 January 2019 to 31 December 2019)

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Independent Auditor's Report

Da Hua Shen Zi [2020] No. 000688

To the Shareholders of TCL Technology Group Corporation

I Opinion

We have audited the financial statements of TCL Technology Group Corporation (the "Company"), which comprise the consolidated and parent company (the Company as the parent exclusive of subsidiaries) balance sheets as at 31 December 2019, the consolidated and parent company statements of income, cash flows and changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2019, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

And key audit matter identified in our audit is summarized as follows:

1. Related-party transactions and outstanding amounts

2. Revenue recognition

(I) Balances and Transactions of Related Parties

1. Matter description

Please refer to the Note "IX. Related Parties and Related-party Transactions" to the financial statements. Related-party transactions in 2019 are about RMB 17.1 billion, up 98% over the previous period.

As the fair reflection of financial statements will be significantly impacted by whether related parties and related-party transactions are disclosed completely, whether related-party transactions are authentic, and whether the transaction prices are fair, we identify balances and transactions of related parties as key audit matters.

2. Audit response

The important audit procedures we carried out in respect of related-party transactions include:

- (1) Understand and evaluate the management's internal control of recognizing and disclosing related party relations and transactions, and review the effectiveness of internal control design and implementation;
- (2) Obtain management's statement on related party relations and their transaction integrity, and obtain the list of related party relations provided by management, and check against information obtained from other public channels;
- (3) Check customers, suppliers and other related parties that have business with the company to recognize any missing of related parties. At the same time, obtain the resolutions of the board of directors and the shareholders' meeting relevant to the related party transactions, check the decision-making authority and procedures of the related party transactions, and evaluate the legality and compliance of the related party transactions and whether they have been properly authorized and approved.
- (4) Compared the sales prices of related parties with those of non-related parties for similar products to judge the fairness of related transaction prices;

(5) Obtain details of the amount and balance of related party transactions, and check the financial vouchers corresponding to the transactions and the attached contracts or orders, transfer orders, statements, invoices and bank receipts of the selected samples; In addition, send notice for the amount and balance of related transactions of important related parties.

(6) We checked TCL Technology Group Corporation's presentation and disclosure of related parties and related-party transactions in the financial statements;

Based on the audit work executed, we believe that the integrity of management's disclosure of related party relationships, the authenticity of related-party transactions and the fairness of transaction prices are reasonable.

(II) Revenue recognition

1. Matter description

Please refer to the accounting policies as stated in 30. "Revenue recognition" under Note III to the financial statements and 52. Operating revenue under Note V to the financial statements. The Company's operating revenue for the current period was approximately RMB74.9 billion, which was a decrease of around 34% from the previous period.

As operating revenue is one of the Company's key operating indicators with the hereditary risk of the management manipulating the revenue recognition time point for the purpose of achieving a specific objective or expectation, and the revenue recognition for the current period has a big influence on the financial statements, we identify revenue recognition as a key audit matter.

2. Audit response

The important audit procedures we carried out in respect of revenue recognition include:

(1) We understood and assessed whether the management's design and operation of key internal control in respect of revenue recognition were effective or not;

(2) We understood and assessed whether the management's selection and implementation of the policies related to revenue recognition complied with the

accounting standards for business enterprises;

(3) We selected samples of recorded transactions with revenue for the year and examined relevant supporting documents involved during the transaction process, including outbound delivery orders, customers' receipt records, sale invoices, customs declarations and fund receipt proofs;

(4) We selected samples of the recorded transactions with revenue around the balance sheet data and examined outbound delivery orders and other supporting documents to assess whether the revenue had been recorded into the appropriate accounting period;

(5) We obtained the Company's sale list for the year and carried out analytic review procedures on the operating revenue to determine the reasonableness of changes in the revenue and gross profit margin for the current period;

(6) We executed confirmation procedures with key accounts and inquired about the sales amount and the current account balance incurred for the current period; we carried out substitute audit procedures on the accounts with no replies;

Based on the audit work executed, we believe that the Company's recognition of revenue complies with relevant requirements of the accounting standards for business enterprises.

IV Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V Responsibilities of Management and Those Charged with Governance for Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and

communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

Chinese CPA:

(Engagement Partner)

Beijing·China

Chinese CPA:

28 March 2020

TCL Technology Group Corporation
Consolidated Balance Sheet
(RMB'000)

Assets:	Note V	31 December 2019	31 December 2018
Current assets:			
Monetary assets	1	18,648,185	26,801,343
Held-for-trading financial assets	2	6,074,751	-
Financial assets at fair value through profit or loss	3	-	1,137,580
Derivative financial assets	4	159,036	-
Notes receivable	5	228,942	4,272,222
Accounts receivable	6	8,340,354	13,604,358
Factored accounts receivable	7	-	47,087
Prepayments	8	364,423	1,194,972
Other receivables	9	2,750,042	5,719,379
Inventories	10	5,677,963	19,887,972
Assets classified as held for sale		-	18,791
Other current assets	11	5,911,827	7,624,097
Total current assets		48,155,523	80,307,801
Non-current assets:			
Loans and advances to customers	12	3,637,768	1,123,800
Investments in debt obligations	13	20,373	-
Available-for-sale financial assets	14	-	4,270,845
Long-term equity investments	15	17,194,284	16,957,109
Investments in other debt obligations	16	279,884	-
Other non-current financial assets	17	2,542,689	-
Investment property	18	82,273	1,676,211
Fixed assets	19	45,459,070	35,983,131
Construction in progress	20	33,578,290	38,924,586
Intangible assets	21	5,684,584	5,954,873
R&D expense	22	1,548,471	1,011,504
Goodwill	23	2,452	357,112
Long-term prepaid expense	24	1,567,691	1,861,333
Deferred income tax assets	25	840,874	797,882
Other non-current assets	26	4,250,659	3,537,756
Total non-current assets		116,689,362	112,456,142
Total assets		164,844,885	192,763,943

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Du Juan Person-in-charge of the financial department: Xi Wenbo

The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Consolidated Balance Sheet (Continued)
(RMB'000)

Liabilities and shareholders' equity:	Note V	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings	27	12,069,657	13,240,637
Factorage financings	7	-	47,087
Borrowings from central bank	28	573,222	231,404
Customer deposits and interbank deposits	29	1,355,129	545,053
Held-for-trading financial liabilities at fair value through profit or loss	30	188,220	-
Financial liabilities at fair value through profit or loss	31	-	212,097
Derivative financial liabilities	32	84,705	-
Notes payable	33	1,720,402	3,092,574
Accounts payable	34	11,549,133	23,922,712
Advances from customers	35	141,749	1,460,773
Payroll payable	36	1,094,217	2,891,393
Taxes payable	37	226,806	716,534
Other payables	38	12,293,566	23,120,774
Short-term commercial papers payable	39	-	2,000,000
Current portion of non-current liabilities	40	1,691,963	6,009,915
Other current liabilities	41	69,022	1,344,451
Total current liabilities		43,057,791	78,835,404
Non-current liabilities:			
Long-term borrowings	42	38,512,059	36,864,923
Bonds payable	43	16,479,085	12,985,628
Long-term payables	44	24,206	73,902
Long-term payroll payable	36	23,018	24,246
Deferred income	45	1,912,421	2,637,229
Deferred income tax liabilities	25	952,678	440,352
Other non-current liabilities		483	30,586
Total non-current liabilities		57,903,950	53,056,866
Total liabilities		100,961,741	131,892,270
Share capital	46	13,528,439	13,549,649
Capital reserves	47	5,716,667	5,996,741
Less: Treasury stock	48	1,952,957	63,458
Other comprehensive income	68	(534,082)	(1,174,162)
Surplus reserves	49	2,238,368	2,184,261
General reserve	50	361	361
Retained earnings	51	11,115,150	10,000,973
Total equity attributable to shareholders of the Company as the parent		30,111,946	30,494,365
Non-controlling interests		33,771,198	30,377,308
Total shareholders' equity		63,883,144	60,871,673
Total liabilities and shareholders' equity		164,844,885	192,763,943

Legal representative:	Li Dongsheng	Person-in-charge of financial affairs:	Du Juan	Person-in-charge of the financial department:	Xi Wenbo
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Consolidated Income Statement
(RMB'000)

	Note V	2019	2018
1. Revenue		75,077,806	113,447,438
Including: Operating revenue	52	74,933,086	113,360,076
Interest income	53	144,720	87,362
Less: Cost of sales	52	66,337,117	92,605,589
Interest expense	53	17,230	72,248
Taxes and surcharges	54	330,588	661,262
Selling expense	55	2,857,489	8,887,021
Administrative expense	56	1,895,088	4,299,607
R&D expense	57	3,396,805	4,677,579
Finance costs	58	1,248,801	973,261
Including: Interest expense		1,958,251	1,782,408
Interest income		401,645	621,949
Add: Other income	59	1,900,636	2,218,718
Return on investment	60	3,442,554	2,167,254
Including: Share of profit or loss of joint ventures and associates		1,657,471	1,360,268
Foreign exchange gain	53	(12,499)	(47,714)
Gain on changes in fair value	61	473,673	(3,879)
Less: Credit impairment loss	62	32,258	-
Asset impairment loss	63	791,112	1,523,119
Add: Asset disposal income	64	1,157	10,071
2. Operating profit		3,976,839	4,092,202
Add: Non-operating income	65	128,609	956,809
Less: Non-operating expense	66	49,645	104,631
3. Profit before tax		4,055,803	4,944,380
Less: Income tax expense	67	398,069	879,182
4. Net profit		3,657,734	4,065,198
4.1 By operational continuity			
Net profit from continuing operations		2,325,647	3,553,189
Net profit from discontinued operations		1,332,087	512,009
4.2 By ownership			
Net profit attributable to owners of the Company as the parent		2,617,765	3,468,211
Net profit attributable to non-controlling interests		1,039,969	596,987
5. Other comprehensive income, net of tax	68	488,805	(1,663,194)
5.1 Other comprehensive income that will not be reclassified to profit or loss		27,642	-
5.2 Other comprehensive income that may subsequently be reclassified to profit or loss		461,163	(1,663,194)
6. Total comprehensive income		4,146,539	2,402,004
Attributable to shareholders of the Company as the parent		2,922,896	2,074,777
Attributable to non-controlling interests		1,223,643	327,227
7. Earnings per share	69		
7.1 Basic earnings per share (RMB yuan/share)		0.1986	0.2566
7.2 Diluted earnings per share (RMB yuan/share)		0.1935	0.2562

Legal representative: <u>Li Dongsheng</u>	Person-in-charge of financial affairs: <u>Du Juan</u>	Person-in-charge of the financial department: <u>Xi Wenbo</u>
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Consolidated Cash Flow Statement
(RMB'000)

	Note V	2019	2018
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		78,966,837	123,443,026
Net increase/(decrease) in customer deposits and interbank deposits		810,076	234,178
Net increase/(decrease) in borrowings from central bank		341,818	191,407
Interest, handling charges and commissions received		144,720	88,208
Tax rebates		3,671,801	4,003,111
Cash generated from other operating activities	70	2,329,643	2,141,672
Subtotal of cash generated from operating activities		86,264,895	130,101,602
Payments for commodities and services		(58,275,622)	(90,509,473)
Net increase/(decrease) in loans and advances to customers		(4,468,399)	(1,068,789)
Net increase/(decrease) in deposits in central bank and in interbank loans granted		297,896	3,076,532
Cash paid to and for employees		(4,257,331)	(10,174,024)
Taxes paid		(4,291,276)	(5,000,449)
Cash used in other operating activities	71	(3,780,067)	(15,938,820)
Subtotal of cash used in operating activities		(74,774,799)	(119,615,023)
Net cash generated from/used in operating activities	73	11,490,096	10,486,579
2. Cash flows from investing activities:			
Proceeds from disinvestment		26,240,545	58,385,497
Return on investment		814,671	1,309,354
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		92,802	81,287
Net proceeds from disposal of subsidiaries or other business units		891,326	281,174
Cash generated from other investing activities		-	1,562
Subtotal of cash generated from investing activities		28,039,344	60,058,874
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(20,116,210)	(32,798,364)
Payments for investments		(29,519,049)	(55,491,053)
Net payments for acquisition of subsidiaries and other business units		(170,198)	-
Cash used in other investing activities		(9,965,596)	-
Subtotal of cash used in investing activities		(59,771,053)	(88,289,417)
Net cash generated from/used in investing activities		(31,731,709)	(28,230,543)

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Du Juan Person-in-charge of the financial department: Xi Wenbo

The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Consolidated Cash Flow Statement
(RMB'000)

	Note V	2019	2018
3. Cash flows from financing activities:			
Capital contributions received		7,531,053	7,759,258
Including: Capital contributions by non-controlling interests to subsidiaries		7,523,844	7,695,800
Borrowings obtained		36,378,744	50,564,652
Net proceeds from issuance of bonds		4,000,000	5,000,000
Subtotal of cash generated from financing activities		47,909,797	63,323,910
Repayment of borrowings		(29,273,623)	(38,554,966)
Payments for interest and dividends		(4,334,741)	(4,144,148)
Including: Dividends paid by subsidiaries to non-controlling interests		(99,073)	(411,272)
Cash used in other financing activities	72	(2,350,627)	(584,974)
Subtotal of cash used in financing activities		(35,958,991)	(43,284,088)
Net cash generated from/used in financing activities		11,950,806	20,039,822
4. Effect of foreign exchange rate changes on cash and cash equivalents		226,166	125,357
5. Net increase in cash and cash equivalents		(8,064,641)	2,421,215
Add: Cash and cash equivalents, beginning of the period		25,702,384	23,281,169
6. Cash and cash equivalents, end of the period	74	17,637,743	25,702,384

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Du Juan Person-in-charge of the financial department: Xi Wenbo

The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Consolidated Statement of Changes in Shareholders' Equity
(RMB'000)

2019

	Equity attributable to shareholders of the Company as the parent							Non-controllin g interests	Total shareholders' equity	
	Share capital	Capital reserves	Treasury stock	Other comprehensi ve income	Surplus reserves	General reserve	Retained earnings			
1. Balances as at end of prior year	13,549,649	5,996,741	(63,458)	(1,174,162)	2,184,261	361	10,000,973	30,377,308	60,871,673	
Add: Adjustments for changed accounting policies	-	-	-	334,950	-	-	(106,833)	(994)	227,123	
2. Balances as at beginning of the year	13,549,649	5,996,741	(63,458)	(839,212)	2,184,261	361	9,894,140	30,376,314	61,098,796	
3. Increase/decrease in the period	(21,210)	(280,074)	(1,889,499)	305,130	54,107	-	1,221,010	3,394,884	2,784,348	
3.1 Total comprehensive income	-	-	-	299,561	-	-	2,617,765	1,223,644	4,140,970	
3.2 Capital increased and reduced by shareholders	(21,210)	(280,074)	(1,889,499)	-	-	-	-	2,247,318	56,535	
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	7,327,174	7,327,174	
3.2.2 Share-based payments included in shareholders' equity	(21,210)	(8,061)	(81,962)	-	-	-	-	-	(111,233)	
3.2.3 Other	-	(272,013)	(1,807,537)	-	-	-	-	(5,079,856)	(7,159,406)	
3.3 Profit distribution	-	-	-	-	54,107	-	(1,391,186)	(76,078)	(1,413,157)	
3.3.1 Appropriation to surplus reserves	-	-	-	-	52,832	-	(52,832)	(16,923)	(16,923)	
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,337,079)	(59,155)	(1,396,234)	
3.3.3 Other	-	-	-	-	1,275	-	(1,275)	-	-	
3.4 Transfers within owners' equity	-	-	-	5,569	-	-	(5,569)	-	-	
3.4.1 Other comprehensive income transferred to retained earnings	-	-	-	5,569	-	-	(5,569)	-	-	
3.4.2 Other	-	-	-	-	-	-	-	-	-	
4. Balances as at end of the period	13,528,439	5,716,667	(1,952,957)	(534,082)	2,238,368	361	11,115,150	33,771,198	63,883,144	
Legal representative:	Li Dongsheng			Person-in-charge of financial affairs:		Du Juan		Person-in-charge of the fina ncial department:		Xi Wenbo
The attached notes to the financial statements form an integral part of the financial statements.										

TCL Technology Group Corporation
Consolidated Statement of Changes in Shareholders' Equity (Continued)
(RMB'000)

	2018								
	Equity attributable to shareholders of the Company as the parent							Non-controllin g interests	Total shareholders ' equity
	Share capital	Capital reserves	Treasury stock	Other comprehensiv e income	Surplus reserves	General reserve	Retained earnings		
1. Balances as at end of prior year	13,514,972	5,940,471	-	219,272	1,494,300	361	8,577,688	24,395,872	54,142,936
2. Balances as of beginning of the year	13,514,972	5,940,471	-	219,272	1,494,300	361	8,577,688	24,395,872	54,142,936
3. Increase/decrease in the period	34,677	56,270	(63,458)	(1,393,434)	689,961	-	1,423,285	5,981,436	6,728,737
3.1 Total comprehensive income	-	-	-	(1,393,434)	-	-	3,468,211	327,227	2,402,004
3.2 Capital increased and reduced by shareholders	34,677	56,270	(63,458)	-	-	-	-	7,127,793	7,155,282
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	7,127,793	7,127,793
3.2.2 Share-based payments included in shareholders' equity	34,677	28,781	(63,458)	-	-	-	-	-	-
3.2.3 Other	-	27,489	-	-	-	-	-	-	27,489
3.3 Profit distribution	-	-	-	-	689,961	-	(2,044,926)	(1,473,584)	(2,828,549)
3.3.1 Appropriation to surplus reserves	-	-	-	-	689,961	-	(689,961)	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,354,965)	(1,109,311)	(2,464,276)
3.3.3 Other	-	-	-	-	-	-	-	(364,273)	(364,273)
4. Balances as at end of the period	13,549,649	5,996,741	(63,458)	(1,174,162)	2,184,261	361	10,000,973	30,377,308	60,871,673
Legal representative: <u>Li Dongsheng</u>	Person-in-charge of financial affairs: <u>Du Juan</u>			Person-in-charge of the financial department: <u>Xi Wenbo</u>					
The attached notes to the financial statements form an integral part of the financial statements.									

TCL Technology Group Corporation
Balance Sheet of the Company as the Parent
(RMB'000)

Assets:	Note XIV	31 December 2019	31 December 2018
Current assets:			
Monetary assets		3,966,899	1,328,707
Held-for-trading financial assets		2,969,106	-
Financial assets at fair value through profit or loss		-	711,741
Notes receivable		22,514	20,497
Accounts receivable	1	445,090	194,959
Prepayments		97,127	187,895
Other receivables	2	17,129,473	18,773,353
Inventories		14,869	826
Other current assets		6,471	1,873,962
Total current assets		24,651,549	23,091,940
Non-current assets:			
Available-for-sale financial assets	3	-	1,185,430
Long-term equity investments	4	39,297,272	41,803,450
Investments in other equity instruments	5	15,000	-
Other non-current financial assets		1,540,913	-
Investment property		92,623	5,158
Fixed assets		54,238	40,058
Construction in progress		1,241	552
Intangible assets		19,145	18,776
Long-term prepaid expense		454,969	461,056
Total non-current assets		41,475,401	43,514,480
Total assets		66,126,950	66,606,420

Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Du Juan</u>	Person-in-charge of the financial department:	<u>Xi Wenbo</u>
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Balance Sheet of the Company as the Parent (Continued)
(RMB'000)

Liabilities and shareholders' equity	Note XIV	31 December 2019	31 December 2018
Current liabilities:			
Short-term borrowings		6,484,481	3,300,260
Derivative financial liabilities		5,981	-
Notes payable		30,283	123,708
Accounts payable		424,225	252,801
Advances from customers		17,471	38,615
Payroll payable		125,095	98,753
Taxes payable		10,355	3,437
Other payables		9,347,608	6,407,742
Short-term commercial papers payable		-	2,000,000
Current portion of non-current liabilities		847,327	3,000,003
Total current liabilities		17,292,826	15,225,319
Non-current liabilities:			
Long-term borrowings		2,110,000	5,340,956
Bonds payable		16,479,085	12,985,628
Long-term payables		-	700
Long-term payroll payable		23,018	24,246
Deferred income		51,562	51,506
Total non-current liabilities		18,663,665	18,403,036
Total liabilities		35,956,491	33,628,355
Share capital		13,528,439	13,549,649
Capital reserves		8,382,776	8,565,338
Less: Treasury stock		1,952,957	63,458
Other comprehensive income		56,064	(24,870)
Surplus reserves		2,036,304	1,982,197
Retained earnings		8,119,833	8,969,209
Total shareholders' equity		30,170,459	32,978,065
Total liabilities and shareholders' equity		66,126,950	66,606,420

Legal representative: <u>Li Dongsheng</u>	Person-in-charge of financial affairs: <u>Du Juan</u>	Person-in-charge of the financial department: <u>Xi Wenbo</u>	
The attached notes to the financial statements form an integral part of the financial statements.			

TCL Technology Group Corporation
Income Statement of the Company as the Parent
(RMB'000)

	Note XIV	2019	2018
1. Operating revenue	6	1,730,187	2,055,950
Less: Cost of sales	6	1,482,346	1,854,623
Taxes and surcharges		11,972	6,951
Selling expense		29,931	29,160
Administrative expense		354,036	368,820
R&D expense		160,796	123,609
Finance costs		917,158	634,124
Including: Interest expense		1,383,429	1,330,315
Interest income		502,967	652,821
Add: Other income		6,395	8,000
Return on investment	7	1,379,544	7,126,393
Including: Share of profit or loss of joint ventures and associates	7	1,149,694	931,721
Gain on changes in fair value		39,986	(54,003)
Less: Credit impairment loss		(1,542)	-
Asset impairment loss		-	41,872
Add: Asset disposal income		256,615	22,238
2. Operating profit		458,030	6,099,419
Add: Non-operating income		80,181	809,277
Less: Non-operating expense		9,893	9,092
3. Profit before tax		528,318	6,899,604
Less: Income tax expense		-	-
4. Net profit		528,318	6,899,604
5. Other comprehensive income		81,669	(11,225)
6. Total comprehensive income		609,987	6,888,379

Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Du Juan</u>	Person-in-charge of the financial department:	<u>Xi Wenbo</u>
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Cash Flow Statement of the Company as the Parent
(RMB'000)

	Note	2019	2018
	XIV		
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		1,489,327	2,346,705
Cash generated from other operating activities		8,110,950	2,001,412
Subtotal of cash generated from operating activities		9,600,277	4,348,117
Payments for commodities and services		(1,440,521)	(2,442,452)
Cash paid to and for employees		(153,043)	(179,932)
Taxes paid		(73,633)	(35,117)
Cash used in other operating activities		(3,089,974)	(6,590,572)
Subtotal of cash used in operating activities		(4,757,171)	(9,248,073)
Net cash generated from/used in operating activities	8	4,843,106	(4,899,956)
2. Cash flows from investing activities:			
Proceeds from disinvestment		16,562,819	48,308,442
Return on investment		656,095	5,314,308
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets		143	242,768
Subtotal of cash generated from investing activities		17,219,057	53,865,518
Payments for acquisition of fixed assets, intangible assets and other long-lived assets		(5,926)	(11,466)
Payments for investments		(13,939,067)	(50,693,136)
Subtotal of cash used in investing activities		(13,944,993)	(50,704,602)
Net cash generated from/used in investing activities		3,274,064	3,160,916

Legal representative:	Li Dongsheng	Person-in-charge of financial affairs:	Du Juan	Person-in-charge of the financial department:	Xi Wenbo
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Cash Flow Statement of the Company as the Parent (Continued)
(RMB'000)

	Note XIV	2019	2018
3. Cash flows from financing activities:			
Capital contributions received		7,209	63,458
Borrowings obtained		11,437,982	9,771,712
Net proceeds from issuance of bonds		4,000,000	5,000,000
		<u>15,445,191</u>	<u>14,835,170</u>
Subtotal of cash generated from financing activities			
Repayment of borrowings		(16,491,912)	(10,569,652)
Payments for interest and dividends		(2,394,239)	(2,364,333)
Cash used in other financing activities		(2,037,236)	(2,937)
		<u>(20,923,387)</u>	<u>(12,936,922)</u>
Subtotal of cash used in financing activities			
Net cash generated from/used in financing activities		(5,478,196)	1,898,248
4. Effect of foreign exchange rate changes on cash and cash equivalents		(26,563)	62,974
5. Net increase in cash and cash equivalents		2,612,411	222,182
Add: Cash and cash equivalents, beginning of the period		1,328,679	1,106,497
6. Cash and cash equivalents, end of the period	9	<u>3,941,090</u>	<u>1,328,679</u>

Legal representative:	Li Dongsheng	Person-in-charge of financial affairs:	Du Juan	Person-in-charge of the financial department:	Xi Wenbo
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The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Statement of Changes in Shareholders' Equity of the Company as the Parent
(RMB'000)

	2019						
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balances as of end of prior year	13,549,649	8,565,338	(63,458)	(24,870)	1,982,197	8,969,209	32,978,065
Add: Adjustments for changed accounting policies	-	-	-	(739)	-	739	-
2. Balances as of beginning of the year	13,549,649	8,565,338	(63,458)	(25,609)	1,982,197	8,969,948	32,978,065
3. Increase/decrease in the period	(21,210)	(182,562)	(1,889,499)	81,673	54,107	(850,115)	(2,807,606)
3.1 Total comprehensive income	-	-	-	81,673	-	528,318	609,991
3.2 Capital increased and reduced by shareholders	(21,210)	(182,562)	(1,889,499)	-	-	-	(2,093,271)
3.2.1 Share-based payments included in shareholders' equity	(21,210)	(8,061)	(81,962)	-	-	-	(111,233)
3.2.2 Other	-	(174,501)	(1,807,537)	-	-	-	(1,982,038)
3.3 Profit distribution	-	-	-	-	54,107	(1,378,433)	(1,324,326)
3.3.1 Appropriation to surplus reserves	-	-	-	-	52,832	(52,832)	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	(1,337,079)	(1,337,079)
3.3.3 Other	-	-	-	-	1,275	11,478	12,753
4. Balances as at end of the period	13,528,439	8,382,776	(1,952,957)	56,064	2,036,304	8,119,833	30,170,459

Legal representative: _____	Person-in-charge of financial affairs: _____	Person-in-charge of the financial department: _____
Li Dongsheng	Du Juan	Xi Wenbo

The attached notes to the financial statements form an integral part of the financial statements.

TCL Technology Group Corporation
Statement of Changes in Shareholders' Equity of the Company as the Parent (Continued)
(RMB'000)

	2018						
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balances as of end of prior year	13,514,972	8,476,523	-	(13,645)	1,292,236	4,114,531	27,384,617
2. Balances as of beginning of the year	13,514,972	8,476,523	-	(13,645)	1,292,236	4,114,531	27,384,617
3. Increase/decrease in the period	34,677	88,815	(63,458)	(11,225)	689,961	4,854,678	5,593,448
3.1 Total comprehensive income	-	-	-	(11,225)	-	6,899,604	6,888,379
3.2 Capital increased and reduced by shareholders	34,677	88,815	(63,458)	-	-	-	60,034
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-
3.2.2 Share-based payments included in shareholders' equity	34,677	28,781	(63,458)	-	-	-	-
3.2.3 Other	-	60,034	-	-	-	-	60,034
3.3 Profit distribution	-	-	-	-	689,961	(2,044,926)	(1,354,965)
3.3.1 Appropriation to surplus reserves	-	-	-	-	689,961	(689,961)	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	(1,354,965)	(1,354,965)
4. Balances as at end of the period	13,549,649	8,565,338	(63,458)	(24,870)	1,982,197	8,969,209	32,978,065

Legal representative: <u>Li Dongsheng</u>	Person-in-charge of financial affairs: <u>Du Juan</u>	Person-in-charge of the financial department: <u>Xi Wenbo</u>
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The attached notes to the financial statements form an integral part of the financial statements

TCL Technology Group Corporation
Notes to Financial Statements
(For the period from 1 January 2019 to 31 December 2019)
(The amounts in tables are expressed in thousands of RMB)

I General information

(I) Place of incorporation and organization

TCL Technology Group Corporation (hereinafter referred to as the "Company") is a limited liability company incorporated in the People's Republic of China (hereinafter referred to as "China") on 17 July 1997 under the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"). As per the approval documents of YBH [2002] No. 94 and YFH [2002] No. 134 issued by the People's Government of Guangdong Province, and YJMH [2002] No. 112 and YJMH [2002] No. 184 issued by the Economic and Trade Commission of Guangdong Province, the Company was changed to a joint stock limited company with a registered capital of RMB1,591,935,200, which was approved by Guangdong Province Administration for Industry and Commerce on 19 April 2002. The registration number is 4400001009990.

Upon the approval of ZJFXZ [2004] Document No. 1 issued by the China Securities Regulatory Commission (CSRC) on 2 January 2004, the Company was allowed to issue 590,000,000 shares to the public on 7 January 2004 and 404,395,944 ordinary shares denominated in RMB (A shares) to all public shareholders of TCL Communication Equipment Co., Ltd. (hereinafter referred to as "TCL Communication Equipment") in a stock-for-stock deal, which were listed on the Shenzhen Stock Exchange on 30 January 2004. The shares issued to the public were all priced online, with a par value of RMB1 and an issue price of RMB4.26 per share, raising a total of RMB2,513,400,000. Upon the completion of this deal, the registered capital of the Company increased to RMB2,586,331,144, and on 16 July 2004, the Company was approved by the Guangdong Province Administration for Industry and Commerce to change its business license to Business License QGYZZ No. 003362. Upon the completion of the shareholder structure reform and the expiration of the share lockup period, the foreign shareholding ratio in the Company was less than 10%. On 11 September 2007, the Company was approved by Guangdong Province Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

Upon the approval of the CSRC on 7 January 2009 with the ZJXK [2009] Document No. 12, the Company privately placed 350,600,000 ordinary shares denominated in RMB (A shares) to designated investors on 23 April 2009, with a par value of RMB1 and an issue price of RMB2.58 per share, raising a total of RMB904,548,000. Upon the completion of this deal, the registered capital of the Company increased from RMB2,586,331,144 to RMB2,936,931,144, and on 2 June 2009, the Company was approved by Guangdong Province Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

Upon the approval of the CSRC on 27 May 2010 with the ZJXK [2010] Document No. 719, the Company privately placed 1,301,178,273 ordinary shares denominated in RMB (A shares) to designated investors on 26 July 2010, with a par value of RMB1 and an issue price of RMB3.46 per share, raising a total of RMB4,502,076,824.58. Upon the completion of this deal, the registered capital of the Company increased from RMB2,936,931,144 to RMB4,238,109,417, and on 19 September 2010, the Company was approved by Guangdong Province Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

On 19 May 2011, the Company carried out a bonus issue of 10 additional shares for every 10 shares to all the shareholders with capital reserves, representing a total of 4,238,109,417 new shares, with a par value of RMB1 per share. Upon the completion of this

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bonus issue, the registered capital of the Company increased from RMB4,238,109,417 to RMB8,476,218,834, and on 27 June 2011, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

During the years of 2013 and 2014, the exercise of 58,870,080 stock options increased the share capital of the Company from 8,476,218,834 shares to 8,535,088,914 shares.

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I General information (continued)

(I) Place of incorporation and organization (continued)

Upon the approval of the CSRC on 13 February 2014 with the ZJXK [2014] Document No. 201, the Company privately placed 917,324,357 ordinary shares denominated in RMB (A shares) to designated investors on 30 April 2014, with a par value of RMB1 and an issue price of RMB2.18 per share, raising a total of RMB1,999,767,098.26. Upon the completion of this deal, the registered capital of the Company increased from RMB8,535,088,914 to RMB9,452,413,271, and on 10 June 2014, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

In the year of 2015, 48,357,920 stock options were exercised under an incentive plan of the Company, and upon the approval of the CSRC on 28 January 2015 with the ZJXK [2015] Document No.151, the Company issued 2,727,588,511 shares in a private placement. As such, the share capital of the Company increased from 9,452,413,271 shares to 12,228,359,702 shares.

In the year of 2016, 923,340 stock options were exercised under an incentive plan of the Company, and the share capital of the Company increased from 12,228,359,702 shares to 12,229,283,042 shares. Later, 15,601,300 shares were repurchased and retired, and the share capital of the Company decreased from 12,229,283,042 shares to 12,213,681,742 shares. On 26 April 2016, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 91441300195971850Y (unified social credit code).

In the year of 2017, the Company purchased an interest in subsidiary TCL China Star Optoelectronics Technology Co., Ltd. by means of a new issue of 1,301,290,321 shares. Upon the completion of this deal, the share capital of the Company increased from 12,213,681,742 shares to 13,514,972,063 shares.

In 2018, the Proposal on the Grant of Restricted Stock to Awardees was approved at the 7th Meeting of the 6th Board of Directors, and a total of 34,676,444 shares were subscribed for under the restricted stock incentive plan. Upon the completion of this deal, the share capital of the Company increased from 13,514,972,063 shares to 13,549,648,507 shares.

In 2019, the Company repurchased and retired 21,209,788 restricted shares that had been granted to certain awardees under the 2018 Restricted Stock Incentive Plan & Global Innovation Partner Plan but were still in lockup. As such, the total shares of the Company have decreased from 13,549,648,507 to 13,528,438,719 shares.

The Proposal on the Intended Change of the Company's Full Name and Stock Name was approved respectively at the 23rd Meeting of the 6th Board of Directors and the First Extraordinary General Meeting of 2020 held in January and February 2020. As such, the name of the Company has been changed from "TCL Corporation" to "TCL Technology Group Corporation".

As at 31 December 2019, the total issued share capital of the Company were 13,528,438,719 shares. Please refer to Note V, 46 for details.

The registered address of the Company is: TCL Tech Building, 17 Huifeng Third Road, Zhongkai Hi-Tech Development District, Huizhou City, Guangdong Province.

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I General information (continued)

(II) Scope of business

The Company and its subsidiaries (collectively referred to as the "Company") are primarily engaged in the research, development, production and sales of semi-conductor, electronic products and communication devices, new optoelectronic products, liquid crystal display devices, import and export of goods and technologies (excluding goods and technologies that are prohibited from import and export or require an administrative approval for import and export), venture capital business and venture capital consultation, entrepreneurial management services for start-up enterprises, participation in the initiation of venture capital institutions and investment management advisory institutions, immovable property leasing, IT services, conference services, computer technical services and development service of electronic products and technologies, development and sale of software, patent transfer, customs clearance services, consulting services, payment and settlement (where any approval from any relevant department is required according to law, it must be obtained before carrying out the relevant operating activities).

(III) Authorization of financial statements for issue

These financial statements were authorized for issue by the Company's Board of Directors on 28 March 2020.

II Scope of the consolidated financial statements

As at the end of the Reporting Period, for subsidiaries included in the consolidated financial statements, please refer to Note VII, 1, (1) Breakdown of important subsidiaries. For the changes to the scope of the consolidated financial statements of the Reporting Period, see Note VI.

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III Significant accounting policies and accounting estimates

1 Basis for the preparation of financial statements

The preparation of financial statements of the Company is based on the actual transactions and events in accordance with the "Accounting Standards for Business Enterprises - Basic Standards" published by the Ministry of Finance and specific corporate accounting standards, application guidelines for corporate accounting standards, corporate accounting standards interpretations and other relevant regulations (hereinafter collectively referred to as "corporate accounting standards") for confirmation and measurement, combining the provisions of "Regulations on the Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (revised in 2014) published by CSRC.

2 Going concern basis

The Company has evaluated the ability to continue as a going concern for 12 months from the end of the Reporting Period and has not identified any issues or circumstances that result in significant doubts about its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3 Statement of compliance with corporate accounting standards

The financial statements are in compliance with the requirements of the corporate accounting standards, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company during the Reporting Period.

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III Significant accounting policies and accounting estimates (continued)

4 Accounting period

The Company adopts the calendar year as accounting year, and a fiscal year is from January 1 to December 31 of the Gregorian calendar.

5 Operating cycle

The Company does not take the operating cycle as the criteria for liquidity classification of assets and liabilities.

6 Base currency for bookkeeping

The base currency for bookkeeping and the preparation of financial statements are all in RMB, and are presented in the unit of RMB'000 unless otherwise specified.

7 Accounting treatments for business combinations involving enterprises under and not under common control

(1) When the terms, conditions and economic influence of transactions in the process of a step-by-step combination conform to one or more of the following, accounting for multiple transactions is treated as a package transaction:

- (a) These transactions are made simultaneously or with consideration of influence on each other;
- (b) These transactions can only achieve a complete business outcome when treated as a whole;
- (c) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;
- (d) A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

(2) Business combinations involving enterprises under common control

(a) Individual financial statement

The assets and liabilities acquired by the Company in business combinations are measured in accordance with the book value of assets and liabilities of the combined party on the date of combination (including the goodwill of the ultimate controlling party resulting from the acquisition of the combined party). The difference between the book value of net assets acquired in the combination and the book value of the consideration paid for the combination (or the total par value of shares issued) is used to adjust the capital stock premium in the capital reserve, and when the capital stock premium in the capital reserve is insufficient for offset, it is used to adjust the retained earnings. If there is a contingent consideration and it is necessary to confirm the provisions or assets, the difference between the estimated amount of liabilities or assets and the settlement amount of subsequent contingent consideration is used to adjust the capital reserve (capital stock premium), and when the capital reserve is insufficient, it is used to adjust the retained earnings.

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III Significant accounting policies and accounting estimates (continued)

7 Accounting treatments for business combinations involving enterprises under and not under common control (continued)

(2) Business combinations involving enterprises under common control (continued)

(a) Individual financial statements (continued)

For a business that is ultimately realized through multiple transactions, if it is a package transaction, each transaction is treated as a transaction that acquires control; if it is not a package transaction, on the date of acquisition of control, the difference between the initial cost of long-term equity investment and the book value of long-term equity investment before the combination plus the book value of the new paid consideration on the date of combination is used to adjust the capital reserve; and when the capital reserve is insufficient for offset, it is used to adjust the retained earnings. For equity investments held prior to the date of combination, no accounting treatment is carried out for other comprehensive gains recognized by equity accounting or financial instrument confirmation and measurement standards, and up to the disposal of the investment, the accounting treatment shall be based on the same basis as the direct disposal of the assets or liabilities of the invested entity; other changes in owner's equity other than net profit or loss, other comprehensive income or profit distribution of net assets of the invested company recognized by equity method are not subject to accounting, and will be transferred to the current profit and loss until the disposal of the investment.

The agency fees paid for audits, legal services, assessments and other related expenses incurred in the business combination are recognized in profit or loss in the period in which they are incurred. The transaction costs for the issuance of equity securities for the business combination that may be directly attributed to equity transactions can be deducted from equity; transaction costs directly related to the issuance of a debt instrument as a combination consideration, are treated as an initial recognized amount included in the debt instrument.

If the combined party has a consolidated financial statement, the initial investment cost of the long-term equity investment is determined based on the owner's equity attributable to the Company as the parent in the consolidated financial statements of the combined party.

(b) Consolidated financial statements

The assets and liabilities acquired by the combining party in the business combination are measured in accordance with the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controlling party.

For the case where a business combination is finally realized through multiple transactions, if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transaction, the long-term equity investment held by the combining party before the combination, the gains and losses, other comprehensive income and other changes in owners' equity have been recognized between the date of acquisition or the date of the combining party and the combined party under the final control of the same party, whichever is later, and the date of combination, are used to offset the initial retained earnings or current profit and loss during the comparative reporting period respectively.

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If the accounting policies adopted by the combined parties are inconsistent with those adopted by the Company, the Company shall make adjustments in accordance with the accounting policies of the Company on the date of combination, and on this basis, confirm the consolidated financial statements in accordance with the provisions of Accounting Standards for Business Enterprises.

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III Significant accounting policies and accounting estimates (continued)

7 Accounting treatments for business combinations involving enterprises under and not under common control (continued)

(3) Business combinations involving enterprises not under common control

The assets paid and liabilities incurred or assumed of the Company as a consideration for the business combination are measured at fair value on the date of purchase, and the difference between the fair value and the book value is recognized in profit or loss. Where a future event that may affect the combination costs is agreed in the combination contract, if the estimated future events are likely to occur on the date of purchase and the amount of the impact on combination costs can be reliably measured, it is also included in the combination costs.

The agency fees paid for audits, legal services, assessments and other related expenses incurred in the business combination are recognized in profit or loss in the period in which they are incurred. The transaction costs for the issuance of equity securities for the business combination that may be directly attributed to equity transactions can be deducted from equity

The difference between the higher combination cost and lower fair value of identifiable net assets of the acquired party gained in the combination is recognized as goodwill by the Company. In case that the cost of combination is less than the fair value of the identifiable net assets of the acquired party gained in the combination, and the difference is still less than the fair value of identifiable net assets of the acquired party gain in the combination after review, the difference is included in the current profit and loss by the Company.

For the case where a business combination involving enterprises not under common control is finally realized through multiple transactions step by step, if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transaction; if it is not a package transaction, the individual financial statements and consolidated financial statements are distinguished for related accounting treatment.

- (a) In the individual financial statements, if the equity investment held before the date of combination is accounted for by equity method, the sum of the book value of equity investment of the acquired party held before the date of acquisition plus the new investment cost on the date of acquisition is recognized as the initial cost of the investment; the other comprehensive income confirmed by equity method before the date of acquisition is accounted for, when the investment is disposed, on the same basis as those the invested party adopted directly to dispose the relevant assets or liabilities.

If the equity investment held before the date of combination is accounted for by financial instrument recognition and measurement criteria, the sum of the fair value of equity investment on the date of combination plus the new investment cost is taken as the initial investment cost on the date of combination. The difference between the fair value and the book value of the original equity interest, and the accumulated fair value changes originally included in other comprehensive income should be transferred to investment income in the current period of combination date.

- (b) In the consolidated financial statements, the equity of the acquired party held before the date of acquisition is re-measured according to the fair value of the equity on the date of

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acquisition. The difference between the fair value and the book value is included in the current investment income; if the equity of the acquired party involves other comprehensive income under the equity method, etc., other comprehensive income related to it is converted into investment income in the current period of acquisition date.

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III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including separate entities controlled by the Company as the parent) are included in the consolidated financial statements.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are consistent with the Company. If the accounting policies or accounting periods adopted by the subsidiaries are inconsistent with the Company, necessary adjustments will be made in accordance with the Company's accounting policies and accounting periods when preparing consolidated financial statements. The consolidated financial statements are based on the financial statements of the Company and its subsidiaries as well as other relevant information, and are prepared by the Company after adjusting the long-term equity investments in the subsidiaries in accordance with the equity method based.

The impact of internal transactions between the Company and its subsidiaries, and internal transactions between subsidiaries, on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity is offset in the preparation of consolidated financial statements.

If the current losses shared by the minority shareholders of a subsidiary exceed the share enjoyed by the minority shareholder in the initial owner's equity of the subsidiary, the balance will still reduce the minority shareholders' equity.

During the Reporting Period, if a subsidiary or business is added due to the business combination involving enterprises under common control, the opening balance of the consolidated balance sheet is adjusted; the income, expenses and profits of the subsidiary or business from the beginning of the period of combination to the end of the Reporting Period are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period of combination to the end of the Reporting Period are included in the consolidated cash flow statement. If a subsidiary or business is added due to a business combination involving enterprises under non-common control, the opening balance of the consolidated balance sheet is not adjusted; the income, expenses and profits of the subsidiary or business from the date of acquisition to the end of the Reporting Period are included in the consolidated income statement; the cash flows of the subsidiary or business from the date of acquisition to the end of the Reporting Period are included in the consolidated cash flow statement.

During the Reporting Period, if a subsidiary or business is added due to a business combination involving enterprises under non-common control, the opening balance of the consolidated balance sheet is not adjusted; the income, expenses and profits of the subsidiary and business from the date of acquisition to the end of the Reporting Period are included in the consolidated income statement; the cash flows of the subsidiary and business from the date of acquisition to the end of the Reporting Period are included in the consolidated cash flow statement.

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During the Reporting Period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the Reporting Period to the disposal date are included in the consolidated cash flow statement.

When the Company loses control over the invested party due to disposal of part of the equity investment or other reasons, the remaining equity investment after disposal will be re-measured according to its fair value by the Company on the date of loss of control. The difference of the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the original subsidiary that should be enjoyed in accordance with the original share-holding ratio since the date of acquisition or combination, is accounted for the investment income in the current period of loss of control. Other comprehensive income or net profit and loss related to the original subsidiary's equity investment, other comprehensive income and other changes in owner's equity other than profit distribution, will be converted into current investment income when control is lost, except for other comprehensive gains arising from the re-measurement of net liabilities of the Benefit Plan made by the invested party or changes in net assets.

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III Significant accounting policies and accounting estimates (continued)

9 Criteria for determining cash and cash equivalents

In the preparation of the cash flow statement, the Company recognizes cash holdings and deposits that can be used for payment at any time as cash.

The Company recognizes cash that is easily converted into known amount with short holding period (generally due within three months from the date of purchase) and strong liquidity, and investments with low risk of changes in value (including investments in bonds within three months, while excluding equity investments), as cash equivalents.

10 Foreign currency business and translation of foreign currency statement

(1) Foreign currency transactions

Foreign currency transactions between the Company and its subsidiaries are translated into base currency at the spot exchange rate on the transaction date.

Foreign currency monetary items are translated at the spot exchange rate on the balance sheet date, and the exchange differences resulted therefrom, except that the exchange differences arising from special foreign currency loans related to the acquisition and construction of assets eligible for capitalization should be treated in accordance with the principle of capitalization of borrowing costs, are all included in the current profit and loss. Foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the transaction date, and the amount of base currency for bookkeeping is not changed.

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rates on the date when the fair value is determined, and the exchange differences resulted therefrom are included in profit or loss in the current period as a change in fair value. In the case of foreign currency non-monetary items that are available for sale, the exchange differences incurred are included in other comprehensive income.

(2) Translation of foreign currency financial statement

When the Company translates the financial statements of overseas operations, the assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date. The owner's equity items, except for the "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence of items. All the incurred items in the income statement are translated at the current average exchange rate of the period in which transactions occur.

The translation differences of foreign currency financial statement arising from the above translation are included in other comprehensive income. When disposing of an overseas operation, the translation differences in the foreign currency financial statements related to the foreign operation listed in other comprehensive income items in the balance sheet are transferred from the other comprehensive income item to the current profit and loss. All the incurred items in the cash flow statement are translated at the current average exchange rate of the period in which transactions occur. All the opening balance and actual amount of the previous year are listed on the basis of the amount translated in the previous year.

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III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (applicable only for 2018)

Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of financial instrument

The Company classifies financial assets and liabilities at initial recognition based on the contractual terms of the financial instruments issued and the economic substance they reflect but not only the legal form, in combination with the purpose of the acquisition of financial assets and liabilities, to the following categories: financial assets (or financial liabilities) that are measured at fair value and whose changes are included in current profit and loss; held-to-maturity investments; receivables; available-for-sale financial assets.

(2) Recognition basis and measurement method of financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition. For financial assets or liabilities that are measured at fair value and whose changes are included in the current profits or losses, transaction expenses are directly recognized in the current profit and loss. For other financial assets or liabilities, transaction expenses are included in the initial recognition amount.

The Company conducts subsequent measurement of financial assets at fair value, and does not deduct the transaction costs that may occur in the future disposal of the financial assets, except for the following cases: held-to-maturity investments and loans and receivables are measured at amortized cost by the effective interest method; and derivative financial assets that are linked to, and required to be settled by the delivery of, equity instruments not quoted in an active market with a fair value that cannot be measured in a reliable way, are measured at costs.

The Company conducts subsequent measurement of financial liabilities at amortized costs by the effective interest method, except for the following cases: financial liabilities that are measured at fair value and whose changes are included in the current profit and loss are measured at fair value; and derivative financial liabilities that are linked to, and required to be settled by the delivery of, equity instruments not quoted in an active market with a fair value that cannot be measured in a reliable way, are measured at costs.

(3) Recognition basis and measurement method of financial asset transfer

The transfer of financial assets means that the Company transfers or delivers the financial assets to the other party (the transferred party) other than the issuer of the financial assets.

If the Company has transferred almost all the risks and rewards of the financial asset ownership to the transferred party, the recognition of the financial assets will be terminated, while if the Company retains almost all the risks and rewards of the financial asset ownership, the recognition of the financial assets will not be terminated.

Where the transfer of financial assets meets the conditions for termination of recognition, based on the consideration received for the transfer, the difference between the sum of accumulated changes in the fair value originally recorded in the owner's equity (in the case where the transferred financial assets are available for sale) and the book value of transferred financial assets is included in the current profit and loss. If the transfer of

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financial assets does not meet the conditions for termination of recognition, the Company will keep the recognition of the transferred financial assets and recognize the consideration received as a financial liability.

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III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(4) Conditions for the derecognition of financial liabilities

If all or part of the current obligations of a financial liability has been discharged, recognition of the financial liability or part of it is terminated; if the Company signs an agreement with the creditor to replace the existing financial liabilities with new ones, and the terms of the contract of new financial liabilities are substantially different from the existing ones, the recognition of existing financial liabilities is terminated and the new financial liabilities are recognized.

If substantial changes are made to all or part of the contractual terms of existing financial liabilities, the recognition of existing financial liabilities or the part thereof will be terminated, and the financial liabilities with modified new terms will be recognized as a new financial liability. When the recognition of a financial liability is terminated in whole or in part, the difference between the book value of the financial liability with recognition terminated and the consideration paid (including the transferred non-cash assets or new financial liabilities assumed) will be included in the current profit and loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated on the repurchase date based on the relative fair value of the portion continue to be recognized and the portion terminated to be recognized. The difference between the book value assigned to the portion terminated to be recognized and the consideration paid (including the transferred non-cash assets or new financial liabilities assumed) is included in the current profit and loss.

(5) Methods for determining the fair value of financial assets and financial liabilities

The Company determines the fair value of financial instruments with active markets by the quoted prices in active markets. For financial instruments without active market, the Company determines the fair value by valuation techniques. In the valuation, the Company adopts valuation techniques that are applicable under current circumstances and that are with sufficient available data and other information, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transactions of related assets or liabilities, and tries the best to give priority to relevant observable input values. Non-observable input values are used in the cases that the relevant observable input values are not available or are not practicable.

(6) Impairment of financial assets

On the balance sheet date, the Company checks the book value of financial assets other than the ones measured at fair value and whose changes are included in the current profit and loss. In case that objective evidence of impairment of the financial assets is found, the impairment loss is recognized and allowance for impairment is made.

(a) Measurement of impairment losses on held-to-maturity investments, loans and receivables

If impairment of a financial assets measured at amortized cost, such as held-to-maturity investments and loans, occurs, the Company recognizes the difference between the present value of the future cash flows of the financial asset and the book value as the impairment loss, which is included in the current profit and loss. The expected present value

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of future cash flows is determined by discounting the original real interest rate of the financial asset, taking into account the value of the relevant collateral.

The Company conducts separate impairment tests on financial assets with significant single amount. In case that objective evidence of impairment of a financial asset is found, the impairment loss is recognized and included in the current profit and loss. Financial assets with insignificant single amount may be tested individually for impairment or tested in a combination of financial assets with similar credit risk characteristics together with financial assets without impairment after being separately tested.

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III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(6) Impairment of financial assets (continued)

For the impairment loss recognized on the financial assets measured at amortized cost, if there is objective evidence that the value of the financial assets has recovered and is objectively related to the events occurring after the recognition of the loss, the previously recognized impairment loss is reversed and included in the current profit and loss.

The measurement of impairment losses on receivables is described in the allowance policies for doubtful accounts.

(b) Measurement of impairment losses on available-for-sale financial assets

The Company conducts a separate inspection of each available-for-sale equity instrument investment on the balance sheet date. If the fair value of the equity instrument invested on the balance sheet date is less than 50% of its initial investment cost (including 50%) or less than its initial investment cost over one year (including one year), it indicates that the investment is impaired; if the fair value of the equity instrument invested on the balance sheet date is less than its initial investment cost by more than 20% (including 20%) but has not yet reached 50%, the Company will consider other relevant factors, such as price volatility, to determine whether the equity instrument investment is impaired.

In the event that the financial assets available for sale are impaired, even if the recognition of financial assets is not terminated, the Company transfers the accumulated loss resulting from the decline of fair value, which was directly included in other comprehensive income originally, from other comprehensive income to the current profit and loss. The accumulated loss transferred is equal to the balance of the initial acquisition cost of the financial assets available for sale after deducting the recovered principal and the amortized amount, the current fair value and the impairment losses already recorded in the profit and loss.

For equity instrument investments that are not quoted in active markets and whose fair value cannot be reliably measured, or derivative financial assets that are linked to the equity instruments and required to be settled by delivery of the equity instruments, the Company recognizes their impairment as impairment losses based on the difference between the present value of future cash flow of the financial asset and its book value, and include the impairment losses in the current profit and loss. The impairment losses incurred on these assets are not reversed in subsequent accounting periods.

For available-for-sale debt instruments that have been recognized for impairment loss, if the fair value increases in the subsequent accounting period and is objectively related to events that occur after the original impairment losses have been recognized, the previously recognized impairment losses are transferred back to the current profit and loss; the impairment losses on available-for-sale equity instruments are reversed through equity when the value of the equity instruments recovers; but for impairment losses on equity instruments that are not quoted in active markets and whose fair value cannot be measured in a reliably way, or derivative financial assets that are linked to, and required to be settled by delivery of the equity instruments, are not reversed.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (applicable from January 1, 2019)

When the Company becomes a party to a financial instrument, it recognizes a financial asset or liability.

The effective interest method refers to the method of calculating the amortized cost of financial assets or liabilities and allocating interest income or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or liabilities (such as prepayment, extension, call options or other similar options), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

(1) Classification and measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into the following three categories:

- (a) Financial assets measured at amortized cost.
- (b) Financial assets measured at fair value and whose changes are included in other comprehensive income.
- (c) Financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value when initially recognized, but if the accounts or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value and whose changes are included in the current profit and loss, transaction expenses are directly recognized in the current profit and loss. For other financial assets, transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial assets depends on their classification. All related financial assets affected will be reclassified when and only when the Company changes its business model of managing financial assets.

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(a) Financial assets classified as measured at amortized cost

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is to collect the contractual cash flow, then the Company classifies the financial asset as measured at amortized cost. Financial assets of the Company that are classified as measured at amortized cost include monetary funds, notes receivable, accounts receivable, other receivables, long-term receivables, creditors' investments, etc.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(1) Classification and measurement of financial assets (continued)

The Company recognizes interest income from such financial assets with the effective interest method, and carries out subsequent measurement at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the current profit and loss. The Company calculates and determines the interest income based on the book balance of financial assets multiplied by the effective interest rate except for the following circumstances:

① For purchased or originated credit-impaired financial assets, the Company calculates and determines their interest income at the amortized cost of the financial asset and the credit-adjusted effective interest rate since the initial recognition.

② For financial assets not credit-impaired at the time of being purchased or originated but in the subsequent period, the Company calculates and determines their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the effective interest rate by the book balance of the financial asset.

(b) Financial assets classified as measured at fair value and whose changes are included in other comprehensive income

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is both to collect contractual cash flows and for its sale, then the Company classifies the financial asset as measured at fair value and whose changes are included in other comprehensive income.

The Company recognizes interest income from such financial assets with the effective interest method. Except that the interest income, impairment loss and exchange difference are recognized as the current profit and loss, other changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit and loss.

Notes and accounts receivable measured at fair value with changes included in other comprehensive income are reported as receivables financing, and such other financial assets are reported as other creditors' investments. Among them, other creditors' investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other creditors' investments maturing within one year are reported as other current assets.

(c) Financial assets designated as measured at fair value and whose changes are included in other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income on the basis of individual financial assets.

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Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the retained earnings. During the investment period when the Company holds the equity instrument, the dividend income is recognized and included in the current profit and loss when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be measured reliably. The Company reported such financial assets under other equity instrument investment items.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(1) Classification and measurement of financial assets (continued)

An investment in equity instruments is a financial asset measured at fair value and whose changes are included in the current profit and loss when it is obtained mainly for recent sale, or is part of the identifiable portfolio of financial assets centrally managed, and objective evidence exists for a short-term profit model in the near future when initially recognized, or is a derivative (except derivatives defined as financial guarantee contracts and designated as effective hedging instruments).

(d) Financial assets classified as measured at fair value and whose changes are included in the current profit and loss

If failing to be classified as measured at amortized cost or at fair value and whose changes are included in other comprehensive income, or not designated as measured at fair value and whose changes are included in other comprehensive income, financial assets are all classified as measured at fair value and whose changes are included in the current profit and loss.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

(e) Financial assets designated as measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, the Company may irrevocably designate financial assets as measured at fair value and whose changes are included in the current profit and loss on the basis of individual financial assets in order to eliminate or significantly reduce accounting mismatches.

If the mixed contract contains one or more embedded derivative instruments and its main contract is not any financial asset as above, the Company may designate the whole of the mixed contract as a financial instrument measured at fair value and whose changes are included in the current profits and losses. Except under the following circumstances:

- ① Embedded derivatives do not significantly change the cash flow of mixed contracts.
- ② When determining for the first time whether similar mixed contracts need to be split, it is almost clear that embedded derivatives contained in them should not be split without analysis. If the prepayment right embedded in a loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profits and losses.

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The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(2) Classification and measurement of financial liabilities

The Company classifies a financial instrument or its components into financial liabilities or equity instruments upon initial recognition according to the contract terms of and the economic essence reflected by the financial instrument issued, rather than only in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as measured at fair value and whose changes are included in current profits and losses, or other financial liabilities, or derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value upon initial recognition. For financial liabilities measured at fair value and whose changes are included in current profits and losses, relevant transaction expenses are directly included in current profits and losses; For other categories of financial liabilities, relevant transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(a) Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include trading financial liabilities (including derivatives falling under financial liabilities) and financial liabilities designated as measured at fair value upon initial recognition and whose changes are included in current profits and losses.

The financial liability is a trading financial liability if it is mainly undertaken for recent sale or repurchase, or is part of the identifiable portfolio of financial instruments centrally managed, and there is objective evidence that the enterprise has recently employed a short-term profit model, or is a derivative instrument, except derivatives designated as effective hedging instruments and derivatives conforming to financial guarantee contracts. Trading financial liabilities (including derivatives falling under financial liabilities) are subsequently measured at fair value. All changes in fair values except for hedging accounting are included in current profits and losses.

The Company irrevocably designates financial liabilities as measured at fair value and whose changes are included in current profits and losses at the time of initial recognition in order to provide more relevant accounting information if:

- ① Such financial liabilities can eliminate or significantly reduce accounting mismatches.
 - ② The financial liability portfolio or the portfolio of financial assets and liabilities is managed and evaluated for performance on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and is reported to key management personnel within the enterprise on this basis.
- The Company subsequently measures such financial liabilities at fair value. Except changes in fair value that are brought about by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in current profits and losses. Unless including such changes in other comprehensive income will cause or expand accounting mismatch in profit or loss, the Company will include all

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changes in fair value (including the amount affected by changes in its own credit risk) in current profits and losses.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(2) Classification and measurement of financial liabilities (continued)

(b) Other financial liabilities

The Company classifies financial liabilities except for the following items as measured at amortized cost. Such financial liabilities are recognized by the effective interest method and subsequently measured at amortized cost. Gains or losses arising from derecognition or amortization are included in the current profits and losses:

- ① Financial liabilities measured at fair value and whose changes are included in the current profit and loss.
- ② Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.
- ③ Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category (1) of this article and lend at a below-market interest rate.

Financial guarantee contracts refer to contracts that require the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay the debt in accordance with the original or modified terms of the debt instrument. Financial guarantee contracts that are not financial liabilities designated as measured at fair value and whose changes are included in current profits and losses are measured after initial recognition according to the loss reserve amount and of the initial recognition amount, less the accumulated amortization amount during the guarantee period, whichever is higher.

(3) Derecognition of financial assets and liabilities

(a) Financial asset are derecognized, i.e. written off from its account and balance sheet if:

- ① The contractual right to receive cash flow from the financial asset is terminated; or
- ② The financial asset has been transferred, which meets the requirements for derecognition of financial assets.

(b) Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part thereof) has been discharged, such financial liability (or part thereof) is derecognized.

The existing financial liability is derecognized with a new one recognized, and the difference between the carrying amount and the consideration paid (including transferred non-cash assets or assumed liabilities) is included in the current profits and losses, if an agreement is signed between the Company and the lender to replace the existing financial liability by assuming a new one, and the contract terms of these two financial liabilities are substantially different, or the contract terms of the existing financial liability (or part thereof) are substantially modified.

If the Company repurchases part of a financial liability, the carrying amount of the financial liability shall be distributed according to the proportion of the fair value of the continuing

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recognition portion and the derecognition portion to the overall fair value on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including transferred non-cash assets or liabilities assumed) shall be included in the current profits and losses.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(4) Recognition basis and measurement method of financial asset transfer

When a financial asset is transferred, the Company evaluates the risks and rewards retained of the financial asset ownership:

(a) If almost all the risks and rewards of the financial asset ownership are transferred, such financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities.

(b) If almost all the risks and rewards of the financial asset ownership are retained, such financial asset shall continue to be recognized.

(c) In circumstances when the Company neither transfers nor retains almost all the risks and rewards of the financial asset ownership (i.e. circumstances other than ① and ② of this article), according to whether it retains control over such financial asset,

① the financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities if such control is not retained; or

② the relevant financial asset shall continue to be recognized to the extent that it continues to be involved in the transferred financial asset, and the relevant liabilities shall be recognized accordingly if such control is retained. The extent that it continues to be involved in the transferred financial asset refers to the extent the Company bears the risks or rewards on changes in the value of the transferred financial asset.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form shall be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer.

(a) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profits and losses:

① The carrying amount of the transferred financial asset on the date of derecognition.

② The sum of the consideration received for the transfer of financial assets and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income directly (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

(b) If the financial asset is partially transferred and the transferred part meets the conditions for derecognition, the carrying amount of the financial asset before transfer shall be allocated between the derecognition portion and the continuing recognition portion (in this case, the retained service asset shall be regarded as the continuing recognition part of the financial asset) according to the respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits and losses:

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- ① The carrying amount of the derecognized portion on the derecognition date.
- ② The sum of the consideration received for the derecognized portion and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(4) Recognition basis and measurement method of financial asset transfer (continued)

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

(5) Determination of fair value of financial assets and liabilities

The fair value of a financial asset or liability with an active market shall be determined by the quoted price in the active market, unless the financial asset has a sell-off period for the asset itself. For the financial assets restricted for the assets themselves, the compensation amount demanded by market participants due to the risk of not being able to sell the financial assets on the open market within the specified period shall be deducted from the quoted price in the active market. Quoted prices in the active market includes those for related assets or liabilities that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing or regulatory agencies, and can represent actual and recurring market transactions on the basis of fair trade.

Financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction price.

The fair value of financial assets or liabilities without an active market shall be determined by valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and are supported by sufficient available data and other information, selects input values consistent with the characteristics of relevant assets or liabilities considered by market participants in the transactions thereof, and gives priority to the use of relevant observable input values whenever possible. If the relevant observable input value cannot be obtained or be feasibly obtained, the unobservable input value shall be used.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments

Based on the expected credit loss, the Company conducts impairment accounting of financial assets classified as measured at amortized cost, financial assets classified as measured at fair value and whose changes are included in other comprehensive income and financial guarantee contracts and recognizes loss reserves.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable according to the contract and all cash flows expected to be collected of the Company, i.e. the present value of all cash shortfalls. Among them, credit-impaired purchased or originated financial assets of the Company shall be discounted at the credit-adjusted effective interest rate of such financial assets.

For receivables arising from transactions regulated by the income criteria, the Company uses the simplified measurement method to measure the loss reserve according to the amount equivalent to the expected credit loss during the entire duration.

For credit-impaired purchased or originated financial assets, only the accumulated changes in the expected credit losses during the entire duration since the initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the amount of change in the expected credit loss during the entire duration is included in the current gains and losses as impairment losses or gains. Even if the expected credit loss during the entire duration on the balance sheet date is less than that reflected in the estimated cash flow upon initial recognition, the favorable change in the expected credit loss is recognized as impairment gains.

In addition to other financial assets adopting the above simplified measurement method and other than the credit-impaired purchased or originated ones, the Company evaluates whether the credit risk of relevant financial instruments has increased significantly since the initial recognition, measures its loss reserves and recognizes the expected credit loss and its changes respectively according to the following circumstances on each balance sheet date:

- (a) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, its loss reserve shall be measured according to an amount equivalent to its expected credit loss in the next 12 months, and the interest income shall be calculated at the book balance and the effective interest rate.
- (b) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, then its loss reserve shall be measured according to an amount equivalent to its expected credit loss throughout its life, and the interest income shall be calculated at the book balance and the effective interest rate.
- (c) If the financial instrument is credit-impaired since its initial recognition, it is in the third stage, and the Company shall measure its loss reserve according to an amount equivalent to its expected credit loss throughout its life, and calculate the interest income at the amortized

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cost and the effective interest rate.

The increase or reversed amount of the credit loss reserve for financial instruments shall be included in the current profits and losses as impairment losses or gains. Except for financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the credit loss reserve will offset the carrying amount of the financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss reserve in other comprehensive income without reducing its carrying amount presented in the balance sheet.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

In the previous accounting period, the Company has measured the loss reserve, the amount of which is equivalent to the expected credit loss of the financial instrument throughout its life. However, on the balance sheet date of the current period, the financial instrument no longer conforms to the situation of significant increase in credit risk since initial confirmation; on the balance sheet date of the current period, the Company has measured the loss reserve of the financial instrument, the amount of which is equivalent to the expected credit loss in the next 12 months, and the reversed amount of the loss reserve thus formed is included in the current profit and loss as impairment profit.

(a) Significant increase of credit risk

In order to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, the Company uses the available reasonable and based forward-looking information and compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. When the Company applies provisions on depreciation of financial instruments to financial guarantee contracts, the initial recognition date shall be regarded as the date when the Company becomes a party to make irrevocable commitments.

For the assessment of whether the credit risk has increased significantly, the Company will consider the following factors

- ① According to the actual or as expected, whether the debtor's operating results have changed significantly;
- ② Whether the regulatory, economic or technological environment of the debtor has undergone significant adverse changes;
- ③ Whether the following items have changed significantly: the value of collateral as debt mortgage, or the guarantee provided by a third party, or the quality of credit enhancement; these changes will reduce the debtor's economic motivation to repay the loan within the time limit stipulated in the contract or impact the probability of default;
- ④ Whether the debtor's expected performance and repayment behavior have changed significantly;
- ⑤ Whether the Company's credit management methods for financial instruments have changed, etc.

If, on the balance sheet date, the credit risk of the financial instrument is judged to be low by the company, the company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. The financial instrument will be deemed to have lower credit risk under the following circumstances: the default risk of the financial instrument is lower; the borrower has a strong ability to fulfill its contractual cash flow obligations in a short time; furthermore, even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

(b) Financial assets with depreciation of credit

If one or more events have adverse effects on the expected future cash flow of a financial asset, the financial asset will become a financial asset that has suffered credit impairment. The following observable information can be regarded as evidence of credit impairment of financial assets:

- ① The issuer or debtor is in serious financial difficulties;
- ② The debtor breaches the contract, such as default or overdue payment of interest or principal, etc.;
- ③ The creditor gives concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties; the concessions will not be made under any other circumstances;
- ④ There is a great possibility of bankruptcy or other financial restructuring of the debtor;
- ⑤ The issuer or debtor has financial difficulties, resulting in the disappearance of the active market for the financial asset;
- ⑥ Purchasing or originating a financial asset with a large discount, which reflects the fact of credit loss.

Credit impairment of financial assets may not be caused by separately identifiable events, but may be caused by the combined effect of multiple events.

(c) Determination of expected credit loss

The Company's assessment of the expected credit losses of financial instruments is based on single items and combinations. During the evaluation, the company will take into account reasonable and reliable information about past events, current situation and future economic situation forecast.

The Company divides financial instruments into different combinations on the basis of common credit risk characteristics. Common credit risk characteristics adopted by the Company include: financial instrument type, credit risk rating, aging combination, overdue aging combination, contract settlement cycle, debtor's industry, etc. To understand the individual evaluation criteria and combined credit risk characteristics of relevant financial instruments, please refer to the accounting policies of relevant financial instruments for details.

The Company adopts the following methods to determine the expected credit losses of relevant financial instruments:

- ① In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the company shall receive and the expected cash flow.
- ② In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the

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holder of the contract, the debtor or any other party.

③ If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

Factors reflected in the Company's method of predicting credit losses by quantitative finance tools include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and reliable information about past events, current situation and future economic situation forecast that can be obtained on the balance sheet date without unnecessary extra costs or efforts.

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III Important Accounting Policies and Accounting Estimates (Continued)

12 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

(d) Write-off of financial assets

If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write-off constitutes the derecognition of relevant financial assets.

(7) Offset of financial assets and financial liabilities

In the balance sheet, financial assets and financial liabilities are shown separately without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset will be listed in the balance sheet:

(a) The Company has the legal right, which is currently enforceable, to offset the confirmed amount;

(b) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

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III Important Accounting Policies and Accounting Estimates (Continued)

13 Recognition standard and accrual method of provision for bad debt for receivables (applicable before December 31, 2018)

Receivables refer to non-derivative financial assets that are not quoted in an active market, but have fixed or fixable recovery amount.

The recognition standard and accrual method of the company's provision for bad debt for receivables in 2018 are shown as follows: the Company adopts the allowance method to account for bad debt losses for receivables.

(1) Recognition standard of provision for bad debt for receivables

On the balance sheet date, the Company checks the book value of receivables. In case that objective evidence shows that receivables are impaired, impairment losses shall be confirmed and impairment reserves shall be accrued. It indicates that the receivables show signs of impairment when one of the following circumstances occurs:

- (a) The debtor is stuck in serious financial difficulties;
- (b) The debtor's violation of the contract terms, breach of the contract or overdue performance of its duty of debt repayment;
- (c) Considering economic or legal factors, the creditor makes concessions to the debtor who is in financial difficulties;
- (d) There is a great possibility of bankruptcy or other financial restructuring of the debtor;
- (e) There is other objective evidence that shows impairment of receivables.

(2) Recognition criteria of bad debts

- (a) The debtor goes bankrupt or dies, but still cannot recover the receivables after his bankrupt property or estate is paid off;
- (b) The debtor fails to fulfill its debt-paying obligations within the time limit, which obviously indicates that the receivable cannot be recovered or the possibility of recovery is extremely small.

If it is determined that the receivables cannot be recovered, the receivables shall be written off as bad debts after being reported to and approved by the board of directors.

(3) Method of provision for bad debts

For receivables with significant single amount, the Company will conduct impairment test separately. If objective evidence shows that the receivables have been impaired, the Company will recognize impairment losses and accrue bad debt reserves according to the difference between the present value of its future cash flow and its book value. For receivables with insignificant single amount, impairment test can be carried out separately, or they can be divided into several combinations according to similar credit risk characteristics together with receivables that have not suffered impairment through separate test, and then impairment losses can be calculated and determined according to a

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certain proportion of the balance of receivables combination on the balance sheet date, and bad debt reserves can be accrued. The calculation and determination of bad debt reserves shall be based on a certain proportion of the balance of the receivables portfolio, and shall fully reflect the actual impairment losses incurred by each item. The determination of the accrual proportion shall be based on the actual loss rate of such portfolio and reasonably determined in combination with the current situation. The Company and its subsidiaries shall determine similar credit risk characteristic combinations according to actual conditions, including but not limited to industry distribution, regional distribution, overdue status and aging, etc. If the Company cannot reasonably determine the combination of similar credit risk characteristics, impairment test shall be conducted separately.

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III Important Accounting Policies and Accounting Estimates (Continued)

14 Notes receivable (applicable since January 1, 2019)

For the determination method and accounting treatment method of the Company's expected credit loss on bills receivable, please refer to 12(6) of note III Impairment of financial instruments.

When sufficient evidence of expected credit loss cannot be evaluated at a reasonable cost at the level of single instrument, the Company will refer to the experience of historical credit loss, combines the current situation and judgment on future economic situation, divides bills receivable into several combinations according to the characteristics of credit risk, and calculates expected credit loss on the basis of combinations.

15 Accounts receivable (applicable since January 1, 2019)

For the determination method and accounting treatment method of the Company's expected credit loss on accounts receivable, please refer to 12(6) of note III Impairment of financial instruments.

As for the accounts receivable bill, if there is objective evidence that the company will not be able to recover the money according to the original terms of the accounts receivable, the Company will separately determine its credit loss.

If sufficient evidence of expected credit loss cannot be assessed at reasonable cost at the level of single instrument, the Company will divide the accounts receivable into several combinations according to the credit risk characteristics, and calculate the expected credit loss on the basis of the combinations (with reference to the experience of historical credit loss, and in combination with the current situation with the judgment of future economic situation)

16 Other receivables (applicable since January 1, 2019)

For the determination method and accounting treatment method of the Company's expected credit loss of other receivables, please refer to 12(6) of note III Impairment of financial instruments.

For other accounts receivable for which there is objective evidence that the Company will not be able to recover the amount according to the original terms of the accounts receivable, the Company will separately determine its credit loss.

If sufficient evidence of expected credit loss cannot be evaluated at a reasonable cost at the level of single instrument, the Company will refer to the experience of historical credit loss, combine the current situation and judgment on future economic situation, divide other receivables into several combinations according to the characteristics of credit risk, and calculate expected credit loss on the basis of combinations.

17 Inventories

(1) Classification of inventories

The Company classifies inventories into raw materials, in-process products, development

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costs, and finished products, goods shipped in transit, turnover materials and molds with an expected benefit period of less than one year, depending on the purpose of holding the inventories. Turnover materials include low-value consumables and packaging materials.

- (2) Valuation method for inventories shipped in transit
All types of inventories are accounted for at actual cost, and actual costs include purchase costs, processing costs and other costs. Inventories are shipped in transit by weighted average method.

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III Significant accounting policies and accounting estimates (continued)

17 Inventories (continued)

(3) Basis for determining the net realizable value of inventories and accrual method for inventory valuation allowance

Ending inventories are measured at cost or net realizable value, whichever is lower. In cases that difference exists due to the net realizable value is less than the cost of inventories, inventory valuation allowance is made based on individual inventory item or inventory category, and the difference is recognized in the current profit and loss.

For inventories of goods directly used for sale, such as finished goods, merchandise inventories and materials for sale, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of the inventory less the estimated sales cost and relevant taxes and fees; for material inventories that need to be processed, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of finished products produced less the estimated cost to be occurred at the time of completion, the estimated selling expenses and related taxes; for inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated on the basis of the contract price, and if the quantity of inventories held is more than the quantity specified in sales contracts, the net realizable value of excess inventories is calculated based on the general sales price.

At the end of the period, inventory valuation allowance is accrued according to individual inventory items; but for a large number of inventories with lower unit prices, inventory valuation allowance is accrued according to inventory category; for inventories related to the product series produced and sold in the same region with the same or similar end use or purpose, and that is difficult to be measured separately from other items, inventory valuation allowance is accrued combined with other items.

If the influencing factors of the write-down of inventory value have disappeared, the amount written-down is recovered and reversed to the amount of inventory valuation allowance already accrued, and the amount reversed is included in the current profit and loss.

(4) Inventory system

The Company adopts a perpetual inventory system for inventory management.

(5) Amortization method of turnover materials

The Company amortizes turnover materials by the one-off amortization method, and the molds with a benefit period of less than one year are amortized within the period of not exceeding one year according to the expected benefit period.

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III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Company's long-term equity investments in its associates and joint ventures.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Company has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances. Associates are the investees that the Company has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements. Investments in a joint venture and associates are accounted for using the equity method.

(1) Recognition of initial investment cost

(a) Long-term equity investment formed by business combination

For long-term equity investment acquired by business combination involving enterprises under common control, the book value of assets and liabilities of the combined party in the consolidated financial statements of the ultimate controlling party as at the date of combination (including the goodwill formed by the ultimate controlling party's acquisition of the combined party) is recognized as investment cost. For long-term equity investment formed by combination, the share of the book value of shareholders' equity of the combined party acquired on the date of combination is recognized as initial investment cost. The difference between the initial investment cost and assets paid as the consideration for combination, the book value of liabilities incurred or assumed and the total par value of shares issued, is used to adjust capital reserve, and when the capital reserve is insufficient, it is used to adjust retained earnings.

For long-term equity investment acquired by business combinations involving enterprises under non-common control, the combination cost is recognized as investment cost of the long-term equity investment. The combination cost is the fair value of assets paid, the liabilities incurred or assumed, and the equity securities issued to acquire the control of acquired party on the date of acquisition. The difference between the higher combination cost and lower fair value of identifiable net assets of the acquired party acquired in the combination is recognized as goodwill; the difference between the lower combination cost and higher fair value of identifiable net assets of the acquired party acquired in the combination is included in the current profit and loss after review. For business combination involving enterprises under non-common control realized step by step through multiple transactions, the sum of the book value of equity investment held by the acquirer before the date of acquisition and the new investment cost on the date of acquisition is recognized as initial investment cost, and the combination cost includes the sum of assets paid, the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued.

(b) Long-term equity investment acquired by other means

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For long-term equity investment acquired by cash payment, the actual acquisition price is recognized as initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investment; the transaction costs incurred when issuing or acquiring the own equity instruments of acquirer attributed directly to equity transactions can be deducted from the equity.

For long-term equity investment acquired by issuing equity securities, the fair value of equity securities issued is recognized as initial investment cost.

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III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

Provided that the non-monetary asset exchange contains commercial substance and the fair value of the assets received or assets surrendered can be reliably measured, the initial investment cost of the long-term equity investment received with non-monetary assets is determined based on the fair value of the assets surrendered, except that there is conclusive evidence indicates that the fair value of assets received is more reliable. For non-monetary assets that do not satisfy the above condition, the book value of assets surrendered and related taxes and fees payable are recognized as the initial investment cost of the long-term equity investment.

The initial investment cost of a long-term equity investment acquired by debt restructuring is determined on the basis of fair value.

(2) Subsequent measurement and recognition of related profit and loss

(a) Subsequent measurement

The Company adopts the cost method to account for the long-term equity investments under the control of investee, and the consolidated financial statements are adjusted in accordance with the equity method in preparation.

The Company adopts the equity method to account for the long-term equity investments in associates and joint ventures. The difference between the higher initial investment cost and the fair value share of identifiable net assets of the investee enjoyed in the investment is not used to adjust the initial investment cost of the long-term investment; the difference between the lower initial investment cost and the fair value share of identifiable net assets of the investee enjoyed at the time of conducting the investment is included in the current profit and loss.

(b) Recognition of profit and loss

Under the cost method, in addition to the actual payment or the cash dividends or profits included in the consideration that have been declared but not yet paid, the Company recognizes the investment income according to the cash dividends or profits that the investee declared to pay.

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Under the equity method, when the investment enterprise confirms that it should enjoy the net profit or net loss of the investee, it should adjust the net profit of the investee based on the fair value of identifiable assets of the investee at the time of conducting the investment before the confirmation, and the part of profit and loss of internal transaction between the investor and associates and joint venture that should be attributed to the investor according to the shareholding ratio, should be offset, and the investment profit and loss should be confirmed on this basis. When the Company confirms that it should assume the loss occurred by the investee, the process hereunder is followed: first, the book value of the long-term equity investment is offset. Secondly, if the book value of the long-term equity investment is insufficient for the offset, the investment loss is continued to be recognized, and the book value of long-term receivable items is offset, subject to other book value of the long-term equity that substantially constitutes the net investment of the investee. Finally, after the above-mentioned treatment, if the Company still bears additional obligations in accordance with the investment contract or agreement, the provisions are recognized according to the estimated obligations and included in the current investment losses.

If the investee realizes profit in the future period, the Company shall, after deducting the unconfirmed loss share, conduct the process in the reverse order of the above to write down the book balance of the confirmed liabilities and recover other long-term equity that substantially constitute net investment of the investee and the book value of the long-term equity, and recognize the profit as investment income.

Other changes in the owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee, are used to adjust the book value of the long-term equity investment and included in capital reserve. The unrealized profit and loss from internal transactions between the Company and the investee attributed to the Company according to the shareholding ratio, is offset, and the investment profit and loss is recognized on this basis. In respect of the internal transaction losses incurred by the Company and the investee, for the part recognized asset impairment losses, the corresponding unrealized losses are not offset.

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III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

(3) Step-by-step disposal of investment in subsidiaries

When the terms, conditions and economic influence of transactions of the equity investment of the subsidiary conform to one or more of the following, accounting for multiple transactions is treated as a package transaction:

- (a) These transactions are made simultaneously or with consideration of influence on each other;
- (b) These transactions can only achieve a complete business outcome as a whole;
- (c) The occurrence of a transaction depends on the occurrence of at least one of the other transaction;
- (d) A transaction alone is uneconomical, but is economical when considered together with other transactions.

When an enterprise loses control over the original subsidiary due to disposal of part of the equity investment or other reasons, if the transactions do not belong to a package transaction, the accounting treatment of individual financial statements and consolidated financial statements should be distinguished as follows:

- (a) In the individual financial statements, the disposed equity should be accounted for in accordance with the "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment"; meanwhile, the remaining equity should be recognized as long-term equity or other related financial assets based on its book value. If the remaining equity after disposal can be used to exercise common control or significant influence on the original subsidiary, it shall be accounted for in accordance with the relevant provisions on the conversion of the cost method into the equity method.
- (b) In the consolidated financial statements, the remaining equity should be re-measured in accordance with its fair value on the date of loss of control. The difference between the sum of the consideration acquired from the disposal of the equity and the fair value of the remaining equity, less the share of net assets of the original subsidiary that should be enjoyed in accordance with the original share-holding ratio from the date of acquisition, is included in the current profit and loss of the period in which loss of control occurred. Other comprehensive income related to the original subsidiary's equity investment should be converted into current investment income when control is lost. The enterprise shall disclose in the notes the fair value of the remaining equity after disposal on the date of loss of control and the amount of relevant gains or losses arising from the disposal remeasured based on the fair value.

If the transactions of disposal of equity investment in a subsidiary until the loss of control is a package transaction, the accounting treatment of individual financial statements and consolidated financial statements should be distinguished as follows: :

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- (a) In the individual financial statements, the difference between each disposal price and the book value of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income, and transferred to the current profit and loss of the period in which the loss of control occurred;
- (b) In the consolidated financial statements, the difference between each disposal price and the disposal of investment corresponding to the share of the net assets of the subsidiary before the loss of control is recognized as other comprehensive income, and transferred to the current profit and loss of the period in which the loss of control occurred.

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III Significant accounting policies and accounting estimates (continued)

18 Long-term equity investments (continued)

(4) Basis for determining control, common control and significant influence on the investee

Control means having the power of control over the investee, enjoying variable returns by participating in the relevant activities of the investee, and having the ability to use the power over the investee to influence the amount of returns.

Common control means the control that is common to an arrangement in accordance with the relevant agreement, and the decisions of relevant activities of the arrangement must be made upon agreement of the Company and other parties sharing the control rights.

Significant influence means the power to participate in the decision-making of the financial and operating policies of the investee, but by which cannot control or commonly control together with other parties the formulation of the policies.

(5) Impairment test and allowance for impairment

On the balance sheet date, if there is any indication that the long-term equity investment is impaired due to continuous decline in the market price or deterioration of operating conditions of the investee, the recoverable amount of long-term equity investment is determined according to the net value of a single long-term equity investment less the disposal expenses or the present value of expected future cash flows of the long-term equity investment, whichever is higher. When the recoverable amount of the long-term equity investment is lower than the book value, the book value of assets is written-off to the recoverable amount, and the amount written-down is recognized as asset impairment losses, which is included in the current profit and loss, and the corresponding allowance for asset impairment is made.

For long-term equity investments without significant influence or quotation in an active market and whose fair value cannot be measured in a reliable way, the impairment loss is determined by the difference between the book value and the present value determined by discounting the future cash flows of similar financial assets at the current market rate of return.

Other long-term equity investments with signs of impairment other than goodwill arising from business combination, if the measurement of recoverable amount indicates that the recoverable amount of the long-term equity investment is lower than its book value, the difference is recognized as impairment losses.

Goodwill arising from a business combination is tested for impairment annually, regardless of whether there is any indication of impairment.

Once the impairment loss of long-term equity investment is confirmed, it will not be reversed.

19 Investment property

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The Company's investment property means the property held for the purpose of earning rent or capital appreciation, or both, including the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, for the vacant buildings held by the Company for the purpose of leases, if the Board of Directors makes a written resolution that expressly indicates that the buildings will be used for leases and the intention of holding will not change in a short-term, the building will also be reported as investment property.

The Company adopts the cost model for subsequent measurement of investment property. For the purpose of depreciation or amortization method, the same amortization policy adopted for buildings as fixed assets and land use rights as intangible assets are used.

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III Significant accounting policies and accounting estimates (continued)

20 Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets mean tangible assets held for the purpose of producing goods, rendering of services, leases or operation management, whose service life is more than one fiscal year. Fixed assets satisfying the following conditions are recognized:

- (a) The economic benefits associated with the fixed assets are likely to flow into the enterprise;
- (b) The cost of the fixed asset can be measured in a reliable way.

The Company's fixed assets are classified into buildings, machinery and equipment, office and electronic equipment, transportation vehicles and fixed assets renovation in line with capitalization conditions. Where each component of a fixed asset with a different service life provides economic benefits to the Company in different ways and applies different depreciation rates, it is recognized as a single fixed asset.

Fixed assets are initially measured at cost. The cost of purchasing fixed assets includes the purchase price, related taxes, and other expenses attributable to the fixed asset before it is ready for the intended use, such as the expenses on transportation, handling, installation and professional services, etc. When determining the cost of fixed assets, discard expenses should be considered. Subsequent expenditures related to fixed assets that satisfy the recognition criteria of fixed assets are included in the cost of fixed assets; otherwise, they are recognized in profit and loss in the period in which they arise.

(2) Recognition and initial measurement of fixed assets under a financing lease

If one of the following conditions specified in the terms of the lease agreement of an asset signed between the Company and the leasing party, it is recognized as an asset under financing lease:

- (a) The ownership of the leased asset is attributable to the Company upon the expiry of lease;
- (b) The Company has the option to purchase the asset, and the purchase price is much lower than the fair value of the asset when the option is exercised;
- (c) The lease term represents the majority of the service life of the leased asset;
- (d) The present value of the minimum lease payments on the lease start date is not significantly different from the fair value of the asset.

On the date of the lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, the difference is recognized as unconfirmed financing costs. Unrecognized financing expenses are apportioned over the lease term by the effective interest method.

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III Significant accounting policies and accounting estimates (continued)

20 Fixed assets (continued)

(3) Depreciation method for fixed assets

Fixed assets are depreciated by the straight-line method. The depreciation rate of various fixed assets is determined according to the estimated service life and estimated residual value (the estimated residual value is 0-10% of the original value). The depreciation rate of classified fixed assets is as follows:

Asset Category	Estimated Service Life	Annual Depreciation Rate
Houses and buildings	20-50 years	2-5%
Machinery and equipment (exclude mold)	5-11 years	9-20%
Mold (with benefit period more than one year)	1-3 years	33-100%
Office and electronic equipment	3-5 years	20-33%
Transportation equipment	4-5 years	20-25%
Other devices	4-5 years	20-25%

Fixed assets renovation is amortized evenly over the benefit period.

All fixed assets are subject to depreciation, except for fixed assets that have been fully depreciated and continue to be used, and the land that is priced and recorded separately. Fixed assets are depreciated on a monthly basis. Fixed assets added are not depreciated in the current month when being added but from the following month; fixed assets reduced are still depreciated in the current month when being reduced, and no depreciation is made from the following month. Fixed assets that are not profitable for the enterprise or not used temporarily (other than seasonally deactivated) are recognized as idle fixed assets. The estimated life expectancy and depreciation rate of idle fixed assets should be re estimated, and depreciation is directly included in the current profit and loss.

21 Construction in progress

Construction in progress refers to the necessary expenses incurred by the Company for the purchase and construction of fixed assets or investment property before being ready for the expected usable status, including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized and indirect costs that should be apportioned. Construction in progress is accounted for separately according to individual projects.

After the construction in progress is ready for its intended use, it must be transferred to fixed assets or investment property, whether the final accounting procedures are completed or not.

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III Significant accounting policies and accounting estimates (continued)

22 Borrowing costs

Borrowing costs refer to interest and other related costs incurred by the Company as a result of borrowings, including interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

Borrowing costs that can be directly attributable to the acquisition, construction or production of assets eligible for capitalization are capitalized and included in the relevant asset cost. Other borrowing costs are recognized as expenses in the period in which they are incurred, and are included in the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment property and inventories (only refers to inventories with an acquisition, construction and production process for more than one year) that require a substantial period of acquisition, construction or production activities to get ready for the intended use or sale status.

Borrowing costs refer to the interest of borrowings, the amortization of discounts or premiums, auxiliary expenses and exchange differences arising from foreign currency borrowings incurred by the Company. Borrowing costs begin to be capitalized when the following three conditions are all satisfied:

- (1) Asset expenditure has occurred;
- (2) Borrowing costs have occurred;
- (3) The acquisition, construction or production activities necessary to enable the assets to be ready for the intended usable or saleable state have commenced.

When an asset satisfied the capitalization conditions is abnormally interrupted during the process of acquisition, construction or production and the interruption period lasts for more than three months, the capitalization of the borrowing costs is suspended and recognized as the current expenses until the acquisition, construction or production of the assets starts again. When an asset satisfied the capitalization conditions is ready for its intended use or sale, the capitalization is stopped and the borrowing costs incurred in the future are included in the current profit and loss. The period of capitalization refers to the period from the time when the borrowing costs start to be capitalized to the point when the capitalization is stopped, and the period in which the borrowing costs are suspended for capitalization is not included.

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During the period of capitalization, if special borrowings are made for the acquisition, construction or production of assets eligible for capitalization, the amount of the interest expenses actually incurred during the current period of the special borrowings, less the amount of interest income earned by depositing unused borrowing funds in a bank or investment income earned by temporary investment, is recognized as the amount of capitalization. When a general loan is occupied for the purpose of purchasing, constructing or producing assets satisfied the capitalization conditions, the amount of capitalization is determined according to the weighted average of the accumulated asset expenditure exceeding the special loan portion multiplied by the capitalization rate of the general loan occupied; the capitalization rate is determined based on the weighted average interest rate of general borrowings.

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III Significant accounting policies and accounting estimates (continued)

23 Intangible assets

Intangible assets are recorded at the actual cost at the time of acquisition. The service life of intangible assets is analyzed and judged at the time of acquisition. Intangible assets with a finite service life are amortized on the shortest of the estimated service lives, the beneficial period of the contract and the effective period specified by law from the time when the intangible assets are available for use. The amortization period is as follows:

Category	Amortization years
Land use rights	The shorter of the years of the land use rights and the operating years of the Company
Patents and non-patent technologies	10 years or the shorter of service life, beneficiary years and legally valid years
Software usage fee	Beneficiary period
Other	Beneficiary period

The Company reviews the service life and amortization method of intangible assets with limited service life at least at the end of each year, and made adjustment if necessary.

If an intangible asset is unforeseen to bring economic benefits to the Company, it is regarded as an intangible asset with an indefinite service life, which will be reviewed in each accounting period. If there is evidence indicates that the service life of the intangible asset is limited, then it is converted to an intangible asset with limited service life. Intangible assets with indefinite service lives are not amortized.

The expenditures of the Company's internal research and development projects are classified into expenditures in the research phase and expenditures in the development phase. Research means an original, planned survey of acquiring and understanding new scientific or technical knowledge. Development means the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. prior to commercial production or use.

The expenditures in the research phase of the Company's internal research and development projects are included in the current profit and loss when incurred; expenditures in the development phase are recognized as intangible assets only when the following conditions are all satisfied:

- (1) It is technically feasible to complete the intangible asset to enable it to be used or sold;
- (2) There is intent to complete the intangible asset and use or sell it;
- (3) The intangible assets can bring economic benefits;
- (4) There are sufficient technical, financial and other resources to support the development of the intangible assets as well as ability to use or sell the intangible assets;
- (5) Expenditures attributable to the development stage of the intangible asset can be measured in a reliable way.

If the above conditions cannot be all satisfied, the expenditures are included in the current profit and loss when incurred.

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III Significant accounting policies and accounting estimates (continued)

24 Long-term prepaid expenses

Long-term prepaid expenses refer to various expenses that the Company has paid and whose period of amortization is more than one year, such as the improvement expenses incurred in renting fixed assets by operating leases. Long-term prepaid expenses are amortized on a straight-line basis within the beneficial period of the expense items.

25 Impairment of long-lived assets

The impairment of assets other than inventories, financial assets and deferred income tax assets is determined by the Company as follows:

On the balance sheet date, if there is evidence indicates that the asset is idle, there is a use termination plan or the market price drops sharply, or the external environment changes significantly, impairment test should be conducted. The difference between the recoverable amount of the asset and its book value is recognized as impairment loss and included in the current profit and loss, and corresponding allowance for asset impairment is made. For the goodwill formed by business combination and the intangible assets with indefinite service life, impairment test is carried out every year regardless of whether there is any indication of impairment. The recoverable amount is determined based on the net amount of fair value of assets less the disposal expenses, or the present value of estimated future cash flows of the assets, whichever is lower. The Company estimates the recoverable amount based on the individual assets. If it is difficult to estimate the recoverable amount of the individual assets, the recoverable amount of the asset is determined based on the asset group to which the asset belongs. After the asset impairment loss is recognized, the depreciation or amortization expense of the impaired assets will be adjusted accordingly in the future period.

Once the asset impairment loss is confirmed, it cannot be reversed in the future accounting period.

Treatment of goodwill impairment: in the impairment test of goodwill, the book value of goodwill is apportioned to the asset group or asset group portfolio expected to benefit from the synergy of business combination, and the book value of goodwill is apportioned to the relevant asset group or asset group combination in a reasonable way. In the case of impairment test, the asset group or asset group portfolio that does not contain goodwill is tested for impairment first to confirm the corresponding asset impairment loss, and then the asset group or asset group containing goodwill is tested for impairment to confirm the corresponding goodwill impairment loss.

26 Asset transfer with repurchase conditions

When the Company sells products or transfers other assets, it signs a product or a transfer asset repurchase agreement with the purchaser, and determines whether the sales commodity satisfies the revenue recognition conditions according to the terms of the agreement. If the after-sales repurchase is a financing transaction, the Company does not recognize the sales revenue when the product or asset is delivered. If the repurchase price is greater than the difference between the sales prices, interest of the difference is accrued on time during the repurchase period, and included in financial expenses.

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III Significant accounting policies and accounting estimates (continued)

27 Provisions

When the Company is involved in any litigation, debt guarantee, contract loss or reorganization, which is likely in need of future delivery of assets or rendering of services, and the amount of which can be measured in a reliable way, it is recognized as provisions.

(1) Recognition criteria of provisions

When an obligation related to the contingent events satisfies all the following conditions, it is recognized by the Company as provisions:

- (a) The obligation is the current obligation of the Company;
- (b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;
- (c) The amount of the obligation can be measured in a reliable way.

(2) Measurement of provisions

The provisions of the Company are initially measured on the basis of the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money related to contingent events. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

In case that there is a continuous range (or interval) of required expenditures, within which the possibility of occurrence of various results is the same, the best estimate is determined by the average of the middle value of the range, that is, the average of the upper and lower limits.

In case that there is no continuous range (or interval) of required expenditures, or there is a continuous range but the possibility of various results in the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if a contingency involves multiple items, the best estimate is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to settle the provisions are expected to be compensated by a third party, the compensation amount is separately recognized as an asset when it is basically confirmed to be received, and the recognized compensation amount should not exceed the book value of provisions.

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III Significant accounting policies and accounting estimates (continued)

28 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the Reporting Period, the Company's defined contribution plans mainly include basic pensions and unemployment insurance.

(c) Termination benefits

If the Company terminates the labor relationship with an employee before the labor contract expires, or offers compensation for encouraging the employee to accept the redundancies voluntarily, the liabilities arising from the termination of labor relations with the employee is determined, and also included in the current profit and loss, at the time when the group cannot unilaterally withdraw the termination of the labor relationship plan or redundancies proposal, or the time when the cost associated with reorganization involving payment of termination benefits is confirmed, whichever is earlier.

(d) Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term employment benefits, post-employment benefits and termination benefits.

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III Significant accounting policies and accounting estimates (continued)

29 Share-based payments

The share-based payments of the Company are mainly equity-settled share-based payments, and only allow to be exercised by employees after the completion of their services in the waiting period. On each balance sheet date in the waiting period, based on the best estimate of the number of vesting equity instruments, the services obtained in the current period are included in the relevant costs or expenses and capital reserve based on the fair value at the grant date of the equity instruments.

The fair value of equity instruments is determined by the external appraiser or management based on the binomial distribution method. The best estimate of the vesting equity instrument is determined by the management based on historical statistics on the vesting weights and turnover rates on the balance sheet date.

Equity-settled share-based payments are measured based on the fair value of the equity instruments granted to employees. In case that the vesting right is available immediately after the grant, it is included in relevant cost or expense based on the fair value of the equity instrument on the grant date, and the capital reserve is increased accordingly. In case that the vesting right is available after the completion of services in the waiting period or satisfaction of stipulated performance conditions, on each balance sheet day during the waiting period, the services acquired in the current period are included into the relevant costs or expenses and capital reserve on the basis of the best estimate of the number of feasible equity instruments and at the fair value of the date on which the equity instruments are granted. No adjustments are made to the identified related costs or expenses or total owner's equity after the vesting date.

30 Revenue recognition

Revenue is recognized only when economic benefits are likely to flow in and the amount of income and associated costs can be measured in a reliable way, and the following conditions are all satisfied:

(1) Sales of goods

The Company has transferred the main risks and rewards of ownership of the goods to the purchaser, and no longer retains any continuing management right or effective control of the goods, which are usually linked to the ownership, and recognizes the realization of sales revenue of the goods.

(2) Sales of property development products

The realization of sales revenue is recognized when the sales of property is completed and acceptance of the property is qualified, the terms of delivery stipulated in the sales contract are satisfied, and the buyer has obtained the certificate of payment for the delivery of the property stipulated in the sales contract (usually the first payment of the sales contract is received and the payment arrangement of the remaining payment is confirmed).

(3) Rendering of services

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In the case that the transaction results of service rendering can be estimated in a reliable way, the Company confirms the relevant labor revenue according to the percentage of completion method on the balance sheet date; otherwise, the revenue is recognized based on the amount of labor costs that have occurred and are expected to be compensated.

(4) Interest income

Accounted for according to the time and actual interest rate of the Company's monetary funds used by others.

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III Significant accounting policies and accounting estimates (continued)

30 Revenue recognition (continued)

(5) User fee income

Accounted for according to the time and method of charging as stipulated in the relevant contract or agreement.

31 Government subsidies

(1) Category

Government subsidies are transfers of monetary or non-monetary assets from the government to the Group at nil consideration. According to the subsidy targets stipulated in the relevant government documents, government subsidies are classified into government subsidies related to assets and government subsidies related to income.

(2) Recognition of government subsidies

If a government subsidy is a monetary asset, it is measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1). Government subsidies measured at nominal amounts are recognized directly in the current profit and loss.

(3) Accounting treatment

Government subsidies related to assets offset the book value of the underlying assets.

If the government subsidies related to income are used to compensate related costs or losses in the subsequent period, it is recognized as deferred income and included in the current profit and loss or offset costs in the period in which the related costs or losses are recognized; government subsidies used to compensate costs or losses incurred by the enterprise are directly included in the current profit or loss or offset related costs. For government subsidies related to the daily activities of the enterprise, the R&D and VAT-related subsidies are included in other income; other government subsidies offset related costs according to the nature of economic activities. Government subsidies not related to daily activities of the Company are included in the non-operating income and expenditure. For preferential loans for policy discount, if the government finance department appropriates the discounted funds to the lending bank, the borrowing cost is accounted for according to the principal of the loan and the policy preferential interest rate, with the amount actually received as the entry value of the loan. If the government finance department directly appropriates the interest subsidy funds to the Company, the subsidies offset the related borrowing costs.

In case that a confirmed government subsidy is required to be returned, the book value of the asset is adjusted if the book value of relevant assets is offset at the initial recognition; if there is related deferred income, the book balance of deferred income is offset, and the excess is included in the current profit and loss; in case of other circumstances, it is directly included in the current profit and loss.

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III Significant accounting policies and accounting estimates (continued)

32 Deferred income tax assets and deferred income tax liabilities

The income taxes of the Company include current income tax and deferred income tax. Both current income tax and deferred income tax are recognized in the current profit and loss as income tax expense or gain, except for the following:

- (1) Adjusting goodwill due to income tax arising from business combination;
- (2) Income tax related to transactions or events directly included in shareholders' equity is included in shareholders' equity.

On the balance sheet date, the Company recognizes the deferred income tax assets or deferred income tax liabilities in accordance with the balance sheet liability method on temporary differences between the book value of assets or liabilities and their tax base.

The Company recognizes all taxable temporary differences as deferred tax liabilities except the taxable temporary differences incurred in the following transactions:

- (1) Initial recognition of goodwill; or initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;
- (2) For taxable temporary differences related to investments in subsidiaries, associates and joint ventures, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

The Company recognizes deferred income tax assets arising from deductible temporary differences, subject to the amount of taxable income likely to be obtained to offset the deductible temporary differences, except the deductible temporary differences incurred in the following transactions:

- (1) The transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;
- (2) The deductible temporary differences related to investment in subsidiaries, associates and joint ventures cannot satisfy all the following: the temporary differences are likely to be reversed in the foreseeable future and are likely to be used for deduction of deductible taxable income for temporary differences in the future.

On the balance sheet date, the Company measures the deferred income tax assets and deferred income tax liabilities according to the tax law based on the applicable tax rate during the period of expectation of recovering the assets or paying off the liabilities, and reflects the income tax impact of the expected recovery of assets or liquidation of liabilities on the balance sheet date.

On the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is probable that no sufficient taxable income will be available in the future to offset the benefits of deferred tax assets, the book value of deferred tax assets is written down. When it is probable that sufficient taxable income will be available, the amount written-down will be reversed.

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III Significant accounting policies and accounting estimates (continued)

33 Leases

(1) Accounting treatment of operating leases

- (a) The rental fees paid by the Company for the lease of assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transactions paid by the Company are included in the current expenses.

When the lessor of an asset bears the expenses related to the lease that should be borne by the Company, the Company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

- (b) The rental fees charged by the Company for renting out assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and is recognized as rental income. The initial direct expenses related to lease transactions paid by the Company are included in the current expenses; if the amount is a significant one, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses within the lease term.

(2) Financial leased assets

On the date when lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, and the difference between the two is recognized as unconfirmed financing expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and includes them in financial expenses.

(3) Financial leasing assets

On the date when lease starts, the Company recognizes the receivable of the financial lease, the difference between the sum of unsecured residual value and its present value as unrealized financing income, and recognizes the lease income in the future period of the lease. The initial direct costs incurred by the Company in connection with lease transactions are included in the initial measurement of financial lease receivable, and the amount of income recognized during the lease term is reduced.

34 Related parties

If one party controls, commonly controls or exerts a significant influence on the other party, and two or more parties are under the control, common control or significant influence of the other party, they constitute related parties.

35 Discontinued operations

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The Company recognizes a component disposed of or classified as a component that can be separately distinguished from the category held for sale and satisfied any of the following as a component of discontinued operations: (1) The component represents an independent major business or a separate major business area; (2) This component is part of a related plan to dispose of an independent major business or a separate major operating area; (3) This component is a subsidiary that is acquired for resale. Operating profit and loss, such as impairment losses for discontinued operations and the amount reversed, and disposal profit and loss are presented in the income statement as profit and loss of discontinued operations.

TCL Technology Group Corporation

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III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates

(1) Changes to accounting policies

The Company has adopted since 1 January 2019 the revised versions of certain accounting standards (revised by the Ministry of Finance in 2017), namely, the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets, the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting, and the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments (together, the “New Accounting Standards for Financial Instruments”). For details of the changed accounting policies, please refer to Item 12 in Note III to the financial statements in the full version of this report.

For the financial instruments recognized and measured before 1 January 2019 in a way that is inconsistent with the New Accounting Standards for Financial Instruments, the Company makes transitional adjustments according to the new standards. And the Company does not restate the comparable financial data of the previous period that is inconsistent with the New Accounting Standards for Financial Instruments. The difference between the original carrying amount of a financial instrument and the new carrying amount on the date of the adoption of the New Accounting Standards for Financial Instruments is recorded in the retained earnings or other comprehensive income as at 1 January 2019.

The effects of the adoption of the New Accounting Standards for Financial Instruments on the presentation of the balance sheet items as at 1 January 2019 are as follows:

Item	Carrying amount as per the old accounting standards for financial instruments	Change	Carrying amount as per the New Accounting Standards for Financial Instruments
Held-for-trading financial assets	-	2,438,866	2,438,866
Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-
Derivative financial assets	-	391,558	391,558
Notes and accounts receivable	17,876,580	(17,876,580)	-
Notes receivable	-	4,272,222	4,272,222
Accounts receivable	-	13,600,479	13,600,479
Other receivables	5,719,379	(3,196)	5,716,183
Other current assets	7,624,097	627,123	8,251,220
Loans and advances to customers	1,123,800	(627,123)	496,677
Available-for-sale financial assets	4,270,845	(4,270,845)	-
Long-term equity investments	16,957,109	160,827	17,117,936
Investments in other equity instruments	-	488,457	488,457
Other non-current financial assets	-	2,163,735	2,163,735
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-
Derivative financial liabilities	-	212,097	212,097
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

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III Significant accounting policies and accounting estimates (continued)

36 Changes to major accounting policies and estimates (continued)

(1) Changes to accounting policies (continued)

Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments:

	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Held-for-trading financial assets	-	2,378,390	60,476	2,438,866
Financial assets at fair value through profit or loss reclassified to held-for-trading financial assets	-	37,084	-	-
Available-for-sale financial assets reclassified to held-for-trading financial assets	-	2,341,306	60,476	-
Financial assets at fair value through profit or loss	1,137,580	(1,137,580)	-	-
Financial assets at fair value through profit or loss reclassified to held-for-trading financial assets	-	(37,084)	-	-
Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	(391,558)	-	-
Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	(708,938)	-	-
Derivative financial assets	-	391,558	-	391,558
Financial assets at fair value through profit or loss reclassified to derivative financial assets	-	391,558	-	-
Notes receivable	-	4,272,222	-	4,272,222
Accounts receivable	-	13,604,358	(3,879)	13,600,479
Other receivables	5,719,379	-	(3,196)	5,716,183
Available-for-sale financial assets	4,270,845	(4,270,845)	-	-
Available-for-sale financial assets reclassified to held-for-trading financial assets	-	(2,341,306)	-	-
Available-for-sale financial assets reclassified to investments in other equity instruments	-	(474,742)	-	-
Available-for-sale financial assets reclassified to other non-current financial assets	-	(1,454,797)	-	-
Long-term equity investments	16,957,109	-	160,827	17,117,936
Investments in other equity instruments	-	474,742	13,715	488,457
Available-for-sale financial assets reclassified to investments in other equity instruments	-	474,742	13,715	-

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- III Significant accounting policies and accounting estimates (continued)
- 36 Changes to major accounting policies and estimates (continued)
- (1) Changes to accounting policies (continued)
- Carrying amount adjustments of financial assets classified and measured as per the New Accounting Standards for Financial Instruments (continued):

	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Reclassification (exclusive of change incurred by measurement)	Change incurred by measurement	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Other non-current financial assets	-	2,163,735	-	2,163,735
Financial assets at fair value through profit or loss reclassified to other non-current financial assets	-	708,938	-	
Available-for-sale financial assets reclassified to other non-current financial assets	-	1,454,797	-	
Financial liabilities at fair value through profit or loss	212,097	(212,097)	-	-
Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	(212,097)	-	
Derivative financial liabilities	-	212,097	-	212,097
Financial liabilities at fair value through profit or loss reclassified to derivative financial liabilities	-	212,097	-	

The effects of the reclassification or measurement of financial assets as per the New Accounting Standards for Financial Instruments on the beginning retained earnings, other comprehensive income, deferred income tax liabilities, equity attributable to owners of the Company as the parent and non-controlling interests:

Item	Carrying amount as per the old accounting standards for financial instruments (31 December 2018)	Effect of the accounting standard revisions	Carrying amount as per the New Accounting Standards for Financial Instruments (1 January 2019)
Deferred income tax liabilities	440,352	820	441,172
Other comprehensive income	(1,174,162)	334,950	(839,212)
Retained earnings	10,000,973	(106,833)	9,894,140
Total equity attributable to owners of the Company as the parent	30,494,365	228,117	30,722,482
Non-controlling interests	30,377,308	(994)	30,376,314

- (b) The Company has adopted the revised version of the Accounting Standard No. 7 for Business Enterprises—Exchange of Non-Monetary Assets since 10 June 2019, and the revised version of the Accounting Standard No. 12 for Business Enterprises—Debt Restructuring since 17 June 2019. These accounting policy changes are dealt with using the prospective application method. Exchanges of non-monetary assets and debt restructuring from 1 January 2019 to the date of the adoption of the said revised standards are adjusted according to the revised standards. The first adoption of the said standards by the Company has no impact on the financial statements.

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III Significant accounting policies and accounting estimates (continued)

37 Correction of previous accounting errors

During the Reporting Period, there are no corrections in the previous accounting errors made by the Company.

38 Changes to financial statement line items

The Ministry of Finance issued on 30 April 2019 the Notice on Revising and Issuing the Format of the 2019 Annual Financial Statements of General Enterprises (CK〔2019〕No. 6), splitting certain balance sheet items.

The Company has prepared the financial statements according to the new requirements for the format of financial statements, and adjusted the comparative data as per the Accounting Standards No. 30 for Business Enterprises—Presentation of Financial Statements. The effects of the said changes on the financial statement items and amounts of the comparative period are as follows:

Item	31 December 2018	Effect	1 January 2019
Notes and accounts receivable	17,876,580	(17,876,580)	-
Notes receivable	-	4,272,222	4,272,222
Accounts receivable	-	13,600,479	13,600,479
Notes and accounts payable	27,015,286	(27,015,286)	-
Notes payable	-	3,092,574	3,092,574
Accounts payable	-	23,922,712	23,922,712

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IV Taxes

1 Value-added tax

Starting from 1 April 2019, output tax was calculated at 6%, 9% or 13% of the taxable income of general taxpayers and the value added-tax was paid based on the difference after deducting the allowance deduction of input tax in the current period. The value added-tax payment for the Company's directly exported goods is executed in accordance with the regulations of "Exemption, Offset and Refund". Starting from 1 April 2019, the tax refund rate is 0%-13%.

2 Urban maintenance and construction tax

Subject to the relevant tax laws and regulations of the state and local regulations, urban maintenance and construction tax is paid based on the proportion stipulated by the state according to the individual circumstances of each member of the Company.

3 Education surcharges

Education surcharges are paid according to the individual circumstances of each member of the Company based on the proportion stipulated by the state in accordance with the relevant national tax regulations and local regulations.

4 Dike protection fee

Dike protection fee is paid according to relevant national tax regulations and local regulations.

5 Property tax

Property tax is paid on the houses with property rights according to the proportion stipulated by the state in accordance with the relevant national tax regulations and local regulations.

6 Corporate income tax

The corporate income tax rate for the Company was 25% in the Current Period (2018: 25%).

According to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, a reduced corporate income tax rate of 15% is applied to important high-tech enterprises that the government supports.

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IV Taxes (continued)

6 Corporate income tax (continued)

The following subsidiaries are entitled to tax preferences, overseas subsidiaries adopt the local tax rates, and the other subsidiaries of the Company are all taxed at a rate of 25%.

Subsidiaries entitled to tax preferences:

Company name	Preferential tax rate	Reason
TCL China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Qingdao Blue Business Consulting Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise

7 Personal income tax

Personal income tax of income paid to employees by the Company is withheld by the Company on behalf of employees in accordance with to the relevant national tax regulations.

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V Notes to Items in Consolidated Financial Statements

1 Monetary assets

	December 31, 2019			December 31, 2018		
	Amount in original currency	Exchange rate	RMB equivalent Amount	Amount in original currency	Exchange rate	RMB equivalent Amount
Cash			966			5,065
Bank deposits -			17,636,777			25,702,447
RMB	14,917,520	1.0000	14,917,520	19,687,152	1.0000	19,687,152
USD	377,494	6.9762	2,633,477	733,139	6.8632	5,031,682
HKD	36,165	0.8959	32,400	572,877	0.8763	502,012
EUR	-	7.8252	-	24,717	7.8549	194,150
RUB	-	0.1125	-	300,870	0.0987	29,696
Other currencies			53,380			257,755
Deposit with central bank			570,999			868,895
Other monetary assets -			374,473			224,936
RMB	132,132	1.0000	132,132	224,936	1.0000	224,936
HKD	270,500	0.8959	242,341			
Interest receivable on deposits			64,970			-
Total			<u>18,648,185</u>			<u>26,801,343</u>

(1) Sub-nature of other monetary assets

	December 31, 2019	December 31, 2018
Margin deposit	54,150	204,417
Others	<u>320,323</u>	<u>20,519</u>
	<u>374,473</u>	<u>224,936</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

1 Monetary assets (Continued)

(2) Monetary assets with restricted use rights:

	December 31, 2019	December 31, 2018
TCL Finance's deposit reserve funds with the central bank	570,999	868,895
Other monetary assets	374,473	224,936
Deposit interest receivable	64,970	-
Factoring mortgage deposit of accounts receivable	-	5,128
	<u>1,010,442</u>	<u>1,098,959</u>

As of December 31, 2019, the Company's bank deposits of RMB 570,999,000 (at the end of 2018: 868,895,000) are the legal deposit reserves deposited in the central bank by TCL Finance Co., Ltd., a subsidiary of the Company.

As of December 31, 2019, the Company's monetary funds deposited abroad amounted to RMB 523,583,000 (at the end of 2018: RMB 4,884,301,000), all of which were the monetary funds owned by the overseas subsidiaries of the Company.

2 Trading financial assets (applicable in 2019 only)

	December 31, 2019	January 1, 2019
Credit instrument investment	5,772,747	867,439
Equity instrument investment	302,004	1,571,427
	<u>6,074,751</u>	<u>2,438,866</u>

3 Financial assets measured at fair value and whose changes are included in current profits and losses (applicable in 2018 only)

	December 31, 2018
Fund management plan	708,938
Derivative financial assets	418,635
Monetary funds	<u>10,007</u>
	<u>1,137,580</u>

The fair value of the Company's derivative financial assets is determined based on the real-time quotation in the foreign exchange market. The fair value change of the derivative financial assets is determined based on the difference between the contract price and the forward exchange rate quoted in the foreign exchange market on the balance sheet date.

There is no significant restriction on the realization of the Company's financial asset investments measured at fair value and whose changes are included in the current profits and losses.

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V Notes to Items in Consolidated Financial Statements (Continued)

4 Derivative financial assets (applicable in 2019 only)

	December 31, 2019	January 1, 2019
Foreign exchange forwards	121,255	65,873
Interest rate swap	7,727	67,247
Others	30,054	258,438
	<u>159,036</u>	<u>391,558</u>

5 Notes receivable

	December 31, 2019	December 31, 2018
Bank acceptance	207,713	2,372,024
Commercial acceptance	<u>21,229</u>	<u>1,900,198</u>
	<u>228,942</u>	<u>4,272,222</u>

6 Accounts receivable

	December 31, 2019	January 1, 2019	December 31, 2018
Accounts receivable	8,385,374	14,039,251	14,039,251
Less: provision for bad debts	<u>45,020</u>	<u>438,772</u>	<u>434,893</u>
	<u>8,340,354</u>	<u>13,600,479</u>	<u>13,604,358</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

6 Accounts receivable (continued)

(1) Accounts receivable in 2019 are classified by bad debt accrual method as follows:

	December 31, 2019		
	Book balance	Provision for bad debts	Book balance
		The entire duration Expected credit loss rate	
Accounts receivable with provision for bad debts on a single basis			
Including:			
Accounts receivable 1	19,250	69.87%	13,450
Accounts receivable with provision for bad debts according to combination			
Including:			
Combination 1: Aging analysis	5,998,078	0.52%	31,132
Combination 2: Combination of related parties	2,368,046	0.02%	438
	<u>8,366,124</u>		<u>31,570</u>
	<u>8,385,374</u>		<u>45,020</u>

(2) The aging of accounts receivable is analyzed as follows:

	December 31, 2019		December 31, 2018	
	Amount	Proportion	Amount	Proportion
Within 1 year	8,258,361	98.49%	13,486,519	96.06%
1 to 2 years	96,100	1.15%	387,369	2.76%
2 to 3 years	10,451	0.12%	58,823	0.42%
More than 3 years	20,462	0.24%	106,540	0.76%
	<u>8,385,374</u>	100%	<u>14,039,251</u>	100%

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V Notes to Items in Consolidated Financial Statements (Continued)

6 Accounts receivable (continued)

(3) The provision for bad debts for accounts receivable is analyzed as follows:

	December 31, 2019	December 31, 2018
Late last year	434,893	384,267
Changes in accounting policies	3,879	-
Adjusted beginning	438,772	384,267
Increased subsidiaries	-	3,863
Current accrual	46,633	302,172
Reversal of current period	(11,940)	(102,542)
Write-off of current period	(8,604)	(143,763)
Reduced subsidiaries	(419,974)	(11,418)
Exchange adjustment	133	2,314
	<u>45,020</u>	<u>434,893</u>
Amount at the end of period	<u>45,020</u>	<u>434,893</u>

(4) There is no debt owed by shareholders holding 5% or more voting shares in this account balance.

(5) As of December 31, 2019, the accounts receivable of the top five balances are as follows:

	December 31, 2019	December 31, 2018
Total amount owed by the top five	3,991,332	2,694,561
Proportion of total accounts receivable	47.60%	19.19%

7 Accounts receivable factoring/factoring loans

As of December 31, 2019, there is no factoring of accounts receivable (at the end of 2018: RMB 47,087,000). According to the provisions of various factoring agreements, as the subsidiaries of the Company retain some risks related to accounts receivable (risks of customers' non-payment or delayed payment), the Company reflects bank loans obtained from factoring and factoring accounts receivable on the balance sheet.

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V Notes to Items in Consolidated Financial Statements (Continued)

8 Prepayment

(1) Prepayments is analyzed as follows:

	December 31, 2019	December 31, 2018
Within 1 year	<u>364,423</u>	<u>1,194,972</u>

(2) As of December 31, 2019, the prepayments of the top five balances are as follows:

	December 31, 2019	December 31, 2018
Total amount owed by the top five	169,266	578,751
Percentage of total prepayments	46.45%	48.43%

9 Other receivables

	December 31, 2019	January 1, 2019	December 31, 2018
Interest receivable	-	70,777	70,778
Dividend receivable	5,771	47,748	47,748
Other receivables	<u>2,744,271</u>	<u>5,597,658</u>	<u>5,600,853</u>
	<u>2,750,042</u>	<u>5,716,183</u>	<u>5,719,379</u>

Other receivables mainly include account current.

(1) Interest receivable

	December 31, 2019	January 1, 2019	December 31, 2018
Interest on deposits and financial management	<u>-</u>	<u>70,777</u>	<u>70,778</u>
	<u>-</u>	<u>70,777</u>	<u>70,778</u>

Note: The Company has no balance of interest receivable at the end of the period, which is in accordance with the requirements of the Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (CK [2019] No.6) issued by the Ministry of Finance on April 30, 2019. For an enterprise that has implemented the new financial instrument accounting standard, the interest receivable is included in the book balance of the corresponding financial instruments based on the interest accrued by the effective interest rate method.

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V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(2) Dividend receivable

	December 31, 2019	December 31, 2018
Wuxi TCL Venture Capital Partnership (Limited Partnership)	5,771	-
TV University Online Distance Education Technology Co., Ltd.	-	47,656
SEMP TCL INDUSTRIA E COMERCIO DE ELETROELETRONICOS S.A.	-	92
	<u>5,771</u>	<u>47,748</u>

(3) Other receivables

	December 31, 2019	January 1, 2019	December 31, 2018
Other accounts receivable	2,844,737	6,026,004	6,026,004
Less: provision for bad debts	<u>100,466</u>	<u>428,346</u>	<u>425,151</u>
	<u>2,744,271</u>	<u>5,597,658</u>	<u>5,600,853</u>

(a) Nature of other receivables is analyzed as follows:

	December 31, 2019	January 1, 2019	December 31, 2018
Subsidy receivable	1,354,557	933,187	933,187
External unit current account	993,962	892,391	892,391
Deposit and security deposit	162,934	253,144	253,144
Others	<u>232,818</u>	<u>3,518,936</u>	<u>3,522,131</u>
	<u>2,744,271</u>	<u>5,597,658</u>	<u>5,600,853</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(3) Other receivables (continued)

(b) Bad debt accrual for other receivables is analyzed as follows:

	In the next 12 months Expected credit loss	Expected credit loss for the entire duration (incurred credit impairment)	Total
Late last year	42,200	382,951	425,151
Change and adjustment of accounting policy	3,195	-	3,195
Adjusted beginning	45,395	382,951	428,346
Current accrual	4,737	-	4,737
Reversal of current period	(7,172)	-	(7,172)
Write-off in current period	-	(25,627)	(25,627)
Decrease in disposal subsidiaries	-	(302,015)	(302,015)
Exchange adjustment	2,197	-	2,197
December 31, 2019	45,157	55,309	100,466

(c) The aging of other receivables is analyzed as follows:

	December 31, 2019		December 31, 2018	
	Book amount	Proportion	Book amount	Proportion
Within 1 year	2,635,597	92.65%	5,134,601	85.21%
1 to 2 years	77,938	2.74%	343,730	5.70%
2 to 3 years	48,704	1.71%	300,090	4.98%
More than 3 years	82,498	2.90%	247,583	4.11%
Amount at the end of period	2,844,737	100%	6,026,004	100%

(d) There is no debt owed by shareholders holding 5% or more voting shares in this account balance.

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V Notes to Items in Consolidated Financial Statements (Continued)

9 Other receivables (continued)

(3) Other receivables (continued)

(e) As of December 31, 2019, the other receivables of the top five balances are as follows:

	December 31, 2019	December 31, 2018
Total amount owed by the top five	1,830,213	2,015,077
Proportion of total other receivables	64.34%	33.44%

(f) As of December 31, 2019, there is no transfer of other receivables that do not conform to the conditions for derecognition in the balance of this account; no transaction arrangement for asset securitization with other receivables as the subject asset; and no financial instrument that is the subject of securitization and does not conform to the conditions for derecognition.

10 Inventory

(1) Inventory is classified as follows:

	December 31, 2019			December 31, 2018		
	Book balance	Reserve for inventory depreciation	Book value	Book balance	Reserve for inventory depreciation	Book value
Raw material	1,033,927	129,254	904,673	3,362,179	361,962	3,000,217
Goods in process	760,881	149,624	611,257	1,157,557	165,335	992,222
Finished goods	4,066,809	172,044	3,894,765	11,925,676	251,218	11,674,458
Turnover material	268,086	818	267,268	575,885	849	575,036
The real estate development cost	-	-	-	3,646,039	-	3,646,039
	6,129,703	451,740	5,677,963	20,667,336	779,364	19,887,972

As of December 31, 2019, the Company has no inventory for liabilities guarantee.

TCL Technology Group Corporation
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V Notes to Items in Consolidated Financial Statements (Continued)

10 Inventory (continued)

(2) The inventory depreciation reserves is analyzed as follows:

	January 1, 2019	Current period Provision	Current period Reversal	Current period Write-off	Decreased subsidiaries	Remittance adjustment	December 31, 2019
Raw material	361,962	122,168	(24,735)	(127,458)	(202,648)	(35)	129,254
Goods in process	165,335	242,331	(38,157)	(181,012)	(38,873)	-	149,624
Finished goods	251,218	280,748	(13,909)	(168,275)	(177,608)	(130)	172,044
Turnover material	849	28	(31)	-	(28)	-	818
	<u>779,364</u>	<u>645,275</u>	<u>(76,832)</u>	<u>(476,745)</u>	<u>(419,157)</u>	<u>(165)</u>	<u>451,740</u>

11 Other current asset

	December 31, 2019	January 1, 2019	December 31, 2018
Creditors' investment	1,596,741	3,495,330	3,495,330
VAT to be deducted, to be certified, etc.	2,299,416	4,056,515	4,056,515
Loans and advances due within one year (note)	1,968,056	627,123	-
Other	<u>47,614</u>	<u>72,252</u>	<u>72,252</u>
	<u>5,911,827</u>	<u>8,251,220</u>	<u>7,624,097</u>

Notes Loans and advances due within one year are loans due within the next year issued by TCL Finance Co., Ltd. (a subsidiary of the Company), Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd., of which interest receivable is RMB 13,626,000.

12 Loans and advances paid

	December 31, 2019	January 1, 2019	December 31, 2018
Loans and advances paid (note)	<u>3,637,768</u>	<u>496,677</u>	<u>1,123,800</u>

Notes Loans and advances granted are loans granted by TCL Finance Co., Ltd. (a subsidiary of the Company), Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd., of which interest receivable is RMB 73,407,000.

13 Creditors' investment (applicable in 2019 only)

	December 31, 2019	January 1, 2019
National debt	<u>20,373</u>	<u>-</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

14 Available-for-sale financial assets (applicable in 2018 only)

December 31, 2018

Available-for-sale equity instruments - measured at fair value (note)	1,917,168
Available-for-sale equity instruments - measured at costs	2,353,677
	4,270,845

Notes

Available-for-sale equity instruments - measured at fair value

December 31, 2018

Costs	2,452,730
Changes in fair value	(438,844)
Less: provision for impairment	96,718
	1,917,168

15 Long-term equity investments

	December 31, 2019			January 1, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Unconsolidated subsidiaries (1)	-	-	-	20,373	20,373	-
Long-term equity investment calculated by equity method	17,217,130	22,846	17,194,284	17,268,423	150,487	17,117,936
Including: Associates (2)	17,042,572	22,846	17,019,726	16,630,772	133,725	16,497,047
Joint Ventures (3)	174,558	-	174,558	637,651	16,762	620,889
	17,217,130	22,846	17,194,284	17,288,796	170,860	17,117,936

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

	December 31, 2018		
	Book balance	Provision for impairment	Book value
Unconsolidated subsidiaries (1)	20,373	20,373	-
Long-term equity investment calculated by equity method	17,107,596	150,487	16,957,109
Including: Associates (2)	16,469,945	133,725	16,336,220
Joint Ventures (3)	637,651	16,762	620,889
	17,127,969	170,860	16,957,109

As of December 31, 2019, the Company has set aside long-term investment impairment reserve for the amount of invested units with poor management and insolvent assets. In addition, there are no major restrictions on the realization of investment and the remittance of investment income for long-term equity investment.

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(1) Unconsolidated subsidiaries

Name of invested company	Percentage of its registered capital	Initial investment	Profit and loss adjustment				December 31, 2019
			Changes in current profits and losses	Cumulative change in profit or loss	Provision for impairment		
					Decrease in current period	Cumulative amount	
Jinke Holding Group Co., Ltd.	75.50%	20,373	-	-	(20,373)	(20,373)	-

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(2) Associates

Name of invested company	Amount at beginning of year	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period						December 31, 2019
				Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
Bank of Shanghai Co., Ltd.	8,363,564	-	188,813	1,018,493	81,483	-	(245,339)	-	(92,403)	9,314,611
Zhongxin Financial Capital Management Company Limited	-	-	838,800	39,120	-	-	-	-	-	877,920
Huan Tech Co., Ltd.	180,364	-	-	(684)	-	-	-	-	(179,680)	-
Tianjin 712 Communication & Broadcasting Co., Ltd.	704,224	-	-	65,853	-	-	(7,362)	-	(245)	762,470
LG Electronics(Hui Zhou) INC.	83,902	-	-	16,881	-	-	(8,200)	-	-	92,583
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	45,034	-	-	(4,197)	-	-	-	-	-	40,837
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,158	-	-	184	-	-	-	-	-	5,342
Shenzhen Tixiang Management Technology Co., Ltd.	2,013	-	-	65	-	-	-	-	-	2,078
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	4,706	-	-	(577)	-	-	-	-	(2,314)	1,815
TCL Air Conditioner (Wuhan) Co., Ltd.	-	-	27,720	9,946	-	-	-	-	-	37,666
TCL Finance (Hong Kong) Co., Limited	-	-	12,031	(11,059)	-	-	-	-	-	972
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	-	-	7,500	1,188	-	-	-	-	-	8,688
Huizhou TCL Environmental Resource Co., Ltd.	-	-	77,434	2,556	-	-	-	-	-	79,990
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	-	-	375,000	20	-	-	-	-	-	375,020

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(2) Associates (continued)

Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	-	-	150,000	(507)	-	-	-	-	-	149,493
Shenzhen Tianyi Hemeng Education Co., Ltd.	-	-	8,000	(1,675)	-	-	-	-	-	6,325
Yizheng Zeyu Electric Light Co., Ltd.	2,507	-	-	-	-	-	-	-	-	2,507

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(2) Associates

Name of invested company	Amount at beginning of year	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period						December 31, 2019
				Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued provision for impairment	Other increases and decreases	
Urumqi TCL Equity Investment Management Co., Ltd.	1,048	-	-	(178)	-	-	-	-	-	870
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,047,882	19,646	-	58,642	-	-	-	-	11,329	1,137,499
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	956,754	-	(469,015)	257,210	5	-	(117,898)	-	(41,833)	585,223
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	207,047	-	-	(1,571)	-	-	-	-	-	205,476
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	116,550	-	86,816	(3,763)	-	-	-	-	-	199,603
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	86,121	-	25,508	3,291	-	-	(152)	-	-	114,768
Wuxi TCL Venture Capital Partnership (Limited Partnership)	92,382	-	(24,477)	31,130	(4,789)	-	(32,836)	-	(26,864)	34,546
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	69,178	-	-	(1,410)	-	-	-	-	-	67,768
Changzhou A Dynamic Venture Capital Partnership (Limited Partnership)	58,578	-	(60,000)	1,422	-	-	-	-	-	-

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(2) Associates (continued)

Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	25,828	4,903	(6,498)	(33)	16	-	-	-	5,451	29,667
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	25,997	-	-	(22)	7	-	-	-	-	25,982
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	23,839	-	-	(3,940)	(6,188)	-	(7,188)	-	2,231	8,754

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(2) Associates

Name of invested company	Amount at beginning of year	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period						December 31, 2019
				Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
Beijing ADynamic Venture Capital Center (Limited Partnership)	20,366	-	-	(19)	(1,029)	-	-	-	1,690	21,008
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	22,173	-	(1,517)	(1,675)	(1,013)	-	-	-	(37)	17,931
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	12,408	-	(1,183)	212	-	-	-	-	-	11,437
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	4,391	-	-	(90)	-	-	-	-	-	4,301
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,869	-	-	-	-	-	-	-	-	2,869
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	1,445	-	-	508	-	-	-	-	-	1,953
Urumqi Qixinda Equity Investment Management Co., Ltd.	945	-	-	451	-	-	-	-	-	1,396
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	763	-	-	(3)	-	-	-	-	-	760

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15 Long-term equity investment (continued)

(2) Associates (continued)

Beijing ADynamic Investment Consulting Co., Ltd.	635	-	-	(80)	-	-	-	-	-	555
Shanghai Gen Auspicious Investment Management Co., Ltd.	516	-	-	2	-	-	-	-	-	518
Changzhou Chuangdong Fund Management Co., Ltd.	506	-	-	30	-	-	-	-	-	536
Nanjing ADynamic Equity Investment Fund Management Co., Ltd.	386	-	-	(99)	-	-	-	-	-	287
Ningbo Meishan Bonded Port Renxing Culture Investment Center (Limited Partnership)	3,767	-	(3,854)	1,208	-	-	-	-	(1,121)	-

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15 Long-term equity investment (continued)

(2) Associates (continued)

Name of invested company	Amount at beginning of year	Opening adjustment	Increase or decrease investment in the current period	Increase or decrease in current period						December 31, 2019
				Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
Wuxi TCL Medical Imaging Technology Co., Ltd.	-	-	30,730	19,488	-	-	-	-	46	50,264
Beijing WeMed Medical Equipment Co., Ltd.	5,104	-	(193)	(5,830)	-	-	-	-	12,891	11,972
Shanghai Huiying Medical Technology Co., Ltd.	-	-	1,000	(891)	-	-	-	-	333	442
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	220,468	-	96,138	(37,164)	-	-	-	-	-	279,442
TCL Ventures Fund L.P.	-	-	44,706	(6,653)	-	-	-	-	1,556	39,609
Getech Ltd.	-	-	20,000	(12,424)	-	-	-	-	-	7,576
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	3,921	-	-	(3,921)	-	-	-	-	-	-
Canyon Circuit Technology (Huizhou) Co., Ltd.	22,085	-	-	884	-	-	-	-	(22,969)	-
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	177,112	-	-	2,773	-	-	-	-	(179,885)	-

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15 Long-term equity investment (continued)

(2) Associates (continued)

Wuhan Shangde Plastics Technology Co., Ltd.	5,968	-	-	25	-	-	-	-	(5,993)	-
Gaoshengda Holdings (Huizhou) Co., Ltd.	60,960	-	-	6,710	-	-	-	-	(67,670)	-
Shenzhen Shenchangcheng Commercial Property Service Co., Ltd.	2,844	-	-	417	-	-	-	-	(3,261)	-
Amlogic (Shanghai) Limited	144,589	-	-	(876)	-	-	-	-	(143,713)	-
SEMP TCL INDUSTRIA E COMERCIO DE ELETROELETRONICOS S.A.	327,631	-	-	-	-	-	-	-	(327,631)	-
Naturedao Information Science and Technology, Ltd.	3,063	-	-	-	-	-	-	-	(3,063)	-
T2Mobile Limited	21,612	-	-	(1,184)	-	-	-	-	(20,428)	-
Harvey Holdings Limited	22,261	-	-	(1,847)	-	-	-	-	(20,414)	-
Shenzhen Thunderbird Network Technology Co., Ltd.	289,752	-	-	11,332	-	-	-	-	(301,084)	-
Jiangxi Broadcasting TV Network E-Commerce Co., Ltd.	1,480	-	-	(39)	-	-	-	-	(1,441)	-

TCL Technology Group Corporation
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V Notes to Items in Consolidated Financial Statements (Continued)
15 Long-term equity investment (continued)
(2) Associates

Name of invested company	Amount at beginning of year	Opening adjustment	Increase or decrease in current period							December 31, 2019
			Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Changes in other interests	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
Tibet Dongwei Investment Management Center (Limited Partnership)	232	-	(250)	(1)	-	-	-	-	19	-
Active Industries International Limited	15,417	-	-	-	-	-	-	-	(15,417)	-
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	377,122	-	-	-	-	-	-	-	(377,122)	-
Taiyang Electro-optic (Huizhou) Co., Ltd.	13,707	-	-	282	-	-	-	-	(13,989)	-
Palm Venture Group	87,869	-	-	(3,582)	-	-	-	-	(84,287)	-
Huarui (Huizhou) Co., Ltd.	19,753	-	-	(33)	-	-	-	-	(19,720)	-
TCL Very Lighting Technology (Huizhou) Co., Ltd.	16,736	-	-	(158)	-	-	-	-	(16,578)	-
Sontec TCL Argentina S.A.	512	-	-	-	-	-	-	-	(512)	-
Radio Victoria TCL Argentina S.A.	8,667	-	-	-	-	-	-	-	(8,667)	-
Huizhou Gaoshengda Metals Co., Ltd.	29,539	-	-	26	-	-	-	-	(29,565)	-
Beijing Shangdao Yuetu Technology Co., Ltd.	7,278	-	-	(1,351)	-	-	-	-	(5,927)	-
Other	2,276,692	136,278	-	192,178	-	-	(45,810)	-	(160,941)	2,398,397
	16,336,220	160,827	1,423,209	1,634,991	68,492	-	(464,785)	-	(2,139,228)	17,019,726

Note: Associates with zero closing balance of long-term equity investment are due to the transfer of assets reorganization in the current period.

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(3) Joint Ventures

Name of invested company	Amount at beginning of year	Increase or decrease in current period							December 31, 2019
		Increase or decrease investment in the current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Other change in equity	Declared cash dividends or profits	Accrued Provision for impairment	Other increases and decreases	
TV University Online Distance Education Technology Co., Ltd.	111,062	-	25,754	-	-	-	-	1,087	137,903
Huizhou TCL Taidong Shihua Investment Co., Ltd.	19,143	-	(6,364)	-	-	-	-	-	12,779
Shanxi TCL Huirong Venture Investment Co., Ltd.	6,098	-	16,535	-	-	-	-	-	22,633
TCL Huizhou City, Kai Enterprise Management Limited	514	-	729	-	-	-	-	-	1,243
TCL Sun, Inc.	13,899	-	1,437	-	-	-	-	(15,336)	-
CJ Speedex Logistics Co., Ltd.	467,888	-	(1,489)	-	-	-	-	(466,399)	-
TCL Zhiyi Technology (Huizhou) Co., Ltd.	2,285	-	(5)	-	-	-	-	(2,280)	-
	620,889	-	36,597	-	-	-	-	(482,928)	174,558

Note: Joint ventures with zero closing balance of long-term equity investment are due to the transfer of assets reorganization in the current period.

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V Notes to Items in Consolidated Financial Statements (Continued)

15 Long-term equity investment (continued)

(4) Impairment Provision for Long-Term Equity Investments

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019	Notes
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Naturedao Information Science and Technology, Ltd.	2,221	-	(2,221)	-	Note 2
Jinke Holding Group Co., Ltd.	20,373	-	(20,373)	-	Note 2
China United Magnesium Co.,Ltd.	97,387	-	(97,387)	-	Note 2
Wealthy Way Group Limited	1,215	-	(1,215)	-	Note 2
Beijing WeMed Medical Equipment Co., Ltd.	31,278	-	(10,056)	21,222	Note 1
TCL - I MAX Entertainment Co., Limited	16,762	-	(16,762)	-	Note 2
	<u>170,860</u>	<u>-</u>	<u>(148,014)</u>	<u>22,846</u>	

Note 1 Impairment provisions were established for the long-term investments in these investees at the recoverable amounts because continuous operating loss occurred to these investees with poor management.

Note 2 The decrease in the current period is the transfer-out caused by asset reorganization.

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V Notes to Items in Consolidated Financial Statements (Continued)

16 Other equity instruments (applicable in 2019 only)

					December 31, 2019	January 1, 2019
Non-trading equity instruments					279,884	488,457
Item name	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons designated as measured at fair value and whose changes are included in other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Non-trading equity instruments	-	-	(144,193)	(5,569)	Non-transactional financial assets	Sale in current period

17 Other non-current financial assets (applicable in 2019 only)

		December 31, 2019	January 1, 2019
Equity investment		2,531,111	1,454,797
Creditors' investment		11,578	708,938
		2,542,689	2,163,735

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V Notes to Items in Consolidated Financial Statements (Continued)

18 Investment property

	Housing and buildings	Land use right	Total
Gross amount:			
January 1, 2019	2,702,083	247,463	2,949,546
Increase			
Increase in current period	70,788	75,486	146,274
Reclassified from fixed assets and intangible assets	26,920	595	27,515
Reclassified from construction in progress	552	-	552
Decreased			
Decrease in current period	(69,134)	(75,486)	(144,620)
Reduced subsidiaries Reclassified to fixed assets and intangible assets	(2,543,912)	(247,463)	(2,791,375)
	(52,653)	(118)	(52,771)
December 31, 2019	134,644	477	135,121
Accumulated depreciation and amortization:			
January 1, 2019	1,260,111	13,224	1,273,335
Increase			
Increase in current period	98,214	1,278	99,492
Reclassified from fixed assets and intangible assets	3,021	126	3,147
Decreased			
Decrease in current period	(63,976)	(630)	(64,606)
Reduced subsidiaries Reclassified to fixed assets and intangible assets	(1,210,610)	(13,866)	(1,224,476)
	(34,018)	(26)	(34,044)
December 31, 2019	52,742	106	52,848
Net value of investment property:			
December 31, 2019	81,902	371	82,273
January 1, 2019	1,441,972	234,239	1,676,211

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V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed assets

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Gross amount:						
January 1, 2019	13,062,161	382,091	47,752,417	1,831,728	112,496	63,140,893
Increase						
Purchase	27,460	2,293	487,844	189,086	23,448	730,131
Reclassified from investment property	52,653	-	-	-	-	52,653
Reclassified from construction in progress	6,556,484	527	12,358,589	643,873	2,199	19,561,672
Decreased						
Written down with government subsidies	-	-	(694,587)	(5,945)	(503)	(701,035)
Reduced subsidiaries	(3,255,850)	(376,732)	(3,348,480)	(844,702)	(48,207)	(7,873,971)
Reclassified to investment property	(26,920)	-	-	-	-	(26,920)
Other decreases	(3,964)	(2,269)	(122,140)	(54,371)	(4,733)	(187,477)
Exchange adjustment	(4,779)	661	(2,847)	(1,114)	(113)	(8,192)
December 31, 2019	<u>16,407,245</u>	<u>6,571</u>	<u>56,430,796</u>	<u>1,758,555</u>	<u>84,587</u>	<u>74,687,754</u>
Accumulated depreciation:						
January 1, 2019	2,410,859	283,254	23,235,237	1,077,885	67,708	27,074,943
Increase						
Provision	497,160	7,973	6,294,411	238,368	15,916	7,053,828
Reclassified from investment property	34,018	-	-	-	-	34,018
Decreased						
Written down with government subsidies	(34,215)	-	(901,358)	(6,048)	(503)	(942,124)
Reduced subsidiaries	(1,029,450)	(280,961)	(1,930,748)	(608,368)	(28,766)	(3,878,293)
Reclassified to investment property	(3,021)	-	-	-	-	(3,021)
Other decreases	(1,888)	(1,537)	(65,028)	(47,983)	(3,598)	(120,034)
Exchange adjustment	1,823	(4,436)	(2,950)	(1,533)	(94)	(7,190)
December 31, 2019	<u>1,875,286</u>	<u>4,293</u>	<u>26,629,564</u>	<u>652,321</u>	<u>50,663</u>	<u>29,212,127</u>
Net value of fixed assets:						
December 31, 2019	<u>14,531,959</u>	<u>2,278</u>	<u>29,801,232</u>	<u>1,106,234</u>	<u>33,924</u>	<u>45,475,627</u>
January 1, 2019	<u>10,651,302</u>	<u>98,837</u>	<u>24,517,180</u>	<u>753,843</u>	<u>44,788</u>	<u>36,065,950</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

19 Fixed Assets (Continued)

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Provision for impairment:						
January 1, 2019	1,141	990	69,329	11,276	83	82,819
Current accrual	-	-	2,957	43	-	3,000
Reduced subsidiaries	(1,141)	(990)	(63,160)	(1,130)	(83)	(66,504)
Write-off in current period	-	-	(2,760)	(298)	-	(3,058)
Exchange adjustment	-	-	300	-	-	300
December 31, 2019	-	-	6,666	9,891	-	16,557
Net amount of fixed assets:						
December 31, 2019	14,531,959	2,278	29,794,566	1,096,343	33,924	45,459,070
January 1, 2019	10,650,161	97,847	24,447,851	742,567	44,705	35,983,131

Please refer to Item 42 of Note V for information on fixed asset mortgage. As at December 31, 2019, the Company has no temporarily idle fixed assets; the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB 12,064,591,000.

Fixed assets with pending ownership certificates at the end of the current period:

	Gross amount	Accumulated depreciation	Provision for impairment	Carrying amount	Expected time of obtaining ownership certificate
Housing and buildings (Note)	8,678,263	345,457	-	8,332,806	Within 2020

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es As at December 31, 2019, the fixed assets with pending ownership certificates of the Company are mainly the housing and buildings of CSOT's T4 and T6 manufacturing bases and Huizhou module factory.

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Notes to Items in Consolidated Financial Statements (Continued)
Construction in progress

Project name	Budget	Amount at beginning of year	Increase in current period	Reclassified to fixed assets in current period Fixed assets	Reclassified to investment property in current period	Other decreases	December 31, 2019	Investment in current year as % of budget	Source of fund
t6 production line of LCD panel	46,500,000	19,030,563	6,381,846	(8,143,075)	-	(1,892)	17,267,442	55%	Self-owned capital and borrowings
t7 production line of LCD panel	42,683,000	346,143	3,003,993	-	-	-	3,350,136	8%	Self-owned capital and borrowings
t4 production line of LCD panel	35,000,000	13,003,038	3,228,943	(6,207,472)	-	-	10,024,509	46%	Self-owned capital and borrowings
Huizhou modular integration project	9,600,000	1,305,373	1,061,628	(914,432)	-	(11,109)	1,441,460	25%	Self-owned capital and borrowings
Huizhou whole-widget integration project	3,099,400	566,876	498,730	-	-	-	1,065,606	34%	Self-owned capital and borrowings
t3 production line of LCD panel	16,000,000	2,339,781	419,827	(2,686,299)	-	-	73,309	17%	Self-owned capital and borrowings
Upgrade of the t2 production line of LCD panel	1,471,000	1,070,206	121,285	(1,159,707)	-	-	31,784	81%	Self-owned capital and borrowings
Yunsheng Technology Park in Guangzhou Science City	1,200,000	611,184	19,805	-	-	(630,989)	-	Not applicable	Self-owned capital and borrowings

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V Notes to Items in Consolidated Financial Statements (Continued)

20 Construction in progress (continued)

Other	Not applicable	651,422	829,217	(450,687)	(552)	(705,356)	324,044	Not applicable	Not applicable
		<u>38,924,586</u>	<u>15,565,274</u>	<u>(19,561,672)</u>	<u>(552)</u>	<u>(1,349,346)</u>	<u>33,578,290</u>		

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V Notes to Items in Consolidated Financial Statements (Continued)

21 Intangible assets

	Land use right	Non-patented technologies /patents	Trademark use rights	Other	Total
Gross amount:					
January 1, 2019	4,188,127	2,620,190	346,160	1,042,630	8,197,107
Increase:					
Purchase	207,579	224,721	-	103,530	535,830
Reclassified from investment property	118	-	-	-	118
Reclassified from construction in progress	-	219	-	14,921	15,140
Reclassified from R&D expense	-	633,163	-	6,233	639,396
Decreased:					
Sale and disposal	(109)	(918)	-	(29,954)	(30,981)
Reclassified to investment property	(595)	-	-	-	(595)
Reduced subsidiaries	(915,883)	(175,012)	(338,777)	(357,972)	(1,787,644)
Exchange adjustment	(1,318)	(902)	(6,822)	(1,153)	(10,195)
December 31, 2019	3,477,919	3,301,461	561	778,235	7,558,176
Accumulated amortization:					
January 1, 2019	463,334	883,515	159,085	666,305	2,172,239
Increase:					
Provision	110,275	309,537	5,179	120,506	545,497
Reclassified from investment property	26	-	-	-	26
Decreased:					
Sale and disposal	(109)	(918)	-	(28,374)	(29,401)
Reclassified to investment property	(126)	-	-	-	(126)
Reduced subsidiaries	(231,178)	(110,208)	(160,831)	(357,352)	(859,569)
Written down with government subsidies	(6,835)	-	-	-	(6,835)
Exchange adjustment	(493)	(1,388)	(3,243)	(220)	(5,344)
December 31, 2019	334,894	1,080,538	190	400,865	1,816,487
Net value of intangible assets:					
December 31, 2019	3,143,025	2,220,923	371	377,370	5,741,689
January 1, 2019	3,724,793	1,736,675	187,075	376,325	6,024,868
Provision for impairment:					
January 1, 2019	-	34,316	-	35,679	69,995
Provision	-	-	-	11,845	11,845
Write-off in current period	-	-	-	(25,300)	(25,300)
Exchange adjustment	-	565	-	-	565
December 31, 2019	-	34,881	-	22,224	57,105
Net amount of intangible assets:					
December 31, 2019	3,143,025	2,186,042	371	355,146	5,684,584
January 1, 2019	3,724,793	1,702,359	187,075	340,646	5,954,873

Please refer to Item 42 of Note V for information on collateralized intangible assets.

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V Notes to Items in Consolidated Financial Statements (Continued)

22 R&D Expense

The Company's R&D expense is listed as follows:

	December 31, 2019	December 31, 2018
LCD panels	1,548,471	846,925
Mobile phones	-	150,186
Other	-	14,393
	<u>1,548,471</u>	<u>1,011,504</u>

23 Goodwill

(1)	Name of invested company	Reason	Initial amount	December 31, 2019	December 31, 2018
	TCL (Vietnam) Corporation Ltd.	Note 1	1,947	-	778
	TCL Mobile Communication (HK) Company Limited		310	-	124
	TCL Electronics Holdings Limited	Note 2	11,419	-	4,567
	TCL Electronics Holdings Limited	Note 3	(5,409)	-	(2,705)
	TCL Electronics Holdings Limited	Note 4	39,130	-	19,565
	TCL Electronics Holdings Limited	Note 5	28,017	-	15,409
	TCL Electronics Holdings Limited	Note 6	8,952	-	5,372
	TCL Electronics Holdings Limited	Note 7	36,259	-	25,381
	TCL Communication Technology Holdings Limited	Note 8	316,893	-	194,551
	JRD Communication Inc.	Note 9	134,968	-	134,968
	TCL Medical Radiological Technology (Beijing) Co., Ltd.	Note 10	28,967	28,967	28,967
	Huizhou TCL Environment Technology Co., Ltd.	Note 11	92,952	-	92,952
	TCL Communication (Ningbo) Co., Ltd.	Note 12	89,196	-	89,196
	Toshiba Visual Products (China) Co., Ltd.	Note 13	12,065	-	12,065
	Pusheng Group Co., Ltd.	Note 14	3,506	-	3,506
	East Fair Investments Limited	Note 15	50,729	-	50,729
	Qingdao Blue Business Consulting Co., Ltd.	Note 16	2,452	2,452	2,452
	Gross amount			<u>31,419</u>	<u>677,877</u>
	Less: provision for impairment	Note 17		28,967	320,765
	Net carrying amount			<u>2,452</u>	<u>357,112</u>

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V Notes to Items in Consolidated Financial Statements (Continued)
23 Goodwill (Continued)

Note 1. TCL Overseas Holdings Limited, a wholly-owned subsidiary of TCL Electronics Holdings Limited (hereinafter referred to as "TCL Electronics") (a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited), increased in November 2000 its interest in TCL (Vietnam) Corporation Ltd. (hereinafter referred to as "TCL Vietnam") to 100% with a capital of HK\$ 10,690,000. As such, the difference between the accumulated investment of TCL Overseas Holdings Limited in TCL Vietnam (corresponding to a 100% interest) and the owner's equity of TCL Vietnam attributable to TCL Overseas Holdings Limited on the settlement date (equal to RMB 1,947,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 2. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2000 another 19,220,000 shares in TCL Electronics with a capital of HK\$ 29,872,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 51.82% interest) and the owner's equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB 11,419,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 3. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2001 another 32,556,000 shares in TCL Electronics with a capital of HK\$ 30,608,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 55.15% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB -5,409,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 4. According to a conditional agreement on the acquisition of Huizhou TCL Computer Technology Co., Ltd. signed in late 2000 between TCL Industries Holdings (HK) Limited and TCL Holdings (BVI) Limited, a wholly-owned subsidiary of TCL Electronics (a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited), TCL Electronics offered, at the price of HK\$ 1.78/share, 105,619,289 shares as the consideration for the acquisition, to TCL Industries Holdings (HK) Limited. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 53.86% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB39,130,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (Continued)

Note 5. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2002 another 39,610,000 shares in TCL Electronics with a capital of HK\$ 76,719,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.15% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB 28,017,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 6. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2003 another 37,080,000 shares in TCL Electronics with a capital of HK\$62,304,820. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.51% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB 8,952,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 7. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, purchased in 2004 another 50,436,000 shares in TCL Electronics with a capital of HK\$ 126,814,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Electronics (corresponding to a 54.83% interest) and the shareholders' equity of TCL Electronics attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB 36,259,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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V Notes to Items in Consolidated Financial Statements (Continued)
23 Goodwill (Continued)

Note 8. TCL Industries Holdings (HK) Limited, a wholly-owned subsidiary of the Company, acquired in 2004 a 57.4% interest in TCL Communication with a consideration of RMB 1,510,016,000. As such, the difference between the accumulated investment of TCL Industries Holdings (HK) Limited in TCL Communication (corresponding to a 57.4% interest) and the shareholders' equity of TCL Communication attributable to TCL Industries Holdings (HK) Limited on the settlement date (equal to RMB316, 893,000) was recorded in the Company's goodwill. An impairment allowance of RMB 194,551,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

Note 9. TCL Communication, a subsidiary of the Company's subsidiary TCL Industries Holdings (HK) Limited, acquired in July 2007 a combined 61.46% interest in JRD Communication Inc. (hereinafter referred to as "JRDC") from the other shareholders, with a total consideration of US\$ 39,313,000 (equivalent to approximately RMB 296,584,000). As such, the difference between the accumulated investment of TCL Communication in JRDC (corresponding to a 100% interest) and the fair value of the identifiable net assets of JRDC attributable to TCL Communication on the settlement date (equal to approximately RMB 134,968,000) was recorded in the Company's goodwill. An impairment allowance of RMB 34,453,000 had been established on this goodwill item for 2018. And this item was transferred out in 2019 due to disposal of subsidiaries.

Note 10. The Company acquired in 2010 a 51.82% interest in TCL Medical Radiological Technology (Beijing) Co., Ltd. (hereinafter referred to as "TCL Medical Radiological Technology") with a capital of RMB 52,319,000. As such, the difference between the accumulated investment of the Company in TCL Medical Radiological Technology (corresponding to a 51.82% interest) and the fair value of the identifiable net assets of TCL Medical Radiological Technology attributable to the Company on the settlement date (equal to RMB 28,967,000) was recorded in the Company's goodwill. An impairment allowance of RMB 28,967,000 had been established on this goodwill item for 2018.

Note 11. Huizhou TCL Environmental Resource Co., Ltd. (hereinafter referred to as "TCL Environmental Resource"), a subsidiary of the Company, acquired in 2010 the 100% interest in Huizhou TCL Environment Technology Co., Ltd. (hereinafter referred to as "TCL Environment Technology") with a capital of RMB 98,024,000. As such, the difference between the accumulated investment of TCL Environmental Resource in TCL Environment Technology (corresponding to a 100% interest) and the fair value of the identifiable net assets of TCL Environment Technology attributable to TCL Environmental Resource on the settlement date (equal to RMB 92,952,000) was recorded in the Company's goodwill. And this item was transferred out in 2019 due to disposal of subsidiaries.

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V Notes to Items in Consolidated Financial Statements (Continued)
23 Goodwill (Continued)

Note 12 TCL Communication, a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in May 2011 the 100% interest in TCL Communication (Ningbo) Co., Ltd. (hereinafter referred to as "TCL Communication Ningbo") with a capital of 11 million euros (equivalent to RMB 102,690,000). As such, the difference between the accumulated investment of TCL Communication in TCL Communication Ningbo (corresponding to a 100% interest) and the fair value of the identifiable net assets of TCL Communication Ningbo attributable to TCL Communication on the settlement date (equivalent to RMB 89,196,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

Note 13 Huizhou TCL Household Appliance Marketing Co., Ltd. (hereinafter referred to as "Huizhou TCL Household Appliance Marketing"), a subsidiary of TCL Electronics (a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited), acquired in May 2014 a 21% interest in Toshiba Visual Products (China) Co., Ltd. (hereinafter referred to as "Toshiba Visual Products") with a capital of RMB 0. As such, the difference between the accumulated investment of Huizhou TCL Household Appliance Marketing in Toshiba Visual Products (corresponding to a 70% interest) and the fair value of the identifiable net assets of Toshiba Visual Products attributable to Huizhou TCL Household Appliance Marketing on the settlement date (equivalent to RMB 12,065,000) was recorded in the Company's goodwill. An impairment allowance of RMB 12,065,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

Note 14 Tonly Electronics, a subsidiary of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in September 2015 the 100% interest in Pusheng Group Co., Ltd. (hereinafter referred to as "Pusheng Group") with a capital of RMB 95,546,000. As such, the difference between the accumulated investment of Tonly Electronics in Pusheng Group (corresponding to a 100% interest) and the fair value of the identifiable net assets of Pusheng Group attributable to Tonly Electronics on the settlement date (equivalent to RMB 3,506,000) was recorded in the Company's goodwill, and was transferred out in 2019 due to disposal of subsidiaries.

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V Notes to Items in Consolidated Financial Statements (Continued)
23 Goodwill (Continued)

Note 15 Prosper Wide Limited and TCL Communication Technology Holdings Limited, subsidiaries of the Company's wholly-owned subsidiary TCL Industries Holdings (HK) Limited, acquired in September 2015 a 40% interest and a 19.99% interest in East Fair Investments Limited (hereinafter referred to as "East Fair Investments"), respectively, with a capital of RMB 9,600,000 and a capital of RMB 4,798,000. As such, the difference between the accumulated investment of Prosper Wide Limited and TCL Communication Technology Holdings Limited in East Fair Investments (corresponding to a combined interest of 59.99%) and the fair value of the identifiable net assets of East Fair Investments attributable to Prosper Wide Limited and TCL Communication Technology Holdings Limited on the settlement date (equivalent to RMB 50,729,000) was recorded in the Company's goodwill. An impairment allowance of RMB 50,729,000 had been established on this goodwill item for 2017. And this item was transferred out in 2019 due to disposal of subsidiaries.

Note 16 Highly Information Industry Co., Ltd., a subsidiary of the Company, acquired in October 2016 a 60% interest in Qingdao Blue Business Consulting Co., Ltd. (hereinafter referred to as "Blue Business Consulting") with a capital of RMB 10,000,000. As such, the difference between the accumulated investment of Highly Information Industry Co., Ltd. in Blue Business Consulting (corresponding to a 60% interest) and the fair value of the identifiable net assets of Blue Business Consulting attributable to Highly Information Industry Co., Ltd. on the settlement date (equivalent to RMB 2,452,000) was recorded in the Company's goodwill.

Note 17 On December 31, 2019, the Company tested asset groups inclusive of goodwill for impairment. Upon the test, goodwill is not impaired.

(1) Provision for impairment of goodwill

Name of invested company	Opening balance	Increase in current period	Decrease in current period	Closing balance
TCL Communication Technology Holdings Limited	194,551	-	(194,551)	-
Toshiba Visual Products (China) Co., Ltd.	12,065	-	(12,065)	-
JRD Communication Inc.	34,453	-	(34,453)	-
East Fair Investments Limited	50,729	-	(50,729)	-
TCL Medical Radiological Technology (Beijing) Co., Ltd.	28,967	-	-	28,967
Huizhou TCL Environment Technology Co., Ltd.	-	92,952	(92,952)	-
	320,765	92,952	(384,750)	28,967

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V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (Continued)

- (2) The Company tested goodwill acquired from business combination that has been allocated to the following asset groups or asset group combinations for impairment:

The Company distributes goodwill to the following independent asset groups:

Business asset group of Qingdao Blue: fixed assets and goodwill of Qingdao Blue Business Consulting Co., Ltd. are the asset group where goodwill is located.

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V Notes to Items in Consolidated Financial Statements (Continued)

23 Goodwill (Continued)

- (a) The carrying amount of each asset group including goodwill and the amount of allocated goodwill are as follows:

	December 31, 2019	
	Carrying amount of asset group	Allocated goodwill amount
Business asset group of Qingdao Blue	2,780	2,452
	2,780	2,452

- (b) The recoverable amount of the asset group and the asset group combination is calculated based on the five-year budget approved by the management and the cash flow after the detailed annual forecast period at a specific long-term average growth rate, and is calculated using the present value model of future cash flow. Key assumptions used include:

	Business asset group of Qingdao Blue
Income growth rate in forecast period	8%
Income growth rate in stable period	0%
Net profit rate in forecast period	5%
Net profit rate in stable period	4%
Discount rate	8%

(c) Goodwill Impairment Test Results

At the end of the reporting period, the Company tested the above goodwill for impairment. During the impairment test, the Company compared the carrying amount of the relevant asset group including goodwill with its recoverable amount. If the recoverable amount is lower than the carrying amount, the relevant difference is included in the current profits and losses. According to the goodwill impairment test, the goodwill of Business asset group of Qingdao Blue is not impaired.

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V Notes to Items in Consolidated Financial Statements (Continued)
24 Long-term deferred expenses

	2019 January 1	Increase in current period	Increased subsidiaries	Reduced subsidiaries	Amortization on in current period	Other	December 31, 2019
Improvement expense on leased fixed assets	1,460,293	165,252	-	(2,027)	(95,392)	32	1,528,158
Other	401,040	390,523	1,874	(276,068)	(477,773)	(63)	39,533
	<u>1,861,333</u>	<u>555,775</u>	<u>1,874</u>	<u>(278,095)</u>	<u>(573,165)</u>	<u>(31)</u>	<u>1,567,691</u>

25 Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets

	December 31, 2019		December 31, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Estimated liabilities	177,421	28,473	1,475,703	226,083
Unrealized profit within the Group	-	-	1,590,469	261,126
Provision for impairment of assets	444,625	74,208	629,031	100,264
Changes in fair value	2,862	429	95,609	18,252
Deductible losses	4,202,964	671,868	364,596	89,707
Other	353,392	65,896	525,125	102,450
	<u>5,181,264</u>	<u>840,874</u>	<u>4,680,533</u>	<u>797,882</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

25 Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

(2) Deferred Income Tax Liabilities

	December 31, 2019		January 1, 2019	
	Taxable temporary	Deferred Income Tax	Taxable temporary	Deferred Income Tax
Accelerated depreciation	4,924,463	782,644	2,292,445	347,327
Changes in fair value	242,663	54,491	204,717	38,171
Government subsidies	314,595	52,290	81,854	15,098
Other	307,929	63,253	215,910	40,576
	<u>5,789,650</u>	<u>952,678</u>	<u>2,794,926</u>	<u>441,172</u>

	December 31, 2018	
	Taxable temporary	Deferred Income Tax
Accelerated depreciation of fixed assets	2,292,445	347,327
Changes in fair value	201,438	37,351
Government subsidies	81,854	15,098
Other	215,910	40,576
	<u>2,791,647</u>	<u>440,352</u>

26 Other non-current assets

	December 31, 2019	December 31, 2018
Advance payment for equipment and land use rights (Note)	3,336,619	2,649,080
Advance payment for patents	225,576	362,608
Other	688,464	526,068
	<u>4,250,659</u>	<u>3,537,756</u>

Notes The Company reclassifies long-term assets such as advance payment for equipment and land use rights reflected in prepaid accounts to other non-current assets.

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V Notes to Items in Consolidated Financial Statements (Continued)

27 Short-term borrowings

Classification of short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured borrowings	11,291,664	13,240,637
Pledge borrowings	754,794	-
Interest payable	23,199	-
	<u>12,069,657</u>	<u>13,240,637</u>

As at December 31, 2019, the short-term pledged borrowings of the Company amounted to RMB 754,794,000, which was pledged by trading financial assets of about RMB 1,743,204,000 (the Company had no pledged short-term borrowings balance as at the end of 2018).

As at December 31, 2019, the Company does not have any short-term borrowings that have expired and have not been repaid.

28 Borrowings from the Central Bank

As of December 31, 2019, the balance of the borrowings of TCL Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB 573,222,000 (as at the end of 2018: RMB 231,404,000).

29 Deposits and placements from other financial institutions

	December 31, 2019	December 31, 2018
Deposits and placements from other financial institutions	<u>1,355,129</u>	<u>545,053</u>

Deposits and placements from other financial institutions are the deposits of affiliated and non-affiliated enterprises absorbed by TCL Finance Co., Ltd., a subsidiary of the Company, within the business scope approved by the regulatory authority.

30 Trading financial liabilities (applicable in 2019 only)

	December 31, 2019	January 1, 2019
Financial liabilities measured at fair value and whose changes are included in the current profit and loss	<u>188,220</u>	<u>-</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

31 Financial liabilities measured at fair value and whose changes are included in the current profit and loss (applicable in 2018 only)

December 31, 2018

Derivative financial liabilities-forward foreign exchange contracts	106,901
Derivative financial liabilities-interest rate swap contracts	105,196
	<u>212,097</u>

The fair value of the Company's trading financial liabilities is determined based on the real-time quoted price in the foreign exchange and interest rate open market. The fair value change of the trading financial liabilities is determined based on the difference between the forward exchange rate and interest rate of the contract price and quoted price in the foreign exchange and interest rate open market on the balance sheet date.

32 Derivative financial liabilities (applicable in 2019 only)

December 31, 2019

January 1, 2019

Derivative financial liabilities	<u>84,705</u>	<u>212,097</u>
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33 Notes payable

December 31, 2019

December 31, 2018

Bank acceptance	1,595,901	2,234,882
Commercial acceptance	<u>124,501</u>	<u>857,692</u>
	<u>1,720,402</u>	<u>3,092,574</u>

There is no amount payable to shareholders holding 5% or more voting shares in the Company in the account balance.

34 Accounts payable

Accounts payable mainly include the Company's accounts payable for raw materials and purchased components. As of December 31, 2019, the balance of accounts payable was RMB 11,549,133,000 (as at the end of 2018: RMB 23,922,712,000), of which the accounts payable for more than one year was RMB 31,013,000 (As of the end of 2018: RMB 262,062,000), accounting for about 0.27% of all accounts payable (as at the end of 2018: 1.10%).

There is no amount payable to shareholders holding 5% or more voting shares in this account.

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V Notes to Items in Consolidated Financial Statements (Continued)

35 Advances from customers

The end-of-term advance payment is mainly the sales of goods received in advance by the Company. As at December 31, 2019, the balance of advance payment was RMB 141,749,000 (as at the end of 2018: RMB 1,460,773,000), and the Company had no large amount of advance payment older than one year.

There is no advance payment from shareholders holding 5% or more voting shares in this account balance.

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V	Notes to Items in Consolidated Financial Statements (Continued)		
36	Payroll Payable and Long-Term Payroll Payable		
(1)	Payroll Payable		
		December 31, 2019	December 31, 2018
	Short-term payroll payable (note)	1,089,163	2,802,947
	Defined contribution plans payable	1,371	16,124
	Dismissal benefits payable	3,683	72,322
		<u>1,094,217</u>	<u>2,891,393</u>

Notes Short-term payroll payable

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
Wages, bonuses, allowances and subsidies	2,178,857	5,717,529	(6,976,060)	920,326
Social insurance premium	25,762	224,077	(207,665)	42,174
Housing fund	8,846	177,014	(165,852)	20,008
Trade union funds and staff education funds	90,355	14,977	(103,282)	2,050
Others	499,127	99,615	(494,137)	104,605
	<u>2,802,947</u>	<u>6,233,212</u>	<u>(7,946,996)</u>	<u>1,089,163</u>

(2)	Long-Term Payroll Payable		
		December 31, 2019	December 31, 2018
	Supplementary old age security pensions (note)	<u>23,018</u>	<u>24,246</u>

Note This item is the supplementary old age security pensions payable to retired employees.

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V Notes to Items in Consolidated Financial Statements (Continued)

37	Taxes payable	December 31, 2019	December 31, 2018
	VAT	26,997	238,049
	Corporate income tax	154,027	214,140
	Individual income tax	22,666	34,204
	City construction tax	1,965	18,504
	Educational surcharge	1,450	13,328
	Embankment charges	27	51,785
	Waste electric appliance and electronic product treatment fund	-	60,870
	Other	19,674	85,654
		<u>226,806</u>	<u>716,534</u>

Please refer to Note IV for the standards for provisions for taxes and the applicable tax rates.

38	Other payables	December 31, 2019	December 31, 2018
	Interest payable	-	586,819
	Dividends payable	11,058	22,553
	Other payables	12,282,508	22,511,402
		<u>12,293,566</u>	<u>23,120,774</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

38 Other payables (continued)

(1) Interest payable

	December 31, 2019	December 31, 2018
Interest payable on MTN	-	27,922
Interest payable on corporate bonds	-	314,321
Interest payable on short-term commercial papers	-	67,467
Interest payable on bank borrowings	-	177,109
	<u>-</u>	<u>586,819</u>

Note: The Company has no balance of interest payable at the end of the period, which is in accordance with the requirements of the Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (CK [2019] No.6) issued by the Ministry of Finance on April 30, 2019. For an enterprise that has implemented the new financial instrument accounting standard, the interest payable is included in the book balance of the corresponding financial instruments based on the interest accrued by the effective interest rate method. For a long-term financial instrument with periodic interest payments, during the holding period, the undue interest accrued using the effective interest method is classified as "current assets" or "current liabilities".

(2) Dividends payable

	December 31, 2019	December 31, 2018
Other minority shareholders	<u>11,058</u>	<u>22,553</u>

(3) Other payables

	December 31, 2019	December 31, 2018
Engineering and equipment expense	8,515,216	10,236,446
Ordinary current payables to external entities	2,711,596	6,705,566
Unpaid expenses	856,377	4,709,423
Deposit and security deposit	199,319	407,967
Payables for land acquisition	-	452,000
	<u>-</u>	<u>452,000</u>
Total	<u>12,282,508</u>	<u>22,511,402</u>

There is no amount payable to shareholders holding 5% or more voting shares in this account.

39 Short-Term Commercial Papers Payable

	December 31, 2019	December 31, 2018
Short-term commercial papers	<u>-</u>	<u>2,000,000</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

40 Current Portion of Non-Current Liabilities

	Note V	December 31, 2019	December 31, 2018
Long-term borrowings (note 1)	42	800,000	3,509,915
MTN (note 2)		499,748	-
Corporate bonds		-	2,500,000
Current portion of interest payable		392,215	-
		<u>1,691,963</u>	<u>6,009,915</u>

Note 1 The current portion of long-term borrowings was RMB 800,000,000 of unsecured borrowings.

The interest rate of the Company's current portion of long-term borrowing in the current period ranges from 2.33% to 6.00% (in 2018: 2.33% to 5.57%).

Note 2 The current portion of medium-term notes payable of RMB 499,748,000 at the end of the period was reclassified to the item of "current portion of non-current liabilities".

41 Other current liabilities

	December 31, 2019	December 31, 2018
After-sales service expense (note)	35,435	1,108,360
Financial assets sold under repurchase agreements	-	185,364
Other	33,587	50,727
	<u>69,022</u>	<u>1,344,451</u>

Notes After-sales service expense expected to occur within 1 year is reflected in current liabilities.

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V Notes to Items in Consolidated Financial Statements (Continued)

42 Long-term borrowings

	December 31, 2019	December 31, 2018
Mortgage borrowings	33,589,761	29,516,297
Unsecured borrowings	5,722,298	10,858,541
	<u>39,312,059</u>	<u>40,374,838</u>
Of which: Current portion of long-term borrowings	<u>(800,000)</u>	<u>(3,509,915)</u>
	<u>38,512,059</u>	<u>36,864,923</u>

The maturities of the Company's long-term borrowings vary from 2020 to 2029.

As at December 31, 2019, the carrying amount of long-term mortgage borrowings was RMB 33,589,761,000, with land use rights, buildings, machinery and equipment and construction in progress equivalent to RMB 39,055,477,000 as the collateral.

The interest rate of the Company's current portion of long-term borrowing ranges from 2.33% to 6.00% (in 2018: 2.33% to 5.57%).

43 Bonds payable

	December 31, 2019	December 31, 2018
Corporate bonds (note 1)	14,483,130	10,492,914
MTN (note 2)	1,995,955	2,492,714
	<u>16,479,085</u>	<u>12,985,628</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

43 Bonds Payable (Continued)

Note 1 On March 16, 2016, the Company issued RMB 1.5 billion of five-year corporate bonds. On July 7, 2016, the Company issued RMB 2 billion of 2016 (Phase II) five-year corporate bonds.

On April 19, 2017, the Company issued RMB 1 billion of 2017 (Phase I) five-year corporate bonds. On July 7, 2017, the Company issued RMB 3 billion of 2017 (Phase II) five-year corporate bonds.

On June 6, 2018, the Company issued RMB 1 billion of 2018 (Phase I) five-year corporate bonds. On August 20, 2018, the company issued RMB 2 billion of 2018 (Phase II) five-year corporate bonds.

On May 20, 2019, the Company issued RMB 1 billion of 2019 (Phase I) five-year corporate bonds. On July 23, 2019, the Company issued RMB 1 billion of 2019 (Phase II) five-year corporate bonds. On October 21, 2019, the Company issued RMB 2 billion of 2019 (Phase III) five-year corporate bonds.

Note 2 On April 2, 2015, the Company issued RMB 500 million of 5-year medium-term notes.

On December 3, 2018, the Company issued RMB 2 billion of 3-year medium-term notes.

The current portion of medium-term notes payable of RMB 499,748,000 at the end of this period was reclassified to the item of "current portion of non-current liabilities".

44 Long-term payables

	December 31, 2019	December 31, 2018
Technological development fund	24,000	73,000
Other	206	902
	<u>24,206</u>	<u>73,902</u>

45 Deferred income

	December 31, 2019	December 31, 2018
Government subsidies (note)	<u>1,912,421</u>	<u>2,637,229</u>

Note: Mainly income-related

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V Notes to Items in Consolidated Financial Statements (Continued)

46 Share Capital

(Unit: Thousand yuan)	January 1, 2019		Increase or decrease in current period			December 31, 2019	
	Amount	Proportion	New issues	Other	Subtotal	Amount	Proportion
I. Restricted shares	1,825,654	13.47%	-	(957,888)	(957,888)	867,766	6.41%
II. Unrestricted shares	11,723,995	86.53%	-	936,678	936,678	12,660,673	93.59%
III. Total shares	13,549,649	100.00%	-	(21,210)	(21,210)	13,528,439	100.00%

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V Notes to Items in Consolidated Financial Statements (Continued)

46 Share Capital (Continued)

As at 31 December 2019, the Company's total share capital was 13,528,439,000 shares.

Note

Except for Chairman of the Board Mr. Li Dongsheng who holds restricted shares subscribed for in a private placement, none of the other incumbent directors, supervisors or senior management hold any restricted shares from a split-share structure reform or a private placement. The shares held by these personnel will stay partially frozen as per the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes thereof. The trading and information disclosure in relation to these shares shall be in strict compliance with the applicable laws, regulations and rules.

47 Capital Reserves

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
Share premium	4,930,142	-	(5,930)	4,924,212
Other capital reserves	1,066,599	-	(274,144)	792,455
	<u>5,996,741</u>	<u>-</u>	<u>(280,074)</u>	<u>5,716,667</u>

48 Treasury stock

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
Incentive shares	63,458	126,726	(44,764)	145,420
Repurchased shares		1,934,263	(126,726)	1,807,537
	<u>63,458</u>	<u>2,060,989</u>	<u>(171,490)</u>	<u>1,952,957</u>

The increase in incentive shares in the current period was RMB126,726,000 transferred through a non-deal manner from repurchased treasury stock to incentive shares, while the decrease in the current period was primarily driven by the grant, unlocking and retirement of shares.

The increase in repurchased shares in the current period was repurchases in the current period, while the decrease in the current period was primarily driven by the non-deal transfer from repurchased treasury stock to incentive shares.

49 Surplus Reserves

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
Statutory surplus reserves	2,001,391	54,107	-	2,055,498
Discretionary surplus reserves	182,870	-	-	182,870
	<u>2,184,261</u>	<u>54,107</u>	<u>-</u>	<u>2,238,368</u>

As per China's Company Law, Articles of Association for Companies, accounting standards, the Company and several of its subsidiaries shall appropriate 10% of net profits as statutory surplus reserves until the reserve amount reaches 50% of the registered capital. According to the aforesaid laws and regulations, part of the statutory surplus reserves can be converted into share capital of the Company, and the remaining amount shall not be lower than 25% of the registered capital.

After the appropriation to the statutory surplus reserves, the Company may appropriate the discretionary surplus reserves. Upon approval, the discretionary surplus reserves can be used to make up the previous loss or increase the share capital.

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V Notes to Items in Consolidated Financial Statements (Continued)

50 General Reserve

	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
General Reserve	361	-	-	361

As per the General Rules on Financial Affairs of Financial Enterprises and the Guide to the Implementation of the General Rules on Financial Affairs of Financial Enterprises promulgated by the Ministry of Finance, as well as the Articles of Association of TCL Finance Co., Ltd., this subsidiary appropriated 1% of its net profit as general reserve in the previous years.

51 Retained Earnings

	2019	2018
Beginning retained earnings	10,000,973	8,577,688
Changes in accounting policies	(106,833)	-
Net profit for current period	2,617,765	3,468,211
Decrease in current period	(1,396,755)	(2,044,926)
Including: Appropriated as surplus reserves	(52,832)	(689,961)
Distributed to ordinary shareholders as dividends	(1,337,079)	(1,354,965)
Others	(6,844)	-
Ending retained earnings	11,115,150	10,000,973

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V Notes to Items in Consolidated Financial Statements (Continued)

52 Operating Revenue and Cost of Sales

	2019		2018	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	74,056,389	66,003,229	112,282,593	91,888,990
Non-core business	876,697	333,888	1,077,483	716,599
	<u>74,933,086</u>	<u>66,337,117</u>	<u>113,360,076</u>	<u>92,605,589</u>

(1) Core Business by Operating Area

	Revenue		Cost of sales		Gross profit	
	2019	2018	2019	2018	2019	2018
Dome stic sales	47,799,405	56,473,133	42,114,424	46,197,816	5,684,981	10,275,317
Export sales	<u>26,256,984</u>	<u>55,809,460</u>	<u>23,888,805</u>	<u>45,691,174</u>	<u>2,368,179</u>	<u>10,118,286</u>
	<u>74,056,389</u>	<u>112,282,593</u>	<u>66,003,229</u>	<u>91,888,990</u>	<u>8,053,160</u>	<u>20,393,603</u>

- (2) The sales revenue from the top five customers combined was RMB 21,701,693,000 and RMB 17,833,273,000 respectively for 2019 and 2018, accounting for 29.3% and 15.88% of the core business revenue.

53 Interest Income/Expense and Exchange Gain

	2019	2018
Interest income	144,720	87,362
Interest expense	17,230	72,248
Exchange gain/(loss)	(12,499)	(47,714)

The interest income, interest expense and exchange gain/(loss) above occurred with the Company's subsidiary TCL Finance Co., Ltd., which are presented separately herein as required for a financial enterprise.

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V Notes to Items in Consolidated Financial Statements (Continued)

54 Taxes and Surcharges

	2019	2018
City maintenance and construction tax	64,586	132,326
Property tax	93,039	109,329
Stamp tax	67,689	103,995
Educational surcharge	47,761	96,329
Land use tax	12,370	15,064
Others	45,143	204,219
	<u>330,588</u>	<u>661,262</u>

The applicable tax and surcharge standards are detailed in Note IV.

55 Sales Expenses

	2019	2018
Employee salaries and benefits	647,645	1,890,522
Traffic expense	481,379	1,707,790
Advertising and sales promotional expense	434,422	1,520,470
After-sales service expense	424,439	1,448,773
Brand promotion expense	225,349	808,948
Others	644,255	1,510,518
	<u>2,857,489</u>	<u>8,887,021</u>

56 General and Administrative Expenses

	2019	2018
Employee salaries and benefits	855,810	2,142,861
Depreciation and amortization expense	378,404	568,048
Expense for hiring intermediary organizations	333,300	422,194
Insurance expense	101,074	192,146
Others	226,500	974,358
	<u>1,895,088</u>	<u>4,299,607</u>

TCL Technology Group Corporation
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V Notes to Items in Consolidated Financial Statements (Continued)

57 Research and Development Expenses

	2019	2018
Depreciation and amortization expense	1,185,695	798,740
Employee salaries and benefits	905,908	1,678,164
Material expense	872,466	1,252,141
Outsourcing development expense	124,889	101,496
Insurance expense	68,894	135,169
Others	238,953	711,869
	<u>3,396,805</u>	<u>4,677,579</u>

58 Financial Expenses

	2019	2018
Interest expense	1,958,251	1,782,408
Interest income	(401,645)	(621,949)
Exchange loss/(income)	(355,134)	(321,412)
Others	47,329	134,214
	<u>1,248,801</u>	<u>973,261</u>

59 Other Incomes

	2019	2018
R&D subsidies	1,811,757	1,851,643
VAT rebates on software	62,208	367,075
VAT accrual and deduction	7,323	-
Others	19,348	-
	<u>1,900,636</u>	<u>2,218,718</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

60 Return on Investment

	2019	2018
Proceeds from disposal of credit instruments at fair value through profit or loss	346,391	-
Proceeds from disposal of equity instruments at fair value through profit or loss	(113,316)	-
Proceeds from holding of equity instruments at fair value through profit or loss	28,747	
Proceeds from holding of credit instruments at fair value through profit or loss	99,859	-
Credit instruments measured at amortized cost through profit or loss	7,217	-
Income from disposal of wealth management instruments	-	691,917
Income from disposal of derivative financial assets/liabilities	-	(64,779)
Share of net income of associates	1,620,874	1,334,263
Share of net income of joint ventures	36,597	26,005
Net income from disposal of long-term equity investments	1,416,185	(48,708)
Income from disposal of available-for-sale financial assets	-	109,175
Income during period of holding available-for-sale financial assets	-	119,381
	<u>3,442,554</u>	<u>2,167,254</u>

61 Gains on Changes in Fair Value

	2019	2018
Tradable financial asset	555,470	-
Derivative financial assets	138,119	-
Tradable financial liabilities	(4,771)	-
Derivative financial liabilities	(215,145)	-
Financial assets/liabilities at fair value through profit or loss – forward forex contracts	-	5,834
Financial liabilities at fair value through profit or loss - wealth management instruments	-	(9,380)
Financial assets at fair value through profit or loss - interest rate swap contracts	-	(333)
	<u>473,673</u>	<u>(3,879)</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

62 Credit impairment loss (for 2019 only)

	2019
Loss on uncollectible accounts of accounts receivable	34,693
Loss on uncollectible accounts of other receivables	(2,435)
	<u>32,258</u>

63 Asset Impairment Loss

	2019	2018
Loss on uncollectible accounts	-	217,800
Inventory valuation loss	568,443	999,690
Loss on impairments of available-for-sale financial assets (for 2018 only)	-	22,548
Loss on impairment of long-term equity investments	-	31,277
Loan impairment loss	123,761	7,522
Loss on impairments of fixed assets	3,000	61,572
Loss on impairment of intangible assets	11,845	43,548
Loss on impairment of goodwill	92,952	62,823
Loss on impairment of other assets	(8,889)	76,339
	<u>791,112</u>	<u>1,523,119</u>

64 Asset Disposal Income

	2019	2018
Income/(loss) from disposal of fixed assets	1,042	129,282
Income/(loss) from disposal of intangible assets	26	(116,206)
Income from disposal of other non-current assets	89	(3,005)
	<u>1,157</u>	<u>10,071</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

65 Non-Operating Income

	2019	2018
Gains on retired or damaged non-current assets	84	742
Including: Gains on retired or damaged fixed assets	84	714
Others	128,525	956,067
	<u>128,609</u>	<u>956,809</u>

66 Non-Operating Expense

	2019	2018
Losses on retired or damaged non-current assets	1,763	8,398
Including: Losses on retired or damaged fixed assets	946	7,926
Losses on retired or damaged intangible assets	-	232
Others	47,882	96,233
	<u>49,645</u>	<u>104,631</u>

67 Income Tax Expense

(1) Income tax expense statement

	2019	2018
Current income tax expense	198,993	641,006
Deferred income tax expense	199,076	238,176
	<u>398,069</u>	<u>879,182</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

67 Income Tax Expense (Continued)

(2) Accounting profits and income tax adjustment process

	2019	2018
Total profit	4,055,803	4,944,380
Income tax expense calculated at statutory/applicable tax rate	1,013,951	1,236,095
Impact of different tax rates applied to subsidiaries	(699,553)	(300,160)
Impact of adjusting income tax in previous periods	12,009	21,235
Impact of non-taxable income	(113,147)	(535,444)
Impact of non-deductible costs, expenses and losses	13,977	287,277
Impact of deductible losses on the use of previously unrecognized deferred income tax assets	(19,689)	(119,824)
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	45,798	-
Others	144,723	290,003
Income Tax Expense	<u>398,069</u>	<u>879,182</u>

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V Notes to Items in Consolidated Financial Statements (Continued)

68 Other Comprehensive Income

(1) Other comprehensive income items, income tax effects and reclassifications to profit or loss

	2019	2018
I. Items that cannot be reclassified to profit or loss subsequently	27,642	-
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	8,980	-
Amount attributable to the Company in the current period	15,065	-
Previous other comprehensive income reclassified to retained earnings for current period	(6,085)	-
2. Changes in fair value of other equity instruments	18,662	-
Current gain/(loss)	9,798	-
Previous other comprehensive income reclassified to retained earnings for current period	13,251	-
Income tax effects recorded in other comprehensive income	(4,387)	-
II. Items that will be reclassified to profit or loss subsequently	461,163	(1,663,194)
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	32,200	132,924
Amount attributable to the Company in the current period	59,512	132,924
Income tax effects recorded in other comprehensive income	(27,312)	-
2. Available-for-sale financial assets	-	(803,456)
Current gain/(loss)	-	(576,616)
Previous other comprehensive income reclassified to profit for current period	-	(226,840)
Income tax effects recorded in other comprehensive income	-	-
3. Cash flow hedges	(86,576)	(96,064)
Current gain/(loss)	(118,895)	(45,368)
Previous other comprehensive income reclassified to profit for current period	31,056	(40,471)
Income tax effects recorded in other comprehensive income	1,263	(10,225)
4. Differences arising from translation of foreign currency financial statements of overseas operations	250,005	(896,598)
5. Net amount transferred to profit or loss in the current period for disposal of overseas operations	265,534	-
Total	488,805	(1,663,194)

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V Notes to Items in Consolidated Financial Statements (Continued)

68 Other comprehensive income (continued)

(2) Changes in Other Comprehensive Income Items

Equity attributable to shareholders of the Company as the parent									
	Accounting policy Change	Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	Gain/Loss on changes in fair value of available-for- sale financial assets	Gain/(Loss) on changes in cash flow hedges	Differences arising from translation of foreign currency-d enominated financial statements	Fair value changes of other equity instruments	Subtotal	Non-contr olling interests	Total other comprehen sive income
January 1, 2018	-	56,074	400,380	121,329	(358,511)	-	219,272	48,069	267,341
Change in 2018	-	132,924	(750,787)	(89,078)	(686,493)	-	(1,393,434)	(269,760)	(1,663,194)
December 31, 2018	-	188,998	(350,407)	32,251	(1,045,004)	-	(1,174,162)	(221,691)	(1,395,853)
Changes in 2019	334,950	41,181	-	(66,723)	311,357	19,315	640,080	183,675	823,755
December 31, 2019	334,950	230,179	(350,407)	(34,472)	(733,647)	19,315	(534,082)	(38,016)	(572,098)

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V Notes to Items in Consolidated Financial Statements (Continued)

69 Earnings per Share (EPS)

(1) Basic EPS

	2019	2018
Net profit attributable to owners of the Company as the parent	2,617,765	3,468,211
Weighted average outstanding ordinary shares (in thousand shares)	13,178,283	13,514,972
Basic EPS (RMB yuan/share)	0.1986	0.2566

(2) Diluted EPS

	2019	2018
Net profit attributable to owners of the Company as the parent	2,617,765	3,468,211
Diluted weighted average outstanding ordinary shares (in thousand shares)	13,528,439	13,538,282
Diluted EPS (RMB yuan/share)	0.1935	0.2562

70 Cash Generated from Other Operating Activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB2,329,643,000, which primarily consisted of other current payments received and government subsidies.

71 Cash Used in Other Operating Activities

Cash used in other operating activities in the consolidated cash flow statement was RMB3,780,067,000, which primarily consisted of various expenses.

72 Cash Used in Other Financing Activities

Cash used in other operating activities in the consolidated cash flow statement was RMB2,350,627,000, which was mainly cash paid to repurchase treasury stock.

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V Notes to Items in Consolidated Financial Statements (Continued)

73 Net Cash Generated from/Used in Operating Activities

Reconciliation of Net Profit to Net Cash Generated from/Used in Operating Activities		
	2019	2018
Net profit	3,657,734	4,065,198
Add: Asset impairment allowance	823,370	1,523,119
Depreciation of fixed assets	7,153,320	6,941,175
Amortization of intangible assets	545,523	548,421
Amortization of long-term prepaid expense	573,165	481,053
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(1,157)	(10,071)
Loss on retired or damaged fixed assets	1,679	7,656
Loss/(Gain) on changes in fair value	(473,673)	3,879
Financial Expenses	1,632,846	1,580,958
Return on Investment	(3,442,554)	(2,167,254)
Decrease/(Increase) in deferred income tax assets	(42,992)	73,961
Increase/(Decrease) in deferred income tax liabilities	512,326	169,195
Decrease/(Increase) in inventory	13,641,565	(7,941,359)
Decrease/(Increase) in operating receivables	10,891,929	1,228,167
Increase/(Decrease) in operating receivables	(24,131,345)	898,032
Other	148,360	3,084,449
Net cash generated from/used in operating activities	11,490,096	10,486,579

74 Changes in Cash and Cash Equivalents, Net

Ending cash and cash equivalents	17,637,743	25,702,384
Less: Beginning cash	25,702,384	23,281,169
Net increase in cash and cash equivalents	(8,064,641)	2,421,215

Analysis of ending cash and cash equivalents:

Ending monetary assets	18,648,185	26,801,343
Less: Ending non-cash equivalents (note)	1,010,442	1,098,959
Ending cash and cash equivalents	17,637,743	25,702,384

Note: The ending non-cash equivalents primarily included bank deposits, the required reserve deposited by TCL Finance Co., Ltd. in the central bank and other monetary assets. For further information, see Note V, item 1.

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V Notes to Items in Consolidated Financial Statements (Continued)

75 Foreign currency monetary items

	December 31, 2019		
	Foreign currency balance	Conversion rate	RMB balance
Monetary assets			
Including: USD	377,494	6.9762	2,633,477
HKD	306,665	0.8959	274,741
Accounts receivable			
Including: USD	295,367	6.9762	2,060,539
HKD	5,403	0.8959	4,841
Accounts payable			
Including: USD	150,246	6.9762	1,048,146
HKD	1,105,500	0.8959	990,417
JPY	1,682,029	0.0642	107,986
Other receivables			
Including: USD	11,875	6.9762	82,842
HKD	271,690	0.8959	243,407
JPY	11,970	0.0642	768
PLN	118	1.8387	217
INR	624,138	0.0978	61,041
Other payables			
Including: USD	21,373	6.9762	149,102
HKD	65,523	0.8959	58,702
JPY	13,306	0.0642	854
INR	45,356	0.0978	4,436
Short-term borrowings			
Including: USD	199,198	6.9762	1,389,645
Long-term borrowings			
Including: USD	2,626,000	6.9762	18,319,501

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VI Changes in Consolidation Scope

1 Newly Consolidated Entities for Current Period

Investee	Consolidated period	Reason for change	Registered capital	The Company's interest
Huizhou Hongsheng Technology Development Co., Ltd.	Jan.-Dec. 2019	Newly incorporated	RMB 1,000,000	100%
Kunshan Ruiying Medical Imaging Diagnosis Center Co., Ltd.	Feb.-June 2019	Newly incorporated	RMB 50,000,000	100%
Zhongshan Hongyuan Technology Development Co., Ltd.	Feb.-March 2019	Newly incorporated	RMB 100,000	100%
Wuxi TCL Medical Imaging Technology Co., Ltd.	Feb.-June 2019	Newly incorporated	RMB 43,900,000	70%
Tongxinggongxue Education Technology (Huizhou) Co., Ltd.	Feb.-Dec. 2019	Newly incorporated	RMB 5,000,000	100%
AHFG ESOP Limited	Feb.-Dec. 2019	Newly incorporated	HKD 50,000	100%
TCL Entertainment Solutions Limited	March-March 2019	Newly incorporated	RMB 20,000,000	100%
Guangzhou Tianshi Cloud Intelligence Technology Co., Ltd.	March-March 2019	Newly incorporated	RMB 50,000,000	80%
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	March-March 2019	Newly incorporated	RMB 30,000,000	100%
Jiaozuo Kangying Clinic Co., Ltd.	March-June 2019	Newly incorporated	RMB 10,000,000	99%
Shenzhen Huaying Clinic	April-June 2019	Newly incorporated	RMB 12,000,000	70%
Shenzhen Huaying Medical Imaging Diagnosis Center	April-June 2019	Newly incorporated	RMB 20,000,000	100%
TCL Industrial Technology Research Institute (Europe) Co., Ltd.	May - Dec. 2019	Newly incorporated	PLN 10,000,000	100%
TCL Technology Investments Limited	July - Dec. 2019	Newly incorporated	HKD 214,115,600	100%
Admiralty Harbour Global Credit Opportunities Fund	Aug. - Dec. 2019	Newly incorporated	USD 0.01	100%
GARFORD LIMITED	Sept. - Dec. 2019	Newly incorporated	USD1	100%
Chongqing Blue Business Consulting Co., Ltd.	Oct - Dec. 2019	Newly incorporated	RMB 10,000,000	100%

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VI Changes in Consolidation Scope (Continued)

2 Subjects that are no longer included in the consolidation scope in the current period (continued)

Investee	Time of no longer included in consolidation scope	Reason for change
TCL Technology Park (Wuhan) Co., Ltd.	Jan. 2019	Transfer
Shanghai Xinying Medical Technology Co., Ltd.	Jan. 2019	Cancellation
Taiwan Dabis Mobile Communication Co., Ltd.	March 2019	Cancellation
Xingyun Enterprise Co., Ltd.	March 2019	Cancellation
Beijing Xunying Renren Medical Technologies Co., Ltd.	March 2019	Cancellation
Shaanxi Shangxinfeng Environmental Technology Co., Ltd.	April 2019	Transfer
Shanghai Huiying Medical Technology Co., Ltd.	April 2019	Capital Increase by Minority Shareholders
TCL Industries Holdings (HK) Limited and its subsidiaries	April 2019	Transfer
Huizhou TCL Household Electric Appliance Group Co., Ltd. and its subsidiaries	April 2019	Transfer
TCL Home Appliances (Hefei) Co., Ltd. and its subsidiaries	April 2019	Transfer
Huizhou Cool Friends Network Technology Co., Ltd. and its subsidiaries	April 2019	Transfer
Koyoo Online Service Co., Ltd.	April 2019	Transfer
TCL Technology Park Co., Ltd. and its subsidiaries	April 2019	Transfer
Getech Ltd. and its subsidiaries	April 2019	Transfer
JDH Information Tech (Zhuhai) Co., Ltd.	April 2019	Transfer
Shenzhen HYT E-Commerce Limited	June 2019	Cancellation
Techne Corporation	June 2019	Cancellation
Wuxi TCL Medical Imaging Technology Co., Ltd. and its subsidiaries	June 2019	Capital Increase by Minority Shareholders
Shenzhen Haixing Education Technology Co., Ltd.	July 2019	Cancellation
Caixingqiu (Shenzhen) Technology Co., Ltd.	July 2019	Cancellation
Shenzhen Thunderbird Digital Entertainment Technology Co., Ltd.	Aug. 2019	Transfer
Shenzhen HAWK Internet Co., Ltd. and its subsidiaries	Nov. 2019	Transfer
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Nov. 2019	Transfer
Guangzhou Zhilang Credit Investigation Co., Ltd.	Nov. 2019	Transfer
Xi'an Huaxian Software Development Service Co., Ltd.	Dec. 2019	Cancellation
Huizhou TCL Light Electrical Appliances Co., Ltd.	Dec. 2019	Transfer

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VI Changes in Consolidation Scope (Continued)

3 Subsidiaries Disposed in Current Period

Name of subsidiaries	TCL Technology Park (Wuhan) Co., Ltd.	TCL Industries Holdings (HK) Limited and its subsidiaries	Shaanxi Shangxinfeng Environmental Technology Co., Ltd.	Shanghai Huiying Medical Technology Co., Ltd.	Wuxi TCL Medical Imaging Technology Co., Ltd. and its subsidiaries
		Huizhou TCL Household Electric Appliance Group Co., Ltd. and its subsidiaries TCL Home Appliances (Hefei) Co., Ltd. and its subsidiaries Huizhou Cool Friends Network Technology Co., Ltd. and its subsidiaries Koyoo Online Service Co., Ltd. TCL Technology Park Co., Ltd. and its subsidiaries Getech Ltd. and its subsidiaries JDH Information Tech (Zhuhai) Co., Ltd.			
Price for equity interest disposal	255,000	4,760,000	435	-	-

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VI Changes in Consolidation Scope (Continued)

3 Subsidiaries Disposed in Current Period (Continued)

% equity interest disposed	51.00%	Not applicable	51.00%	90.00%	35.00%
Way of disposal	Transfer	Transfer	Transfer	Capital Increase by Minority Shareholders	Capital Increase by Minority Shareholders
Time of loss of control	Jan. 2019	April 2019	April 2019	May 2019	June 2019
	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred
Determination basis for time of loss of control					
Difference between the disposal price and the Company's share of the subsidiary's net assets in the consolidated financial statements relevant to the disposed equity interest	1,265	1,238,377	(43)	1,494	28,728

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VI Changes in Consolidation Scope (Continued)

3 Subsidiaries Disposed in Current Period (Continued)

Name of subsidiaries	Shenzhen Thund erbird Digital Ent ertainment Tech nology Co., Ltd.	Shenzhen HAWK Internet Co., Ltd. and its subsidiaries	Guangzhou Zhilang Credit Investigation Co., Ltd.	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Huizhou TCL Light Electrical Appliances Co., Ltd.
Price for equity interest disposal	0.002	200,110	-	274,891	31,240
% equity interest disposed	100%	100%	100%	71%	100%
Way of disposal	Transfer	Transfer	Transfer	Transfer	Transfer
Time of loss of control	Aug. 2019	Nov. 2019	Nov. 2019	Nov. 2019	Dec. 2019
	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred	When the rights and obligations in relation to the target equity interest have all been transferred
Determination basis for time of loss of control Difference between the disposal price and the Company's share of the subsidiary's net assets in the consolidated financial statements relevant to the disposed equity interest	200	20,552	-	37,287	22,305

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VII Interests in Other Entities

1 Interests in Subsidiaries

(1) Major Subsidiaries

Investee	Place of registration	Nature of business	The Company's interest		How subsidiary was obtained
			Direct	Indirect	
TCL China Star Optoelectronics Technology Co., Ltd. (note 1)	Shenzhen	Manufacturing and sales	88.82%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	-	53.87%	Incorporated
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	Research and development	-	100.00%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd. (Note 2)	Wuhan	Manufacturing and sales	-	45.55%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (Note 2)	Wuhan	Manufacturing and sales	-	33.88%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	-	100.00%	Obtained in a business combination not under common control
China Star Optoelectronics International (HK) Limited	Hong Kong	Sales	-	100.00%	Incorporated
China Display Optoelectronics Technology Holdings Limited	Bermuda	Investment holding	-	64.21%	Obtained in a business combination not under common control
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and sales	-	100.00%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	-	100.00%	Incorporated
TCL Educational Web Ltd.	The Virgin Islands	Investment holding	-	100.00%	Incorporated
Shenzhen TCL Educational Technology Co., Ltd.	Shenzhen	Educational services	-	100.00%	Incorporated
Silk Road (Beijing) International Education and Technology Center Co., Ltd.	Beijing	Educational services	-	80.00%	Incorporated
Beijing HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet service	100.00%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	100.00%	-	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	73.69%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Sales	-	60.00%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Sales	-	60.00%	Incorporated

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VII Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Investee	Place of registration	Nature of business	The Company's interest		How subsidiary was obtained
			Direct	Indirect	
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	Guangzhou	Financial	100%	-	Incorporated
TCL Finance Co., Ltd.	Huizhou	Financial	82%	-	Incorporated
TCL Finance Technology (Shenzhen) Co., Ltd.	Shenzhen	Financial	-	100%	Incorporated
Shenzhen Baisi Asset Management Co., Ltd.	Shenzhen	Asset management	-	100%	Incorporated
TCL Financial Service (Guangzhou) Co., Ltd.	Guangzhou	Financial services	-	100%	Incorporated
TCL Commercial Factoring (Shenzhen) Co., Ltd.	Shenzhen	Commercial factoring	-	100%	Incorporated
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	Huizhou	Financial	89.84%	-	Acquired
Xinjiang TCL Equity Investment Co., Ltd.	Xinjiang	Investment business	100%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	100%	-	Incorporated
Winshero Investment Limited	The Virgin Islands	Investment business	100%	-	Incorporated
TCL Research America Inc.	U.S.	Research and development	-	100%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	Research and development	-	100%	Incorporated
TCL Technology Investments Limited	Hong Kong	Investment business	100%	-	Incorporated

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VII Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(1) Major Subsidiaries (Continued)

Note

1 Shenzhen China Star Optoelectronics Technology Co., Ltd. was renamed "TCL China Star Optoelectronics Technology Co., Ltd." in October 2019.

Note 2 TCL China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "TCL CSOT"), a subsidiary of the Company, has a 45.55% interest in Wuhan China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT") and a 33.88% interest in Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT Optoelectronics Semiconductor"). TCL CSOT appoints key management personnel of Wuhan CSOT and Wuhan CSOT Optoelectronics Semiconductor and decides its business and financial policies, so TCL CSOT is considered to have substantial control over Wuhan CSOT. Therefore, Wuhan CSOT is included in the Company's consolidated financial statements.

(2) Subsidiaries with Significant Non-Controlling Interests

Name of subsidiaries	Non-controlling interests	Current period Profit or loss attributable to non-controlling interests	Current period Dividends distributed to non-controlling interests	Ending equity attributable to non-controlling interests
TCL China Star Optoelectronics Technology Co., Ltd.	11.18%	576,102	-	32,986,429
Highly Information Industry Co., Ltd	26.31%	64,251	27,910	297,835

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V Interests in Other Entities (Continued)

1 Interests in Subsidiaries (Continued)

(2 Subsidiaries with Significant Minority Shareholders' Interests (Continued))

The main financial information of the above subsidiary is listed as follows:

	December 31, 2019						December 31, 2018					
	Current Assets	Non-current Assets	Assets Total	Current Liabilities	Non-current Liabilities	Liabilities Total	Current Assets	Non-current Assets	Assets Total	Current Liabilities	Non-current Liabilities	Liabilities Total
TCL China Star Optoelectronics Technology Co., Ltd.	39,784,300	90,798,110	130,582,410	36,200,599	39,150,594	75,351,193	37,654,261	78,694,317	116,348,578	35,014,430	33,644,993	68,659,423
Highly Information Industry Co., Ltd.	4,482,847	37,662	4,520,509	3,484,042	33,587	3,517,629	3,937,368	20,555	3,957,923	3,050,859	20,000	3,070,859
	2019				2018				Net Cash Generated from/Used in Operating Activities			
	Operating revenue	Net profit	Total comprehensive income	Net Cash Generated from/Used in Operating Activities	Operating revenue	Net profit	Total comprehensive income	Net Cash Generated from/Used in Operating Activities	Operating revenue	Net profit	Total comprehensive income	Net Cash Generated from/Used in Operating Activities
TCL China Star Optoelectronics Technology Co., Ltd.	33,993,534	964,444	846,436	8,253,015	27,666,368	2,321,582	2,225,619	9,025,339				
Highly Information Industry Co., Ltd.	20,835,617	215,604	215,604	194,578	16,566,993	195,939	195,939	(80,265)				

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VII Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates

(1) Basic Information about Major Joint Ventures and Associates

Investee	Principal place of business/place of registration	Nature of business	Strategic to the Group's activities or not	The Company's interest	
				Direct	Indirect
Joint ventures—					
TV University Online Distance Education Technology Co., Ltd.	Beijing	Educational services	Yes	-	50.00%
Huizhou TCL Taidong Shihua Investment Co., Ltd.	Huizhou	Shihua	Yes	-	50.00%
Associates—					
Tianjin 712 Communication & Broadcasting Co., Ltd.	Tianjin	Communication	Yes	-	19.07%
Bank of Shanghai Co., Ltd.	Shanghai	Financial	Yes	-	5.14%

Not e: For the Reporting Period, the Company had a 5.14% interest in Bank of Shanghai Co., Ltd. and appointed one of its directors to be a member of the Risk Management Committee under the Board of the Bank of Shanghai. Therefore, the Company is deemed to have significant influence on the Bank of Shanghai, and this long-term

(2) Key Financial Information of Major Joint Ventures

	December 31, 2019		December 31, 2018	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Current assets	1,280,911	2,488	1,237,435	8,504
Non-current assets	73,852	45,741	76,396	32,517
Total assets	1,354,763	48,229	1,313,831	41,021
Current liabilities	1,033,623	22,671	1,049,238	2,734
Non-current liabilities	29,140	-	27,385	-
Total liabilities	1,062,763	22,671	1,076,623	2,734
Non-controlling interests	8,489	-	7,236	-
Equity attributable to shareholders of the Company as the parent	283,511	25,558	229,972	38,287
Share of equity in proportion to the Company's interest	141,756	12,779	114,986	19,143
Carrying amount of investment in joint venture	137,902	12,779	111,062	19,143

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VII Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates (Continued)

(2) Key Financial Information of Major Joint Ventures (Continued)

	2019		2018	
	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.	TV University Online Distance Education Technology Co., Ltd.	Huizhou TCL Taidong Shihua Investment Co., Ltd.
Operating revenue	1,795,624	12,849	1,685,044	42,253
Net profit	54,791	(12,728)	55,116	(6,894)
Other Comprehensive Income	-	-	-	-
Total comprehensive income	54,791	(12,728)	55,116	(6,894)
Group from joint venture for current period	-	-	52,954	-

(3) Key Financial Information of Major Associates

	December 31, 2019		December 31, 2018	
	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.
Current assets	4,747,834	N/A	4,044,512	340,781,435
Non-current assets	716,851	N/A	686,246	1,686,990,964
Total assets	5,464,685	2,237,082,000	4,730,758	2,027,772,399
Current liabilities	2,844,593	N/A	2,360,757	1,670,100,906
Non-current liabilities	61,820	N/A	117,493	195,902,885
Total liabilities	2,906,413	N/A	2,478,250	1,866,003,791
Non-controlling interests	-	-	-	492,059
Equity attributable to shareholders of the Company as the parent	2,558,272	176,709,000	2,252,508	161,276,549
Share of equity in proportion to the Company's interest	487,862	9,077,785	429,553	8,045,973
Carrying amount of investment in associate	762,470	9,314,611	704,224	8,363,564

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VII Interests in Other Entities (Continued)

2 Interests in Joint Ventures and Associates (Continued)

(3) Key Financial Information of Major Associates (Continued)

	2019		2018	
	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.
Operating revenue	2,140,653	49,800,000	1,625,550	43,887,822
Net profit	345,317	N/A	224,927	18,067,835
Other Comprehensive Income	-	-	-	1,180,474
Total comprehensive income	345,317	22,400,000	224,927	19,248,309
Group from joint venture for current period	7,362	245,339	4,417	194,713

(4) Financial Information of Insignificant Joint Ventures and Associates Combined Respectively

	2019	2018
Joint ventures:		
Aggregated carrying amount of investments	23,876	490,684
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	17,207	1,926
Other comprehensive income (note)	-	-
Total comprehensive income	17,207	1,926
Associates:		
Aggregated carrying amount of investments	6,942,645	7,268,434
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	550,645	393,086
Other comprehensive income (note)	(12,991)	105,061
Total comprehensive income	537,654	498,147

Note: The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

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VIII Classification of Financial Instruments and Fair Value

Fair value of financial instruments and levels

1、 Fair value is divided into the following levels in measurement and disclosure:

Level 1 refers to the (unadjusted) quotation of the same type of assets or liabilities on the active market; and the Company mainly adopts the closing price as the value of a financial asset. Financial instruments of level 1 mainly include exchange listed stocks and bonds.

Level 2 refers to the directly or indirectly observable input of a financial asset or liability that does not belong to level 1.

Level 3 refers to the input of a financial asset or liability determined based on variables other than the observable market data (non-observable input).

2、 Basis for determining the market value of items measured at continuous level 1 fair value

The Company adopts the active market quotation as the fair value of a level 1 financial asset.

3、 Items measured at continuous level 2 fair value adopt the following valuation techniques and parameters:

Derivative financial assets and liabilities are multiple IRS and CCS signed between the Group and financial institutions. The Company adopts the quotation provided by the financial institution in valuation.

4、 Items measured at continuous level 3 fair value adopt the following valuation techniques and parameters (nature and quantity):

Other non-current financial assets measured at continuous level 3 fair value are mainly unlisted equity investments held by the Company. In measuring the fair value, the Company mainly adopts the valuation technique of comparison with listed companies, taking into account the price of similar securities and liquidity discount.

Held-for-trading financial assets measured at continuous level 3 fair value are mainly wealth management products held by the Company. In valuation of the fair value, the Company adopts the method of discounting future cash flows based on the agreed expected yield rate.

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VII Classification of Financial Instruments and Fair Value (Continued)
I

5、 Financial instruments measured at three levels of fair value

Financial assets

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets (see Note V, 2)	2,675,154	356,155	3,043,442	6,074,751
Derivative financial assets (see Note V, 4)	-	159,036	-	159,036
Investments in other equity instruments (see Note V, 16)	192,489	-	87,395	279,884
Other non-current financial assets(see Note V, 17)	-	-	2,542,689	2,542,689
Total assets continuously measured at fair value	2,867,643	515,191	5,673,526	9,056,360

Financial liabilities

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial liabilities(see Note V, 30)	43,000	145,220	-	188,220
Derivative financial liabilities (see note V, 32)	-	84,705	-	84,705
Total liabilities continuously measured at fair value	43,000	229,925	-	272,925

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IX Related Parties and Related-Party Transactions

1 Actual controller and its acting-in-concert parties

The Company has no controlling shareholder.

Mr. Li Dongsheng and Xinjiang Jiutian Joint Equity Investment Partnership (Limited Partnership) became the concerted parties due to the signing of the Concerted Action Agreement, holding a total of 1.221 million shares, making them the largest shareholder of the company.

As per Article 217 of the Company Law, a controlling shareholder refers to a shareholder who owns over 50% of a limited liability company's total capital or over 50% of a joint stock company's total share capital; or, despite the ownership of less than 50% of a limited liability company's total capital or less than 50% of a joint stock company's total number of shares, who can still prevail in the resolution of a meeting of shareholders or a general meeting of shareholders according to the voting rights corresponding to his interest in the limited liability company's total capital or the joint stock company's total number of shares. According to the definition above, the Company has no controlling shareholder or actual controller.

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IX Related Parties and Related-Party Transactions (Continued)

2 Related Parties that Do Not Control or Are Not Controlled by the Company

Information about such related parties:

Related party	Relationship with the Company
Petro AP (Hong Kong) Company Limited	Associate
Huizhou TCL Taidong Shihua Investment Co., Ltd.	Joint Venture
TV University Online Distance Education Technology Co., Ltd.	Joint Venture
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	Associate
Yizheng Zeyu Electric Light Co., Ltd.	Associate
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	Associate
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Tibet Dongwei Investment Management Center (Limited Partnership)	Associate
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	Associate
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	Associate
Shenzhen Tianyi Hemeng Education Co., Ltd.	Associate
Shenzhen Tixiang Management Technology Co., Ltd.	Associate
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Shanghai Huiying Medical Technology Co., Ltd.	Associate
Shanghai Gen Auspicious Investment Management Co., Ltd.	Associate
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	Associate
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	Associate
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Associate
Huizhou TCL Real Estate Development Co., Ltd.	Associate
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	Associate
Beijing A Dynamic Investment Consulting Co., Ltd.	Associate

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IX Related Parties and Related-Party Transactions (Continued)

2 Related Parties that Do Not Control or Are Not Controlled by the Company (Continued)

TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	Associate
Getech Ltd. and its subsidiaries	Associate
TCL Finance (HK) Limited	Associate
Bank of Shanghai Co., Ltd.	Associate
Purplevine IP Operating (Shenzhen) Co. Ltd	Associate's subsidiary
Zijinshan Investment Co., Ltd.	Associate's subsidiary
Elite Excellent Investments Limited	Associate's subsidiary
Qihang Import&Export Limited	Associate's subsidiary
Huixing Holdings Limited	Associate's subsidiary
UNION DYNAMIC INVESTMENT LIMITED	Associate's subsidiary
MARVEL PARADISE LIMITED	Associate's subsidiary
ESTEEM VENTURE INVESTMENT LIMITED	Associate's subsidiary
PETRO AP S.A.	Associate's subsidiary
Shenzhen Xirang International Commercial Travel Co., Ltd.	Associate's subsidiary
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture's subsidiary
CJ Speedex Logistics Co., Ltd.	Enterprises Greatly Affected by the same director
TCL Industries Holdings Inc.and its Subsidiaries	Enterprises under the control of the same director

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IX	Related Parties and Related-Party Transactions (Continued)		
3	Major related-party transactions		
		2019	2018
(1)	Sale of raw materials and finished products	note1	
	TCL Industries Holdings Inc. and its subsidiaries	6,963,427	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	652,343	550,794
	Qihang Import and Export Limited	511,551	474,640
	Saipu TCL Electronic Industrial Technology Co., Ltd.	252,078	901,905
	Subida Xijie Logistics Co., Ltd.	85,540	179,939
	TCL Sun Inc.	79,594	273,062
	TCT Mobile - Telefonos LTDA	44,889	103,045
	T2Mobile International Limited	23,346	84,163
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	5,177	-
	Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	713	61
	Taiyang Electro-optic (Huizhou) Co., Ltd.	336	144
	Beijing Shangdao Yuetu Technology Co., Ltd.	240	-
	Palm Venture Group	238	63,947
	Shenzhen Thunderbird Smart Products Co., Ltd.	116	21,130
	Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	40	18
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	19	136
	Huizhou Gaoshengda Technology Co., Ltd.	15	41
	Beijing National Center for Open & Distance Education Co., Ltd.	12	92
	TCL Zhiyi Technology Huizhou Co., Ltd.	-	8,653
	TCL Very Lighting Technology (Huizhou) Co., Ltd.	-	41,217
	T2Mobile (Shanghai) Limited	-	2,665
	Honpe Technology (Shenzhen) Co., Ltd.	-	185
	Shenzhen Thunderbird Network Technology Co., Ltd.	-	37
	Huizhou Shenghua Industrial Co., Ltd.	-	3,031
	Huizhou TCL Real Estate Development Co., Ltd.	-	6
	Shenzhen Thunderbird Information Technology Co., Ltd.	-	7
	Shenzhen Thunderbird Network Media Co., Ltd.	-	1,229
		8,619,674	2,710,147

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IX Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions

	2019	2018
(2) Finished Goods from Related Parties	Note 2	
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	1,147,113	13,651
TCL Industries Holdings Inc. and its Subsidiaries	813,551	-
Huizhou Gaoshengda Technology Co., Ltd.	154,843	1,257,707
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	95,669	405,848
CJ Speedex Logistics Co., Ltd.	78,847	340,253
Shenzhen Jucai Supply Chain Technology Co., Ltd.	68,832	44,272
Taiyang Electro-optic (Huizhou) Co., Ltd.	50,882	236,562
TCL Very Lighting Technology (Huizhou) Co., Ltd.	41,946	257,248
Wuhan Shangde Plastics Technology Co., Ltd.	33,866	132,862
Huizhou Shenghua Industrial Co., Ltd.	20,659	329,165
Amlogic Co., Limited	13,947	99,940
Qihang Import&Export Limited	3,529	242,316
Huizhou TCL Taidong Shihua Investment Co., Ltd.	1,551	-
Shenzhen Thunderbird Network Media Co., Ltd.	695	2,457
Shenzhen Thunderbird Smart Products Co., Ltd.	370	21,841
Canyon Circuit Technology (Huizhou) Co., Ltd.	58	3,166
Guangdong Regency Optics-Electron Corp.	-	56,909
Yizheng Zeyu Electric Light Co., Ltd.	-	7,371
Tairui (Hong Kong) Limited	-	7,337
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	-	3,156
Rechi Precision Mechanism (Huizhou) Co., Ltd.	-	513
	2,526,358	3,462,574

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IX Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

		2019	2018
(3)	Getting Funding from Related Parties Note 3		
	TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	652,105	-
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	350,004	-
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	169,288	-
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	82,659	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	30,475	29,876
	Qihang Import&Export Limited	28,267	64,677
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	22,535	17,346
	Beijing National Center for Open & Distance Education Co., Ltd.	5,081	13,177
	Elite Excellent Investments Limited	2,164	2,162
	Shenzhen Tixiang Management Technology Co., Ltd.	1,599	845
	Huixing Holdings Limited	665	668
	MARVEL PARADISE LIMITED	640	641
	TV University Online Distance Education Technology Co., Ltd.	554	1,534
	UNION DYNAMIC INVESTMENT LIMITED	471	775
	Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	297	-
	Petro AP (Hong Kong) Company Limited	140	-
	ESTEEM VENTURE INVESTMENT LIMITED	97	-
	Zijinshan Investment Co., Ltd.	1	6
	Huan Tech Co., Ltd.	-	467
	Shenzhen Thunderbird Network Technology Co., Ltd.	-	436,565
	CJ Speedex Logistics Co., Ltd.	-	25,138
	Huizhou Gaoshengda Technology Co., Ltd.	-	28,907
	Shenzhen Thunderbird Network Media Co., Ltd.	-	84,760
	Canyon Circuit Technology (Huizhou) Co., Ltd.	-	60,085
	Huizhou Shenghua Industrial Co., Ltd.	-	5,863
	Taiyang Electro-optic (Huizhou) Co., Ltd.	-	4,658
	Shenzhen Thunderbird Smart Products Co., Ltd.	-	1,620
	Shenzhen Thunderbird Information Technology	-	4,663
		1,347,042	784,433

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IX Related Parties and Related-Party Transactions (Continued)
3 Major Related-Party Transactions (Continued)

(4) Providing Funding for Related Parties	Note 3	2019	2018
TCL Industries Holdings Inc. and its Subsidiaries		2,692,921	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries		427,593	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary		146,439	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		112,318	43,000
Qihang Import&Export Limited		-	5,230
Huizhou Gaoshengda Technology Co., Ltd.		-	45,819
Canyon Circuit Technology (Huizhou) Co., Ltd.		-	10,000
		3,379,271	104,049
(5) Lease		2019	2018
Rental income			
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.		40,629	24,082
TCL Industries Holdings Inc. and its Subsidiaries		22,572	-
Beijing National Center for Open & Distance Education Co., Ltd.		3,361	13,625
Huizhou TCL Real Estate Development Co., Ltd.		866	70
Shenzhen Thunderbird Network Media Co., Ltd.		787	1,575
Shenzhen Thunderbird Information Technology Co., Ltd.		608	1,041
Shenzhen Jucai Supply Chain Technology Co., Ltd.		449	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		445	1,703
CJ Speedex Logistics Co., Ltd.		431	1,109
Purplevine IP Operating (Shenzhen) Co. Ltd		366	211
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.		253	871
Shanghai Huiying Medical Technology Co., Ltd.		213	-
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.		169	-
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)		60	215
Shenzhen Tianyi Hemeng Education Co., Ltd.		34	-
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.		31	122
Huan Tech Co., Ltd.		10	68
Huizhou Shenghua Industrial Co., Ltd.		1	1
Taiyang Electro-optic (Huizhou) Co., Ltd.		1	2
TCL Very Lighting Technology (Huizhou) Co., Ltd.		-	1
Beijing A Dynamic Investment Consulting Co., Ltd.		-	4
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)		-	4
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.		-	4
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.		-	396
Shanghai Gen Auspicious Investment Management Co., Ltd.		-	4
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.		-	215

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IX Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

(5) Lease (continued)

Shenzhen Thunderbird Network Technology Co., Ltd.	-	1
Tibet Dongwei Fund Management Center (Limited Partnership)	-	12
Guangdong Regency Optics-Electron Corp.	-	46
	<u>71,286</u>	<u>45,382</u>

Rental expense

TCL Industries Holdings Inc. and its Subsidiaries	38,110	-
Wuhan Lesheng Times Trading Co., Ltd.	9,544	42,565
CJ Speedex Logistics Co., Ltd.	4,558	-
TCL Very Lighting Technology (Huizhou) Co., Ltd.	603	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	-	272
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	52
	<u>52,815</u>	<u>42,889</u>

(6) Providing Labour Service for or Accepting

Providing labour service for related parties	306,009	74,722
Accepting labour service from related parties	639,429	1,329,540

TCL Technology Group Corporation
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IX Related Parties and Related-Party Transactions (Continued)
3 Major Related-Party Transactions (Continued)

	2019	2018
(7) Receiving Interest from or Paying Interest to Related Parties		
Interest received	104,297	16,421
Interest paid	14,226	15,854

(8) Remuneration of key management personnel	2019 29,639	2018 25,864
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Note Sale of Raw Materials and Finished Goods to Related Parties
1

The Company sells raw materials, spare parts, auxiliary materials and finished goods to its joint ventures and associates at market prices, which are settled in the same way as non-related-party transactions. These related-party transactions have no material impact on the Company's net profit, but play an important role as to the Company's continued operations.

Note Finished Goods from Related Parties
2

The Company purchases raw materials and finished goods from its joint ventures and associates at prices similar to those paid to third-party suppliers, which are settled in the same way as non-related-party transactions. These related-party transactions have no material impact on the Company's net profit, but play an important role as to the Company's continued operations.

Note Providing Funding for or Getting Funding from Related Parties and Corresponding Interest Received or Paid
3

The Company set up a settlement centre in 1997 and TCL Finance Co., Ltd. in 2006 (together, the "Financial Settlement Centre"). The Financial Settlement Centre is responsible for the financial affairs of the Company, including capital operation and allocation. The Centre settles accounts with the Company's subsidiaries, joint ventures and associates and pays the interest. It also allocates the money deposited by the subsidiaries, joint ventures and associates in it to these enterprises and charges interest. The interest income and expense between the Company and the Centre are calculated according to the interest rates declared by the People's Bank of China. The funding amount provided refers to the outstanding borrowings due from the Centre to related parties, while the funding amount received means the balances of related parties' deposits in the Centre.

Note The following transactions between the Company and the Company in January and March of this period are related transactions
4

Related party	Relationship with the Company
Active Industries International Limited	Associate
Harvey Holdings Limited	Associate
KAI OS TECHNOLOGIES INC	Associate
Opta Corporation	Associate
Palm Venture Group	Associate
TCL Very Lighting Technology (Huizhou) Co., Ltd.	Associate
TCL Mingchuang (Xi'an) Co., Ltd.	Associate

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IX Related Parties and Related-Party Transactions (Continued)

3 Major Related-Party Transactions (Continued)

Note 4 The following transactions between the Company and the Company in January-March of this period are related transactions (continued)

Related party	Relationship with the Company
TCL Rechi (Huizhou) Refrigeration Equipment Co., Ltd.	Associate
Beijing Shangdao Yuetu Technology Co., Ltd.	Associate
Wealthy Way Group Limited	Associate
Amlogic (Shanghai) Inc.	Associate
Saipwell TCL Electronics Industrial Technology Co., Ltd.	Associate
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	Associat
Canyon Circuit Technology (Huizhou) Co.,	Associate
Taiyang Electro-optic (Huizhou) Co., Ltd.	Associate
Wuhan Shangde Plastics Technology Co., Ltd.	Associate
Shenzhen Shenchangcheng Commercial Property Service Co., Ltd.	Associate
TCL Sun, Inc.	Joint venture
TCL Zhiyi Technology (Huizhou) Co., Ltd.	Joint venture
T2Mobile Limited	Joint venture
Amlogic Co., Limited	Associate's subsidiary
Good Vision Limited	Associate's subsidiary
TCT Mobile - Telefones LTDA	Associate's subsidiary
Gaoweida Digital Technology (Huizhou) Co.,	Associate's subsidiary
Honpe Technology (Shenzhen) Co., Ltd.	Associate's subsidiary
Huizhou Gaoshengda Technology Co., Ltd.	Associate's subsidiary
Huizhou Shenghua Industrial Co., Ltd.	Associate's subsidiary
Jinpe Technology (HK) Co., Limited	Associate's subsidiary
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	Associate's subsidiary
Tairui (Hong Kong) Limited	Associate's subsidiary
Wuhan Lesheng Times Trading Co., Ltd.	Associate's subsidiary
Xiong Hua Investment Co., Ltd.	Associate's subsidiary
T2Mobile International Limited	Joint venture's subsidiary
T2Mobile (Shanghai) Limited	Joint venture's subsidiary
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	Major subsidiary's non-controlling shareholder

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IX Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties

(1) Accounts receivable

	December 31, 2019	December 31, 2018
TCL Industries Holdings Inc. and its Subsidiaries	2,169,426	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	32,242	136,049
Qihang Import&Export Limited	24,892	50,223
Shanghai Huiying Medical Technology Co., Ltd.	1,000	-
Bank of Shanghai Co., Ltd.	68	-
Purplevine IP Operating (Shenzhen) Co. Ltd	39	-
CJ Speedex Logistics Co., Ltd.	33	-
Huizhou TCL Real Estate Development Co., Ltd.	-	6
Saipwell TCL Electronics Industrial Technology Co., Ltd.	-	173,651
TCL Sun, Inc.	-	79,672
Shenzhen Thunderbird Smart Products Co., Ltd.	-	12,513
T2Mobile International Limited	-	46,362
T2Mobile (Shanghai) Limited	-	2,774
TCL Zhiyi Technology (Huizhou) Co., Ltd.	-	1,479
Beijing National Center for Open & Distance Education Co., Ltd.	-	102
Palm Venture Group	-	18,582
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	3,442
Huan Tech Co., Ltd.	-	430
	<u>2,227,700</u>	<u>525,285</u>

TCL Technology Group Corporation
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IX Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties

(2) Accounts payable

	December 31, 2019	December 31, 2018
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	410,872	14,839
TCL Industries Holdings Inc. and its Subsidiaries	294,817	
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	54,112	-
Getech Ltd. and its subsidiaries	23,617	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	19,746	24,711
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	-	136
Huizhou Gaoshengda Technology Co., Ltd.	-	359,391
Taiyang Electro-optic (Huizhou) Co., Ltd.	-	91,306
Wuhan Shangde Plastics Technology Co., Ltd.	-	8,576
Huizhou Shenghua Industrial Co., Ltd.	-	91,947
Shenzhen Thunderbird Network Media Co., Ltd.	-	2,879
Amlogic Co., Limited	-	14,057
CJ Speedex Logistics Co., Ltd.	-	81,585
Harvey Holdings Limited	-	12
Shenzhen Shenchangcheng Commercial Property Service Co., Ltd.	-	5
	803,164	689,444

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IX Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties (Continued)

(3) Other receivables

	December 31, 2019	December 31, 2018
TCL Industries Holdings Inc. and its Subsidiaries	59,769	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	22,253	-
PETROAP S.A.	1,296	-
Nanjing Zijin Chuangdong Investment Partnership (Limited Partnership)	296	296
Shenzhen Jucai Supply Chain Technology Co., Ltd.	144	3,358
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	75	22,092
LG Electronics (Hui Zhou) INC.	46	10
Wuxi TCL Medical Imaging Technology Co., Ltd.	5	-
Beijing WeMed Medical Equipment Co., Ltd.	2	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	2	-
Huan Tech Co., Ltd.	-	22
Saipwell TCL Electronics Industrial Technology Co., Ltd.	-	236,839
China Merchants Real Estate (Pingshan, Shenzhen) Co., Ltd.	-	147,037
Active Industries International Limited	-	88,882
Harvey Holdings Limited	-	33,372
KAIOS TECHNOLOGIES INC	-	12,816
Palm Venture Group	-	12,266
Wuhan Lesheng Times Trading Co., Ltd.	-	8,000
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	-	7,845
Good Vision Limited	-	5,722
Shenzhen Thunderbird Smart Products Co., Ltd.	-	1,849
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	800
Shenzhen Tixiang Management Technology Co., Ltd.	-	341
Shenzhen Thunderbird Network Media Co., Ltd.	-	251
Wealthy Way Group Limited	-	78
Shenzhen Changcheng Commercial Technology Property Service Co., Ltd.	-	21
Xiong Hua Investment Co., Ltd.	-	17
T2Mobile International Limited	-	6
Changzhou Chuangdong Fund Management Co., Ltd.	-	2
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	-	2
	83,888	581,924

TCL Technology Group Corporation
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IX	Related Parties and Related-Party Transactions (Continued)		
4	Amounts Due from and to Related Parties (Continued)		
(4)	Other payables		
		December 31, 2019	December 31, 2018
	TCL Industries Holdings Inc. and its Subsidiaries	49,029	-
	Qihang Import&Export Limited	28,268	59,446
	TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	27,654	-
	Getech Ltd. and its subsidiaries	23,137	-
	Petro AP (Hong Kong) Company Limited	23,100	-
	TCL Finance (HK) Limited	12,208	-
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	5,541	-
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	4,701	4,659
	Shenzhen Tixiang Management Technology Co., Ltd.	3,591	-
	Purplevine IP Operating (Shenzhen) Co. Ltd	3,238	-
	Shenzhen Xirang International Business Travel Co., Ltd.	2,769	-
	Elite Excellent Investments Limited	2,164	2,162
	TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,035	2,035
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	1,102	-
	CJ Speedex Logistics Co., Ltd.	1,040	87,330
	Huixing Holdings Limited	665	668
	MARVEL PARADISE LIMITED	640	641
	UNION DYNAMIC INVESTMENT LIMITED	471	775
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	384	-
	Beijing National Center for Open & Distance Education Co., Ltd.	168	3,282
	Huizhou TCL Real Estate Development Co., Ltd.	165	2
	TV University Online Distance Education Technology Co., Ltd.	138	139
	ESTEEM VENTURE INVESTMENT LIMITED	97	-
	Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	37	-
	Zijinshan Investment Co., Ltd.	1	6
	Shenzhen Thunderbird Network Technology Co., Ltd.	-	409,752
	Opta Corporation	-	34,190
	Good Vision Limited	-	5,708
	Jinpe Technology (HK) Co., Limited	-	1,976
	Wuhan Shangde Plastics Technology Co., Ltd.	-	784
	Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	777
	Huizhou Shenghua Industrial Co., Ltd.	-	718
	Shenzhen Thunderbird Information Technology Co., Ltd.	-	241
	T2Mobile Limited	-	176
	Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	-	172
	Taiyang Electro-optic (Huizhou) Co., Ltd.	-	93
	Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	-	42
	Honpe Technology (Shenzhen) Co., Ltd.	-	27
	T2Mobile (Shanghai) Limited	-	14

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IX Related Parties and Related-Party Transactions (Continued)
4 Amounts Due from and to Related Parties (Continued)
(4) Other payables (continued)

	December 31, 2019	December 31, 2018
Gaoweida Digital Technology (Huizhou) Co., Ltd.	-	2
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	1
	192,343	615,818

(5) Advance payment

	December 31, 2019	December 31, 2018
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	31,592	-
Shenzhen Xirang International Business Travel Co., Ltd.	1,446	-
TCL Industries Holdings Inc. and its Subsidiaries	565	-
Shenzhen Tixiang Management Technology Co., Ltd.	200	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	35	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	-	29
CJ Speedex Logistics Co., Ltd.	-	1,758
T2Mobile (Shanghai) Limited	-	1,130
Le Shi Zhi Xin Electronics & Technology (Tianjin) Co., Ltd.	-	18
	33,838	2,935

(6) Advances from customers

	December 31, 2019	December 31, 2018
TCL Industries Holdings Inc. and its Subsidiaries	1,994	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	328	-
Huizhou TCL Real Estate Development Co., Ltd.	76	-
Qihang Import&Export Limited	-	7,526
Palm Venture Group	-	25
Huizhou Gaoshengda Technology Co., Ltd.	-	10
	2,398	7,561

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IX Related Parties and Related-Party Transactions (Continued)
4 Amounts Due from and to Related Parties (Continued)
(7) Dividend receivable

	December 31, 2019	December 31, 2018
Wuxi TCL Venture Capital Partnership (Limited Partnership)	5,771	-
TV University Online Distance Education Technology Co., Ltd.	-	47,656
Saipwell TCL Electronics Industrial Technology Co., Ltd.	-	92
	5,771	47,748

(8) Deposits from Related Parties (Note)

	December 31, 2019	December 31, 2018
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	652,130	-
TCL Industries Holdings Inc. and its Subsidiaries	350,004	-
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	169,316	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	83,149	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	30,489	29,876
Qihang Import&Export Limited	28,267	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	22,544	17,346
Beijing National Center for Open & Distance Education Co., Ltd.	5,087	13,032
Elite Excellent Investments Limited	2,164	-
Shenzhen Tixiang Management Technology Co., Ltd.	1,601	845
Huixing Holdings Limited	665	-
MARVEL PARADISE LIMITED	640	-
TV University Online Distance Education Technology Co., Ltd.	554	1,394
UNION DYNAMIC INVESTMENT LIMITED	471	-
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	297	-
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	243	-
Petro AP (Hong Kong) Company Limited	140	-
ESTEEM VENTURE INVESTMENT LIMITED	97	-
Zijinshan Investment Co., Ltd.	1	-
Huan Tech Co., Ltd.	-	467
Shenzhen Thunderbird Network Media Co., Ltd.	-	84,760
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	60,085
Huizhou Gaoshengda Technology Co., Ltd.	-	28,907
Shenzhen Thunderbird Network Technology Co., Ltd.	-	26,565
CJ Speedex Logistics Co., Ltd.	-	14,465
Huizhou Shenghua Industrial Co., Ltd.	-	5,144
Shenzhen Thunderbird Information Technology Co., Ltd.	-	4,663
Taiyang Electro-optic (Huizhou) Co., Ltd.	-	4,565
Shenzhen Thunderbird Smart Products Co., Ltd.	-	1,620
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	-
	1,347,859	293,734

These deposits are made by related parties in the Company's subsidiary TCL Finance Co., Ltd.

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IX Related Parties and Related-Party Transactions (Continued)

4 Amounts Due from and to Related Parties (Continued)

(9) Interest receivable

	December 31, 2019	December 31, 2018
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	71
Harvey Holdings Limited	-	4,953
Qihang Import&Export Limited	-	78
Huizhou Gaoshengda Technology Co., Ltd.	-	34
Canyon Circuit Technology (Huizhou) Co., Ltd.	-	18
	<u>-</u>	<u>5,154</u>

(10) Other non-current assets

	December 31, 2019	December 31, 2018
Purplevine IP Operating (Shenzhen) Co. Ltd	129,965	-
	<u>129,965</u>	<u>-</u>

(11) Other current asset

	December 31, 2019	December 31, 2018
TCL Industries Holdings Inc.and its Subsidiaries	5,208	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	738	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	193	-
TCL Air Conditioner (Wuhan) Co., Ltd. and Its Subsidiary	189	-
	<u>6,328</u>	<u>-</u>

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X Commitments

1 Lease commitments

The following table presents the minimum lease payables after the balance sheet date according to the irrevocable operating lease contracts signed by the Company :

	December 31, 2019	December 31, 2018
Year 1	26,347	101,775
Year 2	16,748	87,092
Year 3	6,705	42,858
Thereafter	5,416	67,742
	<u>55,216</u>	<u>299,467</u>

2 Capital commitments

		December 31, 2019	December 31, 2018
Under contractual obligations but not provided for	Note 1	6,733,484	8,609,241
Approved by Board but not under contractual obligations	Note 2	77,087	8,627
		<u>6,810,571</u>	<u>8,617,868</u>

Note 1 The capital commitments under contractual obligations but not provided for in the current period primarily consisted of such commitments for construction of investment projects and external investments.

Note 2 The capital commitments approved by the Board but not under contractual obligations in the current period primarily consisted of such commitments for CSOT's LCD panel project.

As at 31 December 2019, except for the disclosures above, there were no other major commitments that are required to be disclosed.

TCL Technology Group Corporation
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XI Contingencies

Guarantees Provided for External Parties

The guarantee amount for related party bank loan, commercial drafts, letters of credit, etc. is RMB 18,160,168,000.

As at 31 December 2019, the Company estimated that it was not likely for the aforesaid guarantees to cause a material loss, so it did not record a provision in the financial statements for it. Except for the said contingencies, there were no other major contingencies that are required to be disclosed as at 31 December 2019.

XII Events after Balance Sheet Date

1 The 2019 Final Dividend Plan was approved at the 25th Meeting of the 6th Board of Directors on 28 March 2020. Based on the share capital of 13,000,372,307 shares on 27 March 2020 that are eligible for profit distribution (the total share capital of 13,528,438,719 shares minus the 528,066,412 shares in the Company's special securities account for repurchase that are not eligible for profit distribution), a cash dividend of RMB1 (tax inclusive) per 10 shares is to be distributed to the shareholders, totaling RMB1,300,037,230.70. There will be no bonus issue from capital reserves or profit.

2 On 27 March 2020, according to the Zhong Shi Xie Zhu 【2020】 MTN223 Document—Acceptance of Registration issued by the National Association of Financial Market Institutional Investors and the Offering Plan and Commitment Letter of the First Tranche of MTN of 2020 of TCL Technology Group Corporation, the Company completed the offering of the three-year MTN of RMB3 billion, with interest carrying from 27 March 2020 and a coupon rate of 3.60%.

3 Since the COVID-19 outbreak, the Company has taken active measures to fulfil its social responsibilities as a listed company. It protects the life security and health of all employees and fight against the impact of the epidemic on the operating activities. As the manufacturing process of semi-conductor display devices is special, TCL CSOT was carrying out production and operation as scheduled during the Spring Festival. There is no direct impact on the production or construction of the t1, t2, t6 and t7 factories of TCL CSOT in Shenzhen, and the module factory in Huizhou City. Since the t3 and t4 factories are located in Wuhan City, there was once short-term pressure in terms of work resumption of employees and the supply of certain raw materials. The Company arranged for the return to work of employees in strict compliance with the requirements for prevention and control of the COVID-19, and ensured the normal supply of raw materials through coordination of logistics channels, communication with strategic suppliers, etc. The Company will continue to keep an eye on the developments of the COVID-19 epidemic, seize integration opportunities in the industry, and solidify the leadership of TCL CSOT in efficiency and earnings. It will increase the market share through efficient production capacity arrangements, and increase the proportions of commercial display, AMOLED and foldable screens with high-added value through improving product and technology capabilities, so as to achieve global leadership in the semi-conductor display industry. As of 28 March 2020, the Company has seen no material adverse impact of the COVID-19 epidemic.

Except for the aforesaid event, there were no other significant post-balance-sheet-date events that are required to be disclosed as at the date of the authorization of the financial statements for issue.

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XIII Description of other important matters

(I) Discontinued operations

On January 7, 2019, the major asset restructuring approved at the First Extraordinary General Meeting of 2019:

The Company will directly hold 100% equity in TCL Industries Holdings (HK) Limited, 100% equity in Huizhou TCL Household Electric Appliance Group Co., Ltd., 100% equity in TCL Home Appliances (Hefei) Co., Ltd., 55% equity in Huizhou Cool Friends Network Technology Co., Ltd., 100% equity in Koyoo Online Service Co., Ltd., 100% equity in TCL Technology Park Co., Ltd., Getech Ltd. owns 36% of the shares, and through its wholly-owned subsidiary TCL Finance Holdings Group (Guangzhou) Co., Ltd., indirectly holds 75% of the shares of JDH Information Tech (Zhuhai) Co., Ltd., and Huizhou TCL Light Electrical Appliances Co., Ltd., indirectly holds 1.50% of the shares of Huizhou Cool Friends Network Technology Co., Ltd., all sold to TCL Industries Holdings Inc. at a price of RMB 4.76 billion. The Major Asset Restructuring has been completed in April 2019.

	Amount in 2019	Amount in 2018
Income from discontinued operations	20,167,401	77,791,560
Total profit from discontinued operations	171,147	933,252
Income tax expense from discontinued operations	77,436	421,243
Net profit from discontinued operations	93,710	512,009
Add: Net profit and loss on disposal of discontinued operations	1,238,377	-
Total net profit from discontinued operations	1,332,087	512,009

(II) Segment Reporting

1 Basis for Determining Reporting Segment and Accounting Policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into three reporting segments: semiconductor display and materials business, distribution business and other business. The Company's management regularly evaluates the operating results of these reporting segments to determine the allocation of resources and evaluate their performance. The Company's three reporting segments are:

- (1) Semiconductor display and materials business: mainly includes research and development, manufacturing and sales of semiconductor display panels and semiconductor display modules.
- (2) Distribution businesses: mainly includes the sales of computers, software, tablet computers, mobile phones
- (3) Other business: other businesses besides the above, including industrial finance and investment business, technology development services and patent maintenance services provided by the company, etc.

TCL Technology Group Corporation
Notes to Financial Statements
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XIII Description of other important matters (continued)

(II) Segment Reporting (continued)

Segment assets include all current assets such as tangible assets, intangible assets, other long-term assets and receivables attributable to each segment. Segment liabilities include payables, bank loans and other long-term liabilities attributable to each segment.

Segment operating results refer to the income generated by each segment (including external transactions income and inter-segment transaction income), net of expenses incurred by each segment, depreciation, amortization and impairment losses of assets attributable to each segment, gains or losses from changes in fair value, investment income, non-operating income and income tax expenses. Transfer pricing of inter-segment income is calculated on terms similar to other foreign transactions.

TCL Technology Group Corporation
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- XIII Notes on other important matters (continued)
- (II) Segment reporting (continued)
- 2 Report the financial information of the segment

For the 12-month period ending December 31, 2019

	Semiconductor display and materials business	Distribution business	Others and eliminated intercompa ny accounts	Total
Operating revenue	33,993,534	20,835,617	20,103,935	74,933,086
Total profit	963,401	285,511	2,806,891	4,055,803
Income Tax Expense	(1,043)	69,907	329,205	398,069
Net profit	964,444	215,604	2,477,686	3,657,734
Total assets	130,582,410	4,520,509	29,741,966	164,844,885
Total liabilities	75,351,193	3,517,629	22,092,919	100,961,741
Other items				
Depreciation and amortization expenses	6,863,247	6,626	1,402,134	8,272,007
Capital expenditure	19,737,178	-	379,032	20,116,210
Net interest expense	232,301	56,871	1,139,943	1,429,115

TCL Technology Group Corporation
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XIII Notes on other important matters (continued)

(II) Segment reporting (continued)

2 Report the financial information of the segment (continued)

	For the 12-month period ending December 31, 2018			
	Semiconductor display and materials business	Distribution business	Non-core business	Total
Operating revenue	27,666,368	16,566,993	69,126,715	113,360,076
Total profit	2,600,818	272,614	2,070,948	4,944,380
Income Tax Expense	279,236	76,675	523,271	879,182
Net profit	2,321,582	195,939	1,547,677	4,065,198
Total assets	116,348,578	3,957,923	72,457,442	192,763,943
Total liabilities	68,659,423	3,070,859	60,161,988	131,892,270
Other items				
Depreciation and amortization expenses	5,896,622	5,382	2,068,645	7,970,649
Capital expenditure	30,664,197	-	2,134,167	32,798,364
Net interest expense	161,647	37,312	946,386	1,145,345

TCL Technology Group Corporation
Notes to Financial Statements
(For the period from 1 January 2019 to 31 December 2019)
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XIV Notes to Financial Statements of the Company as Parent
1 Accounts receivable

	December 31, 2019				December 31, 2018			
	Amount	Proportion	Bad debt provision	Proportion	Amount	Proportion	Bad debt provision	Proportion
Within 1 year	445,539	100%	449	0.10%	194,959	100%	-	0%

As of December 31, 2019, there was not such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other receivables

	December 31, 2019	December 31, 2018
Interest receivable	-	212,200
Dividend receivable	4,211,824	4,211,824
Other receivables	12,917,649	14,349,329
	<u>17,129,473</u>	<u>18,773,353</u>

(a) Nature of other receivables is analyzed as follows:

	December 31, 2019	December 31, 2018
External unit current account	440,600	617,647
Deposit and security deposit	792	2,304
Other	12,476,257	13,729,378
	<u>12,917,649</u>	<u>14,349,329</u>

(b) Bad debt accrual for other receivables is analyzed as follows:

	Expected credit loss in next 12 months	Expected credit loss for the entire duration (credit impairment has occurred)	Total
December 31, 2018	-	65,873	65,873
Change and adjustment of accounting policy	-	-	-
January 1, 2019	-	65,873	65,873
Current accrual	753	32	785
Reversal of current period	-	(2,777)	(2,777)
Write-off in current period	(35)	(21,828)	(21,863)
December 31, 2019	718	41,300	42,018

TCL Technology Group Corporation
Notes to Financial Statements
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XIV Notes to Financial Statements of the Company as Parent(Continued)

2 Other receivables (continued)

(c) The aging of other receivables is analyzed as follows:

	Amount	December 31, 2019 Proportion	Amount	December 31, 2018 Proportion
Within 1 year	9,708,317	74.91%	11,333,489	78.62%
1 to 2 years	2,080,024	16.05%	2,506,592	17.39%
2 to 3 years	940,910	7.26%	316,189	2.19%
More than 3 years	230,416	1.78%	258,932	1.80%
	<u>12,959,667</u>	<u>100.00%</u>	<u>14,415,202</u>	<u>100.00%</u>

The outstanding other receivables were mostly current accounts with related parties. As of December 31, 2019, there were no such other receivables from any shareholder with a 5% or greater voting stock.

The top five other receivables of the Company are about RMB 9,544,224,000 (end of 2018: RMB 6,598,913,000), accounting for 73.65% (end of 2018: 45.78%) of the total other receivables of the Company.

TCL Technology Group Corporation
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XIV Notes to Financial Statements of the Company as Parent(Continued)

3 Available-for-sale financial assets (applicable in 2018 only)

December 31, 2018

Available-for-sale equity instruments - measured at fair value (note)	40,736
Available-for-sale equity instruments - measured at costs	1,144,694
	<u>1,185,430</u>

Notes Available-for-sale equity instruments - measured at fair value

December 31, 2018

Costs	40,000
Changes in fair value	736
	<u>40,736</u>

4 Long-term equity investments

	December 31, 2019			December 31, 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Long-term equity investment calculated by equity method	11,863,148	-	11,863,148	9,545,711	-	9,545,711
Among them: Associates (1)	11,850,369	-	11,850,369	9,526,568	-	9,526,568
Joint Ventures (1)	12,779	-	12,779	19,143	-	19,143
Subsidiaries (2)	27,434,124	-	27,434,124	32,257,739	-	32,257,739
	<u>39,297,272</u>	-	<u>39,297,272</u>	<u>41,803,450</u>	-	<u>41,803,450</u>

As of December 31, 2019, there are no major restrictions on the realization of investment and the remittance of investment income for long-term equity investment.

TCL Technology Group Corporation
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XIV Notes to Financial Statements of the Company as Parent(Continued)
4 Long-term equity investment (continued)
(1) Joint Ventures and Associates

	Amount at beginning of year	Increase or decrease investment in the current period	Increase or decrease in current period						December 31, 2019
			Investment gains and losses recognized by equity method	Other comprehensiv e income adjustments	Changes in other interests	Cash dividends or profits declared	Impairment allowance	Other increases and decreases	
Bank of Shanghai Co., Ltd.	8,363,564	188,813	1,018,493	81,483	-	(245,339)	-	(92,403)	9,314,611
Zhongxin Financial Capital Management Company Limited	-	838,800	39,120	-	-	-	-	-	877,920
LG Electronics(Hui Zhou) INC.	83,902	-	16,881	-	-	(8,200)	-	-	92,583
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	45,034	-	(4,197)	-	-	-	-	-	40,837
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	2,023	-	(207)	-	-	-	-	-	1,816
Huan Tech Co., Ltd.	180,364	-	(2,261)	-	-	-	-	(178,103)	-
Tianjin 712 Communication & Broadcasting Co., Ltd.	704,224	-	65,853			(7,362)		(245)	762,470
Huizhou TCL Taidong Shihua Investment Co., Ltd.	19,143	-	(6,364)	-	-	-	-	-	12,779
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,158	-	184	-	-	-	-	-	5,342
Shenzhen Tixiang Management Technology Co., Ltd.	2,013	-	65	-	-	-	-	-	2,078
Huizhou TCL Environmental Resource Co., Ltd.	-	71,300	438	-	-	-	-	-	71,738

TCL Technology Group Corporation
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XIV Notes to Financial Statements of the Company as Parent (Continued)

4 Long-term equity investment (continued)

(1) Joint Ventures and Associates

	Amount at beginning of year	Increase or decrease investmen t in the current period	Increase or decrease in current period						December 31, 2019
			Investment gains and losses recognized by equity method	Other comprehen sive income adjustments	Change s in other interests	Cash dividends or profits declared	Impairment allowance	Other increase s and decrease s	
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	-	375,000	20	-	-	-	-	-	375,020
Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	-	150,000	(507)	-	-	-	-	-	149,493
Other	140,286	-	22,176	-	-	(6,001)	-	-	156,461
	<u>9,545,711</u>	<u>1,623,913</u>	<u>1,149,694</u>	<u>81,483</u>	<u>-</u>	<u>(266,902)</u>	<u>-</u>	<u>(270,751)</u>	<u>11,863,148</u>

TCL Technology Group Corporation
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XIV Notes to Financial Statements of the Company as Parent (Continued)

4 Long-term equity investment (continued)

(2) subsidiaries

	Vote Proportion	January 1, 2019	Increase in current period	Decrease in current period	December 31, 2019
TCL Industries Holdings (HK) Limited	-	1,327,882	-	(1,327,882)	-
TCL China Star Optoelectronics Technology Co., Ltd.	88.82%	21,895,698	268,400	-	22,164,098
Huizhou TCL Household Electric Appliance Group Co., Ltd.	-	448,000	-	(448,000)	-
Huizhou Cool Friends Network Technology Co., Ltd.	-	273,144	-	(273,144)	-
Koyoo Online Service Co., Ltd.	-	25,469	-	(25,469)	-
Techne Corporation	-	37,954	-	(37,954)	-
Xinjiang TCL Equity Investment Co., Ltd.	100%	200,000	-	-	200,000
Wuhan TCL Industrial Technology Research Institute, Ltd.	100%	20,000	-	-	20,000
Huizhou TCL Environmental Resource Co., Ltd.	100%	273,000	-	(273,000)	-
Highly Information Industry Co., Ltd.	73.69%	107,296	-	-	107,296
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Finance Co., Ltd.	82.00%	1,256,003	-	-	1,256,003
Shenzhen TCL High-Tech Development Co., Ltd.	100%	20,000	-	-	20,000
TCL Home Appliances (Hefei) Co., Ltd.	-	300,000	-	(300,000)	-
Huizhou TCL Light Electrical Appliances Co., Ltd.	100%	70,037	-	(70,037)	-
TCL Culture Media (Shenzhen) Co., Ltd.	100%	353,414	8,000	-	361,414
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	100%	772,000	-	-	772,000
Guangzhou TCL Internet Microcredit Co., Ltd.	100%	500,000	-	-	500,000
Shenzhen HAWK Internet Co., Ltd.	100%	350,000	-	(350,000)	-
Shenzhen Thunderbird Digital Entertainment Technology Co., Ltd.	100%	50,000	-	(50,000)	-
TCL Intelligent Industry (Huizhou) Co., Ltd.	-	59,000	-	(59,000)	-
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	89.84%	405,624	52,370	-	457,994

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XIV Notes to Financial Statements of the Company as Parent(Continued)

4 Long-term equity investment (continued)

(2) Subsidiaries (continued)

	Vote Proportion	January 1, 2019	Current period Increase	Current period Decreased	December 31, 2019
Beijing HAWK Cloud Information Technology Co., Ltd.	100%	20,000	-	-	20,000
TCL Technology Park (Huizhou) Co., Ltd.	100%	625,324		(120,374)	504,950
TCL Technology Park Co., Ltd.	-	2,563,631	-	(2,563,631)	-
Huizhou Sailuote Communication Co., Ltd.	100%	82,500	27,500	-	110,000
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100%	58,497	-	-	58,497
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100%	20,000	-	-	20,000
Getech Ltd.	-	36,000	-	(36,000)	-
TCL Industrial Technology Research Institute, Ltd. (Europe)	100%	-	20,000	-	20,000
Peer College Education Technology (Huizhou)	100%	-	5,000	-	5,000
Huizhou Hongsheng Technology Development Co., Ltd.	100%	-	1,000	-	1,000
Ningbo TCL Equity Investment Co., Ltd.	100 %	-	300,000		300,000
TCL Technology Investments Limited	100%	-	188,293		188,293
Beijing Zhiqujia Technology Co., Ltd.	100%	-	257,627	-	257,627
Equity incentives of subsidiaries	-	27,766	322	(17,636)	10,452
		<u>32,257,739</u>	<u>1,128,512</u>	<u>(5,952,127)</u>	<u>27,434,124</u>

For the registered capital of subsidiaries and the Company's equity interests in the subsidiaries, see Note V.

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XIV Notes to Financial Statements of the Company as Parent(Continued)

5 Other equity instrument investment (2019 only)

				December 31, 2019	January 1, 2019	
Non-trading equity instruments				15,000	15,076	
Item name	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons designated as measured at fair value and whose changes are included in other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Non-trading equity instruments	-	-	(76)	-	-	

6 Operating Revenue and Cost of Sales

	2019		2018	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Core business	1,216,047	1,200,847	1,255,708	1,247,345
Non-core business	514,140	281,499	800,242	607,278
	<u>1,730,187</u>	<u>1,482,346</u>	<u>2,055,950</u>	<u>1,854,623</u>

7 Return on Investment

	2019	2018
Income from disposal of credit instruments measured at fair value and whose changes are included in current profit and loss	177,073	-
Income from disposal of equity instruments measured at fair value and whose changes are included in current profit and loss	210,848	-
Income held by credit instruments measured at fair value and whose changes are included in current profit and loss	46,726	-
Credit instruments measured at amortized cost through profit or loss	7,217	-
Income held by equity instruments measured at fair value and whose changes are included in current profit and loss	17,361	-
Income from disposal of wealth management instruments	-	412,800
Dividends from subsidiaries	257,126	5,384,073
Share of profit of associates for current period	1,156,058	935,168
Share of profit of joint ventures for current period	(6,364)	(3,447)
Income during period of holding available-for-sale financial assets	-	31,282
Net income from disposal of long-term investments	<u>(486,501)</u>	<u>366,517</u>
	<u>1,379,544</u>	<u>7,126,393</u>

As of December 31, 2019, there were no significant restrictions on the collection of the investment income.

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XIV Notes to Financial Statements of the Company as Parent(Continued)

8 Cash flows generated from operating activities

The net cash inflow from operating activities in the company's cash flow statement was RMB 4,843,106,000.

9 Balance of cash and cash equivalents at the end of period

The Company's balance of cash and cash equivalents at the end of the period was RMB 3,941,090,000.

10 Contingent Liabilities

As at December 31, 2019, the contingent liabilities not provided for in the financial report are as follows:

	December 31, 2019	December 31, 2018
Guarantees for commercial drafts and letters of guarantee of subsidiaries	9,809,585	25,162,875
Guarantees for bank loans of subsidiaries	22,119,613	23,408,535
Guarantee bank loans, commercial bills, letters of credit, etc. of related parties	18,160,168	1,112,147

TCL Technology Group Corporation
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XV Comparative Data

Certain comparative data have been reclassified to comply with the presentation of the current period.

XVI Non-recurring profit and loss items and amounts

	2019	2018
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	1,419,021	(58,305)
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	1,170,649	1,377,065
In addition to the effective hedging business related to the normal operation of the company, gains and losses on fair value changes arising from the holding of trading financial assets and trading financial liabilities, as well as investment gains from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets.	186,339	162,729
Non-operating income and expense other than the above	77,286	871,847
Income tax impact	(165,398)	(191,942)
Number of Minority Shares Affected	(305,250)	(280,578)
Non-recurring gains and losses attributable to ordinary shareholders of the Company as parent	2,382,647	1,880,816

The confirmation of non-recurring profit and loss items by the company shall be carried out in accordance with the provisions of (2008) No.43 "Explanatory Announcement No.1-Non-recurring Profit and Loss (2008)" issued by the China Securities Regulatory Commission.

TCL Technology Group Corporation
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XVII Weighted Average Return on Equity (ROE) and Earnings per Share (EPS)

The Company calculates the ROE and EPS as follows in accordance with "the Compilation Rules No. 9 for Information Disclosure of Companies Offering Securities to the Public-Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010)" issued by China Securities Regulatory Commission and relevant provisions of accounting standards:

Item	Reporting period Net profit	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	2,617,765	9.09%	0.1986	0.1935
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	235,119	0.76%	0.0178	0.0174

Company Name: TCL Technology Group Corporation

Date: March 28, 2020

The financial statements and the notes thereto from page 1 to page 197 are signed by:

Legal Representative	Li Dongsheng	Person-in-charge of financial affairs:	Du Juan	Person-in-charge of the financial department:	Xi Wenbo
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