

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



INTERIM REPORT 2022

August 26, 2022

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.

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

All the Company’s directors attended the Board meeting for the review of this report.

The future plans, development strategies or other forward-looking statements mentioned in this Report and its summary shall NOT be considered as promises of the Company to investors. Therefore, investors are kindly reminded to pay attention to possible investment risks.

The Company has no interim dividend plan, either in the form of cash or stock, nor for the conversion of capital reserve into share capital.

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

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Documents Available for Reference

(I) The financial statements signed and stamped by the person-in-charge of the Company, the Chief Financial Officer and person-in-charge of the financial department.

(II) The originals of all the Company's announcements and documents that were disclosed to the public during the Reporting Period.

Definitions

Term	Refers to	Definition
The “Company”, the “Group”, “TCL”, “TCL Tech.” or “we”	Refers to	TCL Technology Group Corporation
The “Reporting Period”, “current period”	Refers to	The period from January 1, 2022 to June 30, 2022.
TCL CSOT	Refers to	TCL China Star Optoelectronics Technology Co., Ltd.
TCL Zhonghuan	Refers to	TCL Zhonghuan Renewable Energy Technology Co., Ltd., a majority-owned subsidiary of the Company listed on the Shenzhen Stock Exchange (stock code: 002129.SZ)
TPC	Refers to	Tianjin Printronics Circuit Corporation, a majority-owned subsidiary of the Company listed on the Shenzhen Stock Exchange (stock code: 002134.SZ)
Wuhan CSOT	Refers to	Wuhan China Star Optoelectronics Technology Co., Ltd.
Guangdong Juhua	Refers to	Guangdong Juhua Printed Display Technology Co., Ltd.
Jiutian Liancheng	Refers to	Ningbo Jiutian Liancheng Equity Investment Partnership (Limited Partnership)
Highly	Refers to	Highly Information Industry Co., Ltd., a majority-owned subsidiary of the Company listed on the National Equities Exchange and Quotations (stock code: 835281)
Moka Technology	Refers to	Moka International Limited
Semiconductor materials	Refers to	Materials with electrical conductivity between conductors and insulators.
Monocrystalline silicon	Refers to	Single-crystal silicon in which the silicon atoms are structured periodically and made of high-purity polycrystalline silicon by the Czochralski (CZ) and float zone (FZ) method.
Polycrystalline silicon	Refers to	Polycrystal of silicon composed of silicon grains at a certain size, in which each silicon grain has a different crystalline orientation. High-purity polysilicon used to prepare monocrystalline silicon is primarily purified from metallurgical-grade polysilicon by the improved Siemens method.
P-type	Refers to	P-type monocrystalline silicon created by adding trivalent elements (such as boron) to replace silicon atoms in the production process of monocrystalline silicon.
N-type	Refers to	P-type monocrystalline silicon created by adding pentavalent elements (such as phosphorus) to replace silicon atoms in the production process of monocrystalline silicon.
Polished wafer	Refers to	Silicon wafer obtained through cutting, grinding, and polishing.
Epitaxial wafer	Refers to	Semiconductor silicon wafer formed through the epitaxial process on the polished wafer.
t1	Refers to	The generation 8.5 (or G8.5) TFT-LCD production line of TCL CSOT
t2	Refers to	The generation 8.5 (or G8.5) TFT-LCD (including oxide semiconductor) production line of TCL CSOT
t3	Refers to	The generation 6 (or G6) LTPS-LCD panel production line of TCL CSOT
t4	Refers to	The generation 6 (or G6) flexible LTPS-AMOLED panel production line of TCL CSOT
t5	Refers to	The generation 6 (or G6) of new semiconductor production line of Wuhan CSOT
t6	Refers to	The generation 11 (or G11) new TFT-LCD display production line of TCL CSOT
t7	Refers to	The generation 11 (or G11) new ultra-high-definition (UHD) TFT-LCD and AMOLED production line of TCL CSOT
t9	Refers to	The generation 8.6 (or G8.6) new oxide semiconductor production line of Guangzhou CSOT
t10	Refers to	The generation 8.5 (or G8.5) TFT-LCD production line of Suzhou China Star Optoelectronics Technology Co., Ltd.
GW	Refers to	Gigawatt, power unit for solar cells, 1GW = 1,000 megawatts
G12	Refers to	12-inch ultra-large DW-cut solar monocrystalline silicon square wafer, size: 44,096mm ² , diagonal line: 295mm, side length: 210mm, with its size 80.5% larger than the conventional M2

Part II Corporate Information and Key Financial Information

I. Corporate Information

Stock name	TCL TECH.	Stock code	000100
Place of listing	Shenzhen Stock Exchange		
Company name in Chinese	TCL 科技集团股份有限公司		
Abbr. (if any)	TCL 科技		
Company name in English (if any)	TCL Technology Group Corporation		
Abbr. (if any)	TCL TECH.		
Legal representative	Li Dongsheng		

II. Contact Information

	Board Secretary
Name	Liao Qian
Office address	10/F, Tower G1, International E Town, TCL Science Park, 1001 Nanshan District, Shenzhen, Guangdong Province, China
Tel.	0755-3331 1666
Email address	ir@tcl.com

III. Other Information

1. Contact Information of the Company

Whether the registered address, office address and their zip codes, website address and email address of the Company changed during the Reporting Period.

Applicable Not applicable

No change occurred to the registered address, office address and their zip codes, website address and email address of the Company during the Reporting Period. Please refer to the Annual Report 2021 for details.

2. Media for Information Disclosure and Place Where This Report is Lodged

Whether the media for information disclosure and place where this report is lodged changed during the Reporting Period.

Applicable Not applicable

No change occurred to the newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for lodging such reports during the Reporting Period. Please refer to the Annual Report 2021 for details.

3. Other Information

Whether other information changed during the Reporting Period.

Applicable Not applicable

IV. Key Accounting Data and Financial Indicators

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

Yes No

Reasons for retroactive adjustment or restatement

Change of accounting policy

	H1 2022	H1 2021		Change
		Before adjustment	After adjustment	After adjustment
Revenue (RMB)	84,522,181,128	74,298,646,758	74,405,849,039	13.60%
Net profit attributable to the company's shareholders (RMB)	663,522,871	6,783,884,807	6,802,218,487	-90.2%
Net profits attributable to the company's shareholders before non-recurring gains and losses (RMB)	-626,869,385	5,497,817,947	5,516,151,627	-111.36%
Net cash generated from operating activities (RMB)	9,016,635,743	13,895,714,157	13,895,714,157	-35.11%
Basic earnings per share (RMB/share)	0.0489	0.5026	0.5040	-90.30%
Diluted earnings per share (RMB/share)	0.0485	0.4835	0.4848	-90.00%
Weighted average return on equity (%)	1.71%	18.96 %	19.01%	Decrease by 17.3 percentage points year on year
	End of the Reporting Period	December 31, 2021		Change
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	330,356,529,181	308,733,133,305	308,987,970,915	6.92%
Owners' equity attributable to the company's shareholders (RMB)	39,024,099,358	43,034,234,611	43,103,580,799	-9.46%

Reasons for change in accounting policies and correction of accounting errors

In accordance with the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance, the Company implemented related requirements and retroactively adjusted relevant items of the financial statements at the beginning of the year and the same period of the previous year. Such change in accounting policy has no material impact on the Company's financial position and operating results.

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)	14,030,642,421
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Fully diluted earnings per share based on the latest total share capital above:

Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.0473
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V. Accounting Data Differences under China Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Differences in Net Profit and Equity under CAS and IFRS

Applicable Not applicable

There were no differences in the net profit and equity reported by the Company under CAS and IFRS during the Reporting Period.

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

Applicable Not applicable

There were no differences in the net profit and equity reported by the Company under CAS and Foreign Accounting Standards during the Reporting Period.

3. Reasons for Accounting Data Differences Above

Applicable Not applicable

VI. Non-Recurring Gains and Losses

Applicable Not applicable

Unit: RMB

Item	Amount
Gains and losses on disposal of non-current assets (inclusive of impairment allowance write-offs)	464,268,004
Government subsidies charged to current profits and loss (except for government subsidies closely related to the Company's normal business which comply with national policies and regulations and are enjoyed on an ongoing basis according to certain standard quotas or quantities)	429,923,376
The profits or losses generated from changes in fair value arising from holding marketable financial assets and marketable financial liabilities, as well as the investment-related income from the disposal of marketable financial assets, marketable financial liabilities and available-for-sale financial assets, except for the effective hedging business related to the Company's normal business operation.	-11,163,893
Reversal of provision for impairment of receivables that have been individually tested for impairment	10,179,957
Non-operating income and expenses other than the above	538,584,560
Less: Corporate income tax	47,765,551
Non-controlling interests (net of tax)	93,634,197
Total	1,290,392,256

Details of other profit and loss items that meet the definition of non-recurring profits and losses:

Applicable Not applicable

The Company has no other profit and loss items that meet the definition of non-recurring profits and losses.

Note on non-recurring profit and loss items that which is listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Gain/Loss* shall be used to define Recurring Gain/Loss items

Applicable Not applicable

The Company does not have any non-recurring profit and loss items listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-Recurring Gain/Loss* that are defined as recurring profit and loss items.

Part III Management Discussion and Analysis

I. Main businesses of the Company during the reporting period

1. Overview

In the first half of the year affected by factors such as intensifying geopolitical conflicts, rising inflationary pressures, and multiple waves of COVID-19 outbreaks across the world, the demand in end market remained sluggish and the global economy slowed down significantly. The complex and changing political and economic situation has further impacted the high-tech industry and driven the transformation of energy structures. In response to these changes, the Company laid out its business in the pan-semiconductor industry on a basis of semiconductor display, new energy photovoltaics, and semiconductor materials, strengthened its risk management and control, and secured the bottom line of operation with ultimate cost efficiency to improve comparative competitiveness and pursue sustainable high-quality development.

During the reporting period, the Company achieved an operating revenue of RMB84.52 billion, a year-on-year increase of 13.6%; a net profit of RMB1.93 billion, a year-on-year decrease of 79.3%; and a net profit of RMB660 million attributable to the shareholders of listed companies, a year-on-year decrease of 90.2%. The Company saw decreased profits primarily due to overall sluggish demand for display terminals, sharp decline in orders from key regional markets and customers caused by geopolitical conflicts, and significantly lower prices of major products than that at the same period of last year. The net profit of the Company's semiconductor display business decreased by RMB8.9 billion year on year.

In terms of its new energy photovoltaic business, the Company seized the promising opportunities of the industry, fully utilized its leading advantages in products and process technology, and accelerated the construction of advanced capacity. In terms of its semiconductor material business, the Company continued to diversify its product and customer structure, with both production and sales increasing significantly. TCL Zhonghuan achieved an operating income of RMB31.7 billion, a year-on-year increase of 79.7%, and a net profit of RMB3.225 billion, a year-on-year increase of 68.4%, with rapidly increased proportion of contribution to the Company's performance. The Company has recently begun working with its partners to launch a project of 100,000 tons of granular silicon and silicon-based materials and a project of 10,000 tons of electronic grade polycrystalline silicon, enabling the Company to coordinate industrial chain resources and secure the supply of major materials on the upstream.

Building long-term competitive advantages based on the technological innovation-driven

business development. During the reporting period, the Company invested RMB5.25 billion in R&D, a year-on-year increase of 3.65%. The Company filed a total of 475 new international patent applications under the PCT, for a total of 14,526 applications filed. The Company has increased R&D investment in the semiconductor display business by focusing on new display technologies such as printed OLED, QLED, and Micro-LED, and made breakthroughs in key technologies and materials such as flexible displays, near-to-eye displays, and basic chemicals. The Company's patent applications for quantum dot electroluminescence technology and materials reached 2,033, ranking second in the world. The Company has developed a series of proprietary technologies and expertise with independent intellectual property rights in the field of new energy photovoltaics and semiconductor materials. The Company's market share of G12 large silicon wafers and high-efficiency N-type silicon wafers ranked first in the world, leading the upgrade of thin-wafer and thin-line process technology in the photovoltaic industry.

Optimizing product and customer structures, growing market shares, and balanced development of overall business structure. In the semiconductor display sector, the first product of the high-end t9 production line has been launched and the expansion project for G6 LTPS has been constructed as planned, improving the balance of the Company's capacity layout. In the first half of this year, the Company's shipments of e-sports MNTs and LTPS tablets ranked first in the world, its shipment of LTPS laptops ranked second in the world, and its shipment of LTPS vehicle screen ranked top five in the world. Its product portfolio has been continuously optimized. The Company's total capacity of photovoltaic materials reached 109GW, and its market share of silicon wafers external sales ranked first in the world. It is expected that the Company's crystal capacity will exceed 140GW by the end of 2022, becoming the largest manufacturer of photovoltaic monocrystalline silicon in the world. The capacity scale and market share of the Company's imbricated modules have been steadily improved. The Company has further enhanced its global competitiveness by strengthening its synergistic advantage with MAXEON. The Company continued to optimize its total solution for semiconductor materials, doubling its year-on-year growth in the shipment of 8-12 inch polished wafers and epitaxial wafers.

Building a digital and industry 4.0 platform while pioneering cutting-edge intelligent manufacturing technology. Through the deep integration of intelligence, digitization, and advanced manufacturing in the semiconductor display business, the Company has driven the continuous improvement of processes, greatly improved manufacturing efficiency, and realized the dynamic management of the whole production process and the product lifecycle. The Company has adopted a lean management model combined with industry 4.0 manufacturing in its new energy photovoltaics business, significantly increasing the flexible manufacturing capability and quality assurance. The

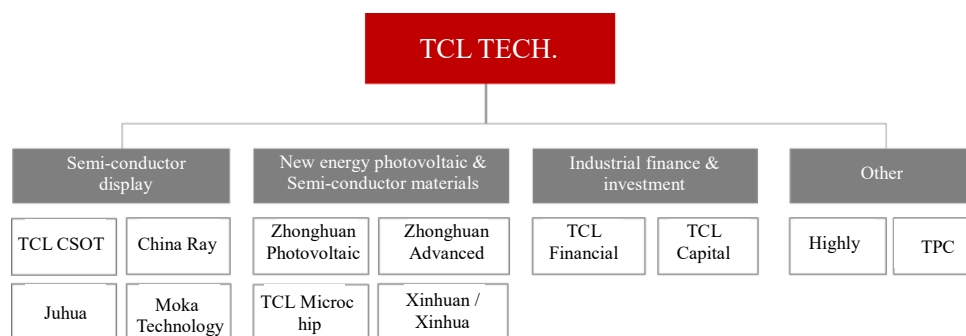
Company's monthly output of single furnaces, number of wafers per kilogram, man-machine ratio, and other indicators have been continuously optimized. TCL Zhonghuan Yinchuan's phase 6 single-crystal plant has increased its man-machine ratio to 384 units per person in the crystal drawing process, realizing personnel efficiency far above the industry average.

Driving the entire value chain towards green and low-carbon development through a people-oriented approach, and constantly exploring harmonious coexistence and sustainable development. Upholding a green development model, the Company has promoted the low-carbon process in both the production and consumption process. TCL CSOT and other major businesses improve the utilization of clean energy by building photovoltaic power generation systems on plant roofs. New display technologies such as HVA, 1G1D, and LTPO can effectively reduce the power consumption of consumer products while improving image quality. TCL Zhonghuan has accelerated the production and manufacturing of new energy photovoltaic materials, strengthened the national industrial layout with Inner Mongolia, Tianjin, and Jiangsu as manufacturing bases, and reduced the integrated cost of global energy transformation through R&D and innovation.

Looking forward, the increasing restructuring of the global economy will pose both opportunities and challenges to the high-tech industry. The increasing competition in the semiconductor display industry will optimize the industry layout in the long run and recover earnings. We will comprehensively consider the industrial chain layout and resource investment in new energy photovoltaics to achieve more sustainable and stable development while choosing the opportunity to expand related field layout based on our experience in semiconductor materials. We will continue to implement the business strategy of “improving operating quality and profitability, consolidating advantages and improving disadvantages, accelerating global layout, and promoting innovation-driven development”, stick to the bottom line of extreme cost efficiency, and strengthen risk control capabilities and adaptability to drive high-quality development.

2. Operation of main businesses

Based on the semi-conductor display business, new energy photovoltaic and semi-conductor materials as the main business, the Company continue to optimize its business structure, and further focus on its main businesses, to achieve the strategic goal of global leadership in its two core industries.



(I) Semiconductor display business

Under the influence of international political conflicts and the COVID-19 pandemic, the recovery of the global economy has been slow, downstream consumer demand has remained sluggish, the semiconductor display industry fell at the bottom of the industry cycle, and the prices of major products have significantly lowered compared to the same period of last year. During the reporting period, TCL CSOT achieved a total of sales area of 22.496 million square meters, a year-on-year increase of 26.4%, and achieved a revenue of RMB37.26 billion from the semiconductor display business, a year-on-year decrease of 8.81%, with a loss of RMB2.27 billion. In order to meet these challenges, the Company took adopted extreme cost-effectiveness as the bottom line of operations and improved its business structure to enhance risk control and resilience capacity in this economic cycle.

In its large-size product business, TCL CSOT has consolidated its leading position in TV panels with a high-end product strategy, and gradually increased its proportion of commercial displays such as interactive whiteboards, digital signs, and video walls. The t1, t2, t6, and t10 plants maintained efficient operations, and the t7 plant has ramped up as scheduled. The Company's TV panel market share ranked second in the world, 55-inch and 75-inch product market share ranked first in the world, 65-inch product market share ranked second in the world, and 8K and 120Hz high-end TV panel market share ranked first in the world by a firm margin. The Company has accelerated the adjustment of its product structure, with revenue from non-TV businesses rising to 25%, becoming the core supplier for leading customers in terms of commercial display markets such as interactive whiteboards, digital signs, and TV walls. The Company's market share of interactive whiteboards has risen to first in the world.

In its medium-size product business, TCL CSOT has accelerated the expansion of new business such as IT and vehicle screen products while improving the distribution of production capacity to create a new growth engine. In order to meet market and customer needs, the Company improved the ordering of its medium-sized product and customer structure based on the optimization

of existing capacity, and achieved a rapid growth in high-end IT segments. The company's e-sports display market share ranked first in the world, LTPS laptop shipments ranked second in the world, and shipment of LTPS tablets ranked first in the world. The Company achieved breakthroughs in multiple key vehicle screen customers, with both shipment volume and revenue scale increasing significantly. Revenue from t3 non-mobile products also increased by 56%. The t9 production line, which is positioned in the new business layout of medium-sized IT and vehicle-mounted products has launched its first product. The G6 LTPS production line constructed as planned. After commissioning, the overall capacity and competitiveness of LTPS will rank first in the world, making further breakthroughs in the medium-sized business strategy of the Company.

In its small-size product business, TCL CSOT focused on foldable and other technologies while expanding VR/AR new displays to optimize its product and customer structure. The shipment volume of LTPS mobile panels from the t3 production line remained the fourth highest in the world. The independently developed industry-leading 1512 PPI LCD-VR screens are expected to achieve SoP and shipment to brand customers in September. The t4 production line was still under pressure due higher R&D costs and fixed expenses for the scaling of capacity during the early stage. However, the development of new technologies and products such as foldable OLEDs, under-screen cameras, LTPOs, and narrow bezels has progressed smoothly. This has acquired many brand customers, diversified the product portfolio and customer resources, and laid a foundation for subsequent business enhancement.

In the long run, the growth of large-size display production capacity will decrease and further optimization of the competitive landscape will continue. The industry will accelerate its restructuring, old capacity will continue to be eliminated, and leading manufacturers will take the initiative in cutting down on production. With gradually reducing capacity at the supply side and the recovery of demand, the industry is expected to rebound. TCL CSOT will further optimize its business portfolio, increase the proportion of high-end large-size products, improve the product layout for medium-size products, improve the business situation for small-size products, and accelerate its transformation from a leader in large-sized displays to a cutting-edge enterprise covering all display sizes. The Company will pursue efficiency in its operations and continue to improve its comparative competitive advantages in the industry.

(II) New energy photovoltaic and semiconductor materials business

Driven by the accelerated transformation of the global energy structure, demand in the photovoltaics industry has experienced explosive growth. The demand for semiconductor materials has also maintained rapid development as China has continued the independent development of its domestic semiconductor manufacturing industry. **The new energy photovoltaics and**

semiconductor material industries have fully utilized their leading technological advantages, accelerated the construction of advanced production capacity, and are continuing to improve operating efficiency, results in sharp growths in both revenue and performance. During the reporting period, TCL Zhonghuan achieved an operating revenue of RMB31.70 billion, a year-on-year increase of 79.7%, and earned a net profit of RMB3.225 billion, a year-on-year increase of 68.4%.

1. New energy photovoltaics business

Accelerating advanced capacity building, strengthening industrial collaboration, and realizing rapid and high-quality business growth. During the reporting period, the capacity scale and market share of TCL Zhonghuan in new energy photovoltaic materials grew rapidly, with capacity increasing to 109GW and the advanced capacity maintaining a leading global position. Sales scale increased by 24% year-on-year, market share of G12 silicon wafers ranked first in the world, and the market share of high-efficiency N-type monocrystalline silicon wafers ranked first in the world. Shingled PV modules with patent advantages have also achieved a rapid growth in production capacity. The production capacity of the G12 high-efficiency shingled PV module project in Jiangsu has reached 8GW, while the production capacity of the G12 high-efficiency shingled PV module project (Phase I) in Tianjin has reached 3GW. Based on the future design for the next generation of differentiated battery technology, the Company has completed the construction of an automated and intelligently industry-leading G12 battery engineering demonstration line with an annual capacity of 2GW. The Company has also strengthened its strategic cooperation with ecosystem partners and acquired the upstream core resources in advance to further consolidate its competitive advantages in non-silicon materials and manufacturing costs while enhancing its control in key links and value nodes alongside the industrial chain.

Increasing the monthly production capacity per furnace, leading thin-wafer and thin-line trends, and continuously improving the efficiency of the photovoltaics industry based on long-term technology accumulation and process optimization. During the reporting period, the Company's monthly output of silicon rods per furnace increased by 19%, while the consumption rate of silicon materials per unit product decreased by 6% year on year. The Company continued to lead the industry in the thin-line standards and achieved SoP of 150um p-type and 130um n-type products with manufacturing efficiency significantly ahead of the industry. Relying on an industry 4.0 intelligent manufacturing platform, the Company has established a flexible cooperation model with the upstream and downstream to effectively meet the differentiated needs of customers for p-type and n-type batteries, and further improved the production and sales scale and product quality of the Company's products.

2. Semiconductor materials business

Semiconductor material business adopts the Total Solution, to significantly increasing production and sales by following a dual development route (characteristic technology and advanced processes control), continuously improving product and customer structure. Driven by the zone melting and direct-pulling process, the Company has engaged in intensive power + IC development. During the reporting period, the Company achieved full coverage of 8-inch and below mainstream products, completed SoP of 12-inch products below 28nm, ensuring the provision of a full series solutions for global customers. The shipped area of polished wafer and epitaxial wafer products increased by 76.2% year-on-year, of which the shipment of 8-inch and 12-inch products increased by 107% year-on-year. Operating revenue increased by 79.9% year-on-year, achieving a leading position in the Chinese market.

The Company will seize the opportunities of the development of the semiconductor industry and continue to diversity its product and customer structure to improve the scale of production capacity. By the end of this year, the Company expects to reach a production capacity of 900,000, 1,000,000, and 300,000 pieces per month for 6-inch, 8-inch, and 12-inch products respectively.

The Company will also continue to improve its layout in the new energy photovoltaics and semiconductor industries, and constantly enhance industrial chain synergy and supply chain stability. The Company and its partners have recently jointly invested in the construction of a project with an annual output of around 100,000 tons of granular silicon and silicon-based materials, along with a project with an annual output of 10,000 tons of electronic grade polycrystalline silicon. This will realize the vertical expansion of the industrial chain and enhance the Company's leading position in the new energy photovoltaics and semiconductor materials business. The Company also invested in Xinxin Semiconductor, and jointly promoted resources in overseas markets to horizontally expand its business layout in semiconductor materials.

The company will continue to focus on the overall semiconductor strategy of semiconductor display, new energy photovoltaic and semiconductor materials, adopting the principle of “improving operating quality and profitability, consolidating advantages and improving disadvantages, accelerating global layout, and promoting innovation-driven development” to constantly improve its core competitiveness, achieve high-quality development, and become a leading global high-tech industry group.

II. Analysis of core competitiveness

In 2022, TCL upgraded its corporate culture and put forward a new mission of “leading technology and mutually beneficial cooperation”. In the future, TCL will continue to strengthen its investment in leading technology to create a better life for people, and build an open and mutually beneficial industry ecosystem with partners characterized by a people-oriented approach and

cooperation. Now, the Company has developed a business structure based on semi-conductor display devices, new energy photovoltaic and semi-conductor materials. The Company, with a clear development path, efficient operation and distinct culture, and professional operation, is constantly improving its core competitiveness and abilities in sustainable development.

Leading in scale: rapid growth of production capacity and improvement of value chain layout

As a global leading enterprise in semiconductor display and a pioneer in independent line construction in the domestic display field, the Company has brought the aggregation effect into full play through the centralized production line layout and continues to expand production capacity through endogenous growth and external acquisition; through the construction of two 8.5-gen lines, TCL CSOT has gained a firm foothold in the field of TV panels; subsequently, two 6-gen lines successfully introduce small-size panels, and the shipment has exceeded 10%; in recent years, through the investment and construction of two 11-gen lines and the acquisition of Suzhou Samsung Factory t10 production line, we have further expanded our large-sized production capacity and kept a leading position for large-sized panels in the world; Last year, the Company invested in the construction of t9 production lines for high value-added IT, commercial display and other medium-sized products to speed up full-size strategic layout. TCL Huaxing has actively extended the value chain and further enhanced its position and profitability by expanding the production capacity of internally developed modules and acquiring the Moka Technology and Samsung module plants. The Company's core competitive advantage based on scale and supply chain synergy will be further strengthened, while its industry position and comprehensive competitiveness will be further enhanced. The t9 production line has launched its first product and is ready to be put into production, while the production expansion (t5) project of the 6-gen LTPS production line has progressed as planned. This will ensure that the TCL CSOT's production line layout will be more balanced and the business structure will be further optimized.

Leading in technology and ecology: Actively laying the groundwork for next-generation display technologies and materials, building a first-mover advantage through ecological leadership

Relying on TCL CSOT, the Company accelerated the vertical layout of the industrial chain and continuously improved its upstream capacity for technological innovation. The Company, focusing on basic materials, next-generation display materials, key equipment in new techniques and other fields for its ecological layout, has constructed a TCL ecosystem within the display field, so as to establish its leading advantage based on next generation display technology, and its high-tech value continues to be enhanced.

The "National Printing and Flexible Display Innovation Center" of Guangdong Juhua under the Company, is the only national innovation center in the display field within China, and has built a global leading public platform for G4.5 printed display R&D, integrating industrial chain resources from all links including materials, techniques, processes and application verification. In addition, the Company will continue to invest in Micro-LED display technology, so as to promote the Company's ecological layout in this field from materials, techniques, equipment, and production line solutions to independent intellectual property, and develop a process flow solution for Micro-LED commercial SoP.

Leading in management: adopting extreme cost efficiency across the cycle with relative competitiveness

While establishing market scale, technology, and ecosystems advantages, the Company has also taken the lead in efficiency and benefit indicators. Since beginning operations in 2011, TCL CSOT has weathered several rounds of sharp fluctuation cycles in the display industry with extreme cost efficiency and lean management.

Through the synergistic effect of centralized factories, the Company gives full play to the efficiency of its production line layout and capacity increase, further improving the activation and product scheduling efficiency with advantages in industrial chain integration and locking in strategic customers, promoting end-to-end cost and expense control through refined management and extreme efficiency cost measures, so as to build its relative competitiveness in the industry. Despite the severe industry situation in 2022, TCL CSOT will continue to improve efficiency and effectiveness indicators across the cycle of industry development.

New strategic growth engine: seizing development opportunities in conjunction with the rapid development of semiconductors and photovoltaics

Relying on the Company's long-term management expertise in technology-intensive, capital-intensive, and long-term industries, TCL Zhonghuan developed its business rapidly through institutional reform, optimizing capital structure, stimulating organizational vitality, and releasing growth potential. Both operating revenue and profits have grown significantly

In the first half of 2022, the Company implemented a series of strategic operation measures such as industry coordination, operation efficiency optimization, and management experience empowerment. TCL Zhonghuan gradually enhanced its abilities in strategy, operation, and resource allocation. Driven by the factors of high industry prosperity and rapid expansion of production capacity, TCL Zhonghuan has further consolidated its leading position in the industry, realized high-quality and rapid growth performance, and gradually grown into one of the main engines for performance growth of TCL Technology. With an inexhaustible source of development power, the

two tracks converge to make the Company a leader in the development of the global science and technology industry.

Upgrading of organizational culture: The mission of “leading technology and mutually beneficial cooperation” drives the Company into a new development stage

At the beginning of 2022, the Company put forward the mission of “leading technology and mutually beneficial cooperation” in the new period. Guided by this mission, the Company is committed to creating an organizational culture of “reform, innovation, responsibility, and excellence”, and continues to deepen its team building and the construction of a corporate culture. TCL Technology will continue to invest in fields closely related to human life (such as intelligence, health, carbon reduction, and energy saving), and build its leading advantages in technology and products to deliver a wonderful experience and better life to people. We will uphold the concept of sustainable development based on a people-oriented approach, while promoting mutually beneficial development. We are dedicated to the environmental friendliness, employee engagement, social trust, as well as the harmonious development between humanity, nature, and society. We will also work with stakeholders to build an open and mutually beneficial industry ecosystem and value healthy competition and integrated development on a basis of open cooperation and mutually beneficial development with partners.

III. Core Business Analysis

Overview

Whether it is the same as the disclosure of the main business of the Company during the reporting period

Yes No

See relevant contents in “I. Main businesses of the Company during the reporting period”.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2022	H1 2021	Change (%)	Reason for change
Revenue	84,522,181,128	74,405,849,039	13.60%	
Cost of sales	76,522,943,519	58,068,971,004	31.78%	Primarily due to the increase in the scale of TCL Zhonghuan's operating revenue
Selling expenses	1,053,369,277	901,175,676	16.89%	
Administrative expenses	1,716,379,375	2,023,367,685	-15.17%	
Financial expenses	1,720,157,252	1,818,982,875	-5.43%	
Income tax expense	-88,397,544	1,416,496,913	-106.24%	Primarily due to the decrease in tax payments as the semiconductor display business affected by the industry cycle
R&D investments	5,252,157,387	5,067,168,130	3.65%	

Net cash generated from operating activities	9,016,635,743	13,895,714,157	-35.11%	Primarily due to the decrease in operating cash flows as the semiconductor display business affected by the industry cycle
Net cash used in investing activities	-17,613,551,791	-20,963,137,286	15.98%	
Net cash generated from financing activities	9,930,162,074	13,396,966,630	-25.88%	
Net increase in cash and cash equivalents	1,594,616,564	6,285,295,538	-74.63%	Primarily due to the year-on-year decrease in operating cash flows and financing cash flows

Significant changes to the profit structure or sources of the Company during the Reporting Period:

Applicable Not applicable

No significant changes to the profit structure or sources of the Company during the Reporting Period.

Breakdown of revenue:

Unit: RMB

	H1 2022		H1 2021		Change (%)
	Amount	As % of total revenue (%)	Amount	As % of total revenue (%)	
Total	84,522,181,128	100%	74,405,849,039	100%	13.60%
By operating division					
Semi-conductor display	37,262,161,646	44.09%	40,863,496,897	54.92%	-8.81%
New energy photovoltaic	31,698,336,741	37.50%	17,644,418,986	23.71%	79.65%
Distribution business	14,728,215,432	17.43%	14,450,787,001	19.42%	1.92%
Other businesses and internally offset accounts	833,467,309	0.98%	1,447,146,155	1.95%	-42.41%
By product category					
Semi-conductor display devices	37,262,161,646	44.09%	40,863,496,897	54.92%	-8.81%
New energy photovoltaic & semi-conductor materials	31,698,336,741	37.50%	17,644,418,986	23.71%	79.65%
Distribution of electronics	14,728,215,432	17.43%	14,450,787,001	19.42%	1.92%
Other businesses and	833,467,309	0.98%	1,447,146,155	1.95%	-42.41%

internally offset accounts					
By operating segment					
Mainland China	57,379,449,518	67.89%	48,121,871,530	64.67%	19.24%
Overseas (including Hong Kong)	27,142,731,610	32.11%	26,283,977,509	35.33%	3.27%

Operating division, product category or region contributing over 10% of revenue or operating profit

√ Applicable □ Not applicable

Unit: RMB

	Revenue	Cost of sales	Gross profit margin	Change in revenue (%)	Change in cost of sales (%)	Change in gross profit margin (%)
By operating division						
Semi-conductor display	37,262,161,646	35,813,110,134	3.89%	-8.81%	23.66%	-25.24%
New energy photovoltaic	31,698,336,741	26,089,723,845	17.69%	79.65%	86.33%	-2.95%
Distribution business	14,728,215,432	14,126,968,965	4.08%	1.92%	0.98%	0.89%
By product category						
Semi-conductor display devices	37,262,161,646	35,813,110,134	3.89%	-8.81%	23.66%	-25.24%
New energy photovoltaic & semi-conductor materials	31,698,336,741	26,089,723,845	17.69%	79.65%	86.33%	-2.95%
Distribution of electronics	14,728,215,432	14,126,968,965	4.08%	1.92%	0.98%	0.89%
By operating segment						
Mainland China	57,379,449,518	51,272,091,919	10.64%	19.24%	27.65%	-5.89%
Overseas (including Hong Kong)	27,142,731,610	25,250,851,600	6.97%	3.27%	41.04%	-24.92%

Core business data in the recent term restated according to the changed methods of measurement that occurred in the Reporting Period

□ Applicable √ Not applicable

IV. Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of gross profit	Source	Sustainability
Asset impairment	1,010,286,547	54.96%	Primarily due to falling price of inventory write-offs in line with market	No

Non-operating income	596,539,618	32.45%	Primarily government grants and others	No
Non-operating expense	52,391,546	2.85%	Not applicable	No

V. Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	End of the Reporting Period		December 31, 2021		Change in percentage (%)	Notes on significant changes
	Amount	Proportion of total assets Ratio	Amount	As % of total assets		
Monetary assets	33,795,516,751	10.23%	31,393,692,485	10.16%	0.07%	No significant change
Accounts receivable	19,085,232,924	5.78%	18,238,782,247	5.90%	-0.12%	No significant change
Contract assets	275,287,800	0.08%	233,528,786	0.08%	0.00%	No significant change
Inventories	14,025,004,131	4.25%	14,083,356,918	4.56%	-0.31%	No significant change
Investment property	793,033,485	0.24%	761,902,236	0.25%	-0.01%	No significant change
Long-term equity investments	26,665,070,350	8.07%	25,640,578,245	8.30%	-0.23%	No significant change
Fixed assets	116,788,925,376	35.35%	113,723,758,876	36.81%	-1.46%	No significant change
Construction in progress	43,418,950,154	13.14%	37,029,504,222	11.98%	1.16%	No significant change
Right-of-use assets	2,094,665,349	0.63%	2,426,911,208	0.79%	-0.16%	No significant change
Short-term borrowings	14,811,740,495	4.48%	9,341,426,543	3.02%	1.46%	Optimization of the debt structure
Contract liabilities	4,367,690,585	1.32%	2,593,882,004	0.84%	0.48%	No significant change
Long-term borrowings	96,482,487,828	29.21%	87,279,081,955	28.25%	0.96%	Increase in financings
Lease liabilities	1,156,827,073	0.35%	1,102,071,813	0.36%	-0.01%	No significant change

2. Major Assets Overseas

Applicable Not applicable

3. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Impairment allowances established in the Reporting Period	Amount purchased in the Reporting Period Amount	Amount sold in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	10,305,293,789	-139,785,390	0		6,366,157,772	6,428,042,157		10,103,624,014
2. Derivative financial assets	70,928,566	-1,176,116	57,779,395				360,895,990	488,427,835
3. Receivables financing	2,217,638,736						6,210,141	2,223,848,877
4. Investments in other equity instruments	927,319,447		-9,967,351		5,640,000	1,356,500	5,899,966	927,535,562
Subtotal of financial assets	13,521,180,538	-140,961,506	47,812,044		6,371,797,772	6,429,398,657	373,006,097	13,743,436,288
Financial liabilities	947,240,307	-255,456,349	216,143,583		1,456,380,469	1,385,671,352	442,164,057	1,420,800,715

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

□ Yes √ No

4. Restricted Asset Rights as at the Period-End

Restricted assets	Carrying amount (RMB'0,000)	Reason for restriction
Monetary assets	43,209	Deposited in the central bank as the required reserve
Monetary assets	168,711	Other restricted monetary assets
Notes receivable	27,856	Pledge
Fixed assets	8,603,286	As collateral for loan
Intangible assets	318,405	As collateral for loan
Held-for-trading financial assets	3,473	Put in pledge for loan
Right-of-use assets	2,826	As collateral for lease
Accounts receivable	101,812	Pledge
Contract assets	15,038	Pledge
Total	9,284,615	--

VI. Investments Made**1. Total Investment Amount**

Applicable Not applicable

Total investment amount in the Reporting Period (RMB)	Total investment amount in the same period of last year (RMB)	Change (%)
21,824,233,385	18,214,544,743	19.82%

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

4. Financial Investments**(1) Securities Investments**

√ Applicable □ Not applicable

Unit: RMB'0,000

Security type	Securities code	Securities Abbreviation	Initial investment cost	Measurement method	Beginning carrying amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Purchased in the Reporting Period	Amount sold in the Reporting Period	The "Reporting Period", "current period" Profit and loss	Ending carrying amount	Accounting title	Funding source
Stocks	300842.SZ	DK Electronic Materials, Inc.	2,430	Fair value	48,644	-5,972	0	0	0	-5,972	42,672	Other non-current financial assets	Self-funded
Stocks	688728.SH	Galaxycore Inc.	4,284	Fair value	19,692	-615	0	0	0	-615	19,077	Other non-current financial assets	Self-funded
Stocks	0860.HK	Wesolutions Inc.	18,926	Fair value	10,131	0	-2,124	0	0	0	8,008	Investments in other equity instruments	Self-funded
Bonds	USG9328DAM23	VEDANTA RESOURCES LTD	7,757	Fair value	9,341	-133	0	1,198	2,881	258	7,960	Held-for-trading financial assets	Self-funded
Bonds	USY39690AA30	INDIKA ENERGY CAPITAL IV	2,788	Fair value	-	-204	0	7,343	2,342	-16	4,949	Held-for-trading financial assets	Self-funded
Bonds	USG61759AA70	MN MINING/ENERGY RESOURC	3,391	Fair value	4,321	-956	0	1,094	0	-655	4,691	Held-for-trading financial assets	Self-funded
Bonds	XS2082380515	ANTON OILFIELD SERVICE GROUP	6,645	Fair value	4,794	-296	0	498	631	-101	4,605	Held-for-trading financial assets	Self-funded
Bonds	XS0240295575	REPUBLIC OF IRAQ	3,254	Fair value	4,221	-488	0	0	0	-26	3,939	Held-for-trading	Self-funded

												financial assets	
Bonds	XS2335327388	EHI CAR SERVICES LTD	5,396	Fair value	7,742	-1,718	0	0	2,622	-2,116	3,673	Held-for-trading financial assets	Self-funded
Bonds	XS2205566206	VLL INTERNATIONAL INC	3,691	Fair value	3,434	-137	0	0	0	-19	3,473	Held-for-trading financial assets	Self-funded
Other securities investments held at the period-end			406,113	--	155,576	-7,041	32	193,520	264,643	-11,484	72,478	--	--
Total			464,676	--	267,895	-17,559	-2,092	203,653	273,118	-20,746	175,524	--	--
Disclosure date of the board announcement approving the securities investments			April 28, 2022										
Disclosure date of the general meeting announcement approving the securities investments (if any)			May 20, 2022										

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Funding source	Mostly foreign-currency revenue
Legal matters involved (if applicable)	Not applicable
Disclosure date of the board announcement approving the derivative investments (if any)	April 28, 2018
Disclosure date of the general meeting announcement approving the derivative investments (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 liquidating 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, promptly 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 mainly for the purposes of fixing costs and avoiding risks. It is required that the financial derivatives business to be carried out align with 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 complex business beyond the prescribed business scope or difficult to recognize in terms of risk and pricing shall be avoided; 2. The Group has formulated a special risk management system tailored to the risk characteristics of the financial derivatives business, covering all key aspects such as preemptive prevention, in-process monitoring and post-processing. It reasonably allocates professionals for investment decision-making, business operation and risk control as required; Personnel involved in investment are required to fully understand the risks of financial derivatives investment and strictly implement the business operation and risk management system of derivatives. Before starting the derivatives business, the holding company must submit to the competent 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. Operation is only allowed upon the approval of the functions under the Group; 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; 4. When the combined fair value impairment of the Company's traded derivatives and the changes in the value of assets (if any) used for risk hedging results in a total loss or floating loss amount to reach 10% of the Company's audited net profit attributable to the shareholders of the listed company in the latest year and the absolute amount exceeds RMB10 million, the Company shall disclose it in a timely manner.
Changes in market prices or fair value of derivative investments in	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

Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	contracts to avoid and hedge foreign exchange risks arising from operation and financing. The profit and loss during the reporting period was RMB69.09 million. 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 significant change
Opinion of independent directors on derivative investments and risk control	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 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. We are of the opinion that the financial derivatives transactions carried out by the Company in the first half of 2022 were closely related to the daily operation needs of the Company with controllable risks in line with the interests of the Company and minority shareholders and the relevant provisions of relevant laws and regulations.

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	1,736,175	61,406	2,242,211	82,261	6,909	18.82	0.69
2. Interest rate swaps	415,696	12,471	353,691	13,127		2.97	0.11
Total	2,151,871	73,877	2,595,901	95,388	6,909	21.79	0.8

5. Use of Funds Raised

Applicable Not applicable

The Company did not use the funds raised during the Reporting Period.

VII. Sale of Major Assets and Equity Investments

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Investments

Applicable Not applicable

VIII. Principal Subsidiaries and Joint Stock Companies

Applicable Not applicable

Principal subsidiaries and joint stock companies with an over 10% effect on the Company's net profit:

Unit: RMB'0,000

Company Name	Company type Type of change	Principal activity	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
TCL China Star Optoelectronics Technology	Subsidiary	Semi-conductor display	RMB30.468 billion	21,866,768	7,551,717	3,242,988	-317,069	-263,195

Co., Ltd.								
TCL Zhonghuan New Energy Technology Co., Ltd.	Subsidiary	New energy photovoltaic & semiconductor materials	RMB3.232 billion	8,871,483	4,480,907	3,169,834	349,581	322,490
Highly Information Industry Co., Ltd.	Subsidiary	Distribution business	RMB0.412 billion	822,883	133,717	1,472,822	16,680	11,826

Acquisition and disposal of subsidiaries in the reporting period

Applicable Not applicable

Company Name	How subsidiary was obtained or disposed of in the Reporting Period	Effects on overall operations and operating performance
Zhonghuan Advanced Semiconductor (Tianjin) Co., Ltd.	Newly incorporated	No significant effect
Huanou (Wuxi) New Energy Materials Co., Ltd.	Newly incorporated	No significant effect
Huaian Municipal Huanxin New Energy Co., Ltd.	Newly incorporated	No significant effect
Lingwu Huanju New Energy Co., Ltd.	Newly incorporated	No significant effect
Inner Mongolia Zhonghuan Electronic Materials Co., Ltd.	Newly incorporated	No significant effect
Tianjin Zhonghuan Industrial Park Co., Ltd.	Newly incorporated	No significant effect
Tianjin Huanrui Technology Co., Ltd.	Newly incorporated	No significant effect
Shaanxi Huanyu Green New Energy Co., Ltd.	Newly incorporated	No significant effect
Shaanxi Huanshuo Green New Energy Co., Ltd.	Newly incorporated	No significant effect
Xi'an Shangpai Technology Co., Ltd.	Newly incorporated	No significant effect
Tongliao Guangdong New Energy Co., Ltd.	De-registered	No significant effect

Description of Principal Subsidiaries and Joint Stock Companies

Affected by the panel industry cycle, TCL CSOT, a subsidiary of the Company, experienced a significant year-on-year decline in its performance. For details, please refer to "Section III Management Discussion and Analysis".

IX. Structured Bodies Controlled by the Company

Applicable Not applicable

X. Risks Facing the Company and Countermeasures

1. Risk of Macroeconomic Fluctuations

In recent years, changes to the global trade, technology, and financial environment have impacted the development of China's economy and enterprises, as well as the global economy. The Russia-Ukraine war has raised the risk of a split in the global economy, which may lead to multiple geopolitical groups with different technical standards, cross-border payment systems, and reserve currencies. The macroeconomic situation of both China and the world has grown increasingly uncertain as a result of a series of unfavorable factors, such as the Russia-Ukraine war, the COVID-19 pandemic, the slowdown of global economy, and intensified inflation.

In this context, the Company will continue to carry out conduct in-depth research on macroeconomic trends and their impact. Based on China's idea of a new "development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement", the Company will keep focusing on the professional operation strategies for the main business, endeavor to consolidate advantages and improve disadvantages, improve abilities, and catch up. The Company will drive the rapid development of its new energy and semiconductor business to minimize the negative impact of macroeconomic factors on the basis of maintaining the global leading advantages of TCL CSOT's balanced market development, optimized product portfolio, and rich customer structure.

2. Risk of Industry Climate Fluctuations

Due to the impact of the COVID-19 pandemic and the Russia-Ukraine war, the recovery of global consumption demand has remained sluggish. The impact has been further transmitted to the upstream, which has had a significant impact on panel demand and shipments. The panel industry is in a downward cycle, and the development of the panel industry will remain stagnant.

The Company will analyse in depth the trends of changes in industry supply and demand relations, predict production capacity allocation in advance, and increase R&D investment so as to create high barriers to competition and broaden the business moat through the continuous improvement of products' technological content and added value as well as the constant expansion of the Company's scale and benefit advantages. The Company will also increase its investments in new energy photovoltaics and semiconductors to effectively reduce the impact of economic fluctuations in the panel industry and further consolidate its leading position.

3. Risks Caused by Changes in Consumer Demand

The application scenarios of end consumers are also changing. For example, the aging population continues to grow worldwide, and the needs of the elderly for the differentiated scenarios of smart products are getting more attention. Under the consensus of "carbon neutrality", a new

demand trend for low-carbon concepts such as paperless and recyclable electronic products has been shaped. If the Company cannot keep creating new products in line with the demand of downstream applications, its business growth may also be hindered.

The Company will continue to focus on the needs of the industry and end customers, conduct in-depth research on mainstream customers in the industry, continuously increase R&D investment, and use product technology innovation as the core driving force to optimize business structures and enhance product competitiveness. Based on more thorough research and analysis of market segments, the Company will explore more emerging fields, actively make arrangements regarding emerging market segments, and develop new driving forces for growth.

4. Intellectual Property Risks

Competition has become increasingly fierce in the semiconductor display and materials industry. As the Company keeps expanding its business scale and technological layout, patent disputes may arise from time to time, and intellectual property risks become increasingly obvious.

The Company will continue to maintain high-intensity R&D investment, continuously enhance the professional capabilities of the core technical team, and continuously improve the patent layout of key technologies and products through the model of “independent research + cooperative R&D. The Company also will keep perfecting the intellectual property management and protection mechanism, and strengthen risk-involved patent investigation, enhance patent risk early warning, reduce risk-involved patent threats, and comprehensively mitigate intellectual property risks through strategic cooperation with external professional institutions on intellectual property.

Part IV Corporate Governance

I. Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meetings Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Date of disclosure	Resolutions of the meeting
The First Extraordinary General Meeting of 2022	Extraordinary general meeting	22.26%	April 29, 2022	April 30, 2022	All proposals were adopted. Please refer to the <i>Notice on the 1st Extraordinary General Meeting of Shareholders in 2022</i> disclosed on www.cninfo.com.cn on April 30, 2022 (Notice No.: 2022-045)
The 2021 Annual General Meeting	Annual general meeting	22.12%	May 19, 2022	May 20, 2022	All proposals were adopted. Please refer to the <i>Notice on Resolutions of General Meeting of Shareholders in 2021</i> disclosed on www.cninfo.com.cn on May 20, 2022 (Notice No.: 2022-051)

Note: The above investor participation ratio is the share proportions of investors who attended the meeting to the Company's total shares (excluding the treasury shares that have been repurchased).

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

Applicable Not applicable

II. Change of Directors, Supervisors and Senior Management

Applicable Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Liu Kun	Non-executive Director	Former	April 12, 2022	Resigned as a non-executive director of the Company due to job adjustment
Lin Feng	Non-executive Director	Elected	April 29, 2022	Nominated by Wuhan Optics Valley Industrial Investment Co., Ltd., a shareholder with an >3% stake in the Company

III. Interim Dividend Plan

Applicable Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

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

Applicable Not applicable

1. Equity Incentives

Applicable Not applicable

2. Implementation of Employee Stock Ownership Plan

Applicable Not applicable

All the valid employee stock ownership plans during the Reporting Period

Name	Scope of employees	Number of employees	Total amount of shares held	Changes	Proportion to total share capital of listed companies	Funding source for implementing the plan
The Third Global Partner Plan	The Company's middle and senior management and outstanding key staff	1,800	43,859,649 shares	Not applicable	0.31%	The Company's special incentive fund for 2020
2021-2023 Employee Stock Ownership Plan (Phase I)	The Company's middle and senior management and outstanding key staff	3,600	113,143,154 shares	Not applicable	0.81%	The Company's special incentive fund for 2021

Shareholdings of Directors, Supervisors and Senior Management under the Employee Stock Ownership Plan during the Reporting Period

Name	Office title	Beginning amount in the Reporting Period	Ending amount in the Reporting Period	Proportion to total share capital of listed companies
Li Dongsheng	Chairman of the Board and CEO	24,656,600 shares	22,729,900 shares	0.16%
Du Juan	Director			
Jin Xuzhi	Director, Senior Vice President			
Liao Qian	Director, Board Secretary and Senior Vice President			
Wang Cheng	COO			
Li Jian	CFO			
Yan Xiaolin	Senior Vice President, CTO			
Mao Tianxiang	Employee Supervisor			

Changes of asset management institutions during the Reporting Period

 Applicable Not applicable

Changes of equity caused by the holder's disposal share during the Reporting Period

 Applicable Not applicable**3. Other Employee Incentives** Applicable Not applicable

Part V Environmental and Social Responsibility

I. Major Environmental Issues

Whether the listed company and its subsidiaries are major polluters announced by the environmental protection department

√ Yes □ No

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
Shenzhen China Star Optoelectronics Semiconductor or Display Technology Co., Ltd.	COD	Intermittently discharged to Guangming Sewage Plant	1	Southeast corner of the plant	70mg/L	110mg/L	306.6t	/	Not applicable
	Ammonia nitrogen				4mg/L	30mg/L	17.52t	/	Not applicable
	COD		1	Beside the East No.2 gate of the plant	70/L	110mg/L	255.5t	/	Not applicable
	Ammonia nitrogen				5mg/L	30mg/L	18.25t	/	Not applicable
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Intermittently discharged	1	Southwestern corner of the plant	40 mg/L	400 mg/L	128.83t	353.55t	Not applicable
	Ammonia nitrogen	Intermittently discharged	1	Southwestern corner of the plant	2.4 mg/L	30 mg/L	12.88t	35.36t	Not applicable
Wuhan China Star Optoelectronics Semiconductor or Display Technology Co., Ltd.	COD	Intermittently discharged	1	Northeastern corner of the plant	33 mg/L	400 mg/L	121.74t	570.8t	Not applicable
	Ammonia nitrogen	Intermittently discharged	1	Northeastern corner of the plant	2.8 mg/L	30 mg/L	12.17t	57.1t	Not applicable
TianJin Zhonghuan Advanced Material&Technology Co., Ltd.	Wastewater: COD, ammonia nitrogen, other characteristic pollutants (total nitrogen, total phosphorus, pH value, suspended matter, BOD5, flow, fluoride, petroleum)	Organized	1	General discharge outlet	As per emission standard	DB12/356-2018 <i>Comprehensive Sewage Discharge Standard</i>	Not exceeding	Standard	Not applicable
Tianjin Huan'Ou Semiconductor or Material&Technology Co.,	Wastewater: COD, ammonia nitrogen, other characteristic	Organized	1	General discharge outlet	As per emission standard	DB12/356-2018 <i>Comprehensive Sewage Discharge Standard</i>	Not exceeding	Standard	Not applicable

Ltd.	pollutants (total nitrogen, total phosphorus, pH value, suspended matter, BOD5, flow, fluoride, petroleum)								
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	Waste gas: Particulate matter, nitrogen oxides, VOCs, fluoride Wastewater: COD, ammonia nitrogen, other characteristic pollutants (total phosphorus, pH, suspended matter, BOD5, fluoride)	Organized, unorganized	Multiple	General discharge outlet, plant area, and roof of production workshop	As per emission standard	GB16297-1996 <i>Comprehensive Air Pollutant Emission Standard</i> , GB8978-1996 <i>Comprehensive Sewage Discharge Standard</i>	Not exceeding	Standard	Not applicable
Zhonghuan Advanced Semiconductor Materials Co., Ltd.	Wastewater: COD, ammonia nitrogen, other characteristic pollutants (fluoride, total nitrogen, total phosphorus, suspended matter, pH, BOD5)	Organized	1	General discharge outlet	As per emission standard	GB/T 31962 <i>Water Quality Standard for Sewage Discharged into Urban Sewers</i> GB8978-1996 <i>Comprehensive Sewage Discharge Standard</i>	Not exceeding	Standard	Not applicable
Huansheng Solar (Jiangsu) Co., Ltd.	Wastewater: COD, ammonia nitrogen, other characteristic pollutants (fluoride, total nitrogen, total phosphorus, suspended matter, pH)	Organized	1	General discharge outlet	Discharged according to the standard	GB 30484-2013 <i>Discharge Standard for Battery Industry Pollutants</i>	Not exceeding	Standard	Not applicable
Wuxi	Wastewater:	Organized	1	General	Discharged	GB 30484-	Not	Standard	Not

Zhonghuan Applied Materials Co., Ltd.	COD, ammonia nitrogen, other characteristic pollutants (total nitrogen, total phosphorus, suspended matter, pH)			discharge outlet	according to the standard	2013 <i>Discharge Standard for Battery Industry Pollutants</i>	exceeding		applicable
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Construction and operation of facilities for preventing pollution:

During the Reporting Period, an advanced sewage management system was established by the Company and its subsidiaries, and regular monitoring and supervision and inspection mechanisms were adopted to ensure the waste water, waste gas, solid waste and factory noises generated during the operation were emitted and treated according to national and local laws and regulations.

The Company's waste water 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 with oil separation and septic treatment; industrial waste water enters different treatment systems according to its characteristics, and is discharged after physical, chemical and biochemical treatment.

The air pollutants produced by the Company are mainly process waste gas in the production process. For different types of waste gases, the Company has constructed corresponding waste gas treatment systems, such as a waste gas stripping system, acidic waste gas treatment system, alkaline waste gas treatment system, organic waste gas treatment system, waste gas treatment system for waste water treatment station, 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 the Company 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 recycled and disposed of by a resource recycling manufacturer after being classified in the plant area; domestic garbage is handed over by the property company to a domestic garbage landfill for sanitary landfill. All of the above disposals have been carried out according to laws and regulations.

The factory noises generated by the Company come from the mechanical noises of production and power equipment, including refrigerators, cooling towers, air compressors, fans, various 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 Company's factory noise emissions can stably reach the standards.

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

The Company complies with the laws and regulations of environmental impact assessment on construction projects and other environmental protection administrative licenses, and promptly reports the operation situation to the provincial and municipal environmental protection regulatory authorities.

Emergency Response Plan for Environmental Incidents

The Company has prepared an environmental emergency response plan, which has been filed with the local environmental protection administration in accordance with relevant government laws and regulations, and has set up an environmental incident emergency organization led by the senior management. In addition, regularly staff training and emergency drills are delivered for accurately and promptly responding to environmental incidents according to the plan.

Environmental Self-Monitoring Program

The Company has formulated an environmental self-monitoring program in accordance with government regulations, and monitors the discharge of pollutants by automatic monitoring or manual monitoring performed by a qualified third-party 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.

Administrative punishments received with respect to environmental issues in the Reporting Period:

Name of the Company or subsidiary	Reasons for punishment	Violations	Punishment results	Effects on the production and operation of listed companies	Rectification measures of the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Other environment-related information that should be disclosed

TCL Technology discloses the content of environmental information through its annual ESG report.

Measures taken to reduce its carbon emissions and their effects during the Reporting Period

Applicable Not applicable

To meet the challenges of global climate change and actively respond to the national requirements of “peak carbon” and “carbon neutrality” (the “dual carbon” goals), TCL Technology firmly adopts to the green development path and is committed to achieving green operation, energy saving and, emission reduction in all aspects of the Company's operation. TCL Technology has effectively reduced the carbon emissions for its business by continuously improving the energy management system, increasing the utilization of renewable energies, building a green supply chain, and enhancing employees' low carbon awareness. TCL Technology actively expands its green industry, and has been developing its photovoltaic new energy industry through TCL Zhonghuan in response to climate change.

In the first half of 2022, Wuhan CSOT conducted carbon calculations by employing a professional third-party agency, identified its carbon emissions, pushed the ISO 14064 certification of greenhouse gases, formulated the Company's carbon neutrality strategic plan, and further clarified its dual carbon goals and action path in the future. In addition, the Company has the completed commissioning and grid connection of its photovoltaic project. It is estimated that the power generation in 2022 will reach at least 8 million KWH. The Company has purchased 70 million KWH of clean energy (electricity) in 2022 to continuously implement carbon emission reduction.

In order to achieve energy saving and emission reduction, TCL Zhonghuan has been focusing on the improvement, optimization, and upgrade of production equipment and technology, along with the R&D and replacement of new materials. The Company's production bases use technical, management, and structural means to achieve energy conservation, and reduce power consumption and related carbon emissions through improvement in waste heat recovery, air conditioning and refrigeration, natural resource utilization, and improvement of equipment energy efficiency. The Company also actively invests in the construction of photovoltaic projects for its plants and the introduction of clean energy.

In the future, all companies of TCL Technology will forge ahead in sustainable development, and constantly explore and implement the carbon reduction strategy, leading the industry and the whole value chain towards green and low carbon.

Other relevant information:

Not applicable

II. Social Responsibility

1. Consolidating and Extending the Achievements of Poverty Alleviation and Pushing Forward Rural Revitalization

Plan for consolidating and extending the achievements of poverty alleviation and pushing forward rural revitalization

In response to government initiatives, the Company has adopted an innovative model that integrates public welfare with high technology, maximizing the value of public welfare through technology. TCL always shoulders social responsibilities, focuses on public welfare education and promotes rural revitalization. Exploring an innovative model of science and technology + public welfare, TCL adopts A.I. technology to accompany left-behind children. The Company fulfills its social responsibilities with practical actions and empowers its public welfare activities to develop science and technology for good and contribute its strength to common prosperity.

The “TCL Project Hope Candlelight Award”, jointly established by the Shenzhen TCL Foundation and the China Youth Development Foundation, rewards outstanding rural teachers and organizes offline training. The Shenzhen TCL Foundation works with TCL Industrial Technology Research Institute to initiate the “A.I. Go Home” project. An “Eagle” storytelling robot is developed and designed with professional technology and AI technology. The robot is designed to imitate parents' voices and tell stories for children

when they are away from their parents, so as to strengthen the parent-child relationship. In 2022, the "A.I. Go Home" project is upgraded again, and the "Eagle Audiobook" WeChat Mini Program V2.0 is launched. The Shenzhen TCL Foundation and the Education Foundation of the Central Conservatory of Music jointly launch the "Little Music +" project and develop the "Xiao Xue" music robot. These efforts provide musical resources to children, bring them famous Chinese and foreign musical masterpieces, which diversify music teaching resources for rural primary schools, and encourage every child to stay positive and optimistic with the power of music. The Candlelight Micro-Loan Project, a targeted micro-loan project jointly provided by the Shenzhen TCL Foundation and TCL Finance Group for rural teachers, aims to support those rural teachers and their families in need of help in such aspects as healthcare for major diseases, daily consumption, and skill training. The Company continues to invest in education aids and sponsor projects such as the "TCL Young Scholars Program" and the "TCL Science and Technology Innovation Fund". The TCL Photovoltaic Sunshine Campus contributes to the development of rural education by building photovoltaic power generation systems for rural schools to improve the school teaching environment and providing financial assistance for underprivileged students. The TCL Smart Classroom Project and Photoelectric Laboratory Project are aimed at bringing more educational resources to children and promoting education equity.

Annual summary of consolidating and extending the achievements of poverty alleviation and pushing forward rural revitalisation

In the first half of 2022, the eighth "TCL Project Hope Candlelight Award" was recommended by the China Youth Development Foundation to solicit excellent teachers from 194 counties and districts in 14 provinces that serve as the key counties in the National Rural Revitalization and the pairing support areas of Shenzhen. An online final evaluation meeting was held to select 400 excellent teachers. Each of the winners received a personal award worth RMB9,500, including a cash reward and 7-day offline "candlelight class" training.

In 2022, the "Eagle Storytelling Robot" under "A.I. Go Home" project was upgraded and optimized in functionality, packaging, and quality control. The "Eagle Story Club" gathered children together through the "Eagle Storytelling Robot" to popularize famous classical literature from both at home and abroad. In March 2022, the Shenzhen TCL Foundation began the recruitment of the fourth batch of pilot schools for the "Eagle Story Club", receiving submissions from a total of 74 rural schools across the country. Five schools were selected, and a total of 19 story boxes and 38 "Eagle Storytelling Robots" were distributed, benefiting a total of 324 students. The "Eagle Audiobook" WeChat Mini Program has added a new poetry section with *Poems for Children* wrote by Bei Dao. As of present, the mini program has more than 1,400 active users, and more than 230 people have completed recordings.

The "Little Music +" project under the "Xiao Xue Music Class" is dedicated to enhancing music teaching instruments and professional resources in rural schools through the "Xiao Xue Music Robot". In 2022, the Company completed the upgrade of its "Xiao Xue Music Robot", optimizing for functionality, packaging, and quality control. In the first half of 2022, the Shenzhen TCL Foundation recruited the fourth batch of pilot schools for the "Xiao Xue Music Class", receiving submissions from a total of 53 rural schools across the country. Five schools were selected, and a total of 16 music boxes and 32 "Xiao Xue Music Robots" were distributed, benefiting a total of 3,373 students.

Adopting an innovative charity + finance mode, the Candlelight Micro-Loan Project improves the quality of life for rural educators to ensure the development of rural education. In the first half of 2022, the "Candlelight Micro-Loan Project" continued, further expanding in influence.

In response to the "dual carbon" strategy, TCL Photovoltaic Sunshine Campus Project donated a photovoltaic roof power generation system and 25 years of power generation income to 4 rural schools, with a system value of RMB1.19 million and donated the photovoltaic power generation income of about RMB1.68 million. In January 2022, TCL launched the TCL Smart Classroom Project to narrow the gap of educational resources between urban and rural areas. In March 2022, TCL launched the Optoelectronic Laboratory Project to address the shortage of high-quality scientific and technological innovations and interactive education resources for primary and secondary school students.

In 2022, TCL Foundation launched the "TCL Young Scholars Program" and "TCL Science and Technology Innovation Fund" for young people and scientific education programs. These programs will serve an important model for education sponsorships in the future to further promote educational equity.

The Shenzhen TCL Foundation helps the Company consolidate its achievements in rural revitalization through targeted assistance projects. In 2022, in the targeted assistance and donation project in Taimei Town, Boluo County, Huizhou, TCL Foundation invested a

total of RMB650,000, donated learning devices with a value of RMB600,000 to the local government, and invested RMB50,000 in supporting poverty alleviation. In June 2022, when the Bei River was hit by a once-in-a-century flood, the TCL Foundation immediately donated RMB100,000 to Huizhou Charity Federation for the Huizhou Jiaolong Emergency Rescue Center to purchase materials required for frontline rescue and disaster relief.

Effects of consolidating and extending the achievements of poverty alleviation and pushing forward rural revitalization

Index	Unit	Quantity/Development
I Overall Situation		
1. Fund	RMB	5,063,985
II Specific investments		
1. Education		
1.1 Amount of investment to improve the educational resources in poverty-stricken areas	RMB	4,313,985
2. Society		
2.1 Amount of public welfare fund investment	RMB	750,000

Subsequent plans for extending the achievements of poverty alleviation and pushing forward rural revitalization

In the second half of 2022, the Company will continue to drive rural education development through the "TCL Project Hope Candlelight Award" program. The project will expand the influence of award evaluation and promotion to strengthen media communication and Internet publicity to retain public attention.

In the future, the Company will continue to promote the "A.I. Go Home" project, strengthen the promotion and use of the "Eagle Audiobook" Wechat Mini Program, further optimize the functions of the mini program, and plan to update the 2.0 version of the mini program in the second half of the year to further strengthen the relationship between parents and children and provide emotional support. The Company will also complete the identification of a fourth batch of pilot schools for the project. The "Eagle Storytelling Robot" will accompany children in story lessons every month, and is expected to serve more than 3,800 students. In the second half of 2022, "Little Music +" will continue to focus on the music education for rural children, and identify a fourth batch of pilot schools under the "Xiao Xue Music Class" program to expand its coverage of rural school students.

The Company will select sites for TCL Photovoltaic Sunshine Campus Project in Hohhot, Inner Mongolia; Huizhou, Guangdong; Zhangjiakou, Hebei; and other locations. In the future, the project will cover more schools in need to further implement the "dual carbon" development concept and drive the development of rural education. The TCL Smart Classroom project is expected to be completed and commissioned in the second half of 2022, contributing to the sharing of educational resources and promoting education equity. The Optoelectronic Laboratory Project is expected to be officially confirmed in the second half of 2022, and will serve to stimulate the scientific interest and innovation of young people.

In the future, it is expected that the Company will invest RMB1.8 million each year to support young outstanding talents through the TCL Young Scholars Program. The Company expects to make donations for 10 consecutive years from 2022 through the TCL Science and Technology Innovation Fund to promote science and technology innovation from the source and train more young scientific research talents for society. The total donation amount is expected to be RMB40 million.

2. Production safety

Production safety supervision system

TCL Technology upholds "people-oriented, safety first" principles, continuously improves the management of employee health and production safety, ensures a safe production environment through various occupational health management mechanisms and measures, and carries out a series of training programs to ensure the health and safety of employees. In accordance with safety laws and regulations, the Company has improved its production safety responsibility system from the aspects of management, equipment and facilities, and employee safety awareness.

In order to ensure the effective implementation of production safety management, TCL Technology has formulated regulations such as the *Production Safety Management Practices*, *Management Practices for Production Safety Performance Evaluation*, *Emergency Response Plan for Production Safety Accidents*, and others. In terms of management, TCL Technology has established a Work Safety Administration Committee and the Office of the Work Safety Administration Committee to preside over its production safety management and guarantee system. TCL Technology has established a management system for regularly screening hidden

hazards in various industries. In each plant, safety management personnel at all levels carry out safety inspection in each area on a daily, weekly, monthly, and quarterly basis (including holidays), along with follow-up rectification measures.

In response to the Group's action, TCL CSOT promulgated various security management regulations, and has pegged security management with performance review for middle management. Security accountability is implemented and security awareness is strengthened based on a dual communication mechanism (i.e. key contact personnel and contact points), in which contact points are responsible for auditing the performance of the mechanism. TCL CSOT has developed the CSOT Security Management Improvement Scheme to enhance security management from the perspectives of personnel, machines, materials, processing, and environmental protection. TCL Zhonghuan has formulated a safety management manual and corporate management regulations with target safety production goals, adopted the process method, ensured effective system operations, and continued improvement through monitoring and measuring of the system.

Development of production safety standards

TCL Technology continuously improves measures for production safety in various segments, optimizes safety equipment and facilities in workspaces, and carries out lean management and control over production safety. Subsidiaries under TCL CSOT have domestically and internationally leading safety equipment and facilities in place (such as automatic fire alarm systems CO2 automatic fire extinguishing systems, VESDA systems, and TGMS systems), and provide employees with safe and reliable personal protective equipment. TCL CSOT adopts the HAZOP, SFMEA, and other risk identification instruments to analyze the risks arising from manufacturing, and develops lean management and control measures accordingly, along with proactive engagement in risk visualization management. TCL Zhonghuan has launched an information-based management platform for production safety featuring interfaces classified by group, geographic location, segment, and company, for a total of 10 management modules, 38 sub-modules, and 80 specific tasks, enabling visualization of the fundamental management information about production safety standards. The platform can plan and push tasks in real time with simultaneous trajectory throughout the process, a risk database is established with risk identification and control specialization, hidden hazards are screened and special operations are managed dynamically, the system collects dynamic safety information in real time and establishes a large database, and the expert team regularly identifies production safety laws, regulations, and standards. A safety database has been created with these six functions, which solve key and difficult problems such as real-time safety supervision and data analysis for hidden hazards across different plants.

Production safety process

Product safety is not only a basic requirement of customers for TCL Technology brand, technology, and services, but also one of social responsibilities borne by the Company. TCL Technology and its various segments strictly conform to related laws and regulations, with 100% product inspection and testing coverage, to ensure products are in compliance with safety requirements. TCL Technology has also passed the CB, UL, and other international safety certifications, and formulated a response plan for product safety incidents to strictly control product safety compliance.

TCL CSOT adopts an intelligent energy system to realize real-time monitoring over the status of equipment, energy consumption, and products. TCL CSOT introduces deep learning algorithms, realizes fault prediction through equipment and process parameters, effectively improves processing efficiency, introduces ADC image recognition technology, realizes panel AI intelligent detection, and independently develops a visual detection algorithm to meet the needs of plants. The Company continuously optimizes and improves FDC, yield efficiency, multi-factor analysis, and other analysis-based modeling systems, realizing real-time monitoring and alert on equipment and quality status. As a result, concentrated abnormalities can be located in a rapid manner. TCL CSOT also introduces a comprehensive AI-based automatic diagnosis system for AI identification, learning, decision-making, and implementation to reduce costs while ensuring safety and scaling of production efficiency. TCL Zhonghuan continuously improves the "formulation" chip manufacturing process and the "Deep Blue" AI learning model by using digital, automatic, and intelligent solutions. Through the "Deep Blue" intelligent manufacturing model and the new generation of intelligent plants, TCL Zhonghuan works to develop 4.0 intelligent plants to improve intelligent manufacturing.

Production safety education and training

TCL Technology focuses on the fundamentals of work safety education to consolidate its work safety management and improve the safety awareness of employees through all kinds of activities. During the reporting period, the Company actively facilitated various segments to carry out safety education activities and monthly events for safety and fire protection to improve the corporate safety

culture. The Company has organized a variety of safety training measures to increase the production safety awareness and skills of employees with an aim to establish a culture of safety.

Safety inspections carried out by competent authorities during the Reporting Period

TCL Technology always complies with related laws and regulations, takes the initiative to support and accept safety inspections by competent authorities, and fulfills its production safety commitment to the society.

Part VI Significant Events

I. 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 Overdue at the Period-End

√ Applicable □ Not applicable

Commitment	Promisor	Commitment Type of change	Details of commitment	Commitment Time	Commitment Term	Fulfillment
Commitments made in asset restructuring	The largest shareholder of the listed company and person acting in concert (Mr. Li Dongsheng and Jiutian Liancheng)	About avoiding horizontal competition	<p>1. Before and after this transaction, there was no horizontal competition between me/this partnership and the enterprises controlled by me/this partnership and TCL Group and the main businesses of its affiliated enterprises.</p> <p>2. After this transaction, I/this partnership will take active measures to avoid any business or activity that competes or may constitute competition with the main business of TCL Group and its affiliated enterprises, and will urge the enterprises controlled by me/this partnership to avoid any business or activity that competes or may constitute competition with the main business of TCL Group and its affiliated enterprises.</p> <p>3. If I/this partnership and the enterprises controlled by me/this partnership obtain the opportunity to engage in new business, which constitutes or may constitute horizontal competition with the main business of TCL Group and its affiliated enterprises. I/this partnership will, when it is possible, try my/our best to make this business opportunity available to TCL Group or its affiliated enterprises in the first place based on reasonable and fair terms and conditions.</p> <p>4. If the business of mine/this partnership and the enterprises controlled by me/this partnership coincides or may constitute horizontal competition with TCL Group's business due to my/this partnership's investment demand or TCL Group's business development, I/this partnership and the enterprises controlled by me/this partnership agree to solve the resulting horizontal competition within a specific time limit since as it is</p>	December 7, 2018	During the period of being the largest shareholder of TCL Group	There is no violation of commitment

			determined. 5. During the period of being the largest shareholder of TCL Group, the aforementioned commitment is unconditional and irrevocable. If I/this partnership violate the aforementioned commitments, I/this partnership will make comprehensive, timely and full joint and several compensation for the losses to TCL Group caused thereby.			
	The largest shareholder of the listed company and person acting in concert (Mr. Li Dongsheng and Jiutian Liancheng)	Commitments on reducing and regulating related party transactions	1. I/this partnership will minimize the related party transactions between me/this partnership and the enterprises controlled by me/this partnership and TCL Group and its affiliated enterprises. 2. For inevitable or reasonable related party transactions, I/this partnership and the enterprises controlled by me/this partnership and TCL Group and its affiliated enterprises will conduct them according to fair market principles and normal commercial conditions, so as to ensure the fairness of the related party transaction price, and will perform the decision-making procedures for related party transactions according to the law, to ensure that the related party transactions will not be used to illegally transfer TCL Group's funds or to damage the legitimate rights and interests of TCL Group and its shareholders. 3. I/this partnership and the enterprises controlled by me/this partnership will not ask TCL Group and its affiliated enterprises to give more favorable conditions than those that can be offered to an independent third party in any fair market transaction. 4. During the period of being the largest shareholder of TCL Group, the aforementioned commitment is unconditional and irrevocable. If I/this partnership violate the aforementioned commitments, I/this partnership will make comprehensive, timely and full joint and several compensation for the losses to TCL Group caused thereby.	December 7, 2018	During the period of being the largest shareholder of TCL Group	There is no violation of commitment
	The largest shareholder of the listed company and person acting in concert (Mr. Li	Commitments on maintaining the independence of listed companies	After this transaction, I/this partnership will continue to exercise shareholder's rights according to laws, regulations and the Articles of Association of TCL Group, and maintain the independence of TCL Group in terms of assets, personnel, finance, business and	December 7, 2018	During the period of being the largest shareholder of TCL Group	There is no violation of commitment

	<p>Dongsheng and Jiutian Liancheng)</p>		<p>institutions. I/this partnership will ensure:</p> <p>(I) The independence of TCL Group personnel. I/this partnership promise(s) to maintain personnel independence with TCL Group. TCL Group’s senior management, including the general manager, deputy general manager, chief financial officer, and secretary of the board of directors, shall not hold positions other than directors and supervisors in my/this partnership’s subordinate wholly-owned, controlled or other enterprises with actual control (hereinafter referred to as “subordinate enterprises”), and shall not be paid in my/this partnership’s subordinate enterprises. The financial personnel of TCL Group shall not work part-time in my/this partnership’s subordinate enterprises.</p> <p>(II) The independence and integrity of TCL Group’s assets. 1. The independence and integrity of TCL Group’s assets. 2. TCL Group does not have any funds or assets occupied by me/this partnership and my/this partnership’s subordinate enterprises.</p> <p>(III) The financial independence of TCL Group. 1. TCL Group establishes an independent financial department and an independent financial accounting system. 2. TCL Group has a standardized and independent financial accounting system. 3. TCL Group opens an independent bank account and does not share a bank account with me/this partnership. 4. The financial personnel of TCL Group shall not work part-time in my/this partnership’s subordinate enterprises. 5. TCL Group can make independent financial decisions, and I/this partnership shall not interfere with the use of TCL Group’s funds.</p> <p>(IV) The institutional independence of TCL Corporation. 1. TCL Group has an independent and complete organization which can operate independently. 2. TCL Group’s office and premises for production and operations are separated from my subordinate enterprises/this</p>			
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			<p>partnership.</p> <p>3. The Board of Directors, Board of Supervisors and various functional departments of TCL Group operate independently, and have no subordinate relationship with this partnership's functional departments.</p> <p>(V) The business independence of TCL Group.</p> <p>1. I/this partnership promise(s) to maintain the business independence of TCL Group after this transaction.</p> <p>2. TCL Group has the assets, personnel, qualifications and ability to independently carry out business activities, and has the ability to operate independently in the market.</p> <p>If TCL Group suffers losses due to the violation of commitments under the letter of commitment by me/this partnership or my/this partnership's subordinate enterprises, I/this partnership will bear the corresponding compensation liability according to the law.</p>			
Commitments made upon IPO or refinancing	Mr. Li Dongsheng	About horizontal competition, related-party transaction and capital occupation	<p>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 the Company with its subsidiaries; and 2) I shall reduce and control transactions of related parties between the companies, enterprises or other business organizations that I own, control, control with others, or have significant influence on and the Company with its subsidiaries.</p>	August 30, 2013	During the tenure of the Company's director, supervisor or senior management	There is no violation of commitment
Fulfilled on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next steps	Not applicable					

II. Occupation of the Company, Capital by the Controlling Shareholder or any of Its Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

III. Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

IV. Engagement and Disengagement of Independent Auditor

Whether the semi-annual financial report has been audited

Yes No

The interim financial statements are unaudited.

V. Explanation of the Board of Directors and Board of Supervisors on the “Non-Standard Auditor’s Report”

Applicable Not applicable

VI. Explanation of the Board of Directors on the “Non-Standard Auditor’s Report” for the Previous Year

Applicable Not applicable

VII. Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

VIII. Lawsuits

Significant lawsuits and arbitrations:

Applicable Not applicable

No such cases in the Reporting Period.

Other lawsuit matters

Applicable Not applicable

IX. Punishments and Rectifications

Applicable Not applicable

Description of rectifications

Applicable Not applicable

No significant punishments or rectifications in the Reporting Period.

X. Credit Quality of the Company as well as its Controlling Shareholder and Actual Controller

Applicable Not applicable

XI. Major Related-Party Transactions**1. Continuing Related-Party Transactions**

Applicable Not applicable

During the Reporting Period, the Company’s daily related-party transactions is found in the related announcements disclosed on <http://www.cninfo.com.cn>.

2. Related-Party Transactions Regarding Purchase or Disposal of Assets or Equity Investments

Applicable Not applicable

3. Related-Party Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No related-party transactions regarding joint investments in third parties which occurred during the Company’s Reporting Period.

4. Amounts Due to and from Related Parties

Applicable Not applicable

Indicate whether there were any amounts due to and from related parties for non-operating purposes.

Yes No

Amounts receivable due to related parties

Related parties	Relationship with the Company	Source	Capital occupation for non-operating purposes or not	Beginning balance (RMB'0,000)	Amount of new grants in current period (RMB'0,000)	Amount of recovered grants in current period (RMB'0,000)	Coupon rate	Interest in current period (RMB'0,000)	Ending balance (RMB'0,000)
TCL Industries Holding Co., Ltd.	Related corporation	Sale of equity investments	No	0	96,000	48,960	0.00%	0	47,040
The Influence of Amounts Due to Related Parties on the Company's Operating Results and Financial Status		The Company sold 100% held equity of Chongqing Zhongxin Rongxin to TCL Industries Holdings Inc. in order to further optimize its business structure and focus resources on the development of its primary high-tech business in line with the government policy guidance and in accordance with the needs of the Company's announced financing projects. According to the agreement signed by both parties, TCL Industries Holdings Inc. shall pay 51% of the equity transfer price (i.e. RMB489.6 million) to the Company before June 30, 2022. The remaining equity transfer price will be paid before June 30, 2023. Refer to the <i>Announcement on the Disposal of Equity Interests in Partnership Enterprise and the Related-Party Transactions</i> disclosed by the Company on http://www.cninfo.com.cn dated June 27, 2022.							

5. Transactions with Related Finance Companies

Applicable Not applicable

6. Transactions Between the Financial Company Controlled by the Company and Related Companies

Applicable Not applicable

Deposits:

Related parties	Relationship with the Company	Daily deposit ceiling (RMB'0,000)	Range of interest	Beginning balance (RMB'0,000)	Amount incurred in the current period		Ending balance (RMB'0,000)
					Total deposit amount in current period (RMB'0,000)	Total withdrawal amount in current period (RMB'0,000)	
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	600,000.00	0.01-1.15%	2,127.79	226,780.06	228,878.05	29.80

Loans:

Related parties	Relationship with the Company	Loan limit	Range of interest	Beginning balance (RMB'0,000)	Amount incurred in the current period		Ending balance (RMB'0,000)
					Total loan amount in current period (RMB'0,000)	Total repayment amount in current period (RMB'0,000)	
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	The balance of comprehensive credit on any one day (including loans) shall not exceed RMB6 billion	-	-	-	-	-

Credit or other financial business:

Related parties	Relationship with the Company	Business type	Total	Ending balance (RMB'0,000)
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	Credit granting (bill discount)	The balance of comprehensive credit on	93,652.04

Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	Credit granting (bill acceptance)	any one day shall not exceed RMB6 billion	65,645.09
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7. Other Major Related-Party Transactions

√ Applicable □ Not applicable

Title of announcement	Date of disclosure	Website for disclosure
Announcement on the Disposal of Equity Interests in Partnership Enterprises and the Related-Party Transaction	June 27, 2022	http://www.cninfo.com.cn
Announcement on the Expected Continuing Related-Party Transactions for 2022	April 28, 2022	
Announcement on the Launch of Accounts Receivable Factoring and the Related-party Transaction	April 28, 2022	
Announcement on the Related-party Transactions with Shenzhen Jucai Supply Chain Technology Co., Ltd. in 2022	April 28, 2022	
Announcement of TCL Technology Group Finance Co., Ltd. on Continuing to Provide Financial Services to Related Parties and Renewing the Financial Service Agreement	April 28, 2022	
Announcement on Progress of Additional Placement and Share Issue in Subsidiaries and the Related-Party Transaction	March 22, 2022	
Announcement on Additional Placement and Share Issue in Subsidiaries and the Related-Party Transaction	January 24, 2022	

XII. Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

□ Applicable √ Not applicable

There were no entrustment projects that brought profits and losses to the Company reaching more than 10% of the Company's total profits in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

Notes to Contracting

There were no contracting projects that brought profits and losses to the Company reaching more than 10% of the Company's total profits in the Reporting Period.

(3) Leases

□ Applicable √ Not applicable

Notes to leases:

There were no lease projects that brought profits and losses to the Company reaching more than 10% of the Company's total profits in the Reporting Period.

2. Major Guarantees

√ Applicable □ Not applicable

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	Guarantee Limit	Actual occurrence date	Actual guarantee amount	Guarantee Type of change	Collateral (if any)	Counter guarantee (if any)	Term of guarantee	Expired or not	Guarantee for related parties or not
TCL King Electrical Appliances (Huizhou) Co., Ltd.	April 28, 2022	327,138	August 29, 2019	12,464	Joint liability guarantee	/	Counter guarantee provided by TCL Industrial Holding	3.6-5 years	No	Yes
TCL King Electrical Appliances (Chengdu) Co., Ltd.	April 28, 2022	51,653	-	-	Joint liability guarantee	/	TCL Industrial Holding	-	Yes	Yes

Huizhou TCL Mobile Communication Co., Ltd.	April 28, 2022	212,507	-	-	Joint liability guarantee	/	Co., Ltd.	-	Yes	Yes
TCL Mobile Communication (HK) Company Limited	April 28, 2022	29,225	-	-	Joint liability guarantee	/		-	Yes	Yes
TCL Home Appliances (Hefei) Co., Ltd.	April 28, 2022	68,280	March 2, 2021	4,968	Joint liability guarantee	/		1-2 years	No	Yes
TCL Home Appliances (Zhongshan) Co., Ltd.	April 28, 2022	4,929	-	-	Joint liability guarantee	/		-	Yes	Yes
TCL Air-Conditioner (Zhongshan) Co., Ltd.	April 28, 2022	80,991	March 13, 2020	33,771	Joint liability guarantee	/		0.37-3 years	No	Yes
TCL Air Conditioner (Wuhan) Co., Ltd.	April 28, 2022	13,480	-	-	Joint liability guarantee	/		-	Yes	Yes
Zhongshan TCL Refrigeration Equipment Co., Ltd.	April 28, 2022	31,749	-	-	Joint liability guarantee	/		-	Yes	Yes
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	April 28, 2022	2,522	-	-	Joint liability guarantee	/		-	Yes	Yes
TCL Home Appliances (Huizhou) Co., Ltd.	April 28, 2022	10,000	-	-	Joint liability guarantee	/		-	Yes	Yes
TCL Air-Conditioner (Jiujiang) Co., Ltd.	April 28, 2022	5,488	-	-	Joint liability guarantee	/		-	Yes	Yes
Tonly Technology Co., Ltd.	April 28, 2022	39,496	April 23, 2021	37,519	Joint liability guarantee	/		3 years	No	Yes
TCL Very Lighting Technology (Huizhou) Co., Ltd.	April 28, 2022	1,034	-	-	Joint liability guarantee	/		-	Yes	Yes
SHIFENDAOJIA Online Service Co., Ltd.	April 28, 2022	77	-	-	Joint liability guarantee	/		-	Yes	Yes
Guangzhou TCL Science and Technology	April 28, 2022	84,700	December 27, 2018	80,465	Joint liability	/		13 years	No	Yes

Development Co., Ltd.					guarantee					
TCL Industries Holdings (HK) Limited	April 28, 2022	514,629	April 14, 2020	376,323	Joint liability guarantee	/		1-3 years	No	Yes
Techhigh Circuit Technology (Huizhou) Co., Ltd.	April 28, 2022	499	-	-	Joint liability guarantee	/		-	Yes	No
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	April 28, 2022	40,000	December 27, 2021	2,360	Joint liability guarantee	/	With counter-guarantee	189 days	No	Yes
Qihang Import&Export Limited	April 28, 2022	6,000	-	-	Joint liability guarantee	/	With counter-guarantee	-	No	No
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	April 28, 2022	110,000	September 1, 2021	28,153	Joint liability guarantee	/	With counter-guarantee	50 days-1 years	No	No
Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	April 28, 2022	80,000	April 28, 2020	25,889	Joint liability guarantee	/	Guarantee in proportion to shareholding percentage	8 years	No	No
Qihang International Import & Export Limited	April 28, 2022	50,000	-	1,678	Joint liability guarantee	/	With counter-guarantee	1 year	No	No
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	May 22, 2021	45,500	September 29, 2021	15,000	Joint liability guarantee	/	With counter-guarantee	1 year	No	Yes
Total approved line for such guarantees in Reporting Period (A1)		1,764,397		Total actual amount of such guarantees in Reporting Period (A2)		57,880				
Total approved line for such guarantees at the end of the Reporting Period (A3)		1,809,897		Total actual balance of such guarantees at end of Reporting Period (A4)		618,588				
Guarantees provided by the Company as the parent for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Guarantee Limit	Actual occurrence date	Actual guarantee amount	Guarantee Type of change	Collateral (if any)	Counter guarantee (if any)	Term of guarantee	Expired or not	Guarantee for related parties or not
Wuhan China Star Optoelectronics Technology Co., Ltd.	April 28, 2022	1,600,000	July 26, 2019	413,940	Joint liability guarantee	/	/	22 days-3 years	No	No
Shenzhen China Star Optoelectronics	April 28, 2022	1,550,000	April 28, 2018	1,183,090	Joint liability	/	/	1 month - 8 years	No	No

Semiconductor Display Technology Co., Ltd.					y guarantee					
TCL China Star Optoelectronics Technology Co., Ltd.	April 28, 2022	679,500	September 29, 2019	35,190	Joint liability guarantee	/	/	13 days-3 years	No	No
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	April 28, 2022	2,000,000	December 22, 2017	989,901	Joint liability guarantee	/	/	3 month - 8 years	No	No
Huizhou China Star Optoelectronics Technology Co., Ltd.	April 28, 2022	1,150,000	January 1, 2021	637,589	Joint liability guarantee	/	/	3 month - 8 years	No	No
China Star Optoelectronics International (HK) Limited	April 28, 2022	500,000	-	-	Joint liability guarantee	/	/	-	No	No
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	April 28, 2022	150,000	July 28, 2021	47,037	Joint liability guarantee	/	/	43 days-7.39 years	No	No
Wuhan China Display Optoelectronics Technology Co., Ltd.	April 28, 2022	50,000	February 14, 2020	197	Joint liability guarantee	/	/	2-3 years	No	No
Guangdong Juhua Printed Display Technology Co., Ltd.	April 28, 2022	40,000	May 31, 2022	4,324	Joint liability guarantee	/	/	15 months	No	No
TCL Technology Group Finance Co., Ltd.	April 28, 2022	300,000	January 25, 2022	59,863	Joint liability guarantee	/	/	95-409 days	No	No
Highly Information Industry Co., Ltd.	April 28, 2022	480,000	April 1, 2020	358,000	Joint liability guarantee	/	/	1 days-2.5 years	No	No
Beijing Hecheng Nuoxin Technology Co., Ltd.	April 28, 2022	10,000	July 23, 2021	5,000	Joint liability guarantee	/	/	1 year	No	No
Beijing Lingyun Data Technology Co., Ltd.	April 28, 2022	131,500	July 29, 2021	38,390	Joint liability guarantee	/	/	86-364 days	No	No
Beijing Sunpiestore Technology Co., Ltd.	April 28, 2022	140,000	July 23, 2021	83,000	Joint liability guarantee	/	/	1 year	No	No
Shaanxi Titi Electronic Technology Co., Ltd.	April 28, 2022	10,000	July 23, 2021	3,000	Joint liability guarantee	/	/	1 year	No	No

TCL Technology Park (Huizhou) Co., Ltd.	April 28, 2022	172,600	April 24, 2020	99,500	Joint liability guarantee	/	/	1-10 years	No	No
TCL Technology Investments Limited	April 28, 2022	400,000	July 14, 2020	201,342	Joint liability guarantee	/	/	5 years	No	No
Ningbo TCL Equity Investment Ltd.	April 28, 2022	50,000	-	-	Joint liability guarantee	/	/	-	No	No
TCL Moka International Limited	April 28, 2022	176,000	May 20, 2022	40,268	Joint liability guarantee	/	/	1 year	No	No
Huizhou Moka Technology Development Co., Ltd.	April 28, 2022	55,000	-	-	Joint liability guarantee	/	/	-	No	No
Moka Technology (Guangdong) Co., Ltd.	April 28, 2022	700,000	December 31, 2021	121,182	Joint liability guarantee	/	/	1-8 months	No	No
Guangzhou China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	April 28, 2022	1,750,000	March 4, 2022	730,703	Joint liability guarantee	/	/	1-8 years	No	No
Suzhou China Star Optoelectronics Display Co., Ltd.	April 28, 2022	265,000	-	-	Joint liability guarantee	/	/	-	No	No
Suzhou China Star Optoelectronics Technology Co., Ltd.	April 28, 2022	57,000	-	-	Joint liability guarantee	/	/	-	No	No
Highly (Tianjin) Technology Co., Ltd.	April 28, 2022	50,000	May 9, 2021	21,737	Joint liability guarantee	/	/	40-61 days	No	No
Highly (Tianjin) E-Commerce Co., Ltd.	April 28, 2022	5,000	-	-	Joint liability guarantee	/	/	-	No	No
Qingdao Blue Business Consulting Co., Ltd.	April 28, 2022	5,000	-	-	Joint liability guarantee	/	/	-	No	No
Tianjin Printronics Circuit Corporation	April 28, 2022	100,000	-	-	Joint liability guarantee	/	/	-	No	No
TCL Technology Group (Tianjin) Co., Ltd.*	April 28, 2022	200,000	-	-	Joint liability	/	/	-	No	No

					guarantee					
Tianjin WanfangNuoxin Technology Co., Ltd. *	April 28, 2022	5,000	-	-	Joint liability guarantee	/	/	-	No	No
Total approved line for such guarantees in the Reporting Period (B1)		12,781,600		Total actual amount of such guarantees in the Reporting Period (B2)		1,476,775				
Total approved line for such guarantees at the end of the Reporting Period (B3)		12,781,600		Total actual balance of such guarantees at the end of the Reporting Period (B4)		5,073,254				
Guarantees provided between subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Guarantee Limit	Actual occurrence date	Actual guarantee amount	Guarantee Type of change	Collateral (if any)	Counter guarantee (if any)	Term of guarantee	Expired or not	Guarantee for related parties or not
Huhehaote Huanju New Energy Development Co., Ltd.*	November 26, 2014	24,529	December 11, 2015	24,529	Joint liability guarantee	/	/	9.5 years	No	No
Zhonghuan Energy (Inner Mongolia) Co., Ltd.	June 24, 2017	11,800	July 21, 2017	11,800	Joint liability guarantee	/	/	15 years	No	No
Otog Banner Huanju New Energy Co., Ltd.	June 24, 2017	19,816	August 30, 2017	19,816	Joint liability guarantee	/	/	10 years	No	No
Qinhuangdao Tianhui Solar Energy Co., Ltd.	November 11, 2017 September 6, 2018	22,829	January 19, 2018	22,829	Joint liability guarantee	/	/	10-12 years	No	No
Guyuan Shengju New Energy Co., Ltd.	September 6, 2018	10,119	October 8, 2018	10,119	Joint liability guarantee	/	/	11 years	No	No
Zhangjiakou Shengyuan New Energy Co., Ltd.	September 6, 2018	13,790	October 8, 2018	13,790	Joint liability guarantee	/	/	11 years	No	No
Zhonghuan Hong Kong Holding Limited	March 22, 2021	65,000	March 26, 2021	52,994	Joint liability guarantee	/	/	3 years	No	No
Inner Mongolia Zhonghuan Crystal Materials Co., Ltd.	March 22, 2021 May 26, 2022	602,500	April 30, 2021	432,500	Joint liability guarantee	/	/	7 years	No	No
Huansheng Solar (Jiangsu) Co., Ltd.	March 22, 2021	53,900	April 1, 2021	53,900	Joint liability	/	/	5 years	No	No

					guarantee					
Tianjin Huanzhi New Energy Technology Co., Ltd.	January 21, 2021	131,500	July 20, 2021	56,011	Joint liability guarantee	/	/	7 years	No	No
Ningxia Zhonghuan Solar Material Co., Ltd.	January 23, 2022	748,000	May 30, 2022	133,000	Joint liability guarantee	/	/	7 years	No	No
Wuxi Zhonghuan Applied Materials Co., Ltd.	May 26, 2022	190,000	June 30, 2022	10,000	Joint liability guarantee	/	/	7 years	No	No
TCL Zhonghuan's guarantee for subsidiaries within the consolidated scope (retained)	May 26, 2022	620,000	-	-	Joint liability guarantee	/	/	-	No	No
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.*	April 28, 2022	2,612,500	April 28, 2018	2,394,858	Joint liability guarantee	/	/	5-8 years	No	No
PANEL OPTODISPLAY TECHNOLOGY PRIVATE LIMITED	April 28, 2022	8,200	April 22, 2022	825	Joint liability guarantee	/	/	2 years	No	No
TCL Moka International Limited	April 28, 2022	214,500	April 29, 2022	41,557	Joint liability guarantee	/	/	26-87 days	No	No
China Star Optoelectronics International (HK) Limited	April 28, 2022	500,000	November 24, 2020	167,785	Joint liability guarantee	/	/	3 years	No	No
Total approved line for such guarantees in the Reporting Period (C1)			5,083,200	Total actual amount of such guarantees in the Reporting Period (C2)						386,398
Total approved line for such guarantees at the end of the Reporting Period (C3)			5,848,984	Total actual balance of such guarantees at the end of the Reporting Period (C4)						3,446,314
Total guarantee amount (total of the three kinds of guarantees above)										
Total guarantee line approved in the Reporting Period (A1+B1+C1)			19,629,197	Total actual guarantee amount in the Reporting Period (A2+B2+C2)						1,921,053
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)			20,440,481	Total actual guarantee balance at the end of the Reporting Period (A4+ B4+ C4)						9,138,156
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets										234.17%
										Of which:
Balance of guarantees provided for shareholders, the actual controller and their related parties (D)										562,869

Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)	2,663,958
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	7,186,951
Total of the three above amounts (D+E+F)	7,186,951
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)	-

Note: ① The guarantee period in the above table is the occurrence period of the principal debt. The actual guarantee is valid for two or three years from the expiration date of the principal debt, which is subject to the single contract.

② During the Reporting Period, the Company adjusts the guarantee limit to its controlling subsidiaries based on their demands. The details are outlined as follows:

(1) The guarantee limit amounting to RMB2 billion offered to Suzhou China Star Optoelectronics Technology Co., Ltd. was transferred to TCL Technology Group (Tianjin) Co., Limited, another controlling subsidiary.

(2) The guarantee limit amounting to RMB50 million offered to Beijing Sunpiestore Technology Co., Ltd. was transferred to Tianjin Wanfang Nuoxin Technology Co., Ltd., a wholly-owned subsidiary of the Company.

In respect of the guarantee adjustment above, the Company has completed internal deliberation procedures and the debt/asset ratio of subsidiaries subject to guarantee limit increment does not exceed 70%, which complied with the related requirements in the *Rules Governing the Guarantees Provided for External Parties*, and the *2022 Proposals on Guarantee Provided to Subsidiaries* passed on the 2021 general meeting held on May 19, 2022.

③ In the table above, Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd., a subsidiary controlled by the Company, was jointly guaranteed by the Company and its subsidiary TCL China Star Optoelectronics Technology Co., Ltd. in an external syndicated loan, in which the Company provided certain percentage of guarantee, while TCL China Star Optoelectronics Technology Co., Ltd. provided full guarantee.

As at the end of the Reporting Period, the debt portion under joint guarantee amounted to RMB10.7457534 billion. The joint guarantee has been filled in the “Company’s Guarantee for Subsidiaries” and “Guarantee Among Subsidiaries”, respectively. The “total guarantee accrued at the end of the reporting period” and “total balance of guarantee accrued at the end of the Reporting Period” including the debt portion under the joint guarantee amounted to RMB10.7457534 billion.

④ The Company provided guarantee to the syndicated loan of Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. for its “Project For Expanding the G6 Semiconductor Display Component Production Line” under joint and several liability of no more than RMB7.5 billion. The guarantee is within the limit of *2022 Proposal on Providing Guarantee to Subsidiaries* passed on the 18th of the Seventh Session Board of Directors and 2021 general meeting. As at the end of the Reporting Period, the Company had not executed any specific guarantee contract. The actual guarantee limit will be subject to the specific contract.

⑤ In the “guarantee among subsidiaries”, the guaranteed entity and Huhehaote Huanju New Energy Development Co., Ltd. were provided with the guarantee under joint and several liability by TCL Technology Group (Tianjin) Co., Ltd. And TCL Zhonghuan New Energy Technology Co., Ltd.

3. Cash Entrusted for Wealth Management√ Applicable Not applicable

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount	Impairment allowance for unrecovered overdue amount of wealth management products
Bank's wealth management product	Self-funded	629,001.00	625,900.00	-	-
Securities firm's wealth management product	Self-funded	100,962.99	100,962.99	-	-
Trust plan	Self-funded	100,000.00	60,000.00	-	-
Other	Self-funded	19,219.11	19,219.11	-	-
Total		849,183.10	806,082.10	-	-

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

 Applicable Not applicable

Wealth management transactions where the principal is expectedly irrecoverable or an impairment may be incurred:

 Applicable Not applicable**4. Other Major Contracts** Applicable Not applicable

No such cases in the Reporting Period.

XIII. Other Significant Events√ Applicable Not applicable

Title of announcement	Date of disclosure	Website for disclosure
Announcement on Resignation and Appointment of Non-executive Directors	4/14/2022	http://www.cninfo.com.cn
Report on the Repurchase of Certain Public Shares in 2022	3/21/2022	

XIV. Significant Events of Subsidiaries√ Applicable Not applicable

Title of announcement	Date of disclosure	Website for disclosure
Announcement on Additional Placement and Share Issue in Subsidiaries and the Related-Party Transaction	1/24/2022	http://www.cninfo.com.cn

Part VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Prior to changes		Increase/decrease in the Reporting Period (+/-)		After changes	
	Shares	Percentage	Others	Subtotal	Shares	Percentage
I. Restricted Shares	612,110,488	4.36%	1,445,002	1,445,002	613,555,490	4.37%
Shares held by other domestic investors	611,718,990	4.36%	1,270,579	1,270,579	612,989,569	4.37%
Of which: Shares held by domestic individuals	611,718,990	4.36%	1,270,579	1,270,579	612,989,569	4.37%
Shares held by foreign entities	391,498	0.0028%	174,423	174,423	565,921	0.0040%
Of which: Shares held by foreign individuals	391,498	0.0028%	174,423	174,423	565,921	0.0040%
II. Non-restricted shares	13,418,531,933	95.64%	-1,445,002	-1,445,002	13,417,086,931	95.63%
Ordinary shares in RMB	13,418,531,933	95.64%	-1,445,002	-1,445,002	13,417,086,931	95.63%
III. Total shares	14,030,642,421	100%	0	0	14,030,642,421	100%

Statement on the changes in shares

During the Reporting Period, locked-up shares held by senior management increased by 1,445,002 shares, as non-restricted shares decreased by the same amount.

Approval of changes in shares

 Applicable Not applicable

Transfer of share ownership

 Applicable Not applicable

On June 1, 2021, the Company issued the *Announcement on Planned Allocation and Equity Ownership Under the Global Partnership Phase III Scheme*, which specifies that, in accordance with Global Partnership Phase III Scheme (Draft), the share holders under the scheme may sell 50% of corresponding shares held based on current market conditions at their discretion, or transfer 50% of corresponding shares held to the scheme holder's account through non-trading transfer subject to the support of Shenzhen Stock Exchange and the Depository and Clearing Corporation, after 12 months upon the vesting date of the underlying shares; the share holders under the scheme may sell the remained 50% of corresponding shares or transfer the remained 50% of corresponding shares to the scheme holder's account through non-trading transfer subject to Shenzhen Stock Exchange and the Depository and Clearing

Corporation after 24 months upon the vesting date of the underlying shares.

During the Reporting Period, parts of shares under the Scheme had been transferred to the securities account of scheme holders through non-trading transfer in June. A total of 21,054,347 shares were transferred, including 1,926,671 shares transferred to directors, supervisors and senior management through non-trading transfer and 19,127,676 shares transferred to other holders through non-trading transfer.

Progress on any share repurchase

Applicable Not applicable

During the Reporting Period, the Company repurchased 106,484,364 shares through centralized bidding from the special securities account for repurchase from March 23, 2022 to June 24, 2022, accounting for 0.76% of the total share capital of the Company. The highest and lowest trading price was RMB5.01 per share and RMB4.34 per share, respectively, and the total payment approximated to RMB502.62 million (excluding transaction fees).

Progress on reducing the repurchased shares by means of centralized bidding

Applicable Not applicable

Effects of changes in shares 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

Applicable Not applicable

Unit: share

Name of shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Directors, supervisors, and executives of the Company	612,110,488	0	1,445,002	613,555,490	Locked-up shares of senior management	Removal of lock-up restriction based on related laws and regulations
Total	612,110,488	0	1,445,002	613,555,490	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders by the end of the reporting period	761,967	Total number of preference shareholders with resumed voting rights by the end of the reporting period (if any)	0					
Shareholdings of ordinary shareholders with more than 5% or the top 10 shareholders of ordinary shares								
Name of shareholder	Nature of Shareholder	Shareholding percentage (%)	Number of shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted ordinary shares held	Number of Non-restricted ordinary shares held	Shares in pledge, marked or frozen	
							Status	Shares
Li Dongsheng and his acting-in-concert party	Domestic individual/Domestic general legal entity	8.26%	1,159,085,019	485,626	610,545,821	548,539,198	Put in pledge by Li Dongsheng	179,338,800
							Put in pledge by	238,620,000

							Jiutian Liancheng	
Huizhou Investment Holding Co., Ltd.	State-owned legal entity	5.30%	743,139,840	0	0	743,139,840		
Wuhan Optics Valley Industrial Investment Co., Ltd.	State-owned legal entity	3.95%	554,770,496	-3,781,900	0	554,770,496	Pledge	255,754,475
Hong Kong Securities Clearing Company Limited	Foreign legal entity	2.68%	376,447,862	-71,400,149	0	376,447,862		
China Securities Finance Corporation Limited	Domestic general legal entity	2.66%	373,231,553	0	0	373,231,553		
Tibet Tianfeng Enterprise Management Co., Ltd.	Domestic general legal entity	1.54%	215,582,406	-30,986,432	0	215,582,406		
TCL Technology Group Corporation - 2021 to 2023 Employee Stock Ownership Plan (Phase D)	Fund, wealth management product, etc.	0.81%	113,143,154	0	0	113,143,154		
Sinatay Life Insurance Co., Ltd. - Conventional Product	Fund, wealth management product, etc.	0.74%	104,190,172	0	0	104,190,172		
ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse China Securities Financial Asset Management Plan	Fund, wealth management product, etc.	0.53%	74,761,500	0	0	74,761,500		
Southern Asset Management	Fund, wealth management product, etc.	0.53%	74,761,500	0	0	74,761,500		

- Agricultural Bank of China - Southern China Securities Financial Asset Management Plan								
Strategic investor or general legal entity becoming top-10 ordinary shareholders due to private placement of new shares (if any)	Not applicable							
Note on the above shareholders' associations or concerted actions	Mr. Li Dongsheng and Ningbo Jiutian Liancheng Equity Investment Partnership (Limited Partnership) became persons acting in concert by signing the <i>Agreement on Concerted Action</i> , holding 1,159,085,019 shares in total and becoming the largest shareholder of the Company.							
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	Not applicable							
Explanation on repurchase account among top 10 shareholders	There is a special repurchase account "TCL Technology Group Corporation's special securities account for repurchase" among the top 10 Shareholders, which are not outlined in the top 10 shareholders above. As of the end of the Reporting Period, this repurchase account held 399,900,216 shares.							
Top 10 non-restricted ordinary shareholders								
Name of shareholder	Number of non-restricted ordinary shares held at the end of the reporting period	Type of shares						
		Type	Shares					
Huizhou Investment Holding Co., Ltd.	743,139,840	RMB-denominated ordinary shares	743,139,840					
Wuhan Optics Valley Industrial Investment Co., Ltd.	554,770,496	RMB-denominated ordinary shares	554,770,496					
Li Dongsheng and his acting-in-concert party	548,539,198	RMB-denominated ordinary shares	548,539,198					
Hong Kong Securities Clearing Company Limited	376,447,862	RMB-denominated ordinary shares	376,447,862					
China Securities Finance Corporation Limited	373,231,553	RMB-denominated ordinary shares	373,231,553					
Tibet Tianfeng Enterprise Management Co., Ltd.	215,582,406	RMB-denominated ordinary shares	215,582,406					
TCL Technology Group Corporation - 2021 to 2023 Employee Stock Ownership Plan (Phase I)	113,143,154	RMB-denominated ordinary shares	113,143,154					
Sinatay Life Insurance Co., Ltd. -	104,190,172	RMB-	104,190,172					

Conventional Product		denominated ordinary shares	
ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse China Securities Financial Asset Management Plan	74,761,500	RMB-denominated ordinary shares	74,761,500
Southern Asset Management - Agricultural Bank of China - Southern China Securities Financial Asset Management Plan	74,761,500	RMB-denominated ordinary shares	74,761,500
Related or acting-in-concert parties among top 10 non-restricted ordinary shareholders, as well as between top 10 non-restricted ordinary shareholders and top 10 ordinary shareholders	Mr. Li Dongsheng and Ningbo Jiutian Liancheng Equity Investment Partnership (Limited Partnership) became persons acting in concert by signing the <i>Agreement on Concerted Action</i> , holding 1,159,085,019 shares in total and becoming the largest shareholder of the Company.		
Explanation on the top 10 ordinary shareholders participating in securities margin trading	<p>1. Wuhan Optics Valley Industrial Investment Co., Ltd., a shareholder of the Company, conducted share-based securities lending business for "TCL Technology". At the end of the Reporting Period, 3,781,900 shares of securities were lent out.</p> <p>2. Tibet Tianfeng Enterprise Management Co., Ltd., a shareholder of the Company, holds 117,343,814 shares through the general securities account, and holds 98,238,592 shares through the credit securities account, with a total of 215,582,406 shares actually held.</p>		

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

Yes No

No such cases in the Reporting Period.

IV. Change in Shareholdings of Directors, Supervisors, and Senior Management

Applicable Not applicable

Name	Position	Position Status	Number of shares held at the beginning of the year	Increase of shares during the Reporting Period	Decrease of shares during the Reporting Period	Number of shares held at the end of the year	Number of restricted shares granted at the beginning of the period	Number of restricted shares granted during the period	Number of restricted shares granted at the end of the period
Li Dongsheng	Chairman of the Board and CEO	Incumbent	813,575,470	485,626	0	814,061,096	0	0	0
Liang Weihua	Vice Chairman of the Board	Incumbent	0	0	0	0	0	0	0
Du Juan	Director	Incumbent	417,730	374,237	0	791,967	0	0	0
Jin Xuzhi	Director, Senior Vice President	Incumbent	521,997	232,564	0	754,561	0	0	0
Shen Haoping	Director, Senior Vice President	Incumbent	0	0	0	0	0	0	0
Liao Qian	Director, Board Secretary and Senior Vice President	Incumbent	229,596	251,710	0	481,306	0	0	0
Lin Feng	Director	Incumbent	0	0	0	0	0	0	0
Gan Yong	Independent director	Incumbent	0	0	0	0	0	0	0
Chen Shiyi	Independent director	Incumbent	0	0	0	0	0	0	0
Wan Liangyong	Independent director	Incumbent	0	0	0	0	0	0	0
Liu Xunci	Independent director	Incumbent	0	0	0	0	0	0	0

He Zhuohui	Chairman of the Supervisory Committee	Incumbent	0	0	0	0	0	0	0
Qiu Haiyan	Supervisor	Incumbent	0	0	0	0	0	0	0
Mao Tianxiang	Employee Supervisor	Incumbent	128,979	100,604	0	229,583	0	0	0
Wang Cheng	COO	Incumbent	157,661	0	0	157,661	0	0	0
Li Jian	CFO	Incumbent	97,709	196,804	0	294,513	0	0	0
Yan Xiaolin	Senior Vice President, CTO	Incumbent	1,018,176	285,126	0	1,303,302	0	0	0
Liu Kun	Previous director	Former	0	0	0	0	0	0	0
Total	--	--	816,147,318	1,926,671	0	818,073,989	0	0	0

V. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Part VIII Bonds

I. Enterprise Bonds

Applicable Not applicable

No enterprise bonds in the Reporting Period.

II. Corporate Bonds

Applicable Not applicable

1. General Information on Corporate Bonds

Unit: RMB'0,000

Bond name	Abbr.	Bond Code	Date of issuance	Value date	Maturity	Outstanding balance	Coupon rate	Way of principal repayment and interest payment	Place of trading
TCL Corporation Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3)	19TCL03	112983	October 17, 2019	October 21, 2019	October 21, 2024	200,000	4.20%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2)	19TCL02	112938	July 19, 2019	July 23, 2019	July 23, 2024	100,000	4.30%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)	19TCL01	112905	May 17, 2019	May 20, 2019	May 20, 2024	100,000	3.15%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2)	18TCL02	112747	August 17, 2018	August 20, 2018	August 20, 2023	200,000	3.55%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1)	18TCL01	112717	June 5, 2018	June 6, 2018	June 6, 2023	17,001.90	4.00%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation Corporate Bonds Publicly Offered in 2017	17TCL02	112542	July 6, 2017	July 7, 2017	July 7, 2022	15,700	3.45%	Interest payable annually and principal repayable in full upon	Shenzhen Stock Exchange

to Qualified Investors (Tranche 2)								maturity	
Investor eligibility (if any)	For qualified investors / For professional investors								
Applicable trading mechanism	Not applicable								
Risk of termination of listing and trading (if any) and countermeasures	None								

Overdue bonds:

Applicable Not applicable

2. Triggering and implementation of issuer or investor option clauses and investor protection clauses

Applicable Not applicable

In accordance with the provisions of the *Prospectus for TCL Technology Group Corporation Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)*, the bondholders of 19TCL01 elected to sell back all or part of their 19TCL01 to TCL Technology Group Corporation during the sell-back registration period (April 19, 2022 to April 25, 2022) at the sell-back price of RMB100/bond (excluding interest). The coupon rate decreased from 4.33% to 3.15% two years after the existence period, and the sell-back fund was released on May 20, 2022. According to the data provided by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the number of 19TCL01 sold back during the sell-back registration period was 10,000,000, and the sell-back amount was RMB1,000,000,000 (excluding interest). As indicated in the *Announcement on Sell-back Declaration Results*, the Company would resell the sold-back bonds from May 23, 2022 to June 20, 2022, and the number of bonds proposed to be resold would be no more than 10,000,000. The number of bonds resold in this tranche was 10,000,000, and the average resale price was RMB100.2534/bond, and all of which had been resold through manual transfer. Upon the completion of the resales, no bonds pending for resales remain, and there are 10,000,000 bonds of 19TCL01 outstanding in depository.

3. Adjustments to credit ratings in the Reporting Period

Applicable Not applicable

4. Execution and changes of guarantees, repayment plans and other repayment guarantee measures in the Reporting Period, as well as the impact on the equity of bond investor

Applicable Not applicable

III. Debt Financing Instruments of a Non-Financial Enterprise

Applicable Not applicable

1. General information of debt financing instruments of a non-financial enterprise:

Unit: RMB100 million

Name of debt instrument	Abbr.	Code of debt instrument	Date of issuance	Value date	Maturity	Outstanding balance	Interest rate	Way of principal repayment and interest payment	Place of trading
2022 Mid-Term Green Notes of TCL Technology Group Corporation (Tranche 2)	22TCL-GN002	132280040	April 25, 2022	April 27, 2022	April 27, 2025	15.00	3.30%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
2022 Mid-Term Notes of TCL Technology Group Corporation (Tranche 1)	22TCL-MTN001	102280089	January 12, 2022	January 14, 2022	January 14, 2025	20.00	3.45%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
2021 Mid-Term Notes of TCL Technology	21TCL-MTN001 (High-Growth)	102100966	May 10, 2021	May 12, 2021	May 12, 2024	20.00	4.15%	Interest payable annually and	Inter-bank market

Group Corporation (Tranche 1)(High-Growth Bonds)	Bonds)							principal repayable in full upon maturity	
2020 Mid-Term Notes of TCL Technology Group Corporation (Tranche 1)	20TCL-MTN001	102000509	March 25, 2020	March 27, 2020	March 27, 2023	30.00	3.60%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
Investor eligibility (if any)			Not applicable						
Applicable trading mechanism			Not applicable						
Risk of termination of listing and trading (if any) and countermeasures			None						

Overdue bonds:

Applicable Not applicable

2. Triggering and implementation of issuer or investor option clauses and investor protection clauses

Applicable Not applicable

3. Adjustments to credit ratings in the Reporting Period

Applicable Not applicable

4. Execution and changes of guarantees, repayment plans and other repayment guarantee measures in the Reporting Period, as well as the impact on the equity of bond investor

Applicable Not applicable

IV. Convertible Corporate Bonds

Applicable Not applicable

1. Adjustments and Rectification of Transfer Prices

Name	Price before adjustment (RMB/share)	Adjusted price (RMB/share)	Start date for the adjustment
TCL Directional Transfer 2 (CB No.: 124017)	7.88	7.73	June 2, 2022
TCL Directional Transfer 2 (CB No.: 124017)	7.73	4.10	July 25, 2022

2. Cumulative bond-to-stock conversions

Applicable Not applicable

3. Top 10 holders of convertible corporate bonds

No.	Name of holder	Nature of holder	Number of convertible corporate bonds held at the period-end	Amount of convertible corporate bonds held at the period-end (RMB)	Proportion of convertible bonds held at the end of the period
1	GF Securities Co., Ltd.	Domestic general legal entity	3,900,000	390,000,000	15.46%
2	Guosen Securities Co., Ltd.	State-owned legal entity	3,000,000	300,000,000	11.89%
3	Western Securities Co., Ltd.	State-owned legal entity	1,700,000	170,000,000	6.74%
4	China Life Pension Hongxin Fixed Income Pension Product - Industrial and Commercial Bank of China Limited	Fund, wealth management product, etc.	1,300,000	130,000,000	5.15%

5	China Life Pension Sustaining Fixed Income Pension Product No. 9 - China Merchants Bank Co., Ltd.	Fund, wealth management product, etc.	1,300,000	130,000,000	5.15%
6	Shenwan Hongyuan Group Co., Ltd.	Domestic general legal entity	1,000,000	100,000,000	3.96%
7	Zheshang Securities Co., Ltd.	State-owned legal entity	1,000,000	100,000,000	3.96%
8	China Life Insurance (Group) Company Enterprise Annuity Plan-Agricultural Bank Of China Limited	Fund, wealth management product, etc.	1,000,000	100,000,000	3.96%
9	China Life Yongfeng Enterprise Annuity Collective Plan-Agricultural Bank Of China Limited	Fund, wealth management product, etc.	1,000,000	100,000,000	3.96%
10	Taipingyang Investment Strategy Co., Ltd. – Security Investment Fund of China	Foreign legal entity	800,000	80,000,000	3.17%

Note: The table above was filled in based on the data of holders delivered by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

4. Significant changes to the profitability, assets and credit standing of the guarantor

Applicable Not applicable

5. Liabilities and change in credit of the Company at the end of the Reporting Period, as well as future cash arrangements for repayment

For details on financial indicators, including asset/liability ratio, interest coverage ratio, and loan repayment rate, refer to the “Key accounting data and financial indicators of the Company for the past two years as at the end of the Reporting Period” in this section.

The company issued targeted convertible bonds without debt rating.

V. Consolidated loss of the Reporting Period Exceeding 10% of Net Assets of the last year-end

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators of the Company for the past two years as at the end of the Reporting Period

Item	End of the Reporting Period	December 31, 2021	Change
Current ratio	1.03	1.08	-4.63%
Debt/asset ratio	63.9%	61.2%	2.74%
Quick ratio	0.8	0.8	-3%
	H1 2022	H1 2021	Change
Net profit after non-recurring profit or loss (in RMB10,000)	54,269	778,670	-93.03%
Debt to EBITDA ratio	6.99%	10.70%	-3.71%
Interest coverage ratio	1.46	5.12	-71.48%
Cash coverage ratio	4.90	7.23	-32.23%
EBITDA coverage ratio	6.45	8.57	-24.74%
Debt repayment ratio	100%	100%	0.00

Interest payment ratio	100%	100%	0.00
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Part IX Financial Report

(For the period from January 1, 2022 to June 30, 2022)

I. Auditor's Report

Whether the 2022 semi-annual report has been audited or not?

Yes No

The Company's 2022 semi-annual financial report has not yet been audited.

II. Financial Statements

The unit of the notes to the financial report is: RMB1,000.

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

	Note V	June 30, 2022	January 1, 2022
Current assets			
Monetary assets	1	33,795,517	31,393,692
Held-for-trading financial assets	2	8,975,013	7,601,256
Derivative financial assets	3	488,428	70,929
Notes receivable	4	772,065	776,202
Accounts receivable	5	19,085,233	18,238,782
Receivables financing	6	2,223,849	2,217,639
Prepayments	7	4,038,913	2,306,325
Other receivables	8	4,172,848	4,458,621
Inventories	9	14,025,004	14,083,357
Contract assets	10	275,288	233,529
Other current assets	11	4,160,806	5,802,960
Total current assets		92,012,964	87,183,292
Non-current assets			
Debt investments	12	20,136	-
Long-term receivables	13	639,690	651,118
Long-term equity investments	14	26,665,070	25,640,578
Investments in other equity instruments	15	927,536	927,319
Other non-current financial assets	16	1,128,611	2,704,038
Investment property	17	793,033	761,902
Fixed assets	18	116,788,925	113,723,759
Construction in progress	19	43,418,950	37,029,504
Right-of-use assets	20	2,094,665	2,426,911
Intangible assets	21	16,169,914	14,000,546
Development costs	22	2,643,417	2,540,199
Goodwill	23	9,158,841	9,158,841
Long-term deferred expenses	24	2,469,122	2,640,530
Deferred income tax assets	25	2,816,973	2,150,423
Other non-current assets	26	12,608,680	7,449,009
Total non-current assets		238,343,563	221,804,677
Total assets		330,356,527	308,987,969

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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 shareholder equity:	Note V	June 30, 2022	January 1, 2022
Current liabilities			
Short-term borrowings	27	14,811,740	9,341,427
Borrowings from the Central Bank	28	728,744	1,437,062
Customer deposits and deposits from other banks and financial institutions	29	265,745	666,056
Held-for-trading financial liabilities	30	989,803	925,035
Derivative financial liabilities	31	430,997	22,205
Notes payable	32	5,426,352	3,275,296
Accounts payable	33	24,185,474	24,297,860
Advances from customers	34	6,067	5,794
Contract liabilities	35	4,367,691	2,593,882
Employee compensation payable	36	2,575,269	3,311,933
Taxes and levies payable	37	744,597	1,238,849
Other payables	38	21,623,916	19,386,888
Current portion of non-current liabilities due within a one-year period	39	11,957,256	13,006,765
Other current liabilities	40	1,530,424	1,269,887
Total current liabilities		89,644,075	80,778,939
Non-current liabilities			
Long-term borrowings	41	96,482,488	87,279,082
Bonds payable	42	13,499,159	13,066,281
Lease liabilities	43	1,156,827	1,102,072
Long-term payables	44	723,672	671,344
Long-term employee compensation payable	36	872,205	669,931
Deferred income	45	5,115,596	2,361,205
Deferred income tax liabilities	25	3,724,221	3,158,986
Total non-current liabilities		121,574,168	108,308,901
Total liabilities		211,218,243	189,087,840
Shareholder equity			
Share capital	46	14,030,642	14,030,642
Other equity instruments	47	194,401	200,334
Capital reserves	48	4,185,575	6,079,267
Less: Treasury stock	49	2,311,664	1,885,557
Other comprehensive income	70	(764,462)	(409,447)
Surplus reserves	50	2,550,173	2,550,173
Specific reserves	51	3,468	1,549
General risk reserve	52	8,934	8,934
Retained earnings	53	21,127,030	22,527,686
Total equity attributable to shareholders of the parent company		39,024,097	43,103,581
Non-controlling interests		80,114,187	76,796,548
Total shareholders' equity		119,138,284	119,900,129
Total liabilities and shareholder equity		330,356,527	308,987,969

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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 Income Statement
(RMB'000)

	Note V	January - June 2022	January - June 2021
1. Total revenue		84,560,760	74,479,982
Including: Revenue	54	84,522,181	74,405,849
Interest income	55	38,579	74,133
Less: Cost of sales	54	76,522,944	58,068,971
Interest expenditures	55	14,292	12,564
Taxes and levies	56	289,081	294,310
Selling expenses	57	1,053,369	901,176
Administrative expenses	58	1,716,379	2,023,368
R&D expenses	59	4,451,764	3,402,959
Financial expenses	60	1,720,157	1,818,983
Including: Interest expenses		2,031,269	2,160,434
Interest income		325,439	187,547
Plus: Other income	61	1,643,110	810,034
Return on investments	62	1,780,515	2,788,205
Including: Return on investment in joint ventures and associates		1,757,650	1,315,184
Exchange gain	55	24,351	964
Gain on changes in fair value	63	114,495	(314,196)
Credit impairment loss	64	(27,157)	(11,445)
Asset impairment loss	65	(1,010,287)	(797,519)
Asset disposal income	66	(23,631)	24,327
2. Operating profit		1,294,170	10,458,021
Plus: Non-operating income	67	596,540	267,948
Less: Non-operating expenses	68	52,392	11,987
3. Gross profit		1,838,318	10,713,982
Less: Income tax expenses	69	(88,398)	1,416,497
4. Net profit		1,926,716	9,297,485
(1) Classification by business continuity			
1. Net profit from continuing operations		1,926,716	9,239,189
2. Net profit from discontinued operations		-	58,296
(2) Classification by ownership			
1. Net profits attributable to the owners of the parent company		663,521	6,802,218
2. Net profit attributable to non-controlling interests		1,263,195	2,495,267
5. Other comprehensive income, net of tax	70	(372,997)	(217,489)
5.1 Other comprehensive income that cannot be reclassified into profit or loss		(13,285)	(184,359)
5.2 Other comprehensive income that may subsequently be reclassified into profit or loss upon satisfaction of prescribed condition		(359,712)	(33,130)
6. Total comprehensive income		1,553,719	9,079,996
Total comprehensive income attributable to the shareholders of the parent company		308,506	6,566,398
Total comprehensive income attributable to non-controlling interests		1,245,213	2,513,598
7. Earnings per share	71		
7.1 Basic earnings per share (RMB yuan)		0.0489	0.5040
7.2 Diluted earnings per share (RMB yuan)		0.0485	0.4848

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian Person-in-charge of the accounting 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	January - June 2022	January - June 2021
I. Cash flow from operations activities:			
Proceeds from sale of commodities and rendering of services		65,932,012	60,061,126
Net increase/(decrease) in customer deposits and deposits from other banks and financial institutions		(400,311)	(602,777)
Net increase/(decrease) in borrowings from central bank		(708,318)	634,916
Cash received from interest, handling charge and commission		38,579	74,133
Tax and levy rebates		7,032,417	2,530,415
Cash generated from other operating activities	72	5,538,379	5,032,866
Sub-total of cash generated from operating activities		77,432,758	67,730,679
Payments for commodities and services		(54,309,690)	(42,679,165)
Net (increase)/decrease in loans and advances to customers		(40,873)	(720,348)
Net (increase)/decrease in deposits in central bank and other banks and financial institutions		(73,909)	(309,934)
Cash paid to and for employees		(6,631,511)	(4,424,050)
Taxes and levies paid		(1,689,737)	(2,179,393)
Cash used in other operating activities	73	(5,670,402)	(3,522,074)
Sub-total of cash used in operating activities		(68,416,122)	(53,834,964)
Net cash generated from operating activities	78	9,016,636	13,895,715
II. Cash flow from investing activities:			
Proceeds from disinvestments		22,017,628	13,223,437
Proceeds from return on investments		254,501	945,622
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		10,504	127,405
Net cash received from disposal of subsidiaries and other business units		-	511,576
Cash received from other related investing activities	74	73,748	7,079
Sub-total of cash generated from investment activities		22,356,381	14,815,119
Payments for the acquisition and construction of fixed assets, intangible assets and other long-term assets		(18,251,636)	(13,684,031)
Cash paid for investments		(21,384,892)	(17,853,045)
Net cash paid for acquiring subsidiaries and other business units		-	(4,139,505)
Cash used in other investing activities	75	(333,406)	(101,676)
Subtotal of cash used in investing activities		(39,969,934)	(35,778,257)
Net cash used in investing activities		(17,613,553)	(20,963,138)

Legal representative:	<u>Li Dongsheng</u> Person-in-charge of financial affairs:	<u>Li Jian</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 (Continued)
(RMB'000)

	Note V	January - June 2022	January - June 2021
III. Cash flow generated from financing activities:			
Capital contributions received		5,365,010	8,413,591
Including: Cash received from minority shareholders of subsidiaries		5,365,010	8,413,591
Borrowings raised		37,672,460	34,898,543
Net proceeds from issuance of bonds		4,500,000	2,499,800
Cash generated from other financing activities	76	6,000	249,287
Sub-total of cash generated from financing activities		<u>47,543,470</u>	<u>46,061,221</u>
Cash paid for debt repayment		(28,355,640)	(25,245,482)
Cash paid for dividend and profit distribution or repayment of interests		(4,802,831)	(4,358,673)
Including: Dividends and profit paid by subsidiaries to minority shareholders		(289,774)	(219,635)
Cash used in other financing activities	77	(4,454,836)	(3,060,099)
Subtotal of cash used in financing activities		<u>(37,613,307)</u>	<u>(32,664,254)</u>
Net cash generated from financing activities		<u>9,930,163</u>	<u>13,396,967</u>
IV. Effect of exchange rate changes on cash and cash equivalents		<u>261,370</u>	<u>(44,249)</u>
V. Net increase in cash and cash equivalents		1,594,616	6,285,295
Add: Balance of cash and cash equivalents at the beginning of the year		<u>30,081,705</u>	<u>18,208,417</u>
VI. Closing balance of cash and cash equivalents	79	<u>31,676,321</u>	<u>24,493,712</u>

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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)

	January - June 2022										
	Equity attributable to shareholders of the Company as the parent										
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Specific Reserves	Other comprehensive income	Surplus reserves	Appropriation to general reserve	Undistributed profit	Non-controlling interests	Shareholder equity Total
1. Balance as at the end of the prior year	14,030,642	200,334	6,079,267	(1,885,557)	1,549	(409,447)	2,550,173	8,934	22,458,340	76,611,057	119,645,292
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-	69,346	185,491	254,837
2. Balance as at the beginning of the period	<u>14,030,642</u>	<u>200,334</u>	<u>6,079,267</u>	<u>(1,885,557)</u>	<u>1,549</u>	<u>(409,447)</u>	<u>2,550,173</u>	<u>8,934</u>	<u>22,527,686</u>	<u>76,796,548</u>	<u>119,900,129</u>
3. Increase/decrease in the period	-	(5,933)	(1,893,692)	(426,107)	1,919	(355,015)	-	-	(1,400,656)	3,317,639	(761,845)
3.1 Total comprehensive income	-	-	-	-	-	(355,015)	-	-	663,521	1,245,213	1,553,719
3.2 Capital increased and reduced by shareholders	-	(5,933)	(1,893,692)	(426,107)	-	-	-	-	-	4,249,509	1,923,777
1. Capital increased by shareholders	-	-	-	-	-	-	-	-	-	4,735,695	4,735,695
2. Capital increased by holders of other equity instruments	-	(5,933)	3,902	-	-	-	-	-	-	-	(2,031)
3. Share-based payments included in owner equity	-	-	492	76,664	-	-	-	-	-	-	77,156
4. Others	-	-	(1,898,086)	(502,771)	-	-	-	-	-	(486,186)	(2,887,043)
3.3 Profit distribution	-	-	-	-	1,919	-	-	-	(2,050,003)	(2,177,083)	(4,225,167)
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserves	-	-	-	-	1,919	-	-	-	-	-	1,919
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	(2,050,003)	(2,177,083)	(4,227,086)
4. Others	-	-	-	-	-	-	-	-	-	-	-
(4) Others	-	-	-	-	-	-	-	-	(14,174)	-	(14,174)
4. Balance as at the end of the period	<u>14,030,642</u>	<u>194,401</u>	<u>4,185,575</u>	<u>(2,311,664)</u>	<u>3,468</u>	<u>(764,462)</u>	<u>2,550,173</u>	<u>8,934</u>	<u>21,127,030</u>	<u>80,114,187</u>	<u>119,138,284</u>

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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 (Continued)
(RMB'000)

	2021										
	Equity attributable to shareholders of the Company as the parent										
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Specific Reserves	Other comprehensive income	Surplus reserves	Appropriation to general reserve	Undistributed profit	Non-controlling interests	Shareholder equity Total
1. Balance as at the end of the prior year	14,030,788	230,241	5,442,385	(1,913,029)	211	(145,573)	2,452,892	386	14,009,494	55,949,272	90,057,067
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the period	14,030,788	230,241	5,442,385	(1,913,029)	211	(145,573)	2,452,892	386	14,009,494	55,949,272	90,057,067
3. Increase/decrease in the period	(146)	(29,907)	636,882	27,472	1,338	(263,874)	97,281	8,548	8,518,192	20,847,276	29,843,062
3.1 Total comprehensive income	-	-	-	-	-	(141,053)	-	-	10,126,790	5,106,886	15,092,623
3.2 Capital increased and reduced by shareholders	(146)	(29,907)	636,882	27,472	-	-	-	-	-	16,271,882	16,906,183
1. Capital increased by shareholders	-	-	-	-	-	-	-	-	-	18,150,004	18,150,004
2. Capital increased by holders of other equity instruments	-	(29,907)	75,461	537,972	-	-	-	-	-	-	583,526
3. Share-based payments included in owner equity	(146)	-	2,823	118,559	-	-	-	-	-	-	121,236
4. Others	-	-	558,598	(629,059)	-	-	-	-	-	(1,878,122)	(1,948,583)
3.3 Profit distribution	-	-	-	-	1,338	-	97,831	8,548	(1,731,969)	(531,492)	(2,155,744)
1. Appropriation of surplus reserves	-	-	-	-	-	-	97,831	-	(97,831)	-	-
2. Appropriation of general risk reserves	-	-	-	-	1,338	-	-	8,548	(8,548)	-	1,338
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	(1,625,590)	(287,220)	(1,912,810)
4. Others	-	-	-	-	-	-	-	-	-	(244,272)	(244,272)
3.4 Transfers within owners' equity	-	-	-	-	-	(122,821)	(550)	-	123,371	-	-
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	(122,821)	(550)	-	123,371	-	-
4. Balance as at the end of the period	14,030,642	200,334	6,079,267	(1,885,557)	1,549	(409,447)	2,550,173	8,934	22,527,686	76,796,548	119,900,129

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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
Balance Sheet of the Company
(RMB'000)

assets	Note XV	June 30, 2022	January 1, 2022
Current assets			
Monetary assets		14,893,969	10,467,962
Held-for-trading financial assets		5,516,389	4,372,557
Derivative financial assets		3,792	-
Accounts receivable	1	136,918	93,566
Prepayments		121,790	47,333
Other receivables	2	29,868,004	13,819,512
Inventories		23,395	41,029
Other current assets		24,343	15,011
Total current assets		50,588,600	28,856,970
Non-current assets			
Long-term equity investments	3	73,567,164	71,303,126
Investments in other equity instruments	4	5,000	5,000
Other non-current financial assets	5	126,644	1,051,536
Investment property		82,906	84,795
Fixed assets		33,569	37,402
Construction in progress		1,360	1,360
Right-of-use assets		440,425	452,398
Intangible assets		88,136	93,324
Long-term deferred expenses		25,163	26,079
Deferred income tax assets		-	12
Total non-current assets		74,370,367	73,055,032
Total assets		124,958,967	101,912,002

Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Li Jian</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 Parent Company (Continued)
(RMB'000)

Liabilities and shareholder equity:	Note XV	June 30, 2022	December 31, 2021
Current liabilities			
Short-term borrowings		3,500,281	1,250,989
Accounts payable		128,836	141,877
Contract liabilities		78,650	23,823
Employee compensation payable		170,041	294,653
Taxes and levies payable		68,075	13,076
Other payables		47,315,655	38,597,139
Current portion of non-current liabilities due within a one-year period		7,176,374	4,843,348
Other current liabilities		713	4,284
Total current liabilities		<u>58,438,625</u>	<u>45,169,189</u>
Non-current liabilities			
Long-term borrowings		14,490,000	12,898,000
Bonds payable		11,491,205	11,159,524
Lease liabilities		6,648	13,365
Long-term employee compensation payable		207,213	108,384
Deferred income		58,638	60,198
Total non-current liabilities		<u>26,253,704</u>	<u>24,239,471</u>
Total liabilities		<u>84,692,329</u>	<u>69,408,660</u>
Shareholder equity			
Share capital		14,030,642	14,030,642
Other equity instruments		194,401	200,334
Capital reserves		9,900,366	9,900,679
Less: Treasury stock		2,311,664	1,885,557
Other comprehensive income		(108,127)	(112,194)
Surplus reserves		2,348,109	2,348,109
Retained earnings		16,212,911	8,021,329
Total shareholders' equity		<u>40,266,638</u>	<u>32,503,342</u>
Total liabilities and shareholder equity		<u>124,958,967</u>	<u>101,912,002</u>

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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
Income Statement of the parent company
(RMB'000)

	Note XV	January - June 2022	January - June 2021
1. Revenue	6	589,571	773,672
Less: Cost of sales	6	412,401	635,555
Taxes and levies		1,961	9,370
Selling expenses		31,939	14,403
Administrative expenses		136,116	228,082
R&D expenses		78,136	64,151
Financial expenses		876,773	840,141
Including: Interest expenses		1,271,057	1,232,115
Interest income		391,725	411,290
Plus: Other income		2,901	1,757
Return on investments	7	10,607,557	1,851,151
Including: Gains on investment in joint ventures and associates	7	690,201	627,705
Gain on changes in fair value		24,470	41,889
Credit impairment loss		26	19
Asset disposal income		987	-
2. Operating profit		9,688,186	876,786
Plus: Non-operating income		574,945	206,554
Less: Non-operating expenses		7,360	1,965
3. Gross profit		10,255,771	1,081,375
Less: Income tax expenses		12	-
4. Net profit		10,255,759	1,081,375
5. Other comprehensive income		4,068	(152,039)
6. Total comprehensive income		10,259,827	929,336

Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Li Jian</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 XV	January - June 2022	January - June 2021		
I. Cash flow from operations activities:					
Proceeds from sale of commodities and rendering of services		421,044	618,146		
Tax and levy rebates		1,714	-		
Cash generated from other operating activities		<u>1,592,522</u>	<u>21,091,888</u>		
Sub-total of cash generated from operating activities		<u>2,015,280</u>	<u>21,710,034</u>		
Payments for commodities and services		(453,962)	(487,959)		
Cash paid to and for employees		(141,860)	(97,433)		
Taxes and levies paid		(36,637)	(133,486)		
Cash used in other operating activities		<u>(407,266)</u>	<u>(1,102,683)</u>		
Sub-total of cash used in operating activities		<u>(1,039,725)</u>	<u>(1,821,561)</u>		
Net cash generated from operating activities	8	<u>975,555</u>	<u>19,888,473</u>		
II. Cash flow from investment activities:					
Proceeds from disinvestments		6,242,022	7,176,816		
Proceeds from return on investments		70,898	1,855,032		
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		<u>24</u>	<u>-</u>		
Sub-total of cash generated from investment activities		<u>6,312,944</u>	<u>9,031,848</u>		
Payments for the acquisition and construction of fixed assets, intangible assets and other long-term assets		(5,860)	(15,930)		
Cash paid for investment		(6,974,584)	(20,669,875)		
Cash used in other investing activities		<u>-</u>	<u>-</u>		
Subtotal of cash used in investing activities		<u>(6,980,444)</u>	<u>(20,685,805)</u>		
Net cash used in investing activities		<u>(667,500)</u>	<u>(11,653,957)</u>		
Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Li Jian</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
Cash Flow Statement of the Parent Company (Continued)
(RMB'000)

	Note XV	January - June 2022	January - June 2021
III. Cash flow generated from financing activities:			
Capital contributions received		-	-
Borrowings raised		14,931,000	8,200,000
Net proceeds from issuance of bonds		4,500,000	2,499,800
Cash generated from other financing activities		106,878	-
		<u>19,537,878</u>	<u>10,699,800</u>
Sub-total of cash generated from financing activities		<u>19,537,878</u>	<u>10,699,800</u>
Cash paid for debt repayment		(12,364,006)	(10,571,804)
Cash paid for distribution of dividends and profits or repayment of interests		(2,625,194)	(2,236,916)
Cash used in other financing activities		(535,295)	(409,734)
		<u>(15,524,495)</u>	<u>(13,218,454)</u>
Subtotal of cash used in financing activities		<u>(15,524,495)</u>	<u>(13,218,454)</u>
Net cash generated from financing activities		<u>4,013,383</u>	<u>(2,518,654)</u>
IV. Effect of exchange rate changes on cash and cash equivalents			
		15,223	(18,448)
V. Net increase in cash and cash equivalents			
		4,336,661	5,697,414
Add: Balance of cash and cash equivalents at the beginning of the year		10,401,379	2,196,283
VI. Closing balance of cash and cash equivalents			
	9	<u>14,738,040</u>	<u>7,893,697</u>

Legal representative:	<u>Li Dongsheng</u>	Person-in-charge of financial affairs:	<u>Li Jian</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
Statement of Changes in Shareholders' Equity of the Company
(RMB'000)

	January - June 2022							Total shareholders' equity
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	
1. Balance as at the end of the prior year	14,030,642	200,334	9,900,679	(1,885,557)	(112,194)	2,348,109	8,021,329	32,503,342
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the period	<u>14,030,642</u>	<u>200,334</u>	<u>9,900,679</u>	<u>(1,885,557)</u>	<u>(112,194)</u>	<u>2,348,109</u>	<u>8,021,329</u>	<u>32,503,342</u>
3. Increase/decrease in the period	-	(5,933)	(313)	(426,107)	4,067	-	8,191,582	7,763,296
3.1 Total comprehensive income	-	-	-	-	4,067	-	10,255,759	10,259,826
3.2 Capital increased and reduced by shareholders	-	(5,933)	(313)	(426,107)	-	-	-	(432,353)
1. Capital increased by owners	-	-	-	-	-	-	-	-
2. Capital increased by holders of other equity instruments	-	(5,933)	3,902	-	-	-	-	(2,031)
3. Share-based payments included in owner equity	-	-	492	76,664	-	-	-	77,156
4. Others	-	-	(4,707)	(502,771)	-	-	-	(507,478)
3.3 Profit distribution	-	-	-	-	-	-	(2,050,003)	(2,050,003)
1. Appropriation of surplus reserves	-	-	-	-	-	-	-	-
2. Appropriation to shareholders	-	-	-	-	-	-	(2,050,003)	(2,050,003)
3. Others	-	-	-	-	-	-	-	-
(4) Others	-	-	-	-	-	-	(14,174)	(14,174)
4. Balance as at the end of the period	<u>14,030,642</u>	<u>194,401</u>	<u>9,900,366</u>	<u>(2,311,664)</u>	<u>(108,127)</u>	<u>2,348,109</u>	<u>16,212,911</u>	<u>40,266,638</u>

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Li Jian 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
Statement of Changes in Shareholders' Equity of the Company (Continued)
(RMB'000)

	2021							Total shareholders' equity
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	
1. Balance as at the end of the prior year	14,030,788	230,241	9,846,835	(1,913,029)	141,998	2,250,828	8,771,394	33,359,055
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the period	14,030,788	230,241	9,846,835	(1,913,029)	141,998	2,250,828	8,771,394	33,359,055
3. Increase/decrease in the period	(146)	(29,907)	53,844	27,472	(254,192)	97,281	(750,065)	(855,713)
3.1 Total comprehensive income	-	-	-	-	(259,690)	-	978,304	718,614
3.2 Capital increased and reduced by shareholders	(146)	(29,907)	53,844	27,472	-	-	-	51,263
1. Capital increased by owners	-	-	-	-	-	-	-	-
2. Capital increased by holders of other equity instruments	-	(29,907)	75,461	537,972	-	-	-	583,526
3. Share-based payments included in owner equity	(146)	-	(3,278)	118,560	-	-	-	115,136
4. Others	-	-	(18,339)	(629,060)	-	-	-	(647,399)
3.3 Profit distribution	-	-	-	-	-	97,831	(1,723,421)	(1,625,590)
1. Appropriation of surplus reserves	-	-	-	-	-	97,831	(97,831)	-
2. Appropriation to shareholders	-	-	-	-	-	-	(1,625,590)	(1,625,590)
3. Others	-	-	-	-	-	-	-	-
3.4 Transfers within owners' equity	-	-	-	-	5,498	(550)	(4,948)	-
1. Other comprehensive income transferred into retained earnings	-	-	-	-	5,498	(550)	(4,948)	-
4. Balance as at the end of the period	14,030,642	200,334	9,900,679	(1,885,557)	(112,194)	2,348,109	8,021,329	32,503,342

Legal representative:	Li Dongsheng	Person-in-charge of financial affairs:	Li Jian	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
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

I General information

(1) Place of incorporation and organizational structure

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 July 17, 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 April 19, 2002. The registration number is 4400001009990.

Upon approval of ZJFXZ [2004] Document No. 1 issued by the China Securities Regulatory Commission (CSRC) on January 2, 2004, the Company was permitted to issue 590,000,000 shares to the public on January 7, 2004 and 404,395,944 common 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 January 30, 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 the issue, the registered capital of the Company increased to RMB2,586,331,144 and on July 16, 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 September 11, 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 January 7, 2009 with the ZJXK [2009] Document No. 12, the Company privately placed 350,600,000 common shares denominated in RMB (A shares) to designated investors on April 23, 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 the issue, the registered capital of the Company increased from RMB2,586,331,144 to RMB2,936,931,144, and on June 2, 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 May 27, 2010 with the ZJXK [2010] Document No. 719, the Company privately placed 1,301,178,273 common shares denominated in RMB (A shares) to designated investors on July 26, 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 September 19, 2010, the Company was approved by Guangdong Province Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

On May 19, 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 bonus issue, the registered capital of the Company increased from RMB4,238,109,417 to RMB8,476,218,834, and on June 27, 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 total share capital of the Company from 8,476,218,834 shares to 8,535,088,914 shares.

TCL Technology Group Corporation
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I General information (continued)

(1) Place of incorporation and organizational structure (continued)

Upon the approval of the CSRC on February 13, 2014 with the [2014] Document No. 201, the Company privately placed 917,324,357 ordinary shares denominated in RMB (A shares) to designated investors on April 30, 2009, 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 the issue, the registered capital of the Company increased from RMB8,535,088,914 to RMB9,452,413,271, and on June 10, 2014, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

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

During 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 April 26, 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).

During 2017, the Company acquired stake 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 issue, the total share capital of the Company increased from 12,213,681,742 shares to 13,514,972,063 shares.

During 2018, the *Proposal on the Grant of Restricted Stock to Awardees* was approved at the 7th Meeting of the Sixth Session of the 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 total 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 subject to lockup restriction. As such, the total share capital of the Company decreased from 13,549,648,507 to 13,528,438,719 shares.

During 2020, the *Proposal on the Intended Change of the Company's Full Name and Stock Name* were approved respectively at the 23rd Meeting of the Sixth Session of the Board of Directors and the First Extraordinary General Meeting of 2020. The name of the Company was then changed from "TCL Corporation" to "TCL Technology Group Corporation" (abbreviation from "TCL CORP." to "TCL TECH.") since February 7, 2020, with the stock name changed from "TCL CORP." to "TCL TECH." while the stock code "000100" remained unchanged.

In July 2020, the Company repurchased and retired 9,159,308 restricted shares that had been granted under the 2018 and 2019 Restricted Stock Incentive Plans but were still subject to lockup restriction. As such, the total share capital of the Company decreased from 13,528,438,719 to 13,519,279,411 shares.

In October 2020, the Company issued 511,508,951 new shares to acquire a non-controlling interest in a subsidiary - Wuhan China Star Optoelectronics Technology Co., Ltd. Upon the completion of this deal, the total share capital of the Company increased from 13,519,279,411 shares to 14,030,788,362 shares.

I General information (continued)

In September 2021, the Company repurchased and retired 145,941 restricted shares that had been granted under the 2019 Restricted Stock Incentive Plans but were still locked up. As such, the total share capital of the Company decreased from 14,030,788,362 to 14,030,642,421 shares.

As of June 30, 2022, the total issued share capital of the Company was 14,030,642,421 shares. See note V.

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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.

(2) 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-conductors, 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, payments and settlements (where any approval from any relevant department is required according to law, it must be obtained before carrying out the relevant operations activities).

(3) Authorization of publishing the financial report

These financial statements were authorized for publishing by the Company’s Board of Directors on August 26, 2022.

II Scope of 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.

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 *Corporate Accounting Standards - 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 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.

TCL Technology Group Corporation
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III Significant accounting policies and accounting estimates (continued)

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.

4 Accounting period

The Company adopts the calendar year as accounting year, and an accounting year is from January 1 to December 31.

5 Operations cycle

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

6 Functional currency for bookkeeping

Renminbi ("RMB") is both the functional currency and the presentation currency for preparation of the financial statements. Unless otherwise specified, these financial statements shall be presented in the unit of RMB'000.

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 alone is uneconomical, 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 at the carrying 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 carrying value of net assets acquired in the combination and that 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 estimated liabilities or assets, the difference between the estimated liabilities or assets and the settlement 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.

TCL Technology Group Corporation
Notes to Financial Statements
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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 combination 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 investments and the book value of long-term equity investments before the combination plus the book value of the newly paid considerations 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 the owner's equity other than net profit or loss, other comprehensive income or profit distribution of net assets of the invested company recognized as equity are not subject to accounting, and will be transferred to the current profit and loss until disposal of the investment.

The agency fees paid for audits, legal services, assessments and consultations and other direct related expenses incurred in the business combination are recognized in profit or loss in the period in which they were 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 owners' equity attributable to the parent company 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 at the carrying value of the owners' 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 investments held by the combined 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. These are used to offset the initial retained earnings or current profit and loss during the comparative reporting periods respectively.

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.

TCL Technology Group Corporation
Notes to Financial Statements
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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) Combination not under common control

The assets paid and liabilities incurred or assumed by 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 carrying 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 consultations and other directly related expenses incurred in the business combination are recognized in profit or loss during 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 acquiree 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 acquiree gained in the combination, and the difference is still less than the fair value of identifiable net assets of the acquiree 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, the individual financial statements and consolidated financial statements are treated separately for accounting purposes.

- (a) In the individual financial statements, if the equity investment held before the date of combination is accounted for in the equity method, the sum of the book value of equity investments of the acquiree 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 remaining comprehensive income confirmed in equity investments by the equity method before the date of acquisition is accounted for, when the investment is disposed, on the same basis as those the investee adopted directly to dispose of 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 carrying value of the original equity interest, and the accumulated fair value changes originally included in other comprehensive income should be transferred to return on investment in the current period of combination date.

- (b) In the consolidated financial statements, the equity of the acquiree held before the date of acquisition is re-measured according to the fair value of the equity on the date of acquisition. The difference between the fair value and the book value is included in the current return on investment; if the equity of the acquiree held before the date of acquisition involves other comprehensive income, etc. under the equity method, other comprehensive income, etc. related to it is converted into return on investment in the current period of the acquisition date.

TCL Technology Group Corporation
Notes to Financial Statements
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III Significant accounting policies and accounting estimates (continued)

8 Method for preparing 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 parent Company) 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 for the subsidiaries in accordance with the equity method.

The impact of internal transactions between the Company and its subsidiaries, and internal transactions between subsidiaries, on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholder 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 owners' equity of the subsidiary, the balance will still reduce the minority interests.

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 flow of the subsidiary or business from the date of acquisition to the end of the reporting period is 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 or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flow of the subsidiary or business from the date of acquisition to the end of the reporting period is included in the consolidated cash flow statement.

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 flow of the subsidiary or business from the beginning of the reporting period to the disposal date is included in the consolidated cash flow statement.

When the Company loses control over the investee 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 return on investment 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 owners' equity other than profit distribution, will be transferred into current return on investment when control is lost, except for other comprehensive gains arising from the re-measurement of net liabilities of the Benefit Plan made by the investee or changes in net assets.

TCL Technology Group Corporation
Notes to Financial Statements
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III Significant accounting policies and accounting estimates (continued)

9 Classification of joint arrangements and accounting treatment method for joint operations

(1) Classification of joint arrangements

The Company classifies a joint arrangement as a joint operation or a joint venture according to factors such as the structure and legal form of the joint arrangement, the terms agreed in the joint arrangement, other relevant facts and circumstances.

Joint arrangements not reached through independent entities are classified as joint operations; joint arrangements reached through independent entities are usually classified as joint ventures; however, a joint arrangement that is indicated by conclusive evidence of meeting any of the following conditions and meeting the provisions of relevant laws and regulations is classified as a joint operation:

- ① The legal form of the joint arrangement indicates that the joint venturers have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- ② The contractual terms of the joint arrangement stipulates that the joint venturers have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- ③ Other relevant facts and circumstances show that the joint venturers have rights to the assets, and obligations for the liabilities, relating to the arrangement. For example, the joint venturers are eligible to almost all the output related to the joint arrangement, and the repayment of the liabilities relating to the arrangement continues relying on the support of the parties.

(2) Accounting treatment

The Company shall recognize the following items in relation to interest in the joint operation, and carry out accounting treatment in accordance with the provisions of relevant accounting standards for business enterprises:

- ① its assets, including its share of any assets held jointly;
- ② its liabilities, including its share of any liabilities incurred jointly;
- ③ its revenue from the sale of its share of the output arising from the joint operations;
- ④ its share of the revenue from the sale of the output by the joint operations; and
- ⑤ its expenses, including its share of any expenses incurred jointly.

If investing or selling assets (except those that constitute a business), etc., into or to the joint operation, the Company shall only recognize the part of the profit and loss arising from the transaction attributable to other participants in the joint operation, before the assets, etc., are sold to a third party by the joint operation. The Company will recognize in full the asset impairment loss arising if the assets invested or sold are impaired in compliance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, etc.

If purchasing assets (except those that constitute a business), etc., from the joint operation, the Company shall only recognize the part of the profit and loss arising from the transaction attributable to other participants in the joint operation, before the assets, etc., are sold to a third party by the Company. The Company will recognize its share of the asset impairment loss arising if the assets purchased are impaired in compliance with the *Accounting Standards for Business Enterprises No. 8 - Asset Impairment*, etc.

The Company does not enjoy joint control over the joint operations. If the Company has rights to the assets, and obligations for the liabilities, relating to the joint operation, it shall still be accounted for by the above principles; otherwise, it shall be accounted for by the relevant accounting standards for business enterprises.

TCL Technology Group Corporation
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III Significant accounting policies and accounting estimates (continued)

10 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.

11 Foreign currency business and translation of foreign currency statements

(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 at fair value through other comprehensive income, 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 profits" item, are translated at the spot exchange rate at the time of occurrence of the 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.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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III Significant accounting policies and accounting estimates (continued)

12 Financial instruments

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 at amortized cost.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Financial assets at fair value through profit or 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 at fair value through profit or 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.

(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 assets, notes receivable, accounts receivable, other receivables, long-term receivables, debt investments, etc.

TCL Technology Group Corporation
Notes to Financial Statements
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III Significant 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 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 assets 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 through 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 assets is both to collect contractual cash flow and for its sale, then the Company classifies the financial assets as measured at fair value through 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 at fair value through other comprehensive income are reported as receivables financing, and such other financial assets are reported as other debt investments. Among them, other debt investments maturing within one year from the balance sheet date are reported as the current portion of non-current assets, and other debt investments maturing within one year are reported as other current assets.

(c) Financial assets designated as measured at fair value through other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets at fair value through other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income without allowance 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 reports such financial assets under the item of investments in other equity instruments.

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

(d) Financial assets classified as measured at fair value through profit or loss

If failing to be classified as measured at amortized cost or at fair value through other comprehensive income, or not designated as measured at fair value through other comprehensive income, financial assets are all classified as measured at fair value through profit or 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 held-for-trading financial assets and other non-current financial assets according to their liquidity.

(e) Financial assets designated as measured at fair value through profit or loss

At the time of initial recognition, the Company may irrevocably designate financial assets as measured at fair value through profit or 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 at fair value through profit or loss. 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.

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

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III Significant 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 through profit or loss, or other financial liabilities, or derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value upon initial recognition. For financial liabilities at fair value through profit or loss, 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 at fair value through profit or loss

Such financial liabilities include held-for-trading financial liabilities (including derivatives falling under financial liabilities) and financial liabilities designated as measured at fair value upon initial recognition and through profit or loss.

A financial liability is a held-for-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. Held-for-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 through profit or loss 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. Apart from changes in fair value that are brought about by changes in the Company's own credit risk and 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 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 Significant 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 at fair value through profit or 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 through profit or loss 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 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 Significant 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 where 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 at fair value through 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:
 - 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 at fair value through other comprehensive income).

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III Significant 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 Significant 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 through 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, it is in the first stage, and its loss reserve shall be measured according to an amount equivalent to its expected credit loss over the next 12 months, and the interest income shall be calculated according to the book balance and the effective interest rate.
- (b) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in the second stage, and 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 according to 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 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 through 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 through 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 Significant 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 equivalent to the expected credit loss of the financial instruments 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 instruments, the amount 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 in 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 whether the actual or expected debtor's operations 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 and could 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 capacity 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 Significant 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 difficulty;
 - 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 assets;
 - ⑥ Purchasing or generation of 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 expected credit losses of financial instruments is based on single items and combinations. During the assessment of the expected credit losses, the Company will take into account reasonable and reliable information about past events, the 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 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 generate 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 Significant 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.

13 Notes receivable

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

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

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III Significant accounting policies and accounting estimates (continued)

14 Accounts receivable

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, 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)

15 Other receivables

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 receivables for which there is objective evidence that the Company will not be able to recover the amount according to the original terms of the receivables, 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.

16 Inventories

(1) Classification of inventories

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

16 Inventories (continued)

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

Closing inventories are measured at cost or net realizable value, whichever is lower. In cases where differences exist due to the net realizable value being less than the cost of inventory, inventory valuation allowance is made based on individual inventory items or the 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 operations 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 operations process, the net realizable value is determined by the amount of the estimated selling price of finished products produced less the estimated cost 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, which is difficult to measure separately from other items, thus inventory valuation allowance is accrued and 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.

17 Contract assets

A contract asset shall be recognized if the Company has transferred the goods to the customer and has the right to receive a consideration depending on other factors than the passage of time. The right of the Company to unconditionally receive the considerations from customers (i.e., only depending on the passage of time) is listed independently as receivables.

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

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III Significant accounting policies and accounting estimates (continued)

18. Held-for-sale

(1) Criteria for classification as being held for sale

The Company recognizes non-current assets or disposal groups that meet both of the following conditions as components held for sale:

- ① they can be sold immediately under the current status according to the practice of selling such assets or disposal groups in similar transactions;
- ② The sale is likely to occur, that is, the Company has made a resolution on the sale plan, obtained the approval from the regulatory authorities (if applicable), and obtained a confirmed purchase commitment that the sale is expected to be completed in one year.

The confirmed purchase commitment refers to a legally binding purchase agreement concluded by and between the Company and another party, which contains important terms such as transaction price, time and sufficiently severe penalty for breach of contract, so that there will be little possibility of major adjustments to or cancellation of the agreement.

(2) Accounting for non-current assets or disposal groups held for sale

The Company shall not depreciate or amortize non-current assets or disposal groups held for sale. If the book value is higher than the amount of fair value net of selling expenses, the former shall be written down to the latter. The amount written down shall be recognized as asset impairment loss and included in the current profit and loss, and the impairment allowance for assets held for sale shall be accrued at the same time.

The non-current asset or disposal group classified as being held for sale on the date of acquisition shall be initially measured at whichever initially measured amount is lower under the assumption that it is not classified as being held for sale and the amount of fair value net of selling expenses.

The above principles are applicable to all non-current assets, except investment real estate subsequently measured by the fair value model, biological assets measured by the amount of fair value net of selling expenses, assets formed by employee compensation, deferred tax assets, financial assets regulated by the relevant accounting standards of financial instruments, and rights arising from insurance contracts regulated by the relevant accounting standards of insurance contracts.

19 Other debt investments

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

20 Long-term receivables

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

As for the accounts receivable, 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 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 situations, divide long receivables into several combinations according to the characteristics of credit risk, and calculate expected credit loss on the basis of combinations.

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III Significant accounting policies and accounting estimates (continued)

21 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 shareholder 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 per 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 not under 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 acquiree 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 acquiree acquired in the combination is included in current profits and losses after review. For business combination involving enterprises not under 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

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 which 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)

21 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 that 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 profits and losses.

(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.

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 profits and losses 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 estimated liabilities 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 constitutes net investment of the investee and the book value of the long-term equity, and recognize the profit as return on investment.

Other changes in the owners' 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)

21 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 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 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 *Corporate Accounting Standards 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 shareholding 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 Company 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: :

- (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)

21 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.

22 Investment property

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)

23 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.

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	2.22%-5%
Machinery equipment	5-10 years	11.11%-20%
Office and electronic equipment	2-5 years	22.22%-50%
Transportation equipment	3-5 years	22.22%-33.33%
Power stations	20-25 years	4.44%-5%
Others	4-5 years	22.22%-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 Company 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.

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III Significant accounting policies and accounting estimates (continued)

24 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.

25 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.

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)

26 Right-of-use assets

The Company initially measures right-of-use assets at cost. Such cost includes:

- (1) The initial measurement amount of lease liabilities;
- (2) Lease payments made on or before the commencement date of the lease term (if a lease incentive exists, net of the amount related to the lease incentive already taken);
- (3) Initial direct costs incurred by the Company;
- (4) Costs expected to be incurred by the Company to disassemble and remove the leased asset(s), restore the premises where the leased asset(s) is/are located, or restore the leased asset(s) to the condition agreed upon under the terms of the lease (excluding costs incurred to produce inventory).

After the commencement date of the lease term, the Company uses the cost model for subsequent measurement of right-of-use assets.

If it is reasonably certain that ownership of the leased asset(s) will be obtained at the end of the lease term, the Company depreciates the leased asset(s) over its/their remaining service life. If it is not reasonably certain that ownership of the leased asset(s) will be obtained at the end of the lease term, the Company depreciates the leased asset(s) over the lease term or the remaining service life of the leased asset(s), whichever is shorter. Right-of-use assets for which depreciation reserves have been accrued are depreciated in future periods at their carrying value net of depreciation reserves, with reference to the above principles.

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III Significant accounting policies and accounting estimates (continued)

27 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
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 foreseen as unable 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 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)

28 Long-term prepaid expense

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.

29 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 indicating that the asset is idle, there is a use termination plan or the market price drops sharply, or the external environment changes significantly, impairment tests 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.

30 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 finance costs.

31 Contract liabilities

The Company recognizes as contract liabilities the part of the obligation to transfer the goods to the customer due to received or receivable consideration from the customer.

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III Significant accounting policies and accounting estimates (continued)

32 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 compensation for the termination of labor relations with the employee is determined, and also included in the current profit and loss, at the time when the Company 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)

33 Estimated liabilities

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 estimated liabilities.

(1) Recognition standards for estimated liabilities

When an obligation related to the contingent events satisfies all the following conditions, it is recognized by the Company as estimated liabilities:

- (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 methods for estimated liabilities

The estimated liabilities 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 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 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 estimated liabilities 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 estimated liabilities.

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III Significant accounting policies and accounting estimates (continued)

34 Lease liabilities

The Company initially measures lease liabilities at the present value of the lease payments outstanding on the commencement date of the lease term. When calculating the present value of lease payments, the Company uses the interest rate implicit in lease as the rate of discount. If the implicit interest rate of the lease cannot be determined, the incremental loan interest rate of the Company shall be used as the discount rate. Lease payments include:

- (a) The amount of fixed payments, net of amounts related to lease incentives, and the amount of substantive fixed payments;
- (b) Variable lease payments that depend on indexation or ratio;
- (c) The exercise price of the purchase option, when applicable, if the Company is reasonably certain that the option will be exercised;
- (d) The amount required to be paid to exercise the option to terminate the lease if the lease term reflects that the Company will exercise the option to terminate the lease;
- (e) The estimated amount payable based on the secured residual value provided by the Company.

The Company calculates the interest expenses of lease liabilities for each period within the lease term at a fixed rate of discount and includes them in profit or loss for the current period or cost of the related assets.

Variable lease payments that are not included in the measurement of lease liabilities should be included in profit or loss for the current period or cost of the related assets when they are actually incurred.

35 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 owners' equity after the vesting date.

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III Significant accounting policies and accounting estimates (continued)

36 Revenue recognition

The Company shall recognize the revenue according to the transaction price assigned to the performance obligation when any due performance obligation is fulfilled (namely when the client obtains the control over relevant commodities or services).

(1) General principles applied to revenue recognition

The Company shall recognize the revenue according to the transaction price assigned to the performance obligation when any due performance obligation is fulfilled (namely when the client obtains the control over relevant commodities or services). Performance Obligation means that, under the contract, the Company promises to transfer commodities or services that can be clearly distinguished to the client. "Obtain the control over relevant commodities or services" refers to the ability to completely dominate the use of commodities and obtain almost all economic benefits. From the contract's effectiveness date, the Company shall evaluate the contract, recognize each single performance obligation included and determine whether each performance obligation is fulfilled within a certain period or at a time point.

When any of the following conditions is met, for performance obligation to be fulfilled within a certain period, the Company shall recognize corresponding revenue within the period as scheduled:

- (a) While fulfilling the due obligation in the Company, the client obtains and consumes the resulting economic benefit;
- (b) The client is able to control the commodities under construction during the Company's fulfillment;
- (c) Commodities generated from the Company's fulfillment possess irreplaceable purpose and the Company has the right to charge all fulfilled performance obligations within the whole contract period; otherwise, the Company shall recognize corresponding revenue when the client obtains the control over relevant commodities or services.

For any performance obligation with a certain period, the Company shall apply the output method/input method to determine the appropriate fulfillment schedule based on the specific nature of commodities and services. The output method is to determine the fulfillment schedule according to the value of commodities transferred to the client (while the input method is to determine the fulfillment schedule according to the Company's input to fulfill the performance obligation). If the fulfillment schedule cannot be reasonably determined and the Company's costs are predicted to be compensated, corresponding revenue shall be recognized based on the specific cost amount until the fulfillment schedule could be reasonably determined.

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- III Significant accounting policies and accounting estimates (continued)
- 36 Revenue recognition (continued)
- (2) Principles of handling revenues from specific transactions
- (a) For the contract containing the sales return article: When the client obtains the control over relevant commodities, corresponding revenue shall be recognized according to the consideration amount (excluding the amount predicted to be returned due to sales return) predicted to be duly charged from transferring commodities to the client, and corresponding liabilities shall be recognized based on the amount predicted to be returned due to sales return. Meanwhile, when commodities are sold, the balance through deducting the predicted cost from taking back commodities from the book value of commodities predicted to be returned (including the impairment of value of returned commodities) shall be checked and calculated under “Returned Commodities Cost Receivable”.
- (b) For the contract containing the quality assurance article: it’s required to evaluate whether the quality assurance involves any separable service except for the promise (to the client) that commodities conform to established standards. If the Company provides additional service, it shall be deemed as a single performance obligation and subject to the accounting treatment according to relevant revenue criteria provisions; otherwise, the quality assurance liability shall be subject to the accounting treatment according to the accounting criteria provisions on Contingency.
- (c) For the sales contract containing the client’s additional purchase option: the Company shall evaluate whether the option provides the client with any significant right. If any, it shall be deemed as a single performance obligation and the transaction price shall be apportioned to the performance obligation, and corresponding revenues shall be recognized when the client executes the purchase option right and obtains the control over relevant commodities in the future or when the option becomes invalid. If the separable selling price applied to the client’s additional purchase option right cannot be directly observed, it’s required to comprehensively consider the difference in discounts between the client’s execution of option right and the client’s non-execution of option right and analyze the possibility for the client to execute the option right and other relevant information. Then, corresponding reasonable estimate shall be made.
- (d) The contract licensing the IP right to the client: It’s required to evaluate whether the IP right license constitutes any single performance obligation; if any, it is necessary to determine whether the performance obligation fulfillment is fulfilled within a certain period or at a time point. If any IP right license is granted to the client and royalties are charged based on the client’s actual sales or usage, corresponding revenues shall be recognized at a later time between the following dates: the day when the client’s subsequent selling or usage occurs; the day when the Company fulfills relevant performance obligations.
- (3) Specific revenue recognition method
- (a) Product sales contract
- According to the contract terms, for the selling of products subject to performance obligation fulfillment conditions at a time point and other products, the Company shall recognize the realization of sales revenues when the client obtains the control over relevant commodities or services according to the delivery condition agreed in the sales contract upon signed by the client after commodities are received.
- (b) Technical service contract
- If revenues are recognized within a certain period based on the technical service contract, corresponding revenues shall be recognized according to the performance schedule.
- (c) Royalties income
- Accounted for according to the time and method of charging as stipulated in the relevant contract or agreement.

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III Significant accounting policies and accounting estimates (continued)

36 Revenue recognition (continued)

(3) Specific revenue recognition method (continued)

(d) Revenue from photovoltaic power stations

a. Centralized power stations: Power stations are combined to the grid. The income will be confirmed based on the documents on power supply provided by the business departments of the Company, after the duration of continuous and trouble-free operation specified by the electric power company is met. b. Distributed power stations: Power stations are combined to the grid. The income will be confirmed based on the documents on settlement provided by the business departments of the Company.

37 Contract costs

(1) Contract performance cost

For the cost resulting from performing the contract which is not included in other ASBE except the revenue standards and meets the following conditions, the Company shall recognize it as an asset :

- (a) The cost is directly related to a current or predicted contract, including the direct labor, direct material and manufacturing expenses (or similar expenses), the cost borne by the client and other costs resulting from the contract;
- (b) The cost adds various resources that can be applied by the Company to fulfill due performance obligations.
- (c) The cost is predicted to be recovered.

The asset shall be presented and reported in inventory or other non-current assets, which depends on whether the amortization period exceeds a normal operating cycle during the initial recognition.

(2) Contract acquisition cost

If the increment cost resulting from the Company's acquisition of contract is predicted to be recovered, it shall be recognized as an asset as the contract acquisition cost. Increment Cost refers to the cost which only results from the contract acquisition, like the sales commission. If the amortization period is less than one year, it shall be included in current profit and loss.

(3) Contract cost amortization

The asset related to the contract cost shall adopt the same basis for the recognition of commodities or services revenues related to the asset, be amortized during the period of fulfilling the performance obligation or according to the fulfillment schedule and be included into current profit and loss.

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III Significant accounting policies and accounting estimates (continued)

37 Contract costs (continued)

(4) Impairment of contract costs

For the asset related to the contract cost as mentioned above, if the book value is higher than the difference between the residual consideration predicted to be obtained from the Company's transfer of commodities related to the asset and the cost to be incurred due to such transfer, depreciation reserves shall be calculated and withdrawn for the surplus which shall also be recognized as the asset impairment loss.

After the impairment allowances is established, if changes in depreciation factors during previous periods have made the above difference higher than the asset's book value, it shall be restituted to previously established asset impairment allowances and included in current profit and loss. However, the book value of restituted assets shall not exceed the book value of the asset on the date of restitution without establishing impairment allowances.

38 Government grants

(1) Type of change

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration. According to the grants targets stipulated in the relevant government documents, government grants are classified into government grants related to assets and government grants related to income.

(2) Recognition of government grants

If a government grant is a monetary asset, it is measured at the amount received or receivable. If a government grant 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 grants measured at nominal amounts are recognized directly in the current profits and losses.

(3) Accounting treatment

Government grants related to assets offset the book value of the underlying assets.

If the government grants 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 grants used to compensate costs or losses incurred by the enterprise are directly included in the current profits or losses or offset related costs. For government grants related to the daily activities of the enterprise, the R&D and VAT-related subsidies are included in other income; other government grants offset related costs according to the nature of economic activities. Government grants 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 grant funds to the Company, the grants offset the related borrowing costs.

In case that a confirmed government grant 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)

39 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 which 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)

40 Leases

From the effectiveness date of a contract, the Company assesses whether the contract is a lease or includes any lease. If a party to the contract transfers the right allowing the control over the use of one or more assets that have been identified within a certain period, in exchange for a consideration, such contract is a lease or includes a lease.

(1) Lease contract split

If a contract contains multiple single leases at the same time, the Company will split the contract, and conduct accounting treatment of each single lease respectively.

If a contract contains both lease and non-lease parts at the same time, the Company will split the lease and non-lease parts, conduct accounting treatment of the lease part in accordance with the accounting standards governing leases, and conduct accounting treatment of the non-lease part in accordance with other applicable corporate accounting standards.

(2) Lease contract combination

With regard to two or multiple contracts containing leases concluded by the Company with the same counterparty or its related parties at the same or a similar time, when any of the following conditions is met, the contracts are combined into one contract for accounting treatment:

- (a) Two or multiple contracts are concluded based on an overall business purpose and constitute a package deal, and if they are not considered as a whole, the overall business purpose cannot be understood.
- (b) The consideration amount of one contract among the two or multiple contracts depends on the pricing or performance of other contracts.
- (c) The rights to use assets transferred by the two or multiple contracts constitute one single lease.

(3) Accounting treatment with the Company as lessee

On the commencement date of the lease term, the Company recognises the right-of-use assets and lease liabilities for the lease, unless it is a simplified short-term lease or low-value asset lease.

(a) Short-term leases and low-value asset leases

A short-term lease refers to a lease that does not include a purchase option and whose lease term does not exceed 12 months. A low-value asset lease refers to a lease where the value will be low when a single leased asset is a new asset.

The Company does not recognize the right-of-use assets or lease liabilities for the following short-term leases and low-value asset leases. In each period within the lease term, the relevant lease payments are included in cost of the related assets or profit or loss for the current period on a straightline basis or according to other systemic and reasonable methods.

Item	Simplified leased asset type
Short-term lease	A lease whose lease term does not exceed 12 months from the commencement date of the lease term
Low-value asset lease	An asset lease with a value of less than RMB40,000 or its foreign currency equivalents

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III Significant accounting policies and accounting estimates (continued)

40 Leases (continued)

(3) Accounting treatment with the Company as lessee (continued)

The Company recognises the right-of-use assets and lease liabilities for short-term leases and low-value asset leases other than those mentioned above.

(b) The accounting policies for right-of-use assets and lease liabilities are detailed in Note III, 26 and Note III, 34.

(4) Accounting treatment with the Company as lessor

(a) Lease classification:

The Company classifies leases into finance leases and operating leases at the inception of leases. A finance lease refers to a lease where almost all the risks and rewards, related to the ownership of the leased asset(s), are substantially transferred, regardless of whether the ownership is transferred eventually. An operating lease refers to all leases other than finance leases.

Usually, the Company classifies a lease that meets any one or more of the following conditions as a finance lease:

- 1) Upon expiry of the lease term, the ownership of the leased asset(s) is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets. As the agreed purchase price is low enough compared with the fair value of the leased asset(s) at the time the option is expected to be exercised, it can be reasonably determined at the inception of the lease that the lessee will exercise the option.
- 3) Although the ownership of the asset(s) is not transferred, the lease term accounts for the majority of the service life of the leased asset(s).
- 4) At the inception of the lease, the present value of the lease payments receivable is almost equal to the fair value of the leased asset(s).
- 5) The leased asset(s) is/are special in nature and can be only used by the lessee, unless there is a large alteration.

The Company may also classify a lease that falls under any one or more of the following circumstances as a finance lease:

- 1) If the lessee cancels the lease, losses to the lessor caused by the cancellation will be borne by the lessee.
- 2) Gains or losses arising from fluctuations in the fair value of the residual value of the leased asset(s) are borne by the lessee.
- 3) The lessee is able to renew the lease with a rental far lower than the market level to the next term.

(b) Accounting treatment of finance leases

On the commencement date of the lease term, the Company recognises the finance lease receivables for the finance lease and derecognises the leased asset(s) of the finance lease.

In the initial measurement of finance lease receivables, the sum of the unsecured residual value and the present value of the lease payments receivable not yet received on the commencement date of the lease term discounted at the interest rate implicit in lease is the entry value of the finance lease receivables. Lease payments receivable include:

- 1) The amount of fixed payments, net of amounts related to lease incentives, and the amount of substantive fixed payments;
- 2) Variable lease payments that depend on indexation or ratios;
- 3) The exercise price of the purchase option, when applicable, if it is reasonably certain that the lessee will exercise the purchase option;
- 4) The amount required to be paid by the lessee to exercise the option to terminate the lease if the lease term reflects that the lessee will exercise the option to terminate the lease;
- 5) Secured residual value provided to the lessor by the lessee, a party related to the lessee, or an independent third party that has the financial ability to perform the security provision obligation.

The received variable lease payments that are not included in the measurement of the net investment in the lease are included in profit or loss for the current period when they are actually incurred.

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III Significant accounting policies and accounting estimates (continued)

40 Leases (continued)

(4) Accounting treatment with the Company as lessor (continued)

(c) Accounting treatment of operating leases

For each period of the lease term, the Company adopts the straight-line method or other systematic and reasonable methods to recognize the lease receipts of the operating lease as rental income; the Company capitalizes the initial direct expenses incurred in connection with the operating lease, amortizes them over the lease term on the same basis as that for the recognition of the rental income, and includes them in the current profit and loss by stage; the Company includes the variable lease payments, obtained in connection with the operating lease that are not included in the lease receipts, in the current profit and loss when actually incurred.

(5) Sale and leaseback

(a) The Company as seller and lessee

If the asset transfer in a sale and leaseback transaction is a sale, the Company will measure the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's carrying value that is related to the use right acquired by the leaseback, and recognise related gains or losses only for the right transferred to the lessor. If the fair value of the sales consideration is different from the fair value of the asset, or if the lessor does not charge the rent at the market price, the Company will conduct accounting treatment with the sales consideration amount below the market price as the prepaid rent, or the amount above the market price as the additional financing provided by the lessor to the lessee; at the same time, the relevant sales gains or losses will be adjusted based on the fair value.

If the asset transfer in a sale and leaseback transaction is not a sale, the Company will continue to recognise the transferred asset and at the same time recognise a financial liability equivalent to the transfer income.

(b) The Company as buyer and lessor

If the asset transfer in a sale and leaseback transaction is a sale, the Company will conduct corresponding accounting treatment for asset purchase and apply the accounting standards governing leases to the accounting treatment of the asset lease. If the fair value of the sales consideration is different from the fair value of the asset, or if the Company does not charge the rent at the market price, the Company will conduct accounting treatment with the sales consideration amount below the market price as the pre-collected rent, or the amount above the market price as the additional financing provided by the Company to the lessee; at the same time, the rental receipt will be adjusted based on the market price.

If the asset transfer in a sale and leaseback transaction is not a sale, the Company will recognise a financial asset equivalent to the transfer income.

41 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.

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III Significant accounting policies and accounting estimates (continued)

42 Discontinued operations

The Company recognizes a component disposed of or classified as a component that can be separately distinguished from the category held for sale and satisfies 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.

43 Changes to major accounting policies and estimates

(1) Change of accounting policy

(a) Impact of the adoption of the *Interpretation to Accounting Standards for Business Enterprises No. 15* on the Company

On December 31, 2021, the Ministry of Finance issued the *Interpretation to Accounting Standards for Business Enterprises No. 15* (Cai Kuai [2021] No. 35, hereinafter referred to as the "Interpretation No. 15"). Interpretation No. 15 outlined that "the accounting treatment of the external sales of products or by-products produced before the fixed assets reach the intended serviceable state or during the R&D process" (hereinafter referred to as "trial sales") and "the judgment on loss-making contracts", effective from January 1, 2022.

① Accounting treatment of the external sales of products or by-products produced before the fixed assets reach the intended serviceable state or during the R&D process

For trial sales that occurred between the beginning of the period (i.e. January 1, 2021) and the implementation date of the Interpretation (January 1, 2022), the Company has made retroactive adjustments in accordance with Interpretation No. 15.

According to the provisions of Interpretation No. 15, the Company adjusted the relevant items of the balance sheet as follows:

Balance Sheet items	Before the Change	December 31, 2021	
		Accumulated amount impacted before change	After the Change
Fixed assets	113,579,297	144,462	113,723,759
Construction in progress	36,965,885	63,619	37,029,504
Intangible assets	13,982,647	17,899	14,000,546
Development costs	2,508,419	31,780	2,540,199
Deferred income tax assets	2,153,346	-2,923	2,150,423
Retained earnings	22,458,340	69,346	22,527,686
Non-controlling interests	76,611,057	185,491	76,796,548

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III Significant accounting policies and accounting estimates (continued)

43 Changes to Major Accounting Policies and Estimates (continued)

(1) Changes to Accounting Policies (continued)

The Company adjusted the relevant items presented in the income statement and the cash flow statement as follows:

Items presented in the income statement and cash flow statement	Before the Change	January - June 2021	
		Accumulated amount impacted before change	After the Change
Revenue	74,298,647	107,202	74,405,849
Cost of sales	57,984,972	83,999	58,068,971
R&D expenses	3,428,197	(25,238)	3,402,959
Income tax expense	1,413,574	2,923	1,416,497

② Judgment on onerous contracts

The Company has not fulfilled all obligations when it first implemented Interpretation No. 15 (January 1, 2022), and the implementation of this provision has no significant impact on the Company's financial statements for comparable periods.

(2) Changes to
accounting
estimates

No change occurred to the major accounting estimates in the reporting period.

44 Correction of previous accounting errors

No previous accounting errors were identified and corrected in the reporting period.

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Notes to Financial Statements
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IV Taxes

1 Value-added tax

In the reporting period, output tax was calculated at 3%, 5%, 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". 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.

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IV Taxes (continued)

6 Corporate income tax

The corporate income tax rate for the Company was 15% in the current period.

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.

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
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise
Suzhou China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen TCL High-Tech Development Co., Ltd.	15%	High-tech enterprise
Qingdao Blue Business Consulting Co., Ltd.	15%	High-tech enterprise
Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd.	15%	High-tech enterprise
TianJin Zhonghuan Advanced Material&Technology Co., Ltd.	15%	High-tech enterprise
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	15%	High-tech enterprise
Huansheng Solar (Jiangsu) Co., Ltd.	15%	High-tech enterprise
Zhangjiakou Huan? Ou International New Energy Technology Co., Ltd.	15%	High-tech enterprise
Wuxi Zhonghuan Applied Materials Co., Ltd.	15%	High-tech enterprise
Inner Mongolia Zhonghuan Crystal Materials Co., Ltd.	15%	High-tech enterprise
Tianjin Huanzhi New Energy Technology Co., Ltd.	15%	High-tech enterprise
Tianjin Printronics Circuit Corporation	15%	High-tech enterprise
Tianjin Huanbo Science and Technology Co., Ltd.	15%	High-tech enterprise
Tianjin Zhonghuan Electronics Computer Co., Ltd.	15%	High-tech enterprise
Guangdong TCL New Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen Qianhai Maojia Software Technology Co., Ltd.	15%	High-tech enterprise
Inner Mongolia Zhonghuan Crystal Materials Co., Ltd.	15%	High-tech enterprise, encouraged business in West China
Ningxia Zhonghuan Solar Material Co., Ltd.	15%	Encouraged business in West China
Phase I and Phase II projects of Hohhot Huanju New Energy Development Co., Ltd.	15%	State-supported public infrastructure project, encouraged business in West China
Inner Mongolia Zhonghuan Advanced Semiconductor Material Co., Ltd.	7.5%	
Yixing Huanxing New Energy Co., Ltd.	12.5%	Encouraged business in West China
Guyuan Shengju New Energy Co., Ltd.	12.5%	State-supported public infrastructure project
Shangqiu Yaowei Photovoltaic Power Generation Co., Ltd.	12.5%	State-supported public infrastructure project
Tianjin Huanyu Yangguang New Energy Technology Co., Ltd.	12.5%	State-supported public infrastructure project

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IV Taxes (continued)

6 Corporate income tax (continued)

Company Name	Preferential tax rate	Reason
Huludao Zhongrun Energy Technology Co., Ltd.	12.5%	State-supported public infrastructure project
Qinhuangdao Tianhui Solar Energy Co., Ltd.	12.5%	State-supported public infrastructure project
Huludao Xincheng New Energy Technology Co., Ltd.	12.5%	State-supported public infrastructure project
Zhangjiakou Shengyuan New Energy Co., Ltd.	12.5%	State-supported public infrastructure project
Dushan Anju Photovoltaic Technology Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Sonid Left Banner Huanxin New Energy Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Otog Banner Huanju New Energy Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Inner Mongolia New Huanyu Yangguang New Energy Technology Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Gengma Huanxing New Energy Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Shaanxi Runhuan Tianyu Technology Co., Ltd.	Tax-free	State-supported public infrastructure project, encouraged business in West China
Tianjin Binhai Huanneng New Energy Co., Ltd.	Tax-free	State-supported public infrastructure project
Gaoqing Huanyuan Energy Technology Co., Ltd.	Tax-free	State-supported public infrastructure project
Gaoqing Chengguang Energy Technology Co., Ltd.	Tax-free	State-supported public infrastructure project
Ningjin Jincheng New Energy Co., Ltd.	Tax-free	State-supported public infrastructure project
Ongniud Banner Guangrun New Energy Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Tuquan Guanghuan New Energy Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China
Dangxiong Youhao New Energy Development Co., Ltd.	7.5%	State-supported public infrastructure project, encouraged business in West China

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IV Taxes (continued)

6 Corporate income tax (continued)

Company Name	Preferential tax rate	Reason
Shangqiu Suoguang Energy Technology Co., Ltd.	2.5% ~ 10%	Small low-profit business
Shangqiu Suoyuan Energy Technology Co., Ltd.	2.5% ~ 10%	Small low-profit business
Inner Mongolia Zhonghuan Construction Management Co., Ltd.	2.5% ~ 10%	Small low-profit business
Inner Mongolia Environmental Energy Resources Development Co., Ltd.	2.5% ~ 10%	Small low-profit business
Ulanqab Dishengsheng Energy Co., Ltd.	5.0%	Small low-profit business
Tongliao Guangdong New Energy Co., Ltd.	5.0%	Small low-profit business
Alxa League Huanju New Energy Co., Ltd.	5.0%	Small low-profit business
Jinxiang Haotian New Energy Co., Ltd.	5.0%	Small low-profit business
Inner Mongolia Zhonghuan Asset Management Co., Ltd.	5.0%	Small low-profit business
Inner Mongolia Huanya Hotel Management Co., Ltd.	5.0%	Small low-profit business
Shangqiu Suoneng Energy Technology Co., Ltd.	2.5%	Small low-profit business
Tianjin Zhonghuan Zhongda Technology Co., Ltd.	2.5%	Small low-profit business
Sichuan Sunpiestore Technology Co., Ltd.	5%	Small low-profit business
Guizhou Sunpiestore Technology Co., Ltd.	5%	Small low-profit business
Tianjin Zhonghuan Hengda Technology Co., Ltd.	2.5%	Small low-profit business
Tianjin Yingtuo Computer Control Technology Co., Ltd.	2.5%	Small low-profit business
Tianjin Zhongdian High Tech Co., Ltd.	2.5%	Small low-profit business
Tianjin Zhonghuan Electronic Instrument Co., Ltd.	2.5%	Small low-profit business

According to the *Notice on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises* (Cai Shui [2019] No. 13) issued by the Ministry of Finance and the State Administration of Taxation on January 17, 2019 and the *Announcement on Implementing Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households* (Announcement No. 12 [2021] of the Ministry of Finance and State Administration of Taxation) issued by the Ministry of Finance and the State Administration of Taxation on April 2, 2021, the annual taxable income of a small low-profit enterprise that is not less than RMB1 million shall be included in its taxable income at the reduced rate of 25%, and shall be eligible to halve its corporate income tax after it pays corporate income tax with tax rate of 20% thereafter for the period from January 1, 2021 to December 31, 2022.

According to the *Announcement on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises* issued by the Ministry of Finance and the State Administration of Taxation on March 14, 2022 (Announcement No. 13 [2022] of the Ministry of Finance and the State Administration of Taxation), from January 1, 2022 to December 31, 2024, the annual taxable income of small and low-profit enterprises exceeding RMB1 million but at no more than 3 million yuan will be included in the taxable income at a reduced rate of 25%, and the enterprise income tax will be paid at the rate of 20%.

7 Individual income tax

Individual 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.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

V Notes to Consolidated Financial Statements

1 Monetary assets

	June 30, 2022	December 31, 2021
Cash on hand	601	789
Bank deposits	30,617,093	29,049,850
Deposits with the central bank	433,812	481,162
Interest receivable on deposits	196,410	64,825
Other monetary assets	2,547,601	1,797,066
	<u>33,795,517</u>	<u>31,393,692</u>

Note Monetary assets with restricted use rights

	June 30, 2022	December 31, 2021
TCL Tech Finance's statutory reserve deposits with the central bank	432,087	358,178
Interest receivable on deposits	196,410	64,825
Other restricted monetary assets	1,490,699	888,984
	<u>2,119,196</u>	<u>1,311,987</u>

On June 30, 2022, the Company's bank deposits of RMB432,087 thousand (At the end of 2021: RMB358,178 thousand) were statutory deposit reserves deposited with the Central Bank by TCL Technology Group Finance Co., Ltd., a subsidiary of the Company.

On June 30, 2022, the Company's monetary assets offshore amounted to RMB3,059,740 thousand (At the end of 2021: RMB2,817,430 thousand), all of which were owned by the overseas subsidiaries of the Company.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

V Notes to Consolidated Financial Statements (Continued)

2 Held-for-trading financial assets

	June 30, 2022	December 31, 2021
Financial assets at fair value through profit or loss	8,975,013	7,601,256
Including: Debt instrument investments	8,715,145	7,288,741
Equity instrument investments	259,868	312,515
	8,975,013	7,601,256

3 Derivative financial assets

	June 30, 2022	December 31, 2021
Foreign exchange forwards	377,658	59,063
Interest rate swaps	110,407	11,866
Others	363	-
	488,428	70,929

4 Notes receivable

(1) Notes receivable by category

	June 30, 2022	December 31, 2021
Bank acceptance notes	502,406	775,423
Letter of credit	268,962	-
Trade acceptance notes	697	779
	772,065	776,202

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

V Notes to Consolidated Financial Statements (Continued)

4 Notes receivable (continued)

(1) Notes receivable by category (continued)

	Gross amount		June 30, 2022 Allowance		Carrying amount	Gross amount		December 31, 2021 Allowance		Carrying amount
	Amount	Ratio (%)	Amount	Percentage		Amount	Ratio (%)	Amount	Percentage	
Notes receivable for which the allowance for doubtful accounts were established on the grouping basis	772,065	100%	-	-	772,065	776,202	100%	-	-	776,202
Including: group with no recovery risk	771,368	99.91%	-	-	771,368	775,423	99.90%	-	-	775,423
By aging analysis	697	0.09%	-	-	697	779	0.10%	-	-	779
	<u>772,065</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>772,065</u>	<u>776,202</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>776,202</u>

(2) On June 30, 2022, notes receivable in pledge were RMB278,564 thousand.

(3) Endorsed or discounted notes receivable that were outstanding on the balance sheet date and were derecognized as on June 30, 2022 amounted to RMB395,695 thousand. Endorsed or discounted notes receivable that were not outstanding on the balance sheet date and were not derecognized as amounted to RMB103,639 thousand.

5 Accounts receivable

	June 30, 2022	December 31, 2021
Accounts receivable	19,525,099	18,657,744
Less: allowance for doubtful accounts	<u>439,866</u>	<u>418,962</u>
	<u>19,085,233</u>	<u>18,238,782</u>

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

5 Accounts receivable (continued)

- (1) Accounts receivable in the period from January 1, 2022 to June 30, 2022 are classified as follows by how the allowances for doubtful accounts were provisioned :

	Gross amount	June 30, 2022	
		Allowance Lifetime ECL rate	Gross amount
Accounts receivable for which the related allowances for doubtful accounts were established on the individual basis	209,909	100%	209,903
Of which:			
Accounts receivable	209,909	100%	209,903
Accounts receivable for which the related allowances for doubtful accounts were established on the grouping basis	19,315,190	1.19%	229,963
Of which:			
Group 1: By aging analysis	13,841,352	1.53%	211,226
Group 2 : by related party grouping	4,378,861	0.43%	18,737
Group 3: Group with no recovery risk	1,094,978	-	-
	<u>19,525,099</u>		<u>439,866</u>

- (2) The aging of accounts receivable is analysed as follows:

	June 30, 2022		December 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	18,102,946	92.72%	17,493,941	93.76%
1 to 2 years	535,372	2.74%	465,391	2.49%
2 to 3 years	325,706	1.67%	309,150	1.66%
Over 3 years	561,075	2.87%	389,262	2.09%
	<u>19,525,099</u>	100%	<u>18,657,744</u>	100%

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

V Notes to Consolidated Financial Statements (Continued)

5 Accounts receivable (continued)

(3) Allowances for doubtful accounts receivable are analysed as follows:

	June 30, 2022	December 31, 2021
Beginning amount	418,962	281,281
New subsidiary	-	33,745
Accrued in current period	39,854	209,480
Reversal of current period	(18,627)	(86,588)
Write-off of current period	(1,200)	(12,759)
Reduced subsidiary	-	(5,381)
Exchange adjustment	877	(816)
	439,866	418,962
Ending amount	439,866	418,962

(4) On June 30, 2022, the accounts receivable of the top five balances are as follows:

	June 30, 2022	December 31, 2021
Total amount owed by the top five	8,856,242	8,922,641
Proportion of total accounts receivable	45.36%	47.82%

6 Receivables financing

	June 30, 2022	December 31, 2021
Notes receivable financing	2,223,849	2,217,639
	2,223,849	2,217,639
	2,223,849	2,217,639

Note Endorsed or discounted notes receivable that were outstanding on the balance sheet date and were derecognized on June 30, 2022 amounted to RMB25,046,597 thousand.
On June 30, 2022, the Company was of the opinion that the held receivables financing did not have significant credit risk and would not cause significant losses due to default.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

V Notes to Consolidated Financial Statements (Continued)

7 Prepayments

(1) Prepayments are analyzed as follows:

	June 30, 2022	December 31, 2021
Within 1 year	3,995,436	2,297,910
1-2 years	38,958	6,560
2-3 years	4,277	1,376
Over 3 years	242	479
	<u>4,038,913</u>	<u>2,306,325</u>

(2) As of June 30, 2022, the prepayments of the top five balances are as follows:

	June 30, 2022	December 31, 2021
Total amount owed by the top five	2,191,727	1,681,650
As % of total prepayments	54.27%	72.91%

8 Other receivables

	June 30, 2022	December 31, 2021
Dividends receivable	335,077	-
Other receivables	<u>3,837,771</u>	<u>4,458,621</u>
	<u>4,172,848</u>	<u>4,458,621</u>

(1) Dividends receivable

	June 30, 2022	December 31, 2021
Bank of Shanghai Co., Ltd.	327,157	-
Tianjin 712 Communication & Broadcasting Co., Ltd.	7,777	-
Others	<u>143</u>	<u>-</u>
	<u>335,077</u>	<u>-</u>

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

(2) Other receivables

	June 30, 2022	December 31, 2021
Other receivables	4,063,658	4,681,100
Less: allowance for doubtful accounts	<u>225,887</u>	<u>222,479</u>
	<u>3,837,771</u>	<u>4,458,621</u>

(a) Nature of other receivables is analyzed as follows:

	June 30, 2022	December 31, 2021
Subsidy receivable	1,985,491	1,696,203
Equity transfer receivables	708,265	1,480,960
Receivables from external entities	535,127	832,197
Security deposits	513,792	421,430
Others	<u>95,096</u>	<u>27,831</u>
	<u>3,837,771</u>	<u>4,458,621</u>

(b) Allowance for doubtful other receivables is analyzed as follows:

	12-month ECL	Lifetime ECL (credit not impaired)	Lifetime ECL (credit impaired)	Total
Beginning amount	76,254	120,291	25,934	222,479
Current accrual	5,498	23	-	5,521
Reversal of current period	(3)	(912)	(255)	(1,170)
Write-off of current period	-	(652)	(254)	(906)
Exchange adjustment	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>(37)</u>
June 30, 2022	<u>81,712</u>	<u>118,750</u>	<u>25,425</u>	<u>225,887</u>

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

(c) The aging of other receivables is analyzed as follows:

	June 30, 2022		December 31, 2021	
	Carrying amount	Ratio (%)	Carrying amount	Ratio (%)
Within 1 year	3,291,864	81.00%	3,991,248	85.26%
1 to 2 years	347,626	8.55%	292,805	6.26%
2 to 3 years	258,533	6.37%	228,974	4.89%
Over 3 years	165,635	4.08%	168,073	3.59%
	<u>4,063,658</u>	<u>100%</u>	<u>4,681,100</u>	<u>100%</u>

(d) As of June 30, 2022, the other receivables of the top five balances are as follows:

	June 30, 2022	December 31, 2021
Total amount owed by the top five	2,754,201	3,381,203
As % of total other receivables	67.78%	72.23%

(e) On June 30, 2022, there was no transfer of other receivables that did 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 was the subject of securitization and did not conform to the conditions for derecognition.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

9 Inventories

(1) Inventories are classified as follows:

	June 30, 2022			December 31, 2021		
	Gross amount	Provision for depreciation of inventories / provision for impairment of contract performance costs	Carrying amount	Gross amount	Provision for depreciation of inventories / provision for impairment of contract performance costs	Carrying amount
Raw materials	4,220,419	698,908	3,521,511	4,247,095	652,265	3,594,830
Work in progress	2,778,138	334,073	2,444,065	2,705,288	321,606	2,383,682
Finished Goods	8,816,198	1,089,257	7,726,941	8,541,513	823,701	7,717,812
Turnover materials	333,643	1,156	332,487	388,135	1,102	387,033
	<u>16,148,398</u>	<u>2,123,394</u>	<u>14,025,004</u>	<u>15,882,031</u>	<u>1,798,674</u>	<u>14,083,357</u>

On June 30, 2022, the Company had no inventory for liabilities guarantee.

(2) Provision for depreciation of inventories / provision for impairment of contract performance costs:

	January 1, 2022	Current Accrual	Current Reversal	Current Write-off	Exchange Adjustment	June 30, 2022
Raw materials	652,265	202,134	(16,463)	(139,028)	-	698,908
Work in progress	321,606	163,357	(45,359)	(105,531)	-	334,073
Finished Goods	823,701	708,657	(5,472)	(438,211)	582	1,089,257
Turnover materials	1,102	54	-	-	-	1,156
	<u>1,798,674</u>	<u>1,074,202</u>	<u>(67,294)</u>	<u>(682,770)</u>	<u>582</u>	<u>2,123,394</u>

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

10 Contract assets

(1) Contract assets are classified as follows:

	June 30, 2022			December 31, 2021		
	Gross amount	Allowance for doubtful accounts	Carrying amount	Gross amount	Allowance for doubtful accounts	Carrying amount
Electricity charges receivable	284,450	9,162	275,288	239,753	6,224	233,529

(2) Valuation allowances for contract assets are analyzed as follows:

	January 1, 2022	Current Accrual	Current Reversal or write-off	Other increases and decreases	June 30, 2022
Electricity charges	6,224	2,938	-	-	9,162

11 Other current assets

	June 30, 2022	December 31, 2021
Short-term debt investments	279,000	571,140
VAT to be deducted, to be certified, etc.	2,455,846	3,931,095
Current portion of loans and advances to customers (note)	1,228,727	1,169,487
Others	197,233	131,238
	<u>4,160,806</u>	<u>5,802,960</u>

Note: Loans and advances due within one year are loans due within one year from TCL Technology Group Finance Co., Ltd., a subsidiary of the Company, of which interest receivable is RMB3,387 thousand.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

12 Debt Investments

	June 30, 2022	December 31, 2021
National debt and secondary market debt (note)	20,136	-

13 Long-term receivables

	June 30, 2022			December 31, 2021			Discount rate Interval
	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	
Finance lease	639,690	-	639,690	651,118	-	651,118	
Including: unrealized financing income	(814,080)	-	(814,080)	(848,837)	-	(848,837)	7.125%- 8.115%
	639,690	-	639,690	651,118	-	651,118	

14 Long-term equity investments

	June 30, 2022			December 31, 2021		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates (1)	26,123,780	1,624	26,122,156	25,086,945	1,624	25,085,321
Joint ventures (2)	592,417	49,503	542,914	604,760	49,503	555,257
	26,716,197	51,127	26,665,070	25,691,705	51,127	25,640,578

As of June 30, 2022, the Company established impairment allowances for long-term equity investments in investees with poor management and insolvent assets.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

14 Long-term equity investments (continued)

(1) Associates

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period						June 30, 2022
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared Cash dividends or profit distribution declared	Accrued Impairment allowance	Other increases and decreases	
Bank of Shanghai Co., Ltd.	11,919,796	-	729,672	4,068	-	(327,157)	-	-	12,326,379
China Innovative Capital Management Limited	1,063,219	-	(74,814)	-	-	-	-	-	988,405
LG Electronics (Huizhou) Co., Ltd.	92,079	-	5,763	-	-	(13,000)	-	-	84,842
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	36,160	-	(1,405)	-	-	-	-	-	34,755
Shenzhen Jucai Supply Chain Technology Co., Ltd.	10,706	-	2,311	-	-	-	-	-	13,017
Shenzhen Tixiang Business Management Technology Co., Ltd.	3,620	-	(1,823)	-	-	-	-	-	1,797
TCL Air Conditioner (Wuhan) Co., Ltd.	38,605	-	315	-	-	-	-	-	38,920
TCL Finance (Hong Kong) Co., Limited	109,317	-	(9,014)	-	-	-	-	-	100,303
Urumqi TCL Equity Investment Management Co., Ltd.	71	-	675	-	-	-	-	-	746
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,555,876	(4,304)	129,552	-	-	-	-	-	1,681,124
Ningbo Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	396,773	(4,993)	9,707	-	-	(44,257)	-	-	357,230
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	192,956	(41,572)	(788)	-	-	-	-	-	150,596

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

14 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period						June 30, 2022
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared Cash dividends or profit distribution declared	Impairment allowance	Other increases and decreases	
Ningbo Dongpeng Heli Equity Investment Partnership (Limited Partnership)	463,294	(15,690)	(10,793)	-	-	(42,218)	-	-	394,593
Wuxi TCL Aisikai Semi-conductor Industry Investment Fund Partnership (Limited Partnership)	232,764	(3,767)	63,977	6	-	-	-	(6)	292,974
Wuxi TCL Venture Capital Partnership (Limited Partnership)	35,580	-	(6)	-	-	-	-	6	35,580
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	64,975	-	(583)	-	-	-	-	-	64,392
Shanghai Gen Auspicious Venture Capital Partnership (Limited Partnership)	29,945	-	(1,333)	145	-	(571)	-	-	28,186
Nanjing Zijin A Dynamic Investment Partnership (Limited Partnership)	19,725	-	(2)	6	-	-	-	-	19,729
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	8,700	-	-	-	-	-	-	-	8,700
Beijing A Dynamic Venture Capital Center (Limited Partnership)	6,415	-	3,510	-	-	-	-	-	9,925
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	3,750	-	(3)	9	-	-	-	-	3,756
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	2,341	-	-	-	-	-	-	-	2,341
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	6,006	-	919	-	-	-	-	-	6,925
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,595	-	(14)	-	-	-	-	-	2,581
Ningbo Jiutian Matrix Investment Management Co., Ltd. (note)	2,851	-	(106)	-	-	-	-	-	2,745
Urumqi Qixinda Equity Investment Management Co., Ltd.	1,137	-	837	-	-	-	-	-	1,974

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

14 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period					June 30, 2022	
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profit distribution declared	Accrued Impairment allowance		Other increases and decreases
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	761	-	(1)	-	-	-	-	-	760
Beijing A Dynamic Investment Consulting Co., Ltd.	469	-	-	-	-	-	-	-	469
Shanghai Gen Auspicious Investment Management Co., Ltd.	918	-	(1,501)	-	-	(362)	-	-	(945)
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	283	-	(2)	-	-	-	-	-	281
Wuxi TCL Medical Imaging Technology Co., Ltd. Aijixu New Electronic Display Glass (Shenzhen) Co., Ltd.	29,235	-	(4,583)	-	-	-	-	72	24,724
TCL Ventures Fund L.P.	635,360	-	63,000	-	-	-	-	-	698,360
Getech Ltd.	53,019	-	12,113	-	-	-	-	2,799	67,931
TCL Environmental Technology Co., Ltd.	21,032	-	(4,211)	199	-	-	-	8,401	25,421
Guangdong Innovative Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	130,643	-	3,539	-	-	-	-	-	134,182
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	372,976	-	(5,792)	-	-	-	-	-	367,184
	151,026	(279)	13,636	-	-	-	-	-	164,383

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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V Notes to Consolidated Financial Statements (Continued)

14 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period					June 30, 2022	
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared Cash dividends or profit distribution declared	Accrued Impairment allowance		Other increases and decreases
Shenzhen Xihuoyicheng Recreational and Sports Industry Co., Ltd.	1,417	-	(45)	-	-	-	-	-	1,372
Pride Telecom Limited	-	-	-	-	-	-	-	-	-
JOLED Incorporation	869,073	80,960	(92,657)	-	-	-	-	(95,560)	761,816
Sichuan Shengtian New Energy Development Co., Ltd.	478,264	-	15,162	-	-	-	-	-	493,426
Yanyuan Fengguang New Energy Co., Ltd.	62,528	(41,822)	(4,454)	-	-	(16,252)	-	-	-
SunPower Systems International Limited	27,792	-	554	-	-	-	-	-	28,346
Zhonghuan Aineng (Beijing) Technology Co., Ltd.	6,843	-	(1,371)	-	-	-	-	-	5,472
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	122,960	-	10,002	-	-	-	-	-	132,962
Hunan Guoxin Semiconductor Technology Co., Ltd.	9,758	-	(330)	-	-	-	-	-	9,428
Maxeon Solar Technologies, Ltd.	2,020,194	-	(158,018)	-	-	-	-	-	1,862,176
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	1,691,361	-	1,039,939	-	-	-	-	-	2,731,300
Ruihuan (Inner Mongolia) Solar Power Co., Ltd.	5,896	-	-	-	-	-	-	-	5,896
Tianjin Zhonghuan Haihe Intelligent Manufacturing Fund Partnership (Limited Partnership)	659,630	-	2	-	-	-	-	-	659,632
Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	4,722	-	145	-	-	-	-	-	4,867
Ningbo Zhongxin Venture Capital Partnership	-	-	-	-	-	-	-	-	-
Tianjin Huanxin	58,278	-	(289)	-	-	-	-	-	57,989

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14 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period						June 30, 2022
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared Cash dividends or profit distribution declared	Accrued Impairment allowance	Other increases and decreases	
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	421,762	-	(74)	-	-	-	-	-	421,688
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	2,914	-	-	-	-	(2,289)	-	-	625
Inner Mongolia Huanye Material Co., Ltd.	4,109	-	-	-	-	-	-	-	4,109
Shenzhen Shutuo Technology Co., Ltd.	38,038	-	(428)	-	-	-	-	-	37,610
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	49,964	-	3,020	-	-	-	-	-	52,984
Wuhan Guochuangke Optoelectronic Equipment Co., Ltd.	24,744	-	(539)	-	-	-	-	-	24,205
TCL Intelligent Technology (Ningbo) Co., Ltd.	-	-	-	-	-	-	-	-	-
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	-	-	-	-	-	-	-	-	-
Purplevine Holdings Limited	-	3,789	9,200	-	-	-	-	(5,142)	7,849
Hubei Consumer Finance Co., Ltd.	168,654	-	6,091	-	-	-	-	(14,174)	160,572
Tianjin 712 Communication & Broadcasting Co., Ltd.	661,442	(88,084)	21,332	-	-	(7,777)	-	(64,342)	522,569
	<u>25,085,321</u>	<u>(115,762)</u>	<u>1,769,994</u>	<u>4,434</u>	<u>-</u>	<u>(453,883)</u>	<u>-</u>	<u>(167,948)</u>	<u>26,122,156</u>

Note: Tianjin Huanxin Technology & Development Co., Ltd. Was renamed as TCL Huanxin Semi-conductor (Tianjin) Co., Ltd in April 2022.

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14 Long-term equity investments (continued)

(2) Joint ventures

Name of investee	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period						June 30, 2022
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Cash dividends or profit distribution declared	Accrued Impairment allowance	Other increases and decreases	
TCL Huizhou City, Kai Enterprise Management Limited	1,329	-	11	-	-	-	-	-	1,340
Huizhou TCL Human Resources Service Co., Ltd.	3,296	-	3,030	-	-	-	-	-	6,326
Zhangjiakou Qixin Equity Investment Fund Partnership	92,681	-	(757)	-	-	-	-	-	91,924
Huaxia CPV (Inner Mongolia) Power Co., Ltd. (Note 1)	-	-	-	-	-	-	-	-	-
Tianjin Huanyan Technology Co., Ltd.	144,517	-	(269)	-	-	-	-	-	144,248
TCL Microchip Technology (Guangdong) Co., Ltd.	313,434	-	(14,358)	-	-	-	-	-	299,076
	<u>555,257</u>	<u>-</u>	<u>(12,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,914</u>

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14 Long-term equity investments (continued)

(3) Impairment allowances for long-term equity investments

	January 1, 2022	Increase in current period	Decrease in current period	June 30, 2022	Note
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	49,503	-	-	49,503	Note 1
	<u>51,127</u>	<u>-</u>	<u>-</u>	<u>51,127</u>	

Note 1 Impairment allowances were established for the long-term investments in these investees at recoverable amounts because continuous operations loss occurred to these investees with poor management.

15 Investments in other equity instruments

	June 30, 2022	December 31, 2021
Stocks	88,092	109,011
Equity of unlisted companies	839,444	818,308
	<u>927,536</u>	<u>927,319</u>

Item name	Confirmed Dividend income recognized	Accumulated Profits	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
Stocks	-	4,115	(109,186)	-	Being held long term for strategic purposes	Sold in current period
Equity of unlisted companies	-	9,033	(40,751)	-	Being held long term for strategic purposes	Sold in current period
Total	<u>-</u>	<u>13,148</u>	<u>(149,937)</u>	<u>-</u>		

16 Other non-current financial assets

	June 30, 2022	December 31, 2021
Equity investments	829,914	2,149,781
Debt investments	298,697	554,257
	<u>1,128,611</u>	<u>2,704,038</u>

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17 Investment property

	Houses and buildings	Land use rights	Total
Gross amount:			
January 1, 2022	896,416	92,817	989,233
Increase			
Reclassified from fixed assets and intangible assets	124,908	-	124,908
Decreases			
Reclassified to fixed assets and intangible assets	(43,013)	(175)	(43,188)
June 30, 2022	<u>978,311</u>	<u>92,642</u>	<u>1,070,953</u>
Accumulated depreciation and amortization:			
January 1, 2022	165,990	8,376	174,366
Increase			
Accrued in current period	16,577	1,072	17,649
Reclassified from fixed assets and intangible assets	38,266	-	38,266
Decreases			
Reclassified to fixed assets and intangible assets	(5,326)	-	(5,326)
June 30, 2022	<u>215,507</u>	<u>9,448</u>	<u>224,955</u>
Investment property, net:			
June 30, 2022	<u>762,804</u>	<u>83,194</u>	<u>845,998</u>
January 1, 2022	<u>730,426</u>	<u>84,441</u>	<u>814,867</u>
Impairment allowance:			
January 1, 2022	52,965	-	52,965
Increase			
Increase in current period	-	-	-
Decreases			
Decrease in current period	-	-	-
June 30, 2022	<u>52,965</u>	<u>-</u>	<u>52,965</u>
Investment property, carrying amount:			
June 30, 2022	<u>709,839</u>	<u>83,194</u>	<u>793,033</u>
January 1, 2022	<u>677,461</u>	<u>84,441</u>	<u>761,902</u>

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V Notes to Consolidated Financial Statements (Continued)

18 Fixed assets

	Houses and buildings	Machinery equipment	Office and electronic equipment	Transportation equipment	Power stations	Other	Total
Gross amount:							
December 31, 2021	36,809,487	144,268,573	6,141,205	228,961	2,361,036	21,576	189,830,838
Change of accounting policy	-	144,462	-	-	-	-	144,462
January 1, 2022	<u>36,809,487</u>	<u>144,413,035</u>	<u>6,141,205</u>	<u>228,961</u>	<u>2,361,036</u>	<u>21,576</u>	<u>189,975,300</u>
Increase							
Reclassified from investment property	43,013	-	-	-	-	-	43,013
Reclassified from construction in progress	1,845,051	10,576,943	72,518	10,093	391	-	12,504,996
Acquisition and other	7,097	4,892,816	37,137	12,817	-	1,040	4,950,907
Decreases							
Written down with government grants	-	(77,220)	-	-	-	-	(77,220)
Reclassified to investment property	(124,908)	-	-	-	-	-	(124,908)
Other decreases	(23,670)	(3,362,523)	(3,686,523)	(21,600)	-	(80)	(7,094,396)
Exchange adjustment	4,412	1,184	379	193	-	412	6,580
June 30, 2022	<u>38,560,482</u>	<u>156,444,235</u>	<u>2,564,716</u>	<u>230,464</u>	<u>2,361,427</u>	<u>22,948</u>	<u>200,184,272</u>
Accumulated depreciation:							
December 31, 2021	6,424,323	64,912,283	2,500,253	145,498	426,922	13,504	74,422,783
Change of accounting policy	-	-	-	-	-	-	-
January 1, 2022	<u>6,424,323</u>	<u>64,912,283</u>	<u>2,500,253</u>	<u>145,498</u>	<u>426,922</u>	<u>13,504</u>	<u>74,422,783</u>
Increase							
Accrual	687,481	7,531,330	114,985	17,077	43,294	999	8,395,166
Reclassified from investment property	5,326	-	-	-	-	-	5,326
Other increases	-	1,246,475	-	-	-	-	1,246,475
Decreases							
Reclassified to investment property	(38,266)	-	-	-	-	-	(38,266)
Other decreases	(7,116)	(1,290,448)	(993,165)	(14,062)	-	-	(2,304,791)
Exchange adjustment	317	1,295	209	105	-	115	2,041
June 30, 2022	<u>7,072,065</u>	<u>72,400,935</u>	<u>1,622,282</u>	<u>148,618</u>	<u>470,216</u>	<u>14,618</u>	<u>81,728,734</u>
Fixed assets, net:							
June 30, 2022	<u>31,488,417</u>	<u>84,043,300</u>	<u>942,434</u>	<u>81,846</u>	<u>1,891,211</u>	<u>8,330</u>	<u>118,455,538</u>
January 1, 2022	<u>30,385,164</u>	<u>79,500,752</u>	<u>3,640,952</u>	<u>83,463</u>	<u>1,934,114</u>	<u>8,072</u>	<u>115,552,517</u>
December 31, 2021	<u>30,385,164</u>	<u>79,356,290</u>	<u>3,640,952</u>	<u>83,463</u>	<u>1,934,114</u>	<u>8,072</u>	<u>115,408,055</u>

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V Notes to Consolidated Financial Statements (Continued)

18 Fixed assets (continued)

	Houses and buildings	Machinery equipment	Office and electronic equipment	Transportation equipment	Power stations	Other	Total
Impairment allowance:							
January 1, 2022	771,541	653,840	338,477	2,429	62,059	412	1,828,758
Accrued in current period							
Other transfers in	-	305,506	-	-	-	-	305,506
Write-off of current period	(5,224)	(153,488)	(1,302)	(2,131)	-	-	(162,145)
Other transfers out	-	-	(305,387)	(119)	-	-	(305,506)
June 30, 2022	<u>766,317</u>	<u>805,858</u>	<u>31,788</u>	<u>179</u>	<u>62,059</u>	<u>412</u>	<u>1,666,613</u>
Fixed assets, carrying amount:							
June 30, 2022	<u>30,722,100</u>	<u>83,237,442</u>	<u>910,646</u>	<u>81,667</u>	<u>1,829,152</u>	<u>7,918</u>	<u>116,788,925</u>
January 1, 2022	<u>29,613,623</u>	<u>78,846,912</u>	<u>3,302,475</u>	<u>81,034</u>	<u>1,872,055</u>	<u>7,660</u>	<u>113,723,759</u>
December 31, 2021	<u>29,613,623</u>	<u>78,702,450</u>	<u>3,302,475</u>	<u>81,034</u>	<u>1,872,055</u>	<u>7,660</u>	<u>113,579,297</u>

Please refer to Item 80 of Note V for information on fixed asset mortgage. As of June 30, 2022, the cost of the fixed assets that the Company had fully depreciated and still continued to use amounted to RMB34,922,674 thousand.

Fixed assets with pending ownership certificates at the end of the current period:

	Carrying amount	Expected time of obtaining ownership certificate
Houses and buildings (Note)	14,105,697	Within 2023

Note As of June 30, 2022, the fixed assets with pending ownership certificates of the Company were mainly the buildings and constructions of CSOT's t3, t4, t6, and t7 manufacturing bases, as well as the buildings and constructions of Inner Mongolia Zhonghuan Solar Material Co., Ltd., Inner Mongolia Zhonghuan Crystal Material Co., Ltd., Inner Mongolia Zhonghuan Advanced Semi-conductor Material Co., Ltd., Jiangsu Zhonghuan Enterprise Management Co., Ltd. and Tianjin Huanhai Industrial Park Co., Ltd.

19 Construction in progress

(1) Schedule of construction in progress

	June 30, 2022	January 1, 2022	December 31, 2021
Construction in progress	43,564,862	37,175,664	37,112,045
Less: Impairment allowance	<u>145,912</u>	<u>146,160</u>	<u>146,160</u>
	<u>43,418,950</u>	<u>37,029,504</u>	<u>36,965,885</u>

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19 Construction in progress (continued)
(2) Changes to construction in progress

Project name	Budget	Beginning amount	Change in Accounting Policy changes	Increase in current period	Transfer-in in current period Fixed assets	Other decreases	June 30, 2022	Project input Investment as % of budget	Project progress	Cumulative capitalized interest	Including: capitalized interest in current period	Interest capitalization rate for current period	Funding source
t7 production line of LCD panel	35,337,000	3,362,350	-	1,616,903	(1,297,514)	(5,024)	3,676,715	69%	69%	450,374	57,942	1.03%	Self-funded + external-loan-funded
t5 production line of LCD panel	12,500,000	739,416	-	1,482,131	(1,394)	-	2,220,153	22%	22%	-	-	-	Self-funded
t4 production line of LCD panel	35,000,000	17,226,269	-	775,811	(556,415)	(14,648)	17,431,017	96%	96%	1,228,973	137,949	2.13%	Self-funded + external-loan-funded
t9 production line of LCD panel	31,500,000	3,916,693	-	3,068,318	(5,126)	-	6,979,885	22%	22%	29,852	29,852	4.37%	Self-funded
Production line of 8-12-inch semiconductor silicon wafers for integrated circuit	5,707,172	1,307,446	-	708,150	(742,577)	(14,092)	1,258,927	71%	71%	-	-	-	Self-funded
Industrialization phase V of monocrystalline silicon materials for renewable solar power batteries and monocrystalline silicon wafers for ultra-thin high-efficient solar power batteries	9,125,010	955,959	-	674,972	(709,681)	(311,175)	610,075	97%	97%	54,018	-	-	Self-funded + external-loan-funded
50GW (G12) solar-grade monocrystalline silicon material smart factory project	10,979,740	543,611	-	2,768,844	(1,462,903)	-	1,849,552	30%	30%	-	-	-	Self-funded
Others	Not applicable	8,914,141	63,619	8,450,250	(7,729,386)	(305,998)	9,392,626	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
		<u>36,965,885</u>	<u>63,619</u>	<u>19,545,379</u>	<u>(12,504,996)</u>	<u>(650,937)</u>	<u>43,418,950</u>						

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V Notes to Consolidated Financial Statements (Continued)

20 Right-of-use assets

	Houses and buildings	Transportation equipment	Machinery equipment	Land use rights	Total
Gross amount:					
December 31, 2021	867,511	1,164	1,982,380	13,335	2,864,390
Increase					
Leased in	289,890	139	-	-	290,029
Other increases	-	462	-	-	462
Decreases					
Other decreases	(13,169)	(339)	(585,917)	-	(599,425)
Exchange adjustment	1,913	(5)	-	-	1,908
June 30, 2022	<u>1,146,145</u>	<u>1,421</u>	<u>1,396,463</u>	<u>13,335</u>	<u>2,557,364</u>
Accumulated depreciation:					
December 31, 2021	101,348	522	335,526	83	437,479
Increase					
New subsidiary	-	-	-	-	-
Accrual	61,010	256	91,092	167	152,525
Decreases					
Reduced subsidiary	-	-	-	-	-
Other decreases	(5,113)	(110)	(123,140)	-	(128,363)
Exchange adjustment	1,060	(2)	-	-	1,058
June 30, 2022	<u>158,305</u>	<u>666</u>	<u>303,478</u>	<u>250</u>	<u>462,699</u>
Right-of-use assets, carrying amount:					
June 30, 2022	<u>987,840</u>	<u>755</u>	<u>1,092,985</u>	<u>13,085</u>	<u>2,094,665</u>
December 31, 2021	<u>766,163</u>	<u>642</u>	<u>1,646,854</u>	<u>13,252</u>	<u>2,426,911</u>
Impairment allowance:					
December 31, 2021	-	-	-	-	-
June 30, 2022	-	-	-	-	-
Right-of-use assets, carrying amount					
June 30, 2022	<u>987,840</u>	<u>755</u>	<u>1,092,985</u>	<u>13,085</u>	<u>2,094,665</u>
December 31, 2021	<u>766,163</u>	<u>642</u>	<u>1,646,854</u>	<u>13,252</u>	<u>2,426,911</u>

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21 Intangible assets

	Land use rights	Non-patent technologies /patents	Other	Total
Gross amount:				
December 31, 2021	8,649,646	8,083,664	1,590,550	18,323,860
Change of accounting policy	-	17,899	-	17,899
January 1, 2022	8,649,646	8,101,563	1,590,550	18,341,759
Increase				
Purchase	777,484	765,937	98,023	1,641,444
Reclassified from construction in progress	-	-	60,279	60,279
Reclassified from development costs	-	1,239,973	3,208	1,243,181
Reclassified from investment property	175	-	-	175
Decreases				
Sale and disposal	-	-	(2,664)	(2,664)
Exchange adjustment	-	(26,287)	155	(26,132)
June 30, 2022	<u>9,427,305</u>	<u>10,081,186</u>	<u>1,749,551</u>	<u>21,258,042</u>
Accumulated amortization:				
December 31, 2021	802,839	2,654,155	739,490	4,196,484
Increase				
Accrual	130,451	529,871	92,832	753,154
Decreases				
Sale and disposal	-	-	(520)	(520)
Other decreases	(4,118)	-	(280)	(4,398)
Exchange adjustment	-	(3,531)	89	(3,442)
June 30, 2022	<u>929,172</u>	<u>3,180,495</u>	<u>831,611</u>	<u>4,941,278</u>
Intangible assets, net:				
June 30, 2022	<u>8,498,133</u>	<u>6,900,691</u>	<u>917,940</u>	<u>16,316,764</u>
December 31, 2021	<u>7,846,807</u>	<u>5,429,509</u>	<u>851,060</u>	<u>14,127,376</u>
Impairment allowance:				
December 31, 2021	23,562	110,019	11,148	144,729
Accrual	-	442	-	442
Exchange adjustment	-	1,679	-	1,679
June 30, 2022	<u>23,562</u>	<u>112,140</u>	<u>11,148</u>	<u>146,850</u>
Intangible assets, carrying amount:				
June 30, 2022	<u>8,474,571</u>	<u>6,788,551</u>	<u>906,792</u>	<u>16,169,914</u>
January 1, 2022	<u>7,823,245</u>	<u>5,337,389</u>	<u>839,912</u>	<u>14,000,546</u>
December 31, 2021	<u>7,823,245</u>	<u>5,319,490</u>	<u>839,912</u>	<u>13,982,647</u>

As of June 30, 2022, the total book value of land use rights for which the title certificate has not been registered properly was RMB2,076 thousand.

Please refer to Item 80 of Note V for information on collateralized intangible assets.

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22 Development expenditures

Development expenditures are as follows:

	June 30, 2022	January 1, 2022	December 31, 2021
Semi-conductor display	1,532,364	1,266,973	1,266,973
New energy photovoltaic & semi-conductor materials	<u>1,111,053</u>	<u>1,273,226</u>	<u>1,241,446</u>
	<u>2,643,417</u>	<u>2,540,199</u>	<u>2,508,419</u>

23 Goodwill

(1) Gross amount of goodwill

Name of investee or item incurring goodwill	Beginning amount	Increase in current period	Decrease in current period	Ending balance
TCL Medical Radiological Technology (Beijing) Co., Ltd. Note 1	28,967	-	-	28,967
Qingdao Blue Business Consulting Co., Ltd. Note 2	2,452	-	-	2,452
Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd. Note 3	214,683	-	-	214,683
Tianjin Zhonghuan Electronics Group Co., Ltd. Note 4	6,726,130	-	-	6,726,130
Moka International Limited Note 5	1,728,973	-	-	1,728,973
Suzhou China Star Optoelectronics Technology Co., Ltd. Note 6	<u>486,603</u>	<u>-</u>	<u>-</u>	<u>486,603</u>
	<u>9,187,808</u>	<u>-</u>	<u>-</u>	<u>9,187,808</u>

(2) Goodwill impairment allowance

Name of investee	Beginning amount	Increase in current period	Decrease in current period	Ending balance
TCL Medical Radiological Technology (Beijing) Co., Ltd.	<u>28,967</u>	<u>-</u>	<u>-</u>	<u>28,967</u>

Note 1 In 2010, the Company acquired a 51.82% interest in TCL Medical Radiological Technology (Beijing) Co., Ltd. (hereinafter referred to as "TCL Medical Radiological Technology") with capital of RMB 52,319 thousand. Thus, the difference between the accumulated investment of the Company in TCL Medical Radiological Technology (corresponding to 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 thousand) was recorded in the Company's goodwill. An impairment allowance of RMB 28,967 thousand had been established on this goodwill item for 2018.

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V Notes to Consolidated Financial Statements (Continued)

23 Goodwill (continued)

Note 2 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 RMB10,000 thousand. Thus, 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 thousand) was recorded in the Company's goodwill.

Note 3 Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd. is a subsidiary of Zhonghuan Electronics, which the Company has acquired in a business combination not involving entities under common control.

Note 4 The Company acquired on October 1, 2020 100% interest in Tianjin Zhonghuan Electronics Group Co., Ltd. (hereinafter referred to as "Zhonghuan Electronics") with a cash payment of RMB 12,500,000 thousand. As from the date of acquisition, the Group has obtained the control of Zhonghuan Electronics and has thus included it into the consolidated financial statements. As such, the difference between the accumulated investment of the Company in Zhonghuan Electronics (corresponding to the 100% interest) and the fair value of the identifiable net assets of Zhonghuan Electronics attributable to the Company on the settlement date (equal to RMB6,726,130 thousand) was recorded in the Company's goodwill.

Note 5 The Company acquired in April 2021 100% interest in Moka International Limited with a cash payment of RMB2,800,000 thousand. Thus, the difference between the accumulated investment of the Company in Moka International Limited (corresponding to the 100% interest) and the fair value of the identifiable net assets of Moka International Limited attributable to the Company on the settlement date (equal to RMB1,728,973 thousand) was recorded in the Company's goodwill.

Note 6 The Company acquired in April 2021 60% interest in Suzhou China Star Optoelectronics Technology Co., Ltd. (formerly known as "Samsung Suzhou LCD Co. Ltd." with a cash payment of RMB4,757,727 thousand. The difference between the accumulated investment of the Company in Suzhou China Star Optoelectronics Technology Co., Ltd. (corresponding to the total 70% interest) and the fair value of the identifiable net assets of Suzhou China Star Optoelectronics Technology Co., Ltd. attributable to the Company on the settlement date (equivalent to RMB486,603 thousand) was recorded in the Company's goodwill.

(III) Goodwill impairment test

The Company carried out an impairment test of its goodwill on June 30, 2022. The recoverable amount of the asset portfolio with goodwill was calculated with the discounted future cash flow approach, based on the budget approved by the Management (the budget period is five years). The estimated perpetual annual growth rate was adopted to calculate the future cash flow exceeding the budget period. The perpetual annual growth rate (primarily 0% - 0.37%) adopted by the Management was consistent with predicted data on the industry. The management determines the revenue growth rate (mainly -2.83%-24.57%) and determines the EBITDA (mainly 5.9%-19.6%) based on historical experience and forecasts of market development, combined with the Company's future development strategic plan and adopt a specific risk discount rate (mainly 8%-13.5%) that reflects the relevant asset group. There was no need for the Company to set aside allowances for asset impairment for the asset portfolio of Qingdao Blue Business Consulting Co., Ltd., Tianjin Zhonghuan Advanced Materials & Technology Co., Ltd., and Tianjin Printronics Circuit Corp., semi-conductor and semi-conductor photovoltaic materials, Moka International Limited, Suzhou China Star Optoelectronics Technology Co., Ltd., and the goodwill of Guangdong TCL New Technology Co., Ltd. on December 31, 2021, after the Management analyzed the recoverable amount of each asset portfolio according to the assumption.

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V Notes to Consolidated Financial Statements (Continued)

24 Long-term prepaid expense

	2021 December 31, 2021	Increase in current period	Amortization in current period	Others	June 30, 2022
Improvement expense on leased fixed assets	1,629,475	51,631	(91,874)	49	1,589,281
Others	1,011,055	671,201	(765,956)	(36,459)	879,841
	<u>2,640,530</u>	<u>722,832</u>	<u>(857,830)</u>	<u>(36,410)</u>	<u>2,469,122</u>

25 Deferred income tax assets and deferred income tax liabilities

(1) Un-offset deferred income tax assets

	June 30, 2022		January 1, 2022	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deductible losses	10,513,282	1,666,877	6,739,226	1,087,993
Asset impairment allowances	2,947,063	622,780	3,038,745	633,013
Provisions	886,303	140,655	744,189	117,497
Changes in fair value	43,692	10,074	55,287	13,230
Others	2,060,906	376,587	1,546,420	298,690
	<u>16,451,246</u>	<u>2,816,973</u>	<u>12,123,867</u>	<u>2,150,423</u>
			December 31, 2021	
			Deductible temporary difference	Deferred income tax assets
Deductible losses			6,758,713	1,090,916
Asset impairment allowances			3,038,745	633,013
Provisions			744,189	117,497
Changes in fair value			55,287	13,230
Others			1,546,420	298,690
			<u>12,143,354</u>	<u>2,153,346</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

25 Deferred income tax assets and deferred income tax liabilities (continued)

(2) Un-offset deferred income tax liabilities

	June 30, 2022		December 31, 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Accelerated depreciation of fixed assets	11,393,082	1,787,225	11,471,272	1,787,699
Increase in value of assets as assessed in business combination not involving entities under common control	2,479,347	532,811	2,491,577	531,018
Changes in fair value	738,029	180,103	527,471	129,006
One-off tax deduction for fixed assets	6,369,829	967,129	3,184,144	501,290
Government grants	538,662	80,799	273,470	41,021
Others	758,088	176,154	721,284	168,952
	<u>22,277,037</u>	<u>3,724,221</u>	<u>18,669,218</u>	<u>3,158,986</u>

(3) Unrecognized deferred income tax assets

	June 30, 2022	December 31, 2021
Deductible temporary difference	853,246	181,612
Deductible losses	<u>7,393,648</u>	<u>5,840,378</u>
	<u>8,246,894</u>	<u>6,021,990</u>

(4) There were no deferred tax assets or liabilities presented at the net amount after offsetting.

TCL Technology Group Corporation
Notes to Financial Statements
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V Notes to Consolidated Financial Statements (Continued)

25 Deferred income tax assets and deferred income tax liabilities (continued)

(5) Deductible losses in respect of unrecognized deferred income tax assets will expire in the following years:

	June 30, 2022	December 31, 2021
2021	-	178,533
2022	268,388	268,913
2023	492,734	477,404
2024	481,638	476,543
2025	468,668	464,426
2026 onwards	5,682,220	3,974,559
	7,393,648	5,840,378

26 Other non-current assets

	June 30, 2022			December 31, 2021		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Advance payment for equipment and land use rights (Note)	11,854,211	-	11,854,211	6,310,004	-	6,310,004
Advance payment for patents	339,151	-	339,151	211,606	-	211,606
Others	415,318	-	415,318	927,399	-	927,399
	12,608,680	-	12,608,680	7,449,009	-	7,449,009

Note The Company reclassifies long-lived assets such as advance payment for equipment and land use rights reflected in prepaid accounts to other non-current assets.

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

27 Short-term borrowings

	June 30, 2022	December 31, 2021
Unsecured borrowings	14,777,405	9,315,505
Borrowings secured by pledge	21,342	22,549
Interest payable	12,993	3,373
	14,811,740	9,341,427

As of June 30, 2022, the Company's short-term pledged loans were equivalent to RMB21,342 thousand (equivalent to RMB22,549 thousand at the end of 2021), and the transaction financial assets equivalent to RMB34,728 thousand (equivalent to RMB34,337 thousand at the end of 2021) were pledged.

As of June 30, 2022, the Company does not have any short-term borrowings that have expired and have not been repaid.

28 Borrowings from central bank

As of June 30, 2022, the balance of the borrowings of TCL Technology Group Finance Co., Ltd. (a subsidiary of the Company) from the central bank was RMB728,744 thousand (At the end of 2021 : RMB1,437,062 thousand).

29 Customer deposits and deposits from banks and other financial institutions

	June 30, 2022	December 31, 2021
Customer deposits and deposits from other banks and financial institutions	265,745	666,056

Customer deposits and deposits from banks and other financial institutions are the deposits of related and nonrelated enterprises absorbed by TCL Technology Group Finance Co., Ltd., a subsidiary of the Company, within the business scope approved by the regulatory authority.

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

30 Held-for-trading financial liabilities

	June 30, 2022	December 31, 2021
Measured at fair value with changes included Financial liabilities at fair value through profit or loss.	<u>989,803</u>	<u>925,035</u>

31 Derivative financial liabilities

	June 30, 2022	December 31, 2021
Derivative financial liabilities	<u>430,997</u>	<u>22,205</u>

32 Notes payable

	June 30, 2022	December 31, 2021
Bank acceptance notes	3,588,303	2,877,554
Trade acceptance notes	876,460	107,817
Letter of credit	<u>961,589</u>	<u>289,925</u>
	<u>5,426,352</u>	<u>3,275,296</u>

As of June 30, 2022, the Company had no notes payable that were due but not paid.

33 Accounts payable

	June 30, 2022	December 31, 2021
Amounts due to suppliers	<u>24,185,474</u>	<u>24,297,860</u>

As of June 30, 2022, there were no significant accounts payable aged over one year.

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

34 Advances received

	June 30, 2022	December 31, 2021
Advances from customers	<u>6,067</u>	<u>5,794</u>

As of June 30, 2022, the Company had no significant accounts receivable aged over one year.

35 Contract liabilities

	June 30, 2022	December 31, 2021
Advances from customers	<u>4,367,691</u>	<u>2,593,882</u>

36 Employee benefits payable and long-term employee benefits payable

(1) Employee compensation payable

	June 30, 2022	December 31, 2021
Short-term employee benefits payable	2,538,796	3,274,021
Defined contribution plans payable	33,444	34,383
Dismissal benefits payable	<u>3,029</u>	<u>3,529</u>
	<u>2,575,269</u>	<u>3,311,933</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

36 Employee benefits payable and long-term employee benefits payable (continued)

(1) Employee benefits payable (continued)

(a) Short-term employee benefits payable

	January 1, 2022	Increase in current period	Decrease in current period	June 30, 2022
Wages, bonuses, allowances and subsidies	2,885,187	5,319,548	(6,177,020)	2,027,715
Employee services and benefits	27,664	202,720	(216,815)	13,569
Social insurance benefits	46,565	182,210	(190,456)	38,319
Of which:				
Medical insurance premium	44,622	165,359	(173,549)	36,432
Employment injury insurance premium	953	8,893	(8,957)	889
Maternity insurance	990	7,958	(7,950)	998
Housing fund	30,326	204,575	(198,278)	36,623
Trade union funds and staff education funds	27,575	76,303	(72,320)	31,558
Others	256,704	160,252	(25,944)	391,012
	<u>3,274,021</u>	<u>6,145,608</u>	<u>(6,880,833)</u>	<u>2,538,796</u>

(b) Defined contribution plans

	January 1, 2022	Increase in current period	Decrease in current period	June 30, 2022
Basic pension insurance	32,979	375,573	(376,438)	32,114
Unemployment insurance	1,404	12,026	(12,100)	1,330
	<u>34,383</u>	<u>387,599</u>	<u>(388,538)</u>	<u>33,444</u>

(2) Long-term employee compensation payable

	June 30, 2022	December 31, 2021
Supplementary pension insurance	26,236	26,595
Other long-term benefits	845,969	643,336
	<u>872,205</u>	<u>669,931</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

37 Taxes and levies payable

	June 30, 2022	December 31, 2021
Corporate income tax	318,718	1,020,711
Value-added tax	194,176	30,967
Individual income tax	57,282	39,920
Urban maintenance and construction tax	40,045	43,081
Education surcharges	28,630	30,800
Others	105,746	73,370
	<u>744,597</u>	<u>1,238,849</u>

Please refer to Note IV for the standards for provisions for taxes and the applicable tax rates.

38 Other payables

	June 30, 2022	December 31, 2021
Dividends payable	1,310,885	34,607
Other payables	20,313,031	19,352,281
	<u>21,623,916</u>	<u>19,386,888</u>

(1) Dividends payable

	June 30, 2022	December 31, 2021
Other non-controlling interests	1,310,885	34,607
	<u>1,310,885</u>	<u>34,607</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

38 Other payables (continued)

(2) Other payables

	June 30, 2022	December 31, 2021
Payables for engineering equipment	15,889,328	13,368,026
Amounts due to external entities	2,584,842	4,241,736
Unpaid expenses	1,561,662	1,531,544
Security deposits	<u>277,199</u>	<u>210,975</u>
	<u>20,313,031</u>	<u>19,352,281</u>

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V Notes to Consolidated Financial Statements (Continued)

39 Non-current liabilities due within one year

	Note V	June 30, 2022	December 31, 2021
Long-term borrowings due within one year (Note 1)	45	4,736,789	6,062,928
Bonds payable due within one year (Note 2)		6,402,876	5,646,822
Current portion of lease liabilities	47	265,337	681,087
Current portion of long-term payables		156,883	168,132
Current portion of interest payable		<u>395,371</u>	<u>447,796</u>
		<u>11,957,256</u>	<u>13,006,765</u>

Note 1 As of June 30, 2022, the long-term loans due within one year of the Company included credit loans equivalent to RMB4,736,789 thousand, and the interest rate range for long-term loans due within one year of the Company was 3.1%~4.28% (2021: 0.46%~4.15%)。

Note 2 The Company's bonds payable due within one year are mainly as follows:
Convertible corporate bonds TCL directional transfer 2: Issued in November 2020 with a term of 2 years, and the closing balance as of June 30 was RMB2,478,256 thousand.
Medium-term note 20TCL Technology MTN001: Issued in March 2020, with a term of 3 years, the closing balance as of June 30 was RMB2,998,231 thousand.

40 Other current liabilities

	June 30, 2022	December 31, 2021
After-sales service expense (note)	901,256	792,847
Output tax to be transferred	454,217	286,384
Others	<u>174,951</u>	<u>190,656</u>
	<u>1,530,424</u>	<u>1,269,887</u>

Note After-sales service expense expected to occur within 1 year is reflected in current liabilities.

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V Notes to Consolidated Financial Statements (Continued)

41 Long-term borrowings

	June 30, 2022	December 31, 2021
Borrowings secured by collateral	38,398,940	39,633,561
Borrowings secured by pledge	2,123,706	928,156
Unsecured borrowings	60,696,631	52,780,293
	101,219,277	93,342,010
Including: Current portion of long-term borrowings which matures in 1 year	(4,736,789)	(6,062,928)
	96,482,488	87,279,082

The maturities of the Company's long-term borrowings vary from 2023 to 2037.

As of June 30, 2022, the long-term borrowings secured by collateral were equivalent to RMB38,398,940 thousand (including amounts translated from other currencies) (At the end of 2021 : RMB39,633,561 thousand), which were secured by the collaterals of the land use right, houses and buildings, machinery and equipment of about RMB74,795,614 thousand (including amounts translated from other currencies) (At the end of 2021: RMB66,737,167 thousand); the long-term pledged borrowings were equivalent to RMB2,123,706 thousand (At the end of 2021: RMB928,156 thousand), which were pledged by the collaterals of the charge use right, etc., of about RMB689,720 thousand (At the end of 2021: RMB328,069 thousand);

The interest rates of the Company's long-term borrowing ranged from 2.4% to 5.38% in the current period (2021: 1.3% - 5.70%).

42 Bonds payable

	June 30, 2022	December 31, 2021
Corporate bonds	8,008,782	8,073,016
MTN	5,490,377	4,993,265
	13,499,159	13,066,281

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

42 Bonds payable (continued)

(1) Movements in bonds payable

Bond name	Par value	Issue date	Maturity	Issued amount	Beginning amount	Issued in current period	Accrued interest as per par value	Amortization of premium or discount	Others (note 1)	June 30, 2022
18TCL01	1,000,000	June 6, 2018	5	1,000,000	169,162	-	3,034	248	(169,410)	-
18TCL02	2,000,000	August 20, 2018	5	2,000,000	2,003,039	-	38,242	(921)	-	2,002,118
19TCL01	1,000,000	May 20, 2019	5	1,000,000	998,630	-	18,370	3,821	-	1,002,451
19TCL02	1,000,000	July 23, 2019	5	1,000,000	998,568	-	21,323	277	-	998,845
19TCL03	2,000,000	October 21, 2019	5	2,000,000	1,996,860	-	41,655	554	-	1,997,414
20TCL TECH. MTN001	3,000,000	March 27, 2020	3	3,000,000	2,997,041	-	54,444	388	(2,997,429)	-
TCLTEC1	1,957,483	July 14, 2020	5	1,957,483	1,906,757	-	18,561	12,897	88,300	2,007,954
21TCL Ji MTN001 (High- Growth Debt)	2,000,000	May 10, 2021	3	2,000,000	1,996,224	-	41,386	792	-	1,997,016
		January 14, 2022				2,000,000	31,759	(3,252)	-	1,996,748
22TCL Ji MTN001	2,000,000		3	2,000,000	-	1,500,000	8,815	(3,387)	-	1,496,613
22TCL Ji GN002	1,500,000	April 27, 2022	3	1,500,000	-					
Total	17,457,483			17,457,483	13,066,281	3,500,000	277,589	11,417	(3,078,539)	13,499,159

Note 1 Others are the current portion of bonds payable reclassified to the current portion of non-current liabilities.

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43 Lease liabilities

	June 30, 2022	December 31, 2021
Total lease liabilities	1,422,164	1,783,159
Less: current portion of lease liabilities	265,337	681,087
Total	1,156,827	1,102,072

44 Long-term payables

	June 30, 2022	December 31, 2021
Finance lease	723,672	671,344

45 Deferred income

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Government grants	2,361,171	5,465,012	(2,710,587)	5,115,596
Others	34	-	(34)	-
	2,361,205	5,465,012	(2,710,621)	5,115,596

Items involving government grants

	2021 December 31, 2021	New grants in current period	Amount recorded in non- operating income in current period	Amount recorded in other income in current period	Amount used to offset costs and expenses in current period	Other changes	June 30, 2022
Government grants related to assets	1,273,978	1,349,204	(2,000)	(27,555)	(102,026)	(89,305)	2,402,296
Government grants related to income	1,087,193	4,115,808	(58)	(1,503,687)	(974,778)	(11,178)	2,713,300
	2,361,171	5,465,012	(2,058)	(1,531,242)	(1,076,804)	(100,483)	5,115,596

Note "Other changes" were deferred income offset by the carrying amounts of relevant assets.

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V Notes to Consolidated Financial Statements (Continued)

46 Share capital

	December 31, 2021		Increase or decrease in current period			June 30, 2022	
	Amount	Ratio (%)	New issues	Other	Subtotal	Amount	Ratio (%)
I. Restricted Shares	612,110	4.36%	-	1,445	1,445	613,555	4.37%
II. Unrestricted shares	13,418,532	95.64%	-	(1,445)	(1,445)	13,417,087	95.63%
III. Total shares	14,030,642	100%	-	-	-	14,030,642	100%

As of June 30, 2022, the Company's total share capital was 14,030,642,000 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 the Company 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.

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V Notes to Consolidated Financial Statements (Continued)

47 Other equity instruments

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Convertible bonds	200,334	-	(5,933)	194,401

48 Capital reserves

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Share premium	6,068,268	24,515	(1,920,270)	4,172,513
Other capital reserves	10,999	10,816	(8,753)	13,062
	<u>6,079,267</u>	<u>35,331</u>	<u>(1,929,023)</u>	<u>4,185,575</u>

49 Treasury Stocks

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Treasury stock	1,885,557	502,771	(76,664)	2,311,664

Increase in the period is the result of repurchase of shares from the Company's Employee Stock Ownership Plan. The 16th meeting of the Seventh Session of the Board of Directors held by the Company on March 18, 2022 deliberated on and approved the *Repurchase Report on the Repurchase of Some Public Shares in 2022*. The repurchase of the company shares will be used for the Employee Stock Ownership Plans or equity incentives. As of June 30, 2022, the total number of shares repurchased was 106,484 thousand shares at the total consideration of RMB502,771 thousand.

50 Surplus reserves

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Statutory surplus reserves	2,367,303	-	-	2,367,303
Discretionary surplus reserves	182,870	-	-	182,870
	<u>2,550,173</u>	<u>-</u>	<u>-</u>	<u>2,550,173</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 Consolidated Financial Statements (Continued)

51 Specific reserves

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
Production safety reserve	<u>1,549</u>	<u>1,919</u>	<u>-</u>	<u>3,468</u>

52 General reserve

	December 31, 2021	Increase in current period	Decrease in current period	June 30, 2022
General risk reserve	<u>8,934</u>	<u>-</u>	<u>-</u>	<u>8,934</u>

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 Technology Group Corporation*, this subsidiary appropriated 1% of its net profit as general reserve in the previous years.

53 Retained earnings

	January - June 2022	January - June 2021
Beginning retained earnings	22,458,340	14,009,494
Change in accounting policies (Note)	69,346	-
Net profit for current period	663,521	6,802,218
Decrease in current period	(2,064,177)	(1,509,694)
Including: Appropriated as surplus reserves		-
Distribution of dividends on common stocks	(2,050,003)	(1,625,590)
Others	(14,174)	115,896
Ending retained earnings	<u>21,127,030</u>	<u>19,302,018</u>

Due to changes in accounting policies, there were RMB69,346 thousand undistributed profits at the start of the period (see Note III. 43 for details).

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V Notes to Consolidated Financial Statements (Continued)

54 Revenue and cost of sales

	January - June 2022		January - June 2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	82,566,755	75,173,515	73,405,981	57,588,286
Non-core business	1,955,426	1,349,429	999,868	480,685
	<u>84,522,181</u>	<u>76,522,944</u>	<u>74,405,849</u>	<u>58,068,971</u>

(1) Business by operating segment

	Revenue		Cost of sales		Gross profit	
	January - June 2022	January - June 2021	January - June 2022	January - June 2021	January - June 2022	January - June 2021
Domestic sales	57,379,450	48,121,872	51,272,092	40,165,807	6,107,358	7,956,065
Foreign sales	27,142,731	26,283,977	25,250,852	17,903,164	1,891,879	8,380,813
	<u>84,522,181</u>	<u>74,405,849</u>	<u>76,522,944</u>	<u>58,068,971</u>	<u>7,999,237</u>	<u>16,336,878</u>

- (2) The sales revenue from the top five customers combined was RMB27,189,512 thousand and RMB23,036,823 thousand respectively for January-June 2022 and January-June 2021 respectively, accounting for 32.9% and 31.4% of the core business revenue.

55 Interest income/expense and exchange gain

	January - June 2022	January - June 2021
Interest income	38,579	74,133
Interest expenditures	14,292	12,564
Exchange gain/(loss)	24,351	964

The interest income, interest expense and exchange gain/(loss) above occurred with the Company's subsidiary TCL Technology Group Finance Co., Ltd., which are presented separately herein as required for a financial enterprise.

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

56 Taxes and levies

	January - June 2022	January - June 2021
Property tax	131,638	105,646
Stamp tax	100,211	65,852
Urban maintenance and construction tax	21,608	58,808
Education surcharges	15,407	42,123
Land use tax	13,634	14,563
Others	6,583	7,318
	<u>289,081</u>	<u>294,310</u>

The applicable tax and levy standards are detailed in Note IV.

57 Selling expenses

	January - June 2022	January - June 2021
Employee salaries and benefits	322,046	275,159
After-sales service expense	281,872	337,843
Promotional and marketing expenses	139,964	106,431
Others	309,487	181,743
	<u>1,053,369</u>	<u>901,176</u>

58 Administrative expense

	January - June 2022	January - June 2021
Employee salaries and benefits	759,634	809,470
Depreciation and amortization expenses	370,222	361,440
Digital development expenses	128,251	104,360
Others	458,272	748,098
	<u>1,716,379</u>	<u>2,023,368</u>

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V	Notes to Consolidated Financial Statements (Continued)		
59	R&D expenses		
		January - June 2022	January - June 2021
	Depreciation and amortization expenses	1,483,845	1,231,865
	Material expenses	1,859,860	1,310,368
	Employee salaries and benefits	779,375	712,165
	Others	328,684	148,561
		<u>4,451,764</u>	<u>3,402,959</u>
60	Financial Expenses		
		January - June 2022	January - June 2021
	Interest expenditures	2,031,269	2,160,434
	Interest income	(325,439)	(187,547)
	Exchange loss / (gain)	(55,264)	(201,680)
	Others	69,591	47,776
		<u>1,720,157</u>	<u>1,818,983</u>
61	Other income		
		January - June 2022	January - June 2021
	R&D subsidies	1,554,890	747,743
	VAT rebates on software	17,127	7,905
	Over-deduction in taxable amount for VAT	589	605
	Others	70,504	53,781
		<u>1,643,110</u>	<u>810,034</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

62 Return on investments

	January - June 2022	January - June 2021
Gain on disposal of debt instruments at fair value through profit or loss	141,285	390,636
Gain on disposal of debt instruments at fair value through profit or loss	(75,115)	50,360
Gain on disposal of debt instruments at fair value through profit or loss	7,365	3,708
Gain on disposal of debt instruments at fair value through profit or loss	35,619	107,165
Share of net income of associates	1,769,993	1,318,079
Share of net income of joint ventures	(12,343)	(2,895)
Net income from disposal of long-term equity investments	491,319	849,880
Others	(577,608)	71,272
	<u>1,780,515</u>	<u>2,788,205</u>

63 Gain on changes in fair value

	January - June 2022	January - June 2021
Held-for-trading financial assets	(139,785)	(20,788)
Derivative financial assets	(1,176)	(327,549)
Held-for-trading financial liabilities	46,194	(11,045)
Derivative financial liabilities	209,262	45,186
	<u>114,495</u>	<u>(314,196)</u>

64 Credit impairment loss

	January - June 2022	January - June 2021
Loss on uncollectible accounts receivable	(21,227)	21,834
Loss on uncollectible other receivables	(4,351)	(6,171)
Other financial assets	(1,579)	(27,108)
	<u>(27,157)</u>	<u>(11,445)</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

65 Inventory valuation loss

	January - June 2022	January - June 2021
Inventory valuation loss	(1,006,908)	(624,164)
Loss on impairments of fixed assets	-	(45,424)
Others	(3,379)	(127,931)
	(1,010,287)	(797,519)

66 Asset disposal income

	January - June 2022	January - June 2021
Income/(loss) from disposal of fixed assets	(17,103)	(2,338)
Income/(loss) from disposal of intangible assets	(8,498)	27,166
Others	1,970	(501)
	(23,631)	24,327

67 Non-operating income

	January - June 2022	January - June 2021	Amount through current non- recurring gains and losses
Gains on retired or damaged non-current assets	116	-	116
Government grants and others	596,424	267,948	596,424
	596,540	267,948	596,540

68 Non-operating expense

	January - June 2022	January - June 2021	Amount through current non- recurring gains and losses
Losses on retired or damaged non-current assets	2,020	2,394	2,020
Others	50,372	9,593	50,372
	52,392	11,987	52,392

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

69 Income tax expenses

(1) Table of income tax expenses

	January - June 2022	January - June 2021
Current income tax expense	338,743	1,119,370
Deferred income tax expense	<u>(427,141)</u>	<u>297,127</u>
	<u>(88,398)</u>	<u>1,416,497</u>

(2) Accounting profit and income tax adjustment process

	January - June 2022	January - June 2021
Gross profit	1,838,318	10,713,982
Income tax expense calculated at statutory/applicable tax rate	275,748	2,678,496
Impact of different tax rates applied to subsidiaries	365,664	(16,420)
Impact of adjusting income tax in previous periods	(51,310)	(12,685)
Impact of non-taxable income	(488,118)	(599,904)
Impact of non-deductible costs, expenses and losses	44,556	5,418
Impact of the use of deductible losses carry forward without recognize deferred tax assets in the previous periods	(329,838)	(201,562)
Impact of unrecognized deferred tax assets of deductible temporary differences or deductible losses in the current period	324,802	81,396
Others	<u>(229,902)</u>	<u>(518,241)</u>
Income tax expense	<u>(88,398)</u>	<u>1,416,497</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

70 Other comprehensive income

(1) Other comprehensive income items, income tax effects and reclassifications to profit or loss

	January - June 2022	January - June 2021
I. Items that cannot be reclassified to profit or loss subsequently		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	388	1,270
Share of the period	<u>388</u>	<u>1,270</u>
Previous other comprehensive income reclassified to retained earnings for current period		
2. Changes in fair value of other equity instruments	<u>(13,674)</u>	<u>(185,629)</u>
Current gain/(loss)	(9,968)	(84,931)
Previous other comprehensive income reclassified to retained earnings for current period	-	(115,871)
Income tax effects recorded in other comprehensive income	(3,706)	15,173
II. Items that will be reclassified to profit or loss subsequently		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	4,046	(153,326)
Share of the period	<u>4,046</u>	<u>(153,326)</u>
Income tax effects recorded in other comprehensive income	-	-
2. Changes in fair value of financial assets recorded in other comprehensive income	<u>-</u>	<u>487</u>
Current gain/(loss)	-	487
3. Cash flow hedges	<u>(209,875)</u>	<u>(4,105)</u>
Current gain/(loss)	(158,364)	(782)
Previous other comprehensive income reclassified to profit for current period	(48,626)	
Income tax effects recorded in other comprehensive income	(2,885)	(3,323)
4. Differences arising from translation of foreign currency financial statements of overseas operations	<u>(153,882)</u>	<u>123,814</u>
5. Net income arising from disposal of overseas operations through profit or loss	<u>-</u>	<u>-</u>
	<u>(372,997)</u>	<u>(217,489)</u>

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

70 Other comprehensive income (continued)

(2) Changes in other comprehensive income items

Equity attributable to shareholders of the Company as the parent											
	Accounting policy changes	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 financial assets	Gain/(Loss) on changes in cash flow hedges	Differences arising from translation of foreign currency- denominated financial statements	Fair value changes of other equity instruments	Fair value changes of other debt instruments	Other comprehensive income transferred to retained earnings	Subtotal	Non- controlling interests	Total other comprehensive income
January 1, 2021	334,950	313,950	(350,569)	(5,688)	(509,439)	71,195	-	28	(145,573)	(18,972)	(164,545)
Increase and decrease for 2021	-	(267,062)	-	68,234	270,260	(212,485)	-	(122,821)	(263,874)	19,871	(244,003)
December 31, 2021	334,950	46,888	(350,569)	62,546	(239,179)	(141,290)	-	(122,793)	(409,447)	899	(408,548)
Change in H1 2022	-	4,400	-	(185,753)	(163,688)	(9,974)	-	-	(355,015)	(17,982)	(372,997)
June 30, 2022	334,950	51,288	(350,569)	(123,207)	(402,867)	(151,264)	-	(122,793)	(764,462)	(17,083)	(781,545)

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

71 Earnings per share

(1) Basic EPS

	January - June 2022	January - June 2021
Net profit attributable to shareholders of the Company as the parent	663,521	6,802,218
Weighted average outstanding common shares (in thousand shares)	13,568,366	13,497,433
Basic earnings per share (RMB yuan/share)	0.0489	0.5040

(2) Diluted EPS

	January - June 2022	January - June 2021
Net profit attributable to shareholders of the Company as the parent	663,521	6,802,218
Adjusted weighted average number of common shares outstanding (in thousand shares)	13,675,093	14,030,788
Diluted earnings per share (RMB yuan/share)	0.0485	0.4848

72 Cash generated from other operating activities

Other cash received in the consolidated cash flow statement of the Company related to operating activities amounted to RMB5,538,379 thousand (RMB5,032,866 thousand for the same period of the previous year), mainly including current accounts, government grants and special appropriations received.

73 Cash used in other operating activities

Other cash payments related to operating activities in the Company's consolidated cash flow statement amounted to RMB5,670,402 thousand (RMB3,522,074 thousand for the same period of the previous year), mainly for various expenses and current accounts.

74 Cash generated from other investing activities

Other cash received in the Company's consolidated cash flow statement related to investing activities amounted to RMB73,748 thousand (the same period last year: RMB7,079 thousand), mainly due to the receipt of project bid bonds.

75 Cash used in other investing activities

Other cash paid in the Company's consolidated cash flow statement related to investing activities amounted to RMB333,406 thousand (RMB101,676 thousand for the same period of the previous year), mainly due to the refund of project bid bonds.

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For the period from January 1, 2022 to June 30, 2022
_____ (RMB'000) _____

V Notes to Consolidated Financial Statements (Continued)

76 Cash generated from other financing activities

Other cash received in the consolidated cash flow statement of the Company related to financing activities amounted to RMB6,000 thousand (RMB249,287 thousand for the same period of the previous year), mainly including deposits received.

77 Cash used in other financing activities

Other cash paid in the Company's consolidated cash flow statement related to financing activities of RMB4,454,836 thousand (the same period of last year: RMB3,060,099 thousand), mainly for the repurchase of minority interests in subsidiaries, repurchase of company shares, and payment of financial lease payments.

TCL Technology Group Corporation
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V Notes to Consolidated Financial Statements (Continued)

78 Supplementary information for the cash flow statement

(1) Reconciliation of net profit to net cash generated from/used in operating activities

	January - June 2022	January - June 2021
Net profit	1,926,716	9,297,485
Add: Asset impairment allowance	1,037,444	808,964
Depreciation of fixed assets	9,659,290	7,148,930
Depreciation of right-of-use assets	152,525	112,734
Amortization of intangible assets	753,154	554,138
Amortization of long-term prepaid expense	857,830	631,044
Loss/(Gain) on disposal of fixed assets, intangible assets and other long-lived assets	23,631	(24,327)
Loss on retired or damaged fixed assets	1,904	2,394
Loss/(Gain) on changes in fair value	(114,495)	314,196
Financial expenses	1,965,946	1,970,354
Return on investments	(1,780,515)	(2,788,205)
Decrease/(Increase) in deferred income tax assets	(663,627)	(517,573)
Increase/(Decrease) in deferred income tax liabilities	565,235	637,970
Decrease/(Increase) in inventory	(119,965)	(5,690,016)
Decrease/(Increase) in operating receivables	(2,029,270)	(9,741,065)
Increase/(Decrease) in operating payables	(2,332,939)	13,615,809
Others	(886,228)	(2,437,117)
	<u>9,016,636</u>	<u>13,895,715</u>
Net cash generated from operating activities	<u>9,016,636</u>	<u>13,895,715</u>

(2) Net cash payments for acquisition of subsidiaries in the current period

	January - June 2022	January - June 2021
Payments of cash and cash equivalents made in current period due to business combinations incurred in current period	-	9,768,401
Less: cash and cash equivalents held by subsidiary on acquisition date	-	5,628,896
Add: Payments of cash and cash equivalents made in current period due to business combinations incurred in previous periods	-	-
	<u>-</u>	<u>-</u>
Net cash payments for acquisition of subsidiaries	<u>-</u>	<u>4,139,505</u>

(3) Net cash proceeds from disposal of subsidiaries in the current period

	January - June 2022	January - June 2021
Cash or cash equivalents received in current period due to disposal of subsidiary in current period	-	1,412,399
Less: cash and cash equivalents held by subsidiary on the date when the Company's control over the subsidiary ceased	-	900,823

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V Notes to Consolidated Financial Statements (Continued)

78 Supplementary information for the cash flow statement (continued)

(3) Net cash proceeds from disposal of subsidiaries in the current period (continued)

	January - June 2022	January - June 2021
Add: Cash or cash equivalents received in current period due to disposal of subsidiaries in prior periods	-	-
Net proceeds from the disposal of subsidiaries	<u>-</u>	<u>511,576</u>

(4) Breakdown of cash and cash equivalents

	June 30, 2022	December 31, 2021
I. Cash	31,676,321	30,081,705
Including: Cash on hand	601	789
Bank deposits available for payment on demand	30,529,692	28,970,585
Other monetary assets available for payment on demand	1,144,303	987,347
Deposits with the central bank available for payment	1,725	122,984
II. Cash equivalents	<u>-</u>	<u>-</u>
III. Cash and cash equivalents, end of the period	<u>31,676,321</u>	<u>30,081,705</u>

79 Changes in cash and cash equivalents, net

	January - June 2022	January - June 2021
Ending cash and cash equivalents	31,676,321	24,493,712
Less: Beginning cash	<u>30,081,705</u>	<u>18,208,417</u>
Net increase in cash and cash equivalents	<u>1,594,616</u>	<u>6,285,295</u>
Analysis of ending cash and cash equivalents:		
Ending monetary assets	33,795,517	27,374,279
Less: Ending non-cash equivalents (note)	<u>2,119,196</u>	<u>2,880,567</u>
Ending cash and cash equivalents	<u>31,676,321</u>	<u>24,493,712</u>

Note: The ending non-cash equivalents primarily included interest receivable on bank deposits, the statutory reserve deposits placed by TCL Technology Group Finance Co., Ltd. in the central bank and other monetary assets, detailed in Note V, 1.

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V Notes to Consolidated Financial Statements (Continued)

80 Assets with restricted ownership or use rights

	June 30, 2022	Reason for restriction
Monetary assets	432,087	Deposited in the central bank as the required reserve
Monetary assets	1,687,109	Other restricted monetary assets
Notes receivable	278,564	Pledge
Fixed assets	86,032,862	As collateral for loan
Intangible assets	3,184,049	As collateral for loan
Held-for-trading financial assets	34,728	Put in pledge for loan
Right-of-use assets	28,256	As collateral for lease
Accounts receivable	1,018,119	Pledge
Contract assets	150,375	Pledge
	<u>92,846,149</u>	

81 Foreign currency monetary items

	June 30, 2022		
	Foreign currency balance	Conversion rate	RMB balance
Monetary assets			
Including: USD	795,853	6.7114	5,341,289
HKD	341,234	0.8553	291,857
EUR	6,647	7.0047	46,558
SGD	87	4.8186	419
Accounts receivable			
Including: USD	1,139,020	6.7114	7,644,419
HKD	1,471,690	0.8553	1,258,736
INR	838,682	0.0850	71,288
Accounts payable			
Including: USD	245,641	6.7114	1,648,595
HKD	1,642,104	0.8553	1,404,492
JPY	2,929,364	0.0491	143,832
INR	192,757	0.0850	16,384
EUR	104.76	7.0047	733.8

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V Notes to Consolidated Financial Statements (Continued)

81 Foreign currency monetary items (continued)

	June 30, 2022		
	Foreign currency balance	Conversion rate	RMB balance
Other receivables			
Including: USD	17,488	6.7114	117,369
HKD	202,857	0.8553	173,504
JPY	11,970	0.0491	588
PLN	1,688	1.5002	2,532
INR	92,416	0.0850	7,855
KRW	102,590	0.0052	530
MXN	7,950	0.3327	2,645
Other payables			
Including: USD	109,675	6.7114	736,071
HKD	713,668	0.8553	610,400
JPY	6,811	0.0491	334
INR	2,042,941	0.0850	173,650
PLN	335	1.5002	503
KRW	113,015	0.0052	583
AUD	116	4.6174	536
MXN	8,929	0.3327	2,971
EUR	4	7.0047	28
Notes payable			
Including: USD	56,384	6.7114	378,413
EUR	6,783	7.0047	47,510
JPY	1,677,814	0.0491	82,381
Short-term borrowings			
Including: USD	198,936	6.7114	1,335,140
Long-term borrowings			
Including: USD	1,281,840	6.7114	8,602,941
Receivables financing			
Including: USD	97,121	6.7114	651,817

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VI. Changes in consolidation scope

1 Newly consolidated entities for the period

Name of investee	Consolidated period	Reason for change	Registered capital (RMB)	Contribution ratio
Zhonghuan Advanced Semiconductor (Tianjin) Co., Ltd.	January - June 2022	Newly incorporated	RMB10,000,000	100.00%
Huanou (Wuxi) New Energy Materials Co., Ltd.	February - June 2022	Newly incorporated	RMB10,000,000	100.00%
Huaian Municipal Huanxin New Energy Co., Ltd.	February - June 2022	Newly incorporated	RMB1,000,000	100.00%
Lingwu Huanju New Energy Co., Ltd.	March - June 2022	Newly incorporated	RMB1,000,000	100.00%
Inner Mongolia Zhonghuan Electronic Materials Co., Ltd.	April - June 2022	Newly incorporated	RMB10,000,000	100.00%
Tianjin Zhonghuan Industrial Park Co., Ltd.	April - June 2022	Newly incorporated	RMB39,000,000	100.00%
Tianjin Huanrui Technology Co., Ltd.	May - June 2022	Newly incorporated	RMB100,000,000	100.00%
Shaanxi Huanyu Green New Energy Co., Ltd.	June 2022	Newly incorporated	RMB1,000,000	100.00%
Shaanxi Huanshuo Green New Energy Co., Ltd.	June 2022	Newly incorporated	RMB1,000,000	100.00%
Xi'an Shangpai Technology Co., Ltd.	June 2022	Newly incorporated	RMB100,000	100.00%

2 Deconsolidated entities for current period

Name of investee	Time of deconsolidation	Reason for change
Tongliao Guangdong New Energy Co., Ltd.	January 2022	De-registered

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VII Interests in Other Entities

1 Interests in subsidiaries

(1) Principal subsidiaries

Name of investee	Place of registration	Nature of business	Principal place of business	Shareholding ratio (%)		How subsidiary was obtained
				Direct	Indirect	
TCL China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	83.68%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	54.31%	Incorporated
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	Research and development	Guangzhou	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	-	93.93%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	-	57.14%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	100%	Business combination not under common control
China Star Optoelectronics International (HK) Limited	Hong Kong	Sales	Hong Kong	-	100%	Incorporated
China Display Optoelectronics Technology Holdings Limited	Bermuda	Investment holding	Bermuda	-	64.20%	Business combination not under common control
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and sales	Huizhou	-	100%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	-	100%	Incorporated
Suzhou China Star Optoelectronics Technology Co., Ltd.	Suzhou	Manufacturing and sales	Suzhou	-	100%	Business combination not under common control
Suzhou China Star Optoelectronics Display Co., Ltd.	Suzhou	Manufacturing and sales	Suzhou	-	100%	Business combination not under common control
Beijing HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet service	Beijing	100%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	Shenzhen	100%	-	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	Beijing	66.46%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Sales	Beijing	-	53.45%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Sales	Beijing	-	60.00%	Incorporated
TCL Technology Group Finance Co., Ltd.	Huizhou	Financial	Huizhou	82.00%	18.00%	Incorporated
Xinjiang TCL Equity Investment Ltd.	Xinjiang	Investment business	Shenzhen	100%	-	Incorporated

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (Continued)

(1) Composition of key subsidiaries (Continued)

Name of investee	Place of registration	Nature of business	Principal place of business	Shareholding ratio (%)		How subsidiary was obtained
				Direct	Indirect	
Ningbo TCL Equity Investment Ltd.	Ningbo	Investment business	Shenzhen	100%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	Huizhou	-	100%	Incorporated
TCL Research America Inc.	U.S.	Research and development	U.S.	-	100%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	Research and development	Hong Kong	-	100%	Incorporated
TCL Technology Investments Limited	Hong Kong	Investment business	Hong Kong	100%	-	Incorporated
TCL Zhonghuan New Energy Technology Co., Ltd. (Note)	Tianjin	Manufacturing and sales	Tianjin	2.41%	27.39%	Business combination not under common control
Tianjin Printronics Circuit Corporation	Tianjin	Manufacturing and sales	Tianjin	-	26.86%	Business combination not under common control
Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd.	Tianjin	Manufacturing and sales	Tianjin	-	100%	Business combination not under common control
Wuxi Zhonghuan Applied Materials Co., Ltd.	Wuxi	Manufacturing and sales	Wuxi	-	98.08%	Business combination not under common control
Tianjin Huanzhi New Energy Technology Co., Ltd.	Tianjin	Manufacturing and sales	Tianjin	-	62.00%	Business combination not under common control
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	Inner Mongolia	Manufacturing and sales	Inner Mongolia	-	100%	Business combination not under common control
Tianjin Zhonghuan Advanced Material&Technology Co., Ltd.	Tianjin	Manufacturing and sales	Tianjin	-	100%	Business combination not under common control
Huansheng Solar (Jiangsu) Co., Ltd.	Wuxi	Manufacturing and sales	Wuxi	-	83.73%	Business combination not under common control
Tianjin Huanou International Silicon Material Co., Ltd.	Tianjin	Procurement & sales	Tianjin	-	100%	Business combination not under common control
Zhonghuan Hong Kong Holding Limited	Hong Kong	Sales	Hong Kong	-	100%	Business combination not under common control

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (Continued)

(1) Principal subsidiaries (Continued)

Name of investee	Place of registration	Nature of business	Principal place of business	Shareholding ratio (%)		How subsidiary was obtained
				Direct	Indirect	
Tianjin Huanrui Electronic Technology Co., Ltd.	Tianjin	Procurement & sales	Tianjin	-	100%	Business combination not under common control
Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd.	Inner Mongolia	Manufacturing and sales	Inner Mongolia	-	59.32%	Business combination not under common control
Inner Mongolia Zhonghuan Advanced Semiconductor Material Co., Ltd.	Inner Mongolia	Manufacturing and sales	Inner Mongolia	-	100%	Business combination not under common control
Zhonghuan Advanced Semiconductor Materials Co., Ltd.	Wuxi	Manufacturing and sales	Wuxi	-	58.79%	Business combination not under common control
Moka International Limited	BVI	Investment holding	BVI		100%	Business combination not under common control
Moka Technology (Guangdong) Co., Ltd.	Huizhou	Manufacturing and sale	Huizhou		100%	Business combination not under common control

Note: Tianjin Zhonghuan Semiconductor Co., Ltd. changed its name to TCL Zhonghuan New Energy Technology Co., Ltd. on June 16, 2022.

(2) Subsidiaries with substantial non-controlling interests

Name of subsidiary	Non-controlling shareholding ratio (%)	Current period profit or loss attributable to non-controlling interests	Current period Dividends distributed to non-controlling interests	Ending non-controlling interests Shareholder equity
TCL China Star Optoelectronics Technology Co., Ltd.	16.32%	(1,129,675)	1,884,536	43,910,595
TCL Zhonghuan New Energy Technology Co., Ltd.	70.20%	2,369,069	249,235	34,653,477
Highly Information Industry Co., Ltd.	33.54%	46,201	43,309	498,822

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (Continued)

(2) Subsidiaries with substantial non-controlling interests (continued)

The key financial information of the above subsidiaries is as follows:

	June 30, 2022						January 1, 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TCL China Star Optoelectronics Technology Co., Ltd.	74,854,571	143,813,111	218,667,681	72,396,362	70,754,153	143,150,515	68,597,560	135,290,612	203,888,172	53,275,700	66,065,421	119,341,121
TCL Zhonghuan New Energy Technology Co., Ltd.	26,226,595	62,488,239	88,714,834	21,492,022	22,413,742	43,905,764	24,458,844	53,758,790	78,217,634	20,443,660	15,865,920	36,309,580
Highly Information Industry Co., Ltd.	8,117,943	110,883	8,228,826	6,870,890	20,764	6,891,654	6,035,827	100,060	6,135,887	4,782,662	22,603	4,805,265

	January - June 2022				January - June 2021			
	Revenue	Net profit	Total comprehensive income	Net cash generate from/used in operating activities	Revenue	Net profit	Total comprehensive income	Net cash generate from/used in operating activities
TCL China Star Optoelectronics Technology Co., Ltd.	32,429,876	(2,631,952)	(2,880,645)	10,250,591	38,948,799	6,293,405	6,285,562	14,481,000
TCL Zhonghuan New Energy Technology Co., Ltd.	31,698,337	3,224,900	3,224,900	2,809,898	17,644,419	1,915,184	1,915,184	2,125,294
Highly Information Industry Co., Ltd.	14,728,215	118,259	118,259	(574,296)	14,450,787	125,103	125,103	(437,244)

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VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates

(1) Basic information about principal joint ventures and associates

Name of investee	Principal place of business/place of registration	Nature of business	Strategic to the Group's activities or not	Shareholding ratio (%)	
				Direct	Indirect
Associate					
Bank of Shanghai Co., Ltd.	Shanghai	Financial industry	Yes	5.76%	-
Xinjiang Xiexin New Energy Material Technology Co., Ltd. (note)	Xinjiang	R&D, production & sales of polycrystalline silicon & monocrystalline silicon;	Yes	-	27%

(2) Key financial information of major associates

	June 30, 2022		December 31, 2021	
	Bank of Shanghai Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Bank of Shanghai Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.
Total assets	2,814,652,578	15,097,306	2,653,198,679	11,377,813
Total liabilities	2,602,477,696	4,994,938	2,447,430,234	5,110,841
Non-controlling interests	577,340	Not applicable	564,813	Not applicable
Equity attributable to shareholders of the Company as the parent	211,597,542	10,102,368	205,203,632	6,266,973
Share of equity in proportion to the Company's interest	12,188,018	2,727,639	11,813,895	1,692,083
Carrying amount of investment in associate	12,326,379	2,731,300	11,919,796	1,691,361

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VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates

(2) Key financial information of major associates (continued)

	January - June 2022		January - June 2021	
	Bank of Shanghai Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Bank of Shanghai Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.
Revenue	27,941,662	6,649,119	27,704,556	2,905,071
Net profit attributable to the parent company	12,674,306	3,835,377	12,278,102	1,322,643
Dividends from associate to the Group in current period	327,157	-	327,157	-

(3) Financial information of other joint ventures and associates combined respectively

	End of June 2022/January- June 2022	End of June 2021/January- June 2021
Joint ventures:		
Aggregated carrying amount of investments	542,914	555,257
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	(12,343)	(2,895)
Other comprehensive income (note)		
Total comprehensive income	(12,343)	(2,895)
Associate:		
Aggregated carrying amount of investments	11,064,477	11,474,164
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	(13,791)	320,124
Other comprehensive income (note)	366	(16)
Total comprehensive income	(13,425)	320,108

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.

(4) The Company had no significant joint ventures in the reporting period.

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VIII Risks Related to Financial Instruments

The purpose of the Company's risk management is to achieve a right balance between the risk and the benefit and maximally reduce the adverse impact of financial risks on the Company's financial performance. Based on such purpose, the Company has established various risk management policies to recognize and analyze possible risks to be encountered by the Company, set an appropriate risk acceptable level and designed corresponding internal control procedures so as to control the Company's risk level. In addition, the Company will regularly review these risk management policies and relevant internal control system in order to adapt to the market or handle various changes in the Company's operating activities. Meanwhile, the Company's internal audit department will also regularly or randomly check whether the implementation of internal control system conforms to relevant risk management policies. In fact, the Company has applied proper diversified investment and business portfolio to disperse various financial instrument risks and worked out corresponding risk management policies to reduce the risk of concentrating on one single industry, specific region or specific counterpart.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and market risk (mainly foreign exchange risk and interest rate risk).

(1) Credit risk

Credit risk refers to the risk of financial loss caused by any party of financial instruments to another party due to the failure in fulfilling performance obligations. The Group controls the credit risk based on the specific group classification, and credit risk mainly results from bank deposit, due from central bank, bills receivable, account receivable, issued loan and monies advanced and other receivables.

The Group's bank deposits and due from central bank are mainly deposited in stated-owned banks and other large and medium-sized listed banks. The Group considers no significant credit risk existed and no significant loss will be caused by the counterpart's breach of contract.

For notes receivable, accounts receivable, loans and advances to customers and other receivables, the Group has established relevant policies to control the credit risk exposure, and will evaluate the client's credit qualification and determine corresponding credit period based on the client's financial status, the possibility of obtaining guarantees from the third party, relevant credit records and other factors (like the current market situation). In the meantime, the Group will regularly monitor the client's credit records. For any client with unfavorable credit records, the Group will issue written reminders, shorten the credit period or cancel the credit period so as to keep the Group's overall credit risk controllable.

As of June 30, 2022, no significant guarantee or other credit enhancements held due to the debtor mortgage was found in the Group.

(2) Liquidity risk

Liquidity risk refers to the risk of capital shortage the Company encounters when the Company is fulfilling the obligation of settlement in the form of cash or other financial assets. Various subsidiaries under the Group shall be responsible for predicting their own cash flow. The financial department of the headquarters shall firstly summarize predictions on the cash flow of various subsidiaries and then continuously monitor the short-term and long-term fund demand at the Group's level so as to maintain sufficient cash reserves and negotiable securities that can be realized at any time; meanwhile, special efforts shall also be made to continuously monitor whether provisions stated in the loan agreement are observed and to make major financial institutions promise to provide sufficient reserve funds so as to satisfy short-term and long-term capital demand.

As of June 30, 2022, the Group had no liquidity risk events.

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VIII Risks Related to Financial Instruments (Continued)

(3) Market risk

(a) Foreign exchange risk

The Group has carried out various economic activities around the world including manufacturing, selling, investment and financing etc., and corresponding interest rate fluctuation risks exist in the Group's foreign currency assets and liabilities and future foreign currency transactions.

The Group always regards "Locking the Cost and Avoiding Possible Risks" as the foreign currency risk management goal. Through the natural hedging of settlement currency, matching with the foreign currency liabilities, signing simple derivative products closely related to the owner's operation and meeting corresponding hedge accounting treatment requirements and applying other management methods, the foreign currency risk exposure can be controlled within a reasonable scope and the impact of interest rate fluctuations on the Group's overall profit and loss will be reduced.

(A) On June 30, 2022, foreign-currency asset and liability items with significant exposure to exchange risk were mainly denominated in US dollars. After management, the total risk exposure of the US dollar-denominated items had a net asset exposure of USD341,208 thousand, equivalent to RMB2,289,981 thousand based on the spot exchange rate on the balance sheet date. The differences arising from the translation of foreign currency financial statements were not included.

The Group applies the following exchange rate of USD against RMB:

	Average exchange rate	Exchange rate at
	January - June 2022	period-end
	<u>6.5058</u>	<u>June 30, 2022</u>
USD/RMB		6.7114

Assuming that other risk variables other than exchange rate remain unchanged, a 5% depreciation/appreciation of Renminbi due to the Group's exchange rate change of Renminbi against the U.S. dollar on June 30, 2022 will result in an increase/decrease of both shareholders' equity and net profit by RMB114,499 thousand.

The above-mentioned sensitivity analysis is made based on the assumption that the exchange rate changes on the balance sheet date, and financial instruments held by the Group on the balance sheet date exposed to the exchange risk are re-calculated based on the changed exchange rate. The above analysis does not include differences arising from the translation of foreign currency financial statements.

(b) Interest risk

The Group's interest rate risk mainly results from interest-bearing bank borrowings adopting floating interest rates, and the Group determined the proportion of fixed interest rates and floating interest rates based on the market environment and its risk tolerance. Up until June 30, 2022, the Group's liabilities with floating interest rates accounted for 74.50% of its total interest-bearing liabilities. And, the Group will continuously monitor the interest rates and make corresponding adjustments according to the specific market changes so as to avoid interest rate risk.

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IX. 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:

The Company's receivables financing was bank acceptance notes and trade acceptance notes, of which the market prices were determined based on the transfer or discounted amounts.

Derivative financial assets and liabilities are multiple IRS and CCS signed between the Group and financial institutions. The Company adopts the quotations 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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IX Classification of Financial Instruments and Fair Value (Continued)

5 Financial instruments measured in three levels of fair value

Financial assets

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets (see Note V. 2)	321,814	8,585,498	67,701	8,975,013
Derivative financial assets (see Note V.3)	-	488,428	-	488,428
Receivables financing (see Note V.6)	-	2,223,849	-	2,223,849
Investments in other equity instruments (see Note V. 15)	88,092	-	839,444	927,536
Other non-current financial assets (see Note V. 16)	617,486	-	511,125	1,128,611
	<u>1,027,392</u>	<u>11,297,775</u>	<u>1,418,270</u>	<u>13,743,437</u>
Total assets continuously measured at fair value	<u>1,027,392</u>	<u>11,297,775</u>	<u>1,418,270</u>	<u>13,743,437</u>

Financial liabilities

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial liabilities (see Note V, 30)	140,276	666,142	183,385	989,803
Derivative financial liabilities (see Note V, 31)	-	430,997	-	430,997
	<u>140,276</u>	<u>1,097,139</u>	<u>183,385</u>	<u>1,420,800</u>
Total liabilities continuously measured at fair value	<u>140,276</u>	<u>1,097,139</u>	<u>183,385</u>	<u>1,420,800</u>

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X Related Parties and Related-Party Transactions

1 Actual controller and its acting-in-concert parties

Explanation of The Company's Absence of Controlling Shareholders

Mr. Li Dongsheng and Ningbo Jiutian Liancheng Equity Investment Partnership (Limited Partnership) became persons acting in concert by signing the *Agreement on Concerted Action*, holding 1,159,085,000 shares in total and becoming 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 their 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.

2 Related parties that do not control or are not controlled by the Company

Information about such related parties:

Company Name	Relationship with the Company
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	Associate
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	Associate
SunPower Systems International Limited	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Shenzhen Tixiang Business Management Technology Co., Ltd.	Associate
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Associate
Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	Associate
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	Associate
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	Associate
Ningbo Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Ningbo Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Inner Mongolia Huanye Material Co., Ltd.	Associate
Zhonghuan Aineng (Beijing) Technology Co., Ltd.	Associate
LG Electronics (Huizhou) Co., Ltd.	Associate
TCL Intelligent Technology (Ningbo) Co., Ltd.	Associate
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	Associate
TCL Finance (Hong Kong) Co., Limited	Associate
Huizhou TCL Human Resources Service Co., Ltd.	Joint venture
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	Joint venture
Tianjin Zhonghuan Haihe Intelligent Manufacturing Fund Partnership (Limited Partnership)	Joint venture
Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	Joint venture
Tianjin Huanyan Technology Co., Ltd.	Joint venture
SunPower Systems Sar	Associate's subsidiary

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X Related parties and related-party transactions (continued)

2 The nature of related parties without control relationship (continued)

Qihang International Import & Export Limited	Associate's subsidiary
Qihang Import&Export Limited	Associate's subsidiary
Jucai Supply Chain International (Hong Kong) Co., Ltd.	Associate's subsidiary
Shanghai Tixiang Enterprise Management Consulting Co., Ltd.	Associate's subsidiary
Shenzhen Xirang International Network Information Technology Co., Ltd.	Associate's subsidiary
Elite Excellent Investments Limited	Associate's subsidiary
Huixing Holdings Limited	Associate's subsidiary
Marvel Paradise Limited	Associate's subsidiary
Union Dynamic Investment Limited	Associate's subsidiary
Esteem Venture Investment Limited	Associate's subsidiary
Zijinshan Investment Co., Ltd.	Associate's subsidiary
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	Associate's subsidiary
SunPower Malaysia Manufacturing Sdn.Bhd.	Associate's subsidiary
SunPower Systems Sarl	Associate's subsidiary
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	Joint venture's subsidiary
Moxing Semi-conductor (Guangdong) Co., Ltd.	Joint venture's subsidiary
Jiangsu Huanxin Semiconductor Co., Ltd.	Joint venture's subsidiary
Anhui TCL Human Resources Service Co., Ltd.	Joint venture's subsidiary
Shanxi Shengwei Enterprise Management Co., Ltd.	Joint venture's subsidiary
Peer College Education Technology (Huizhou) Co., Ltd.	Joint venture's subsidiary
Hubei Shifen Sharing Technology Co., Ltd.	Joint venture's subsidiary
Moxun Semiconductor Technology (Shanghai) Co., Ltd.	Joint venture's subsidiary
TCL Environmental Technology Co., Ltd. and its subsidiaries	Associate and its subsidiaries
Getech Ltd. and its subsidiaries	Associate and its subsidiaries
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	Associate and its subsidiaries
TCL Industries Holdings Co., Ltd. and its subsidiaries	Other relationships
CJ Speedex Logistics Co., Ltd.	Significantly influenced by the Company's senior management

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X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions

(1) Selling raw materials and finished goods to related parties Note 1

	January - June 2022	January - June 2021
TCL Industries Holdings Co., Ltd. and its subsidiaries	5,156,979	9,060,288
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	1,176,332	360,585
SunPower Systems Sar	1,031,484	642,868
Qihang International Import & Export Limited	497,015	130,212
SunPower Malaysia Manufacturing Sdn.Bhd.	171,070	-
SunPower Systems International Limited	106,752	2,511
TCL Environmental Technology Co., Ltd. and its subsidiaries	59,645	85,317
Jiangsu Huanxin Semiconductor Co., Ltd.	19,542	885
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	16,015	3,594
Getech Ltd. and its subsidiaries	4,704	-
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	4,680	-
Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	2,940	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	688	791
Moxing Semi-conductor (Guangdong) Co., Ltd.	44	-
Qihang Import&Export Limited	-	5,755
Shenzhen Tixiang Business Management Technology Co., Ltd.	-	17
Tianjin 712 Communication & Broadcasting Co., Ltd.	-	661
CJ Speedex Logistics Co., Ltd.	-	-
	8,247,890	10,293,484

(2) Purchasing raw materials and finished products from related parties Note 2

	January - June 2022	January - June 2021
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	2,464,489	1,078,653
Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	2,230,372	1,333,171
Shenzhen Jucai Supply Chain Technology Co., Ltd.	607,566	375,137
TCL Industries Holdings Co., Ltd. and its subsidiaries	438,112	815,005
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	154,854	120
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	89,991	50,755
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	70,157	110,776
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	32,406	3,635
Getech Ltd. and its subsidiaries	12,062	-
Qihang Import&Export Limited	15,776	-
TCL Environmental Technology Co., Ltd. and its subsidiaries	2,308	23,155
TCL Intelligent Technology (Ningbo) Co., Ltd.	861	977
Jucai Supply Chain International (Hong Kong) Co., Ltd.	1,126	-
	6,120,080	3,791,384

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X	Related Parties and Related-Party Transactions (Continued)	January - June 2022	January - June 2021
3	Major related-party transactions (continued)		
(3)	Receiving funding from related parties Note 3		
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	149,714	115,342
	Ningbo Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	56,146	86,875
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	52,452	16,528
	Qihang Import&Export Limited	36,860	44,641
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	27,985	192,068
	Qihang International Import & Export Limited	19,047	28,453
	Shanghai Tixiang Enterprise Management Consulting Co., Ltd.	10,904	-
	Shenzhen Xirang International Network Information Technology Co., Ltd.	6,516	6,155
	Anhui TCL Human Resources Service Co., Ltd.	6,148	5,916
	Elite Excellent Investments Limited	5,412	1,989
	Shanxi Shengwei Enterprise Management Co., Ltd.	3,808	-
	Peer College Education Technology (Huizhou) Co., Ltd.	3,744	-
	Shenzhen Tixiang Business Management Technology Co., Ltd.	1,494	1,724
	Huixing Holdings Limited	670	674
	Marvel Paradise Limited	600	586
	Union Dynamic Investment Limited	397	392
	TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	205	236
	Huizhou TCL Human Resources Service Co., Ltd.	158	
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	93	400,000
	Hubei Shifen Sharing Technology Co., Ltd.	85	-
	Esteem Venture Investment Limited	40	49
	Ningbo Dongpeng Heli Equity Investment Partnership (Limited Partnership)	33	257,053
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	8	-
	TCL Finance (Hong Kong) Co., Limited	-	1,369,249
	TCL Industries Holdings Co., Ltd. and its subsidiaries	-	100
		382,519	2,528,030
(4)	Providing funding for related parties Note 3		
	TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	531,312	1,279,116
	TCL Industries Holdings Co., Ltd. and its subsidiaries	372,247	1,170,000
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	39,488	-
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	12,689	-
	TCL Intelligent Technology (Ningbo) Co., Ltd.	-	682,500
	TCL Environmental Technology Co., Ltd. and its subsidiaries	-	2,438
		955,736	3,134,054

TCL Technology Group Corporation
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X Related Parties and Related-Party Transactions
(Continued)

3 Major related-party transactions (continued)

(5) Leases

	January - June 2022	January - June 2021
Rental income		
TCL Industries Holdings Co., Ltd. and its subsidiaries	38,683	45,434
Asahi Glass New Electronic Display Glass (Shenzhen) Co., Ltd.	34,756	41,998
Getech Ltd. and its subsidiaries	683	241
TCL Environmental Technology Co., Ltd. and its subsidiaries	534	531
Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	439	-
Shenzhen Jucai Supply Chain Technology Co., Ltd.	414	402
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	182	-
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	-	834
Huizhou TCL Real Estate Development Co., Ltd.	-	241
	<u>75,691</u>	<u>89,681</u>
Rental expense		
TCL Industries Holdings Co., Ltd. and its subsidiaries	28,999	29,908
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	2,581	478
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	1,120	291
Shenzhen Jucai Supply Chain Technology Co., Ltd.	137	-
	<u>32,837</u>	<u>30,677</u>

(6) Providing labour service for or accepting labour service from related parties

	January - June 2022	January - June 2021
Providing labour service for related parties	120,933	90,804
Accepting labour service from related parties	567,820	335,790

(7) Receiving interest from or paying interest to related parties Note 3

	January - June 2022	January - June 2021
Interest received	11,457	45,475
Interest paid	8,387	10,157

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X Related Parties and Related-Party Transactions
(Continued)

3 Major related-party transactions (continued)

(8) Remuneration of key management personnel

	January - June 2022	January - June 2021
Remuneration of key management personnel	7,460	7,710

(9) Other related transactions

In June 2022, the Group signed a property share transfer agreement with TCL Industrial Holdings Co., Ltd. to transfer all the property shares held by the Group in Chongqing Zhongxin Rongxin Investment Center (Limited Partnership) to TCL Industrial Holdings Co., Ltd., with the transaction price of RMB960 million.

Note 1 Selling raw materials and finished products to related parties

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 2 Purchasing raw materials and finished products from related parties

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 3 Providing funding for or receiving funding from related parties and corresponding interest received or paid

The Company set up a settlement center in 1997 and TCL Technology Group Finance Co., Ltd. in 2006 (together, the "Financial Settlement Center"). The Financial Settlement Center is responsible for the financial affairs of the Company, including capital operation and allocation. The Center 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 Center 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 Center to related parties, while the funding amount received means the balances of related parties' deposits in the Center.

Note 4 The transactions between Maojia International Co., Ltd. and its subsidiaries and the Company from January to March 2021 are included in TCL Industrial Holdings Co., Ltd. and its subsidiaries.

Note 5 The transactions between TCL Financial Holding (Guangzhou) Group Co., Ltd. and its subsidiaries and the Company in June 2021 are included in TCL Industrial Holdings Co., Ltd. and its subsidiaries.

Note 6 The transaction between TCL Huanxin Semiconductor (Tianjin) Co., Ltd. and the Company in June 2021 is a related-party transaction.

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For the period from January 1, 2022 to June 30, 2022
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X	Related Parties and Related-Party Transactions (Continued)		
3	Major related-party transactions (continued)		
4	Balances due from and to related parties (continued)		
(1)	Notes receivable	June 30, 2022	December 31, 2021
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	-	13,441
		-	13,441
(2)	Accounts receivable	June 30, 2022	December 31, 2021
	TCL Industries Holdings Co., Ltd. and its subsidiaries	2,715,368	2,230,056
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	1,027,582	276,090
	SunPower Systems Sarl	495,948	281,163
	Qihang International Import & Export Limited	413,892	235,474
	SunPower Systems International Limited	53,704	119,817
	Tianjin Zhonghuan Haihe Intelligent Manufacturing Fund Partnership (Limited Partnership)	7,199	199
	Jiangsu Huanxin Semiconductor Co., Ltd.	6,385	-
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	3,161	24,710
	Inner Mongolia Huanye Material Co., Ltd.	2,695	-
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	1,860	-
	Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	1,816	1,569
	TCL Environmental Technology Co., Ltd. and its subsidiaries	1,608	-
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	816	-
	Getech Ltd. and its subsidiaries	800	-
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	608	-
	Tianjin Huanyan Technology Co., Ltd.	162	-
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	157	-
	Tianjin 712 Communication & Broadcasting Co., Ltd.	23	40
	SunPower Malaysia Manufacturing Sdn.Bhd.	20	2,183
	Huaxia CPV (Inner Mongolia) Power Co., Ltd.	15	1
		4,733,819	3,171,302
(3)	Receivables financing	June 30, 2022	December 31, 2021
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	-	500
		-	500

TCL Technology Group Corporation
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For the period from January 1, 2022 to June 30, 2022
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X 4	Related Parties and Related-Party Transactions (Continued) Balances due from and to related parties (continued)		
(4)	Accounts payable	June 30, 2022	December 31, 2021
	Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	537,889	552,883
	TCL Industries Holdings Co., Ltd. and its subsidiaries	298,110	448,553
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	274,170	274,366
	Getech Ltd. and its subsidiaries	39,242	10,762
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	29,754	30,029
	TCL Environmental Technology Co., Ltd. and its subsidiaries	24,454	24,033
	Qihang International Import & Export Limited	12,416	-
	Inner Mongolia Huanye Material Co., Ltd.	11,725	1,457
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	9,795	2,240
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	2,901	-
	Jucai Supply Chain International (Hong Kong) Co., Ltd.	2,324	6,503
	Qihang Import&Export Limited	2,179	-
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	884	5,246
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	392	-
	Peer College Education Technology (Huizhou) Co., Ltd.	-	38
	Shenzhen Xirang International Network Information Technology Co., Ltd.	-	1,195
		1,246,235	1,357,305
(5)	Other receivables	June 30, 2022	December 31, 2021
	TCL Industries Holdings Co., Ltd. and its subsidiaries	576,979	1,390,733
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	12,696	-
	TCL Environmental Technology Co., Ltd. and its subsidiaries	9,566	2,139
	Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	7,987	-
	Getech Ltd. and its subsidiaries	2,198	404
	Inner Mongolia Huanye Material Co., Ltd.	3,310	-
	Shenzhen Xirang International Network Information Technology Co., Ltd.	3,171	1,185
	Zhonghuan Aineng (Beijing) Technology Co., Ltd.	3,099	3,099
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	2,133	663
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	214	524
	LG Electronics (Huizhou) Co., Ltd.	153	109
	Jiangsu Huanxin Semiconductor Co., Ltd.	122	-
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	100	64
	TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	4	-
	TCL Intelligent Technology (Ningbo) Co., Ltd.	-	3,777
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	-	8
	Moxing Semi-conductor (Guangdong) Co., Ltd.	-	7
		621,732	1,402,712

TCL Technology Group Corporation
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X	Related Parties and Related-Party Transactions (Continued)	June 30, 2022	December 31, 2021
4	Balances due from and to related parties (continued)		
(6)	Other payables		
	Tianjin Zhonghuan Haihe Intelligent Manufacturing Fund Partnership (Limited Partnership)	428,100	428,100
	Getech Ltd. and its subsidiaries	146,637	118,911
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	115,765	84,988
	TCL Industries Holdings Co., Ltd. and its subsidiaries	78,813	39,554
	Ningbo Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	40,703	48,969
	Qihang Import&Export Limited	36,861	12,779
	Qihang International Import & Export Limited	19,047	3,234
	TCL Environmental Technology Co., Ltd. and its subsidiaries	9,647	1,365
	Aijiexu New Electronic Display Glass (Shenzhen) Co., Ltd.	9,317	1,330
	Anhui TCL Human Resources Service Co., Ltd.	7,487	6,073
	Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	5,564	5,316
	Elite Excellent Investments Limited	5,412	3,860
	Shenzhen Xirang International Network Information Technology Co., Ltd.	3,966	-
	Shanxi Shengwei Enterprise Management Co., Ltd.	3,814	725
	Peer College Education Technology (Huizhou) Co., Ltd.	3,753	3,624
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	2,841	-
	Moxun Semiconductor Technology (Shanghai) Co., Ltd.	2,057	1,000
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	1,685	-
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	824	245
	Huixing Holdings Limited	670	672
	Marvel Paradise Limited	600	570
	Union Dynamic Investment Limited	397	377
	CJ Speedex Logistics Co., Ltd.	202	1,772
	Shenzhen Tixiang Business Management Technology Co., Ltd.	197	197
	Huizhou TCL Human Resources Service Co., Ltd.	157	370
	Hubei Shifen Sharing Technology Co., Ltd.	85	-
	Ningbo Dongpeng Heli Equity Investment Partnership (Limited Partnership)	66	33
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	55	-
	Huaxia CPV (Inner Mongolia) Power Co., Ltd.	45	45
	Esteem Venture Investment Limited	40	41
	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	-	4
	Zijinshan Investment Co., Ltd.	-	-
		924,807	764,154

TCL Technology Group Corporation
Notes to Financial Statements
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X	Related Parties and Related-Party Transactions (Continued)		
4	Balances due from and to related parties (continued)		
(7)	Current portion of non-current liabilities due within a one-year period		
		June 30, 2022	December 31, 2021
	TCL Industries Holdings Co., Ltd. and its subsidiaries	15,717	6,346
	Huaxia CPV (Inner Mongolia) Power Co., Ltd.	4,192	4,648
	TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	957	957
		<u>20,866</u>	<u>11,951</u>
(8)	Prepayments		
		June 30, 2022	December 31, 2021
	Getech Ltd. and its subsidiaries	126,354	4,850
	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	120,347	74,672
	Tianjin Huanyan Technology Co., Ltd.	39,113	-
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	16,790	-
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	12,046	-
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	98	-
	TCL Industries Holdings Co., Ltd. and its subsidiaries	775	40
	Shenzhen Xirang International Network Information Technology Co., Ltd.	550	-
	TCL Intelligent Technology(Ningbo) Co., Ltd.	-	-
		<u>316,073</u>	<u>79,562</u>
(9)	Contract liabilities		
		June 30, 2022	December 31, 2021
	TCL Industries Holdings Co., Ltd. and its subsidiaries	5,955	10,633
	TCL Environmental Technology Co., Ltd. and its subsidiaries	3,124	2,885
	Moxun Semiconductor Technology (Shanghai) Co., Ltd.	1,000	-
	Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	-	111
		<u>10,079</u>	<u>13,629</u>

TCL Technology Group Corporation
Notes to Financial Statements
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X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(10) Lease liabilities

	June 30, 2022	December 31, 2021
TCL Industries Holdings Co., Ltd. and its subsidiaries	8,329	6,576
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	3,741	6,242
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	275	275
	<u>12,346</u>	<u>13,093</u>

(11) Deposits from related parties (note)

	June 30, 2022	December 31, 2021
Shenzhen Jucai Supply Chain Technology Co., Ltd.	149,769	101,181
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	52,464	25,040
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	27,996	45,018
Ningbo Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	15,693	114,413
Shanghai Tixiang Enterprise Management Consulting Co., Ltd.	10,910	4,940
Shenzhen Xirang International Network Information Technology Co., Ltd.	6,519	7,559
Shenzhen Tixiang Business Management Technology Co., Ltd.	1,495	7,873
Anhui TCL Human Resources Service Co., Ltd.	579	-
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	205	46
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	93	185
TCL Huanxin Semi-conductor (Tianjin) Co., Ltd.	8	229,154
Jiangsu Huanxin Semiconductor Co., Ltd.	-	109,395
TCL Finance (Hong Kong) Co., Limited	-	21,241
	<u>265,731</u>	<u>666,045</u>

These deposits are made by related parties in the Company's subsidiary TCL Technology Group Finance Co., Ltd.

(12) Other current assets

	June 30, 2022	December 31, 2021
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	531,312	-
TCL Industries Holdings Co., Ltd. and its subsidiaries	372,247	-
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	39,539	-
	<u>943,098</u>	<u>-</u>

TCL Technology Group Corporation
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- X Related Parties and Related-Party Transactions
(Continued)
- 4 Balances due from and to related parties (continued)
- (13) Other non-current assets

	June 30, 2022	December 31, 2021
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	233,582	-
Getech Ltd. and its subsidiaries	22,004	-
	257,824	-

TCL Technology Group Corporation
Notes to Financial Statements
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XI Commitments

1 Capital commitments

		June 30, 2022	December 31, 2021
Under contractual obligations but not provided for	Note 1	28,235,439	17,764,772
Approved by Board but not under contractual obligations	Note 2	10,346	172,384
		28,245,785	17,937,156

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 were approved by the Board but are not under contractual obligations in the current period primarily consisting of such commitments for CSOT's LCD panel project.

As of June 30, 2022, apart from the disclosures above, there were no other major commitments that are required to be disclosed.

XII Contingencies

Guarantees Provided for External Parties

External guarantees provided for related party bank loans, commercial bills, letters of credit, etc.: RMB6,185,884 thousand.

XIII Events after Balance Sheet Date

1 The Company issued a medium-term note on July 4, 2022 with the code 22TCL Group MTN003 (Science and Technology Notes). The issue size was RMB2 billion, the value date is July 6, 2022, with the maturity date being 4 July, 2025. The term is 3 years, and the coupon rate is 3.45%.

2 In July 2022, the Company received the *Approval for the Non-Public Issue of Shares by TCL Technology Group Co., Ltd.* (Zheng Jian Xu Ke [2022] No. 1658) issued by the China Securities Regulatory Commission, which approved the Company's non-public issue of no more than 2,806,128,484 shares. If the total share capital changed due to new shares, conversion to share capital, etc., the number of shares offered in the issue would be adjusted accordingly, and the approval would be valid within 12 months from the date of issuance.

TCL Technology Group Corporation
Notes to Financial Statements
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XIV Other Important Matters

(I) Discontinued operations

In May 2021, the Company's second extraordinary general meeting reviewed and approved the proposal to sell 100% equity of TCL Financial Holding (Guangzhou) Group Co., Ltd.: to sell 100% of the Company's equity to TCL Industrial Holdings Co., Ltd. at RMB2,572,020 thousand. The Company completed the closing at the end of May.

	January - June 2022	January - June 2021
Revenue from discontinued operations	-	168,312
Gross profit of discontinued operations	-	63,259
Income tax expense of discontinued operations	-	15,502
Net profit of discontinued operations	-	47,757
Add: Net gain/loss on disposal of discontinued operations	-	10,539
Total net profit of discontinued operations	-	58,296

(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 four reporting segments: the semi-conductor display business, the new energy photovoltaic and semi-conductor materials business, the distribution business and the other businesses. 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 four reporting segments are:

- (1) Semiconductor display business: mainly includes the research and development, manufacturing and sales of semiconductor display panels and semiconductor display modules, as well as complete display processing.
- (2) New energy photovoltaic and semiconductor materials business: mainly includes the manufacture and sales of semiconductor materials, semiconductor devices, new energy materials, and new energy; development, and operation of high-efficiency photovoltaic power station projects.
- (3) Distribution business: mainly includes the sales of computers, software, tablet computers, mobile phones and other electronic products.
- (4) Other businesses: other businesses besides the above, including industrial finance and investment business, technology development services and patent maintenance services provided by the company, etc.

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
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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XIV Other Important Matters (Continued)

(II) Segment reporting (continued)

2 Financial information of reporting segments

For the six-month period ending June 30, 2022

	Semi-conductor display	New energy photovoltaics and semi-conductor materials business	Distribution business	Other and offsets	Total
Revenue	37,262,162	31,698,337	14,728,215	833,467	84,522,181
Gross profit	(2,750,561)	3,480,014	165,175	943,690	1,838,318
Income tax expense	(477,736)	255,114	46,916	87,308	(88,398)
Net profit	(2,272,825)	3,224,900	118,259	856,382	1,926,716
Total assets	222,752,118	88,714,834	8,228,826	10,660,749	330,356,527
Total liabilities	145,828,388	43,905,764	6,891,654	14,592,438	211,218,244
Other items					
Depreciation and amortization	7,868,657	1,982,213	15,991	1,555,938	11,422,798
Capital expenditure	13,126,031	4,963,363	-	162,242	18,251,636
Net interest expense	424,130	384,456	33,041	839,916	1,681,543

For the six-month period ending June 30, 2021

	Semi-conductor display and materials business	New energy photovoltaics and semi-conductor materials business	Distribution business	Other and offsets	Total
Revenue	40,863,497	17,644,419	14,450,787	1,447,146	74,405,849
Gross profit	7,676,130	2,135,060	167,885	734,909	10,713,982
Income tax expense	1,049,844	219,876	42,782	103,995	1,416,497
Net profit	6,626,286	1,915,184	125,103	630,914	9,297,485
Total assets	199,819,530	66,067,765	5,377,523	30,986,182	302,251,000
Total liabilities	112,805,489	36,283,034	4,193,839	43,677,696	196,960,058
Other items					
Depreciation and amortization	6,926,888	1,411,961	8,121	99,878	8,446,848
Capital expenditure	10,616,137	3,036,386	-	31,508	13,684,031
Net interest expense	668,046	382,859	23,015	837,398	1,911,318

TCL Technology Group Corporation
Notes to Financial Statements
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XV Notes to the key items presented in the financial statements of the Company

1 Accounts receivable

	June 30, 2022				December 31, 2021			
	Amount	Ratio (%)	Allowance	Accrual Ratio (%)	Amount	Ratio (%)	Allowance	Percentage
Within 1 year	137,256	100%	338	0.25%	93,929	100%	363	0.39%

2 Other receivables

	June 30, 2022	December 31, 2021
Dividends receivable	9,618,555	-
Other receivables	20,249,449	13,819,512
	<u>29,868,004</u>	<u>13,819,512</u>

(a) Nature of other receivables is analyzed as follows:

	June 30, 2022	December 31, 2021
Equity transfer receivables	471,010	1,260,290
Receivables from external entities	104,104	107,708
Security deposits	1,840	1,407
Others	19,672,495	12,450,107
	<u>20,249,449</u>	<u>13,819,512</u>

(b) Allowance for doubtful other receivables is analyzed as follows:

	12-month ECL	Lifetime ECL (credit not impaired)	Lifetime ECL (credit impaired)	Total
December 31, 2021	962	-	31,966	32,928
Accrued in current period	-	-	-	-
Reversal of current period	-	-	(2)	(2)
Write-off of current period	-	-	-	-
June 30, 2022	<u>962</u>	<u>-</u>	<u>31,964</u>	<u>32,926</u>

TCL Technology Group Corporation
Notes to Financial Statements
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XV Notes to Financial Statements of the Parent Company (Continued)

2 Other receivables (continued)

(c) The aging of other receivables is analyzed as follows:

	June 30, 2022		December 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	19,225,308	94.80%	12,536,263	90.50%
1 to 2 years	31,167	0.15%	363,773	2.63%
2 to 3 years	651,701	3.21%	587,773	4.24%
Over 3 years	<u>374,199</u>	<u>1.84%</u>	<u>364,631</u>	<u>2.63%</u>
	<u>20,282,375</u>	<u>100%</u>	<u>13,852,440</u>	<u>100%</u>

The outstanding other receivables were mostly current accounts with related parties.

The top five other receivables of the Company amounted to approximately RMB18,121,026 thousand (At the end of 2021: RMB12,357,035 thousand), accounting for 89.34% of the total other receivables of the Company (At the end of 2021: 89.20%).

3 Long-term equity investments

	June 30, 2022			December 31, 2021		
	Gross amount	Allowance for doubtful accounts	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates and joint ventures (1)	15,148,219	-	15,148,219	14,968,764	-	14,968,764
Subsidiaries (2)	58,418,945	-	58,418,945	56,334,362	-	56,334,362
	<u>73,567,164</u>	<u>-</u>	<u>73,567,164</u>	<u>71,303,126</u>	<u>-</u>	<u>71,303,126</u>

As of June 30, 2022, there are no major restrictions on the realization of investment and the remittance of return on long-term equity investments.

TCL Technology Group Corporation
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For the period from January 1, 2022 to June 30, 2022
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XV Notes to Financial Statements of the Parent Company (Continued)

3 Long-term equity investments (continued)

(1) Associates and joint ventures

	Beginning amount	Increase/decrease in investment in current period	Increase or decrease in current period					June 30, 2022	
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance		Other increases and decreases
Bank of Shanghai Co., Ltd.	11,919,796	-	729,672	4,068	-	(327,157)	-	-	12,326,379
China Innovative Capital Management Limited	1,063,219	-	(74,814)	-	-	-	-	-	988,405
LG Electronics (Huizhou) Co., Ltd.	92,079	-	5,763	-	-	(13,000)	-	-	84,842
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	36,160	-	(1,405)	-	-	-	-	-	34,755
Shenzhen Tixiang Business Management Technology Co., Ltd.	3,620	-	(1,823)	-	-	-	-	-	1,797
Shenzhen Jucai Supply Chain Technology Co., Ltd.	10,706	-	2,311	-	-	-	-	-	13,017
TCL Environmental Technology Co., Ltd.	122,391	-	3,539	-	-	-	-	-	125,930
Guangdong Innovative Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	372,976	-	(5,792)	-	-	-	-	-	367,184
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	151,026	(279)	13,636	-	-	-	-	-	164,383
Huizhou TCL Human Resources Service Co., Ltd.	3,296	-	3,030	-	-	-	-	-	6,326
TCL Microchip Technology (Guangdong) Co., Ltd.	313,434	-	(14,358)	-	-	-	-	-	299,076
Shenzhen Qianhai Sailing International Supply Chain Management Co., Ltd.	49,964	-	3,020	-	-	-	-	-	52,984
Hubei Consumer Finance Co., Ltd.	168,654	-	6,091	-	-	-	-	(14,174)	160,571
Tianjin 712 Communication & Broadcasting Co., Ltd.	661,443	(88,084)	21,332	-	-	(7,777)	-	(64,343)	522,570
	<u>14,968,764</u>	<u>(88,363)</u>	<u>690,202</u>	<u>4,068</u>		<u>(347,934)</u>		<u>(78,517)</u>	<u>15,148,219</u>

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

XV Notes to Financial Statements of the Parent Company (Continued)

3 Long-term equity investments (continued)

(2) Subsidiaries

	Direct shareholding Ratio (%)	Beginning amount	Increase in current period	Decrease in current period	June 30, 2022
TCL China Star Optoelectronics Technology Co., Ltd.	83.68%	32,700,898	268,400	-	32,969,298
TCL Technology Group Finance Co., Ltd.	82%	1,256,003	-	-	1,256,003
TCL Technology Group (Tianjin) Co., Ltd.	100%	15,000,000	-	-	15,000,000
TCL Zhonghuan New Energy Technology Co., Ltd.	2.41%	1,752,635	-	-	1,752,635
Wuhan China Star Optoelectronics Technology Co., Ltd.	-	-	-	-	-
TCL Culture Media (Shenzhen) Co., Ltd.	100%	361,414	-	-	361,414
Xinjiang TCL Equity Investment Ltd.	100%	200,000	-	-	200,000
Huizhou Sailuote Communication Co., Ltd.	100%	110,000	-	-	110,000
Highly Information Industry Co., Ltd.	66.46%	107,296	-	-	107,296
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100%	58,497	-	-	58,497
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100%	70,826	183	-	71,009
TCL Industrial Technology Research Institute, Ltd. (Europe)	100%	20,000	-	-	20,000
Wuhan TCL Industrial Technology Research Institute, Ltd.	100%	20,000	-	-	20,000
Shenzhen TCL High-Tech Development Co., Ltd.	100%	20,000	-	-	20,000
Beijing HAWK Cloud Information Technology Co., Ltd.	100%	20,000	-	-	20,000
Huizhou Hongsheng Science and Technology Development Co., Ltd.	100%	1,000	-	-	1,000
Beijing Zhiqujia Technology Co., Ltd.	100%	257,627	-	-	257,627
Tianjin Silica Material Technology Co., Ltd.	100%	1,000,000	1,800,000	-	2,800,000
Xiamen TCL Technology Industrial Investment Co., Ltd.	100%	-	1,000	-	1,000
TCL Internet Technology (Shenzhen) Co., Ltd.	100%	-	15,000	-	15,000
Ningbo TCL Equity Investment Ltd.	100%	300,000	-	-	300,000
TCL Technology Investments Limited	100%	2,988,293	-	-	2,988,293
Equity incentives of subsidiaries		10,373	-	-	10,373
		<u>56,334,362</u>	<u>2,084,583</u>	<u>-</u>	<u>58,418,945</u>

For the registered capital of subsidiaries and the Company's equity interests in the subsidiaries, see Note V.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

XV Notes to Financial Statements of the Parent Company (Continued)

4 Investments in other equity instruments

	June 30, 2022	December 31, 2021
Equity of unlisted companies	5,000	5,000

5 Other non-current financial assets

	June 30, 2022	December 31, 2021
Equity investments	126,644	1,051,536

6 Revenue and cost of sales

	January - June 2022		January - June 2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	339,768	333,523	618,241	606,953
Non-core business	249,803	78,878	155,431	28,602
	589,571	412,401	773,672	635,555

7 Return on investment

	January - June 2022	January - June 2021
Gain on disposal of debt instruments at fair value through profit or loss	140,452	62,402
Profit from holding debt instruments at fair value through profit or loss	-	19,419
Debt instruments at amortized cost through profit or loss	-	877
Dividends from subsidiaries	9,292,231	378,888
Share of profit of associates for current period	701,530	629,051
Share of profit of joint ventures for current period	(11,328)	(1,345)
Net income from disposal of long-term investments	484,672	761,859
	10,607,557	1,851,151

As of June 30, 2022, there were no significant restrictions on the collection of return on investment.

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
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XV Notes to Financial Statements of the Parent Company (Continued)

8 Net cash generated from operating activities

In the cash flow statement of the Company, the net cash inflow from operating activities was RMB975,555 thousand.

9 Cash and cash equivalents, end of the period

The balance of cash and cash equivalents of the Company at the end of the period was RMB14,738,040 thousand.

10 Contingent liabilities

As of June 30, 2022, the contingent liabilities not provided for in the financial report were as follows:

	June 30, 2022	December 31, 2021
Guarantees for trade notes and letters of guarantee of subsidiaries	17,462,870	10,025,125
Guarantees for bank loans of subsidiaries	33,269,665	29,542,641
Guarantees for bank loans, trade notes, letters of credit, etc. of related parties	6,185,884	15,991,207

TCL Technology Group Corporation
Notes to Financial Statements
For the period from January 1, 2022 to June 30, 2022
(RMB'000)

XVI Comparative Data

Certain comparative data have been reclassified to comply with the presentation of the current period.

XVII Non-Recurring Gains and Losses

	January - June 2022	January - June 2021
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	464,268	739,340
Government grants through profit or loss (exclusive of government grants given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	429,923	359,192
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 fair value of identifiable net assets of investees when making investments;	-	40,300
The profits or losses generated from changes in fair value arising from holding marketable financial assets and marketable financial liabilities, as well as the investment-related income from the disposal of marketable financial assets, marketable financial liabilities and available-for-sale financial assets, except for the effective hedging business related to the Company's normal business operation.	(11,164)	210,273
Reversal of provision for impairment of receivables that have been individually tested for impairment	10,180	-
Non-operating income and expenses other than the above	538,585	244,570
Income tax effects	(47,766)	(82,886)
Non-controlling interests effects	<u>(93,634)</u>	<u>(224,722)</u>
Non-recurring gains and losses attributable to ordinary shareholders of the parent company	<u>1,290,392</u>	<u>1,286,067</u>

The Company recognizes non-recurring gain and loss items in accordance with the provisions of (2008) No.43 *Explanatory Announcement No.1-Non-recurring Gains and Losses (2008)* issued by the China Securities Regulatory Commission.

TCL Technology Group Corporation
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XVIII 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 attributable to the parent Company for the reporting period	Weighted average return on equity (%)	EPS (RMB yuan)	
			Basic earnings per share	Diluted EPS income
Net profit attributable to ordinary shareholders of the Company	663,521	1.71%	0.0489	0.0485
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	(626,871)	(1.62%)	(0.0462)	(0.0458)

Company Name: TCL Technology Group Corporation

Date: August 26, 2022

The financial statements and the notes thereto from page 1 to page 153 are signed by:

Legal representative:	Li <u>Dongsheng</u>	Person-in-charge of financial affairs:	<u>Li Jian</u>	Person-in-charge of the accounting department:	<u>Xi Wenbo</u>
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