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

创意感动生活
The Creative Life

INTERIM REPORT 2020

29 August 2020

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Ramp up, Catch up

and Go all out to be A Global Leader

Chairman's Message

Dear shareholders, customers and partners,

In the first half of 2020, the global political and economic landscape constantly underwent major changes. Affected by the global COVID-19 epidemic, China's economic development faced greater challenges and risks. Enterprises were also inevitably affected, which would accelerate industrial transformation, upgrading and restructuring. To address the challenges, the government introduced the policy that "domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement", and strengthened economic vitality by tax reduction and liquidity management. Meanwhile, it vigorously supported industrial development, expedited the improvement of key technology, and enhanced the competitiveness of the manufacturing industry. All of these were conducive to the business development of the Group.

Seeking opportunities from the crisis, the Company kept transforming and innovating. It achieved revenue growth in all the sectors by maximizing cost efficiency as well as improving quality and profitability. In the first half of 2020, TCL Tech. recorded revenue of RMB29.33 billion, up by 12.3% year-on-year on the same basis, and a net profit attributable to the listed company's shareholders of RMB1.21 billion, down by 42.3% year-on-year. Excluding the effect of the gain from the spin-off, the net profit attributable to the listed company's shareholders increased by 7.6% year-on-year on the same basis.

The semi-conductor display business is still at the bottom of the cycle. Although it has stabilized and recovered, the prices of main products in the current period are still lower than those in the same period of last year. TCL CSOT exerted its superb management capabilities by constantly optimizing its products and customer structures. As a result, the large-size panel business achieved profit, while the small- and medium-size panel business improved significantly. In the first half of 2020, TCL CSOT reported a revenue of RMB19.51 billion (up by 19.9% year-on-year), a deficit of RMB133 million, and a net profit attributable to the parent company of RMB24 million.

Specifically, the net profit in the second quarter increased by RMB215 million from the first quarter. The supply and demand would gradually balance as the market recovers, resulting in a rebound of semi-conductor display industry. In the third quarter, prices of products are expected to rise at a faster pace. Profitability of TCL CSOT in the second half of the year will continue to improve.

With technological innovation as the driving force, the Company has a further investment in the display technology of intelligent and digital manufacturing to develop strategically integrated technologies and products, aiming at establishing a leading layout of next-generation display technologies, materials and processes. During the Reporting Period, the Company invested RMB2.88 billion in R&D, up by 28.9% year-on-year on the same basis. It established a joint laboratory with San'an Optoelectronics to research a process solution for the mass production of Micro-LED displays. It also acquired a strategic stake in JOLED Inc. of Japan to jointly promote the industrial production of large-size inkjet-printing OLED displays. The PCT applications of the Company increased by 838 and the accumulated PCT applications reached 12,113.

Given the competitive advantages of TCL CSOT, the Group will seize opportunities to further expand and develop itself through mergers and acquisitions, so as to secure its global leadership in the semi-conductor display business.

The industrial finance business of TCL developed steadily. It fulfilled the funding needs of the Company's key projects at a low cost, actively managed the industrial liquidity and global currency risks, and gradually built its capacity of global asset allocation. TCL Capital proactively made arrangements regarding new materials and technologies, established an ecological chain, and fostered new industries. Meanwhile, it acted a role in the sustainable and healthy development of the Company by achieving a favourable investment return.

To develop new driving forces for the long-term growth, the Company entered new markets in the capital- and technology-intensive strategic industries by taking its advantages of technology, management and capital. The Company acquired 100% equity of Tianjin Zhonghuan Electronics Group Co., Ltd., whose main asset was the controlling stake in "Tianjin Zhonghuan Semiconductor Co., Ltd." (stock code: 002129.SZ). The core business of "Zhonghuan Semiconductor" was semi-conductor silicon-wafer & photovoltaic silicon-wafer and its modules. The Company believes that the enterprise has a promising future with great potentials to lead the globe in the semi-conductor and photovoltaic business. As the core and basic component of integrated circuits, the semi-conductor silicon-wafer is in line with China's integrated circuit development strategy. The management and operation of Zhonghuan Electronics is similar to that of the Company, so the two can fully coordinate with and empower each other in terms of industrial chain, globalization as well as management systems, thus accelerating their respective business development. The acquisition also included a controlling stake in "Tianjin Printronics Circuit Corp." (stock code: 002134.SZ) and its other assets, which would inject new momentum into the Company's growth.

Looking ahead to the second half of 2020, enterprise development has reached another critical phase along with the breakout of global epidemic, the risk of China-US. trade war and increasing uncertainties of the world economy. However, we firmly believe that enterprises with competitive strength can always adjust quickly in every crisis, take the initiative to change, seize opportunities, and develop new capabilities.

In the second half of 2020, TCL CSOT will continue to promote the expansion of Phase II and Phase III of t4 plant (G6-OLED) and the construction of t7 plant (G11-LCD), enhance the competitiveness of the small- and medium-size panel business such as LTPS and flexible OLED, and develop new display technologies and materials. TCL CSOT will complete the acquisition of 60% equity of Samsung Electronics Suzhou LCD Co., Ltd. from Samsung Display (TCL CSOT and Suzhou Industrial Park hold the remaining 10% and 30% equity, respectively) and 100% equity of Samsung Display Suzhou Co., Ltd. The core business of these two plants are the production of G8.5 TFT-LCD panel (with a production capacity of 120K/month) and modules (with a production capacity of 3.5M/month), respectively. The acquisition will promote TCL CSOT to further optimize its industrial layout and product mix as well as the manufacturing and supply chain system, and enhance the competitiveness of the Company's large-size display business to achieve comprehensive leadership in products, technologies, efficiency, manufacturing, and industrial ecology construction.

The Company will further support and coordinate the semi-conductor and new energy business, fully release the vitality of internal organizations with mechanisms, and improve its core capabilities, so as to accomplish various tasks as planned and speed up the implementation of Zhonghuan Semiconductor's globalization strategy.

The industrial finance business of TCL will support the semi-conductor display from various aspects by constantly optimizing asset allocation. It will also boost the Company’s operational efficiency and control the global operation risks. Meanwhile, TCL Capital will focus on investment of industrial chain and other high-tech industries to promote the competitiveness of its industrial ecology.

The Company has established an optimistic operational budget this year. Despite the short-term effect brought by COVID-19 epidemic on operational results, the Company still has confidence to overcome difficulties and challenges to achieve the annual business objectives under great uncertainty of global economy in the second half of 2020. TCL Tech., in pursuit of the substantive development, will enhance the core competitiveness of China’s manufacturing industry and concentrate all resources and efforts to stride toward a global leadership.

李东生

Li Dongsheng
29 August 2020

Part I Important Notes, Table of Contents and Definitions

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

All the Company's directors have attended the Board meeting for the review of this Report and its summary.

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

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

Definitions

Term	Definition
The "Company", the "Group", "TCL", "TCL Tech." or "we"	TCL Technology Group Corporation and its consolidated subsidiaries, except where the context otherwise requires.
The "Reporting Period"	The period from 1 January 2020 to 30 June 2020.
The same basis after the spin-off	In April 2019, the Company completed the handover of assets in a significant spin-off. Therefore, the revenue data of H1 2020 and H1 2019 are not comparable as the former does not include the revenue generated by the spun-off assets in January-March 2020, while the latter comprises the such revenue in January-March 2019. Therefore, the revenue data of H1 2020 and H1 2019 are only comparable on the same basis after the spin-off.
The significant assets spin-off or the spin-off	The significant assets spin-off approved at the 13th meeting of the 6th Board of Directors on 7 December and the First Extraordinary General Meeting of 2019 on 7 January 2019.
TCL CSOT	TCL China Star Optoelectronics Technology Co., Ltd.
Zhonghuan Electronics	Tianjin Zhonghuan Electronics Group Co., Ltd.
Zhonghuan Semiconductor	Tianjin Zhonghuan Semiconductor Co., Ltd. (stock code: 002129.SZ)
Samsung Display	Samsung Display Co., Ltd.
Highly	Highly Information Industry Co., Ltd., a majority-owned subsidiary of the Company listed on the National Equities Exchange and Quotations (stock code: 835281)
Guangdong Juhua	Guangdong Juhua Printed Display Technology Co., Ltd.
China Ray	Guangzhou China Ray Optoelectronic Materials Co., Ltd.
CDOT	China Display Optoelectronics Technology Holdings Limited, a majority-owned subsidiary of the Company listed on the Stock Exchange of Hong Kong (stock code: 00334.HK)
Educational Web	TCL Educational Web Ltd.
Bank of Shanghai	Bank of Shanghai Co., Ltd. (stock code: 601229.SH), with the Company holding a 5.58% interest.
712 Corp.	Tianjin 712 Communication & Broadcasting Co., Ltd. (stock code: 603712.SH), with the Company holding a 19.07% interest as its second largest shareholder.
Fantasia	Fantasia Holdings Group Co., Limited, a listed company on the Stock Exchange of Hong Kong (stock code: 01777.HK), with the Company holding a 20.06% interest as its second largest shareholder.
Admiralty Harbour Capital	Admiralty Harbour Capital Limited
China Innovative	China Innovative Capital Management Limited
t1 project	The generation 8.5 (or G8.5) TFT-LCD production line of TCL CSOT

t2 project	The generation 8.5 (or G8.5) TFT-LCD (including oxide semiconductor) production line of TCL CSOT
t3 project	The generation 6 (or G6) LTPS-LCD panel production line of TCL CSOT
t4 project	The generation 6 (or G6) flexible LTPS-AMOLED panel production line of TCL CSOT
t6 project	The generation 11 (or G11) new TFT-LCD production line of TCL CSOT
t7 project	The generation 11 (or G11) new ultra-high-definition (UHD) TFT-LCD and AMOLED production line of TCL CSOT

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	TCL Tech.	Stock code	000100
Changed stock name (if any)	N/A		
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	19/F, Tower B, TCL Building, Gaoxin South First Road, Shenzhen High-Tech Industrial Park, Shenzhen, Guangdong Province, China
Tel.	0755-3331 1666
Fax	0755-3331 3819
Email address	ir@tcl.com

III Other Information

1. Contact Information of the Company

No change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period. The said information can be found in the 2019 Annual Report.

2. Media for Information Disclosure and Place where this Report is Lodged

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 in the Reporting Period. The said information can be found in the 2019 Annual Report.

3. Other information

No change occurred to the other information in the Reporting Period.

IV Key Financial Information

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

□ Yes ■ No

Serial No.	Item	H1 2020	H1 2019	Change (%)
1	Revenue (RMB) Note	29,333,210,856	43,781,613,735	-33.00
	Revenue on the same basis after the spin-off (RMB) Note	29,333,210,856	26,119,468,731	12.30
2	EBITDA (RMB)	6,143,106,318	8,436,689,169	-27.19
3	Net profit attributable to the listed company's shareholders (RMB) Note	1,208,065,986	2,092,348,692	-42.26
	Net profit attributable to the listed company's shareholders before non-recurring gains and losses (RMB)	181,862,847	250,467,130	-27.39
4	Basic earnings per share (RMB/share)	0.0932	0.1569	-40.60
	Diluted earnings per share (RMB/share)	0.0893	0.1544	-42.16
5	Weighted average return on equity (%)	4.11	7.17	-3.06
6	Net cash generated from/used in operating activities (RMB)	7,347,810,779	6,150,821,822	19.46
	Net cash per share generated from/used in operating activities (RMB/share)	0.5431	0.4539	19.65
		30 June 2020	31 December 2019	Change (%)
7	Total assets (RMB)	184,833,234,677	164,844,884,926	12.13
8	Total owners' equity (RMB)	64,891,825,753	63,883,145,340	1.58
	Owners' equity attributable to the listed company's shareholders (RMB)	30,027,342,791	30,111,946,237	-0.28
9	Share capital (share)	13,528,438,719	13,528,438,719	0.00
10	Equity per share attributable to the listed company's shareholders (RMB/share)	2.2196	2.2258	-0.28

Note: In April 2019, the Company completed the handover of assets in a significant spin-off. Therefore, the H1 2019 data included the results of the spun-off assets for January-March 2019 and a gain of RMB1.15 billion from the spin-off. Provided that the H1 2019 data were on the same basis after the spin-off, revenue would be up by 12.3% year-on-year. In 2020, the Company continued to focus on its core business and maximize shareholder's value by spinning off the Educational Web business, which generated a gain of RMB234 million. Provided that the spin-off gains were excluded from both of the H1 2020 and H1 2019 data, the net profit attributable to the listed company's shareholders would be up by 7.6% year-on-year on the same basis.

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

Total share capital at the end of the last trading session before the disclosure of this Report (share)	13,519,279,411
Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.0894

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

1. Net Profit and Equity under CAS and IFRS

□ Applicable ■ Not applicable

No such differences for the Reporting Period.

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

□ Applicable ■ Not applicable

No such differences for the Reporting Period.

3. Reasons for Accounting Data Differences Above

□ Applicable ■ Not applicable

VI Non-Recurring Gains and Losses

Unit: RMB

Item	H1 2020	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	289,778,280	Not applicable
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)	355,097,992	Not applicable
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	280,758,994	Not applicable
Spin-off costs in staff arrangement, integration, etc.	-	Not applicable
Gain or loss on fair-value changes in held-for-trading financial assets and liabilities & return on investment from disposal of held-for-trading financial assets and	40,067,037	Not applicable

liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)		
Non-operating income and expense other than the above	192,303,192	Not applicable
Other gains and losses that meet the definition of non-recurring gain/loss	-	Not applicable
Less: Corporate income tax	78,214,197	Not applicable
Non-controlling interests (net of tax)	53,588,159	Not applicable
Total	1,026,203,139	Not applicable

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

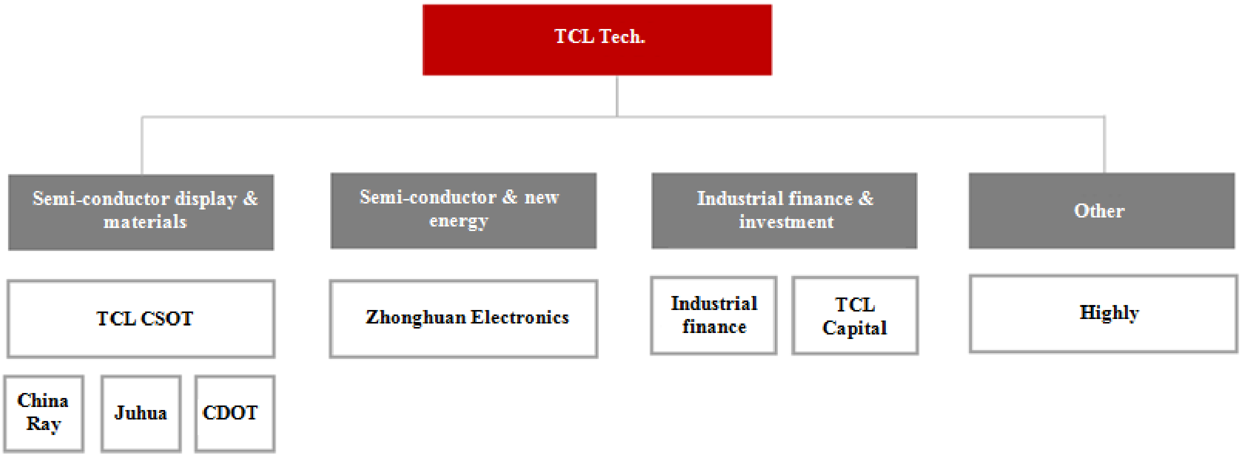
□ Applicable ■ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

During the Reporting Period, the main business structure of TCL Tech. still consisted of the following three segments: the semi-conductor display and materials business, the industrial finance & investment business and the other businesses. The Company acquired 100% equity of Tianjin Zhonghuan Electronics Group Co., Ltd. After the Ownership Transaction, the business structure of the Company is planned to be adjusted as follows:



For further information about the Company's businesses, please refer to "Part IV Management Discussion and Analysis" herein.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant change
Held-for-trading financial assets	Increase in purchases of wealth management products
Prepayments	Increase in prepayments to suppliers
Other receivables	Increase in security deposit payments
Equity assets	No significant change
Investment property	Transfer from construction in progress
Fixed assets	Transfer from construction in progress
Intangible assets	No significant change

Construction in progress	Transfer to fixed assets and investment property
Development costs	Transfer-out upon availability for intended use
Long-term prepaid expense	Increase in the current period
Other non-current assets	Increase in prepayments for equipment and land use rights

2. Major Assets Overseas

□ Applicable ■ Not applicable

III Core Competitiveness Analysis

Established in Huizhou in 1981, TCL has been sticking to the industry for nearly 40 years by keeping innovating, forging ahead and daring to change. Today, TCL has grown into a leading company with global influence. In early 2019, the Company completed a divestment of the intelligent terminal and supporting businesses and officially renamed itself as “TCL Tech.”, positioning as a global leading technology group. At present, the Company has become a global leader in LCD panels with a rapidly increasing market share.

With a clear strategic development path and promising long-term development potential, the Company’s leadership in LCD panels is constantly improving

In March 2020, TCL Tech. completed the sale of its online education business, continued to focus on high-tech, capital-intensive and long-cycle strategic emerging industries, and enhanced its industrial finance capability. With a clear development path, the Company has witnessed great improvement in its core competitiveness and sustainable capability. The growth potential of the Company has been further released. Under the heavy pressure of the epidemic in 2020, the sales area and revenue of panels have increased with a growth rate significantly higher than that of the industry and its major competitors.

At present, the industry downturn accelerates the restructuring of competition pattern, and the scale of production is rapidly centralizing at China's leading companies. The Company took the opportunity to liquidate inefficient production capacity and actively seek opportunities for mergers and acquisitions. With the successive release of production capacity, TCL Tech. will be able to cover all the mainstream sizes of display application, meet the specific technical and specification requirements of application customers in various industries, further enhance the Company's position in the industry, and drive the growth of its operational efficiency and profitability. With an increasing centralization of panel market, the business cycle of the industry will be shortened significantly, and the fluctuations of panel price will be greatly reduced, leading to a better long-term profit outlook.

With emphasis on both scale and benefit, TCL CSOT maintains a global-leading efficiency

TCL CSOT has grown into a high-tech company driven by technology and management. It continues to expand in the field of LCD large-screen segmentation with the largest scale growth rate in the world, while the production of overseas manufacturers keeps declining.

With advantages in market segment scale, TCL CSOT maintains the world's leading industry management capability. Its efficiency and benefit indicators continue to lead the industry. Through organization optimization, procedure simplification, plan innovation and expense management, TCL CSOT has realized the effective reduction of material costs, manufacturing expenses and platform expenses.

With the gradual reshuffle of the industry, the industrial pattern is expected to be significantly optimized. Base on its comprehensive and efficient industrial layout, industry-leading management capacity and operational efficiency, as well as advantages in specific market segment, TCL CSOT will steadily enter the stage of high growth, further improve its market share, profitability, competitive advantages and industry position.

With strong R&D capabilities and a global layout, TCL Tech. is committed to developing itself into a world-leading technology company

TCL Tech. spared no effort in R&D investment. In the first half of 2020, the Company's R&D investment reached RMB2.88 billion, accounting for 9.81% of its revenue. The Company attached great importance to the reserves and exploration of cutting-edge technologies, making efforts on major breakthroughs in such aspects as technological layout, product layout, and technological material layout. In terms of the large-size panel business, TCL CSOT has an intensive process background, which has realized many milestone achievements in research. The Company's large-size HVA products are technologically advanced in high-end machines. In the future, the

Company will consolidate such advantages in the high-end market through the promotion of 8K & Touch technologies, and will keep advancing the mass production of flexible printed QLED/OLED displays. In terms of the small- and medium-size panel business, TCL CSOT will enter the market with high-end products. The high-color-saturation CPLP + IEST energy saving + low blue light technology, which researched and developed independently by TCL CSOT, can improve image quality and protect human eyes, and has already been supplied to major mobile phone manufacturers. In addition, the next-generation of fully flexible AMOLED production line has been mass-produced, leading a broad application prospect of foldable and rollable products.

In the first half of 2020, TCL Tech. submitted 838 PCT applications. Its accumulated applications reached 12,113, covering different regions such as Europe, the United States, and South Korea. During the Reporting Period, TCL CSOT submitted 838 PCT applications and its accumulated applications reached 11,895. As at 30 June 2020, TCL Tech. has applied for 25,700 Chinese patents and 10,329 U.S. patents. As at 30 June 2020, TCL CSOT has applied for 20,355 Chinese patents and 10,175 U.S. patents. The Company owns 1,199 public patents in the field of quantum dots, ranking the 2nd in the world.

The Company is committed to seizing the unprecedented opportunities for industrial adjustment and reshuffle in the semi-conductor display and materials field by vertical extension and horizontal integration of the industrial chain. It wil also focus on the ecological layout of such fields as basic materials, next-generation display materials, and key equipment in new processes with a view to forming an advantage base on ecological leadership. Through continuous investment, the Company has been making breakthroughs in the research and development of printed display technologies and new materials. The "National Printed and Flexible Display Innovation Center" of Guangdong Juhua, a subsidiary of the Company, is the sole national innovation center in the display field in China, building into the world's most advanced printing display public platform. The R&D strength and development progress of China Ray are at the forefront of the industry. The OLED materials of China Ray has been mass-supplied. The QLED R&D team of the company has solved key problems (such as lifetime of red and green materials). The performance of the independently developed blue-light emitting material leads an advanced position, and its relevent research achievements have been published on the top international scientific journal - Nature Communication.

Industrial cluster linkage brings an effective synergy advantage

After the spin-off, the Company held the industrial finance & investment and venture capital business, mainly comprising TCL Finance and TCL Capital. The sector supported the semi-conductor display business from various aspects. It reduced financing costs and improved resource efficiency for the Group. TCL Finance provided financial services for the Company's main business and its partners of the industrial chain, ensuring the provision of resources for major investment projects, and generating revenue by utilizing surplus capital.

TCL Capital will expand the scale of funds and strengthen its financial investment capabilities. It will invest in artificial intelligence, semi-conductor display technology, new materials, intelligent manufacturing and other fields to play an active role in building an industrial ecology. The industrial finance & investment and venture capital business is conducive to the Company's industrial chain layout around its core business. The stable profit contribution it brings also helps offset the influence of the semi-conductor display industrial downturn. Focusing on the main business, TCL's investment and venture capital business has realized the coordinated development of industrial technologies and investment opportunities. It accomplished many successful investments in such fields as core electronic devices, basic software and high-end general-purpose chips, including the investments on Cambricon and YEESTOR Microelectronics.

The connotation of "Spirit of Eagle" is enriched and the cultivation of corporate culture is strengthened

Through the ups and downs for more than 30 years, our company developed the "spirit of eagle", which reflects TCL's core values and competitiveness, as well as cohesion of TCLers. The connotation of the "Spirit of Eagle" will be re-interpreted in the new era of development and further motivate all TCLers to forge ahead, embrace changes, challenge conventional ideas, endure hardship, make progress and continue to thrive. In 2019, the Company upgraded its corporate culture based on the "Spirit of Eagle". In 2020, the Company continued to strengthen the team-building and cultivation of corporate culture by improving the organizational structure and the collaborative division of labor between the data headquarters and subordinate industries. It achieved certain results as constantly enhancing the management and work quality of employees at each tier through multiple rounds of in-depth management training. During the epidemic in early 2020, the quick organization of 600 employees from Shenzhen and Huizhou branches to support Wuhan, the normal operation of Wuhan CSOT, and the zero infection of 7,000 employees in Wuhan plant, are all evidences of the further deepening and consolidation of the corporate culture.

Part IV Management Discussion and Analysis

I Overview

International political and economic environment has become more complex and volatile this year. The COVID-19 epidemic has further aggravated the anti-globalization sentiment, resulting in increasing obstacles to foreign trade and technological cooperation. The cyclical recovery of the semi-conductor display sector has been disturbed under the new phase of the global economy. In the face of such crises, the Company adheres to its solid and steady strategy, which is to build an emerging high-tech business group with global competitiveness, and concentrates on high-tech industries by maximizing efficiency.

In the first half of 2020, on the same basis after the spin-off, the Company recorded revenue of RMB29.33 billion, up by 12.3% year-on-year, and a net profit attributable to the listed company's shareholders of RMB1.21 billion, down by 42.3% year-on year. Excluding the gain from the spin-off, the net profit attributable to the listed company's shareholders increased by 7.6% year-on-year on the same basis. **Specifically, the net profit attributable to the listed company's shareholders was RMB0.8 billion in the second quarter, up by 96% from the first quarter.**

During the Reporting Period, the semi-conductor display sector remained at the bottom of the industrial cycle. Under the negative impact on logistics and work resumption caused by the epidemic, **the Company has maintained a relatively leading advantage in efficiency and benefit by promoting refined management.** TCL CSOT reported a revenue of RMB19.51 billion, up by 19.9% year-on-year; a net loss of RMB133 million, down by RMB1,152 million year-on-year (in the second quarter, there was an improvement of RMB215 million from the first quarter); and a net profit attributable to the parent company of RMB24 million. The Company has a further investment in R&D and intelligent manufacturing, aiming to develop strategically integrated technologies and products. During the Reporting Period, the Company's R&D investment reached RMB2.88 billion, up by 28.9% year-on-year on the same basis. Meanwhile, the industrial finance, venture capital and other businesses sector recorded a net profit of RMB1.2 billion, stabilizing the Company's profitability during the industry downturn. The expansion of the global semi-conductor display production is coming to the concluding phase, which leads to a reconstruction of the industry. Given the prices of display pannel in major sizes began to recover in July, the Company would imporove its performance in the second half of the year.

The Company's semi-conductor display sector achieved a globally leading scale. During the

Reporting Period, the t1, t2, and t6 production lines of TCL CSOT maintained at full capacity and ranked second globally in terms of the TV panel market share. The market share of 55-inch TV panel ranked the 1st in the world, while its 65-inch TV panel ranked the 2nd. Although the small- and medium-size panel plants located in Wuhan, thanks to the well management of supply chain, the LTPS panel of the t3 production line operated at full capacity, and the high-end, new-form product of the t4 flexible AMOLED production line was rapidly improved. Cooperation with global leading brand customers was constantly deepened. Additionally, steady progress was made in t7 project construction.

In the meantime, TCL CSOT seized the opportunity of industrial restructuring to consolidate its leading position in display panels through internal development and external M&A. With the release of production capacity of t4 and t7 and the integration of Suzhou Samsung's production line, by 2023, the compound annual growth rate of TCL CSOT's capacity will reach 18.8%. Given the rapid scale growth and the improvement of industry, TCL CSOT will enter a dual-driven development stage.

Leading Technology is always the Company's main driving force. As 5G technology develops, the demand for large-size, 8K, Touch and other display products grows rapidly. With the promotion of mobile Internet, requirements for the quality of electronics consumption keeps raising, and the demand for distance education, online shopping and social entertainment increases. The Company actively deepened cooperation with strategic suppliers and launched "smart screen", "wisdom screen" and other interactive products. Together with the partners of the industrial chain, the Company promoted high-end display demand such as 8K/120Hz and built an IoT ecology of multiple scenarios.

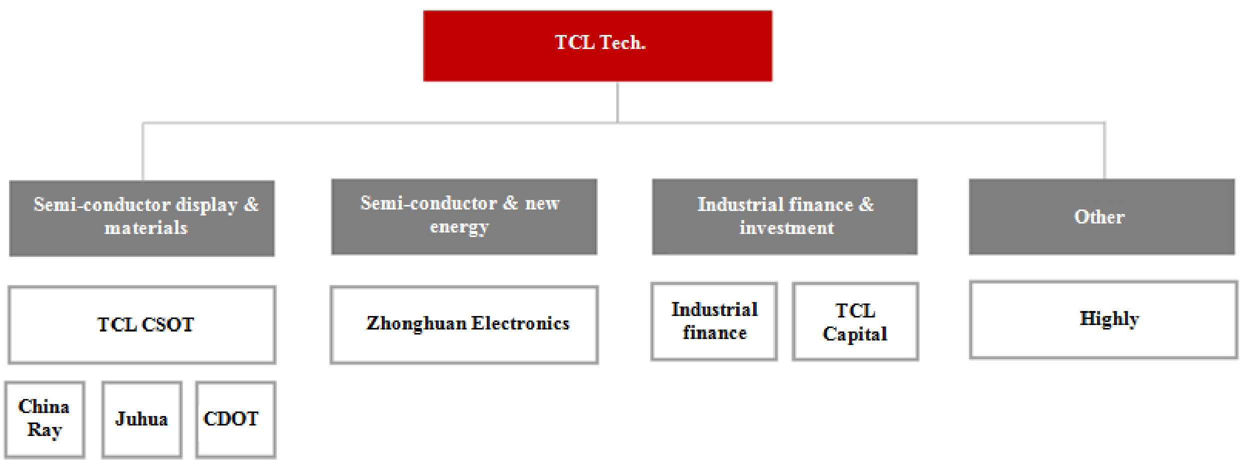
During the Reporting Period, the Company focused on the layout of the next-generation display technologies and ecology. TCL CSOT established a joint laboratory with San'an Optoelectronics to develop Micro-LED display technology and formed a solution for commercial production of Micro-LED displays. The Company also invested in JOLED Inc. to accelerate the application of inkjet printing technology and to lead the construction of a global new display industrial ecology covering upstream equipment, materials and devices. TCL CSOT will promote the development of Micro-LED and printed OLED displays and develop the independent intellectual property rights of the new display technology field from materials, processes, equipments and production line solutions, so as to lead the future display technologies.

The COVID-19 epidemic not only caused a crisis with considerable difficulties for global public security, but also increased the uncertainty of the global economy. Looking ahead, we will make preparations for the new development pattern of "dual circulation" . As the foundation of the electronic information industry, semi-conductor and semi-conductor display are strategic industries related to the overall development of national economy and society. At present, the historic relocation of global semi-conductor industry has already emerged, speeding up the industrial restructuring.

With an innovative and disruptive thinking, the Company will keep improving management to grow into a global leader. The Company will transform and upgrade itself from lean production to advanced manufacturing that features intelligent and digital production. It will also introduce IPD and LTC to optimize process and improve the organizational capabilities as well as the talent pool. The Company will continue to promote the vertical extension and horizontal integration of the semi-conductor display business. In addition, it will empower China's semi-conductor and new energy industries, which are rising at an accelerated pace, with industrial integration experience and global layout capabilities accumulated over the past 30 years. In high-tech, heavy-assset and long-cycle fields, the Company will continuously consolidate the foundation to secure a world-leading position, and constantly accumulate core assets in tech field.

II Core Business Review

During the Reporting Period, the principal business structure of TCL Tech. still consisted of the following three segments: the semi-conductor display and materials business, the industrial finance & investment business and the other businesses. The Company acquired 100% equity of Tianjin Zhonghuan Electronics Group Co., Ltd. After the Ownership transaction, the business structure of Company is planned to be adjusted as follows:



(I) Semi-conductor Display and Materials Business

In the first half of 2020, the sudden COVID-19 epidemic hit the semi-conductor display sector badly. The consumer demand was temporarily suppressed, the cyclical recovery of the semi-conductor display sector was delayed, and the panel prices fluctuated at the historical bottom. In the face of the severe external challenges, **TCL CSOT adhered to its strategic focus and strove for survival through maximizing cost efficiency, thus maintaining its industry-leading operational efficiency and benefit.** During the Reporting Period, TCL CSOT recorded product sales area of 14.2 million square meters, up by 47.9% year-on-year; revenue of RMB19.51 billion, up by 19.9% year-on-year; and EBITDA of RMB4.63 billion, basically unchanged compared with the same period of last year. Affected by the historically low prices of display panels and the one-time expenditure brought about by the upgrade of epidemic prevention and control measures, TCL CSOT had a deficit of RMB133 million during the Reporting Period. Specifically, the net profit in the second quarter increased by RMB215 million from the first quarter, and the net profit of the large-size panel business in the second quarter increased by RMB110 million from the first quarter. TCL CSOT's profitability maintained a leading position in the industry.

Scale advantage was further enhanced, and supply chain control and manufacturing capabilities were improved. The t1, t2, and t6 production lines operated at full capacity for strong sales, achieving large-size panel sales area of 13.67 million square meters, up by 52.9% year-on-year, along with revenue of RMB12.16 billion, up by 32.3% year-on-year. In the meantime, equipment was moved into the t7 production line as planned. It is expected that mass production will start in early 2021. In Huizhou, the high-generation module factory operated with a monthly production capacity of more than 4 million pieces, and the Phase II construction of a smart factory that mainly produces super-large panels of 8K and 80 inches or above was promoted. Mass production can be expected by the end of 2020.

As for the small- and medium-size panel business, such impact as material shortages and work resumption delay during the epidemic was overcome, which guaranteed safe production continuously. The panel section of the t3 production line operated at full capacity, and the production capacity of the module section returned to normal in the second quarter. Moreover, the Phase I production capacity and yield rate of the t4 flexible AMOLED production line were improved as scheduled, products for brand manufacturers were mass produced and delivered, and the construction of Phase II and Phase III was accelerated. The small- and medium-size panel business recognized sales area of 0.53 million square meters, down by 19% year-on-year; and revenue of RMB7.35 billion (including CDOT), up by 3.80% year-on-year.

Product and customer structures kept improving, while super-large TV, commercial display and high-end notebook computer businesses grew rapidly. The G11 production line t6 of TCL CSOT operated at full capacity, driving the continued rapid growth of the large-size panel business. The shipping area of 55-inch and larger-size products accounted for more than 70%. Specifically, the TV panel market share rose to 2nd in the world rankings: the market share of 55-inch panels ranked the 1st in the world, that of 65-inch panels ranked the 2nd, and that of 75-inch panels also ranked the 2nd. Commercial display business grew rapidly in the field of high-end gaming monitors and interactive whiteboards. The shipment of 86-inch interactive whiteboards ranked 2nd in the world. In the small- and medium-size panel business, the shipment of LTPS smart phone panels ranked the 3rd in the world; LTPS notebook computer panels were sold to a number of international brand customers, and the annual shipment was expected to become the world's 2nd; flexible AMOLED smart phone panels were stably supplied to brand customers for their flagship products, and the shipment surged to the 4th place in the world.

With technological innovation as the main driving force, product competitiveness was continuously enhanced, the layout in the field of new display technologies and materials was improved, and a technological and ecological leadership advantage was formed. TCL CSOT constantly consolidated the application advantages of HVA technology in large-size LCD high-end products, improved the shares of such high-end products as 8K/120Hz, and accelerated the mass production of MLED product based on Mini-LED on Glass. In the LTPS application field, it increased the proportion of Incell/COF/blind via product, and strengthened the development of mass production technology for under-display/in-display fingerprint sensors to products with LCD screens. For flexible AMOLED displays, the focus was placed on under-display shooting, folding, LTPO and other special technologies. The yield rate ramp-up of foldable screens and double-curved perforated screens was successful, and the product performance met the demand of brand customers.

TCL CSOT attaches great importance to the technological development of the next-generation new display field. It has been investing in new display technologies such as printed OLED/QLED and

Micro-LED. During the Reporting Period, TCL CSOT and San'an Semiconductor jointly invested in the establishment of a laboratory. Focusing on the development of Micro-LED technology, the two aim to promote the Company's ecological layout in the field from materials, processes, equipment and production line solutions to independent intellectual property rights.

Guangdong Juhua subordinate to the Company, as the only "National Printed and Flexible Display Innovation Center" of the industry, focuses on the basic, key technology development and industrial applications of printed display processes. China Ray develops new OLED key materials with independent IP. Optical overlay (CPL) materials have been mass-produced and shipped, and the performance of red and green light-emitting materials for printed OLED has been greatly improved. Furthermore, breakthroughs have been made in key problems such as the lifetime of red and green materials for QLED materials. The number of public patents in quantum dot electroluminescent field ranks the 2nd in the world. In order to accelerate the industrialization process of printed display technologies, TCL CSOT acquired a strategic stake in JOLED Inc. Through joint R&D, patent cooperation, etc., the two will speed up the industrial mass production of printed OLED displays from all aspects including materials, equipments, processes and products, and will improve the Company's ecology construction in the key processes of the printed display industrial chain, with a view to leading the future technological development trend.

Looking ahead to the second half of 2020, the impact of the epidemic will gradually weaken. With the approach of the sales season, downstream customers will actively stock up, panel prices will rebound, and industry operating profit will be improved. In the long run, the trend of steady growth in demand will remain unchanged, the exit of the industry's inefficient production capacity will accelerate, the restructuring and integration of the industry will speed up, and the industrial concentration will further increase. The long-term development prospects are bright.

TCL CSOT will grasp the opportunity of industry integration to expand its scale and enrich its product portfolio; continue to leverage the business synergy advantage, accelerate the progress of localization, and make breakthroughs in cost reduction. In addition, it will expedite the development of future-oriented capabilities, promote the IPD/LTC process system reform, improve digital-related capabilities and intelligent manufacturing quality, and make its utmost efforts to achieve technology leadership and ecology leadership by improving efficiency and product mix.

(II) Industrial Finance and Investment Business

TCL's industrial finance business mainly includes the Group's finance and the supply chain finance. In the first half of 2020, affected by the COVID-19, the finance team focused on the funding needs of the Group's key projects, and strengthened the active management of liquidity and currency risk. The supply chain finance business took full advantage of Internet platform, and jointly with domestic financial institutions, continuously provided high quality and convenient receivables financing services for small and medium enterprise partners affected by the epidemic, realizing the sound development of the industrial ecosystem. In the second half, the industrial finance business will stick to the service concept of "partner finance", focus on real industrial needs, highlight the improvement of user experience, and constantly enrich and deepen service.

TCL Capital seek investment opportunities in key fields of technological industries, including new display technology, semi-conductor and their relevant industry chain, as well as high end materials and technological equipments that promote technology and create synergy. At the same time, investment value was generated. By the end of the Reporting Period, the scale of funds managed by TCL's venture capital business reached RMB8,989 million, and it invested in 121 projects cumulatively. Currently, it holds stocks of CATL, Dynanonic, Willsemi, Cambricon, DKEM, and other listed companies. Admiralty Harbour Capital obtained No. 6 license from HK SFC successfully during the Reporting Period and became an investment bank with full licenses. In the first half of 2020, it completed 9 bonds issuing and underwriting projects and 4 debt management projects. Its investment banking and asset management business developed healthily. China Innovative has invested in more than 110 listed companies cumulatively with steady growth in performance. It invested in mature companies related to the Company's businesses.

At the end of the Reporting Period, the Company invests in some listed companies directly, including a 19.07% interest in 712 Corp. (603712.SH), a 5.58% interest in Bank of Shanghai (601229.SH) and a 20.06% interest in Fantasia Holdings (01777.HK).

III Core Business Analysis

Year-on-year changes in key financial data:

Unit: RMB

	H1 2020	H1 2019	Change (%)	Main reason for change
Revenue	29,333,210,856	43,781,613,735	-33.00%	The spin-off
Cost of sales	26,740,893,081	37,357,128,093	-28.42%	The spin-off

Selling expense	324,665,389	2,382,736,337	-86.37%	The spin-off
Administrative expense	770,003,011	1,266,510,300	-39.20%	The spin-off
R&D expense	1,882,501,102	1,880,666,523	0.10%	No significant change
Finance costs	916,022,280	604,713,951	51.48%	Increase in financings
Income tax expense	164,586,735	282,946,949	-41.83%	The spin-off
R&D investments	2,878,922,049	2,666,576,851	7.96%	No significant change
Net cash generated from/used in operating activities	7,347,810,779	6,150,821,822	19.46%	No significant change
Net cash generated from/used in investing activities	-17,208,563,956	-21,986,038,288	21.73%	The spin-off
Net cash generated from/used in financing activities	13,235,850,184	5,464,945,756	142.20%	Increase in financings
Net increase in cash and cash equivalents	3,388,412,372	-9,901,559,172	134.22%	Increase in net cash generated from operating activities, increase in financings and the spin-off

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

□ Applicable ■ Not applicable

No such changes in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB

	H1 2020		H1 2019		Change (%)
	Revenue	As % of total revenue	Revenue	As % of total revenue	
Total	29,333,210,856	100%	43,781,613,735	100%	-33.00%
By operating division					
Semi-conductor display business	19,512,204,757	66.52%	16,275,666,954	37.17%	19.89%
Distribution business	9,126,805,527	31.11%	8,814,033,673	20.13%	3.55%
Other businesses and internally offset accounts	694,200,572	2.37%	18,691,913,108	42.70%	-96.29%
By product category					
Semi-conductor display devices	19,512,204,757	66.52%	16,275,666,954	37.17%	19.89%
Distribution of electronics	9,126,805,527	31.11%	8,814,033,673	20.13%	3.55%
Other businesses and internally offset accounts	694,200,572	2.37%	18,691,913,108	42.70%	-96.29%

By operating segment					
Mainland China	20,814,424,616	70.96%	23,804,831,122	54.37%	-12.56%
Overseas (including Hong Kong)	8,277,832,855	28.22%	19,559,977,677	44.68%	-57.68%
Others	240,953,385	0.82%	416,804,936	0.95%	-42.19%

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

Unit: RMB

	Revenue	Cost of sales	Gross profit margin	YoY change in revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Semi-conductor display business	19,512,204,757	17,578,748,152	9.91%	19.89%	26.99%	-5.04%
Distribution business	9,126,805,527	8,791,575,814	3.67%	3.55%	3.47%	0.07%
By product category						
Semi-conductor display devices	19,512,204,757	17,578,748,152	9.91%	19.89%	26.99%	-5.04%
Distribution of electronics	9,126,805,527	8,791,575,814	3.67%	3.55%	3.47%	0.07%
By operating segment						
Mainland China	20,814,424,616	19,272,086,968	7.41%	-12.56%	-4.74%	-7.61%
Overseas (including Hong Kong)	8,277,832,855	7,426,275,636	10.29%	-57.68%	-56.14%	-3.15%

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

□ Applicable ■ Not applicable

Any over 30% YoY movements in the data above and why:

The movements were primarily driven by the spin-off.

IV Analysis of Non-Core Businesses

□ Applicable ■ Not applicable

V Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2020		31 December 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		

Monetary assets	21,542,628,054	11.66%	18,648,184,663	11.31%	0.35%	No significant change
Accounts receivable	9,730,783,694	5.26%	8,340,353,992	5.06%	0.20%	Increase in revenue
Inventories	5,541,418,058	3.00%	5,677,963,123	3.44%	-0.44%	No significant change
Investment property	1,163,696,611	0.63%	82,272,964	0.05%	0.58%	Transfer from construction in progress
Long-term equity investments	18,606,252,622	10.07%	17,194,284,162	10.43%	-0.36%	Return on investment in associates and joint ventures, as well as increase in the investment in Bank of Shanghai
Fixed assets	59,857,478,115	32.38%	45,459,070,330	27.58%	4.80%	Transfer from construction in progress
Construction in progress	21,017,402,164	11.37%	33,578,289,802	20.37%	-9.00%	Transfer to fixed assets and investment property
Short-term borrowings	16,491,170,954	8.92%	12,069,657,099	7.32%	1.60%	Increase in financings
Long-term borrowings	46,145,998,074	24.97%	38,512,059,200	23.36%	1.61%	Increase in financings

2. Assets and Liabilities at Fair Value

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Increase in the Reporting Period	Decrease in the Reporting Period	Ending amount
Financial assets						
1. Held-for-trading financial assets (excluding derivative financial assets)	8,617,440,186	106,075,384	-	11,434,746,249	8,492,845,265	11,665,416,554
2. Derivative financial assets	159,035,592	16,810,520	37,311,285	7,638,267	33,583,848	187,211,816

3. Receivables financing	-	-	-636,831	107,391,838	-	106,755,007
4. Investments in other equity instruments	279,883,515	-	-7,149,123	6,328,611	8,140,429	270,922,574
Subtotal of financial assets	9,056,359,293	122,885,904	29,525,331	11,556,104,965	8,534,569,542	12,230,305,951
Financial liabilities	272,924,688	8,851,977	114,299,180	218,027,917	53,910,065	560,193,697

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

□ Yes ■ No

3. Restricted Asset Rights as at the Period-End

Restricted assets	Carrying amount (RMB’0,000)	Reason for restriction
Monetary assets	25,103	Deposited in the central bank as the required reserve
Monetary assets	26,544	Other monetary assets
Held-for-trading financial assets	184,061	Put in pledge for loan
Fixed assets	3,609,419	As collateral for loan
Intangible assets	261,606	As collateral for loan
Total	4,106,734	-

VI Investments Made

1. Total Investment Amount

Total investment amount in the Reporting Period (RMB)	Total investment amount in the same period of last year (RMB)	Change (%)
15,240,085,210	3,621,221,234	320.85%

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 Assets at Fair Value

Unit: RMB'0,000

Type of assets	Initial investment cost	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Cumulative return on investment	Ending amount	Funding source
Stocks	142,513	4,679	-715	82,627	80,542	1,444	55,248	Self-funded
Bonds	456,605	-8,538	-	187,296	172,408	13,194	285,701	Self-funded
Wealth management products	1,166,225	6,969	-	868,212	597,148	4,306	577,362	Self-funded
Derivative financial instruments	764	1,681	3,731	764	3,358	-4,610	18,721	Self-funded
Others	269,233	7,498	-64	16,713	-	2,111	285,998	Self-funded
Total	2,035,340	12,289	2,953	1,155,610	853,457	16,445	1,223,031	--

5. Financial Investments

(1) Securities Investments

Unit: RMB'0,000

Security type	Security code	Security name	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	Sold in the Reporting Period	Gain/loss in the Reporting Period	Ending carrying amount	Accounting title	Funding source
Bank's wealth management	Not applicable	Agricultural Bank of China "Huilifen	145,000	Fair value	-	83	-	145,000	-	83	145,083	Held-for-trading	Self-funded

product		g" Corporate Customized RMB Structured Deposit Product										financial assets	
Bank's wealth management product	Not applicable	Bank of China Principal-Protected Wealth Management—CNYAQKF	100,000	Fair value	-	973	-	100,000	-	973	100,973	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Agricultural Bank of China "Huilifeng" Corporate Customized RMB Structured Deposit Product	40,000	Fair value	-	677	-	40,000	-	677	40,677	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Huaxia Bank Enterprise Growing Income Conservative Customized Wealth Management Product	40,000	Fair value	-	182	-	40,000	-	182	40,182	Held-for-trading financial assets	Self-funded

Bank's wealth management product	Not applicable	Agricultural Bank of China "Huilifeng" Corporate Customized RMB Structured Deposit Product	40,000	Fair value	-	161	-	40,000	-	161	40,161	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Bank of China Steady Wealth Management Plan-Zhihui Series	40,000	Fair value	-	154	-	40,000	-	154	40,154	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	China Everbright Bank Corporate Structured Deposits	34,950	Cost	-	-	-	34,950	-	481	35,431	Other current assets	Self-funded
Bank's wealth management product	Not applicable	ICBC Wealth Management Corporate RMB Wealth Management	30,000	Fair value	30,488	643	-	-	-	643	31,131	Held-for-trading financial assets	Self-funded
Trust plan	Not applicable	CICC Xintou Collective Capital Trust	30,000	Fair value	-	488	-	30,000	-	488	30,488	Held-for-trading fina	Self-funded

		Plan No. 2										ncial assets	
Bank's wealth management product	Not applicable	Huaxia Bank Enterprise Growing Income Conservative Customized Wealth Management Product	30,000	Fair value	-	220	-	30,000	-	220	30,220	Held-for-trading financial assets	Self-funded
Other securities investments held at the period-end			1,277,765	-	585,606	-1,358	-720	672,936	847,129	17,738	422,537	Not applicable	Self-funded
Total			1,807,715	-	616,094	2,233	-720	1,172,886	847,129	21,800	957,036	-	-
Disclosure date of the board announcement approving the securities investments			20 March 2019										
Disclosure date of the general meeting announcement approving the securities investments (if any)			10 April 2019										

(2) Investments in Derivative Financial Instruments

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)	28 April 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.)	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. Risk analysis: 1. Market risk: the financial derivatives business carried out by the Group belongs to hedging and trading business related to main business operations, and there is a market risk of loss due to the fluctuation of underlying interest and exchange rates, which lead to the fluctuation of prices of financial derivatives; 2. Liquidity risk: the derivatives business carried out by the Group is an over-the-counter transaction operated by a financial institution, and there is a risk of loss due to paying fees to the bank for the operations of evening up or selling the derivatives below the buying prices; 3. Performance risk: the Group conducts the derivative business based on rolling budgets for risk management, and there is a risk of performance failure due to deviation between the actual operating results and budgets; 4. Other risks: in the case of specific business operations, if the operator fails to finish the prescribed procedures for report or approval, or fails to record the financial derivative business information accurately, timely and completely, it may result in loss of derivative business or trading opportunities. Moreover, if the trading operator fails to fully understand the terms of transaction contracts or product information, the Group will face the legal risks and transaction losses therefrom. Measures taken for risk control: 1. Basic management principles: the Group strictly follows the hedging principle and the main purpose of locking costs and avoiding risks. It is required that the financial derivatives business to be carried out matches the variety, size, direction and duration of spot goods, and no speculative trading should be involved. In the selection of hedging instruments, only simple financial derivatives that are closely related to the main business operation and meet the requirements of hedge accounting treatment should be selected, and avoid complex business that exceeds the prescribed business scope or is difficult to recognize in terms of risk and pricing; 2. The Group has formulated a special risk management system tailored to the risk characteristics of the financial derivatives business, covering all key aspects such as pre-emptive prevention, in-process monitoring and post-processing. Professional personnel are rationally arranged for investment decision-making, business operations and risk control. Investment participants are required to fully understand the risks of financial derivatives investment and strictly implement the business operations and risk management systems of derivatives. Before starting the derivatives business, the holding company must submit to the management department of the Group detailed business reports including its internal approval, main product terms, operational

	necessity, preparations, risk analysis, risk management strategy, fair value analysis and accounting methods, and special summary reports on business operated. Operations can be implemented only after getting opinions from the professional department of the Group; 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 impairment of the fair value of derivatives and changes in the value of the assets (if any) used for risk hedging by the Group results in a total loss or floating loss amounting to 10% of the recently audited net assets of the Company, and the absolute amount exceeds RMB10 million, the Group will disclose it in a timely manner.
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	With the rapid expansion of overseas sales, the Company keeps following the above rules in the operation of forward foreign exchange contracts, interest rate swap contracts and futures contracts to avoid and hedge foreign exchange risks arising from operation and financing. It saw a net gain of RMB38.68 million for the Reporting Period. The fair value of derivatives is determined by real-time quoted price of the foreign exchange market, based on the difference between the contractual price and the forward exchange rate quoted immediately in the foreign exchange market on the balance sheet date.
Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No 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. The financial derivatives transactions carried out by the Company in the first half of 2020 are closely related to the daily operation needs of the Company with controllable risks. The business is in line with the interests of minority shareholders of the company and the relevant laws and regulations.

Positions of derivative investments at the period-end:

Unit: RMB’0,000

Type of contract	Beginning amount	Ending amount	Gain/loss in Reporting Period	Ending contractual amount as % of the Company’s ending net assets

	Contractual amount	Actual amount	Contractual amount	Actual amount		Contractual amount	Actual amount
1. Forward forex contracts	1,279,232	36,087	1,568,462	48,622	3,868	24.17	0.75
2. Interest rate swaps	528,098	15,843	872,902	26,187		13.45	0.40
3. Currency swaps	215,565	14,399	427,531	21,377		6.59	0.33
Total	2,022,895	66,329	2,868,895	96,186	3,868	44.21	1.48

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

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

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
TCL China Star Optoelectronics Technology Co., Ltd.	Subsidiary	Semi-conductor display devices	RMB23.888 billion	148,117,510,196	61,298,930,297	19,512,204,757	-134,963,372	-139,251,664
Highly Information Industry	Subsidiary	Distribution of electro	RMB133 million	4,325,648,765	985,702,957	9,126,805,527	141,852,694	100,311,085

Co., Ltd.		nics						

Subsidiaries obtained or disposed in the Reporting Period:

Subsidiary	How subsidiary was obtained or disposed of in the Reporting Period	Effects on overall operations and operating performance
TCL Optoelectronics Korea Co., Ltd	Incorporated	No significant effect
TCL Technology Investments Limited(BVI)	Incorporated	No significant effect
Admiralty Harbour Strategic Investment Limited	Incorporated	No significant effect
TCL Light Electrical Appliances (Longmen) Co., Ltd.	De-registered	No significant effect
TCL Educational Web Ltd. and its subsidiaries	Transferred	No significant effect

Other information about principal subsidiaries and joint stock companies:

There were no other information about the principal subsidiaries and joint stock companies during the Reporting Period that the Company is required to disclose.

IX Structured Bodies Controlled by the Company

□ Applicable ■ Not applicable

X Operating Performance Forecast for January-September 2020

Warning of a forecast negative net profit for the January-September period of the current year or a considerable YoY change therein, as well as the reasons:

□ Applicable ■ Not applicable

XI Risks Facing the Company and Countermeasures

1. Risk of Macroeconomic Fluctuations

In the first half of 2020, affected by the COVID-19, the uncertainty of global economic growth increased. Although the epidemic is still spreading, the global economy is gradually recovering from the most severe situation. Major countries have restarted their economies one after another, and the global economy is showing signs of stabilization. However, the overall prospects for economic recovery are still not optimistic: emerging economies have been severely hit, and monetary policy has been substantially loosened; in the second half of the year, the global economic outlook remains uncertain, and the road to recovery is still fraught with difficulties. China was the first country to suffer the virus's onslaught. In the first half of 2020, its economy fell first and then rose, recovering steadily. Given that China has accumulated extensive experience in epidemic prevention and control, the possibility of a second outbreak is low. It is expected that the work and production resumption of the traditional service sector will speed up in the second half of the year, and thereby help the overall economy move toward normality. The return of the annual GDP to positive growth is within reach. Looking ahead to the second half of 2020, the economy and the market as a whole are still in a process of recuperation. “Counter-globalization” behavior such as the COVID-19 epidemic, trade protectionism and unilateralism will continue to dampen global and Chinese economic growth. The display sector is a national strategic emerging industry. The development of new display technologies has been strongly supported by the central and local governments, but it is still necessary for the Company to remain vigilant about the potential risks that macroeconomic uncertainty may bring to its development.

Against this backdrop, the Company will continue its in-depth studies of the 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, precisely determine its business development directions, fully grasp market opportunities, and on the basis of maintaining TCL CSOT’s balanced product market distribution as well as good customer quality and portfolio, strive for survival through maximizing cost efficiency, and develop through transformation, innovation and exploration, in order to minimize the negative impact of the macro economy.

2. Risk of Industry Restructuring and Reshuffle

Although the demand for large-size panels as well as small- and medium-size panels has picked up, as shown by the latest industry supply-demand data, the semi-conductor display sector as a whole is still in a downward cycle, and it may hover at the bottom of the cycle until 2021. Additionally, due to the COVID-19 epidemic, the global economy remains stagnant. Overseas manufacturers have clearly reduced production, and the concentration of production capacity has accelerated. In the panel industry, the concentration will further increase, the industry reshuffle will be sped up, and the weak will be eliminated.

The Company will carefully identify the opportunities and challenges brought about by the industry restructuring and reshuffle, expedite product technology iteration and business model innovation, continue to analyze 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. Moreover, taking advantage of the synergy formed by industry-finance integration, the Company will keep improving the upstream and downstream layout and actively explore the second track to effectively soften the impact of the semi-conductor display business downturn, with the aim of seizing the earliest opportunities in the possible industry restructuring.

3. Risks Caused by Market Competition

In terms of downstream applications, with the gradual increase in the penetration rate of 5G smart phones, as well as the rapid rise of artificial intelligence and the Internet of Things (IoT), new products in such fields as middle- and high-end smart devices, wearable devices, commercial display devices, and in-vehicle devices have emerged one after another. The steady growth of the traditional market and the rapid take-off of the commercial display market have driven the continuous increase in market demand, and at the same time led to increasingly fierce market competition. Furthermore, the application scenarios of end consumers are also constantly changing. For example, short video applications such as Douyin have made for the creation of auto-rotate smart screens, and the COVID-19 epidemic has facilitated the development of under-display fingerprint scanning. If the Company cannot keep creating new products according to the demand of downstream applications, its business growth will also be hindered.

The Company will continue to focus on the needs of the industry and end customers. It will optimize its business structure and enhance its product competitiveness with product technology innovation as the main driving force. The Company will also actively listen to customer feedback, further strengthen in-depth cooperation with existing major domestic and foreign customers, and provide customers with solutions that take into account both production profit and customization. Meanwhile, it will conduct in-depth research on mainstream customers in the industry, accurately grasp the pace of end market applications, constantly increase R&D investment, and based on more thorough research and analysis of market segments, explore more emerging fields, actively make arrangements regarding emerging market segments, and develop new driving forces for growth.

4. Management Risks Brought by Restructuring, Transformation and M&A

At present, the Company has completed the spin-off and transformation. Its business management is in good condition. However, the spin-off and transformation have brought about substantial changes in capital structure, business structure, management structure, operations procedures and even corporate culture, which imposes extremely high requirements for the Company’s business management level. On the other hand, the Company is still actively looking for industry mergers opportunities and has already gained something. How to integrate the target companies from such aspects as business, personnel and technology to achieve the “one plus one greater than two” effect also poses a challenge to the Company’s management level.

The Company will reorganize its structures, procedures and working mechanisms through structural adjustment and organizational re-framing to ensure that all tasks before and after the spin-off and transformation can be seamlessly connected and effectively implemented, and that the new structures and new mechanisms can bring a longer-term transformation impetus and a solider organizational guarantee to the Company. In the meantime, all employees will respond to the Company’s call to “strive for survival through maximizing cost efficiency, and develop through transformation, innovation and exploration”, and actively carry out crucial tasks such as “maximizing cost efficiency”, “transformation, innovation and exploration”, and “team capability uplift”. All kinds of talent will be actively promoted and introduced. The employees will consciously set higher management goals for various tasks, take up the opportunities and challenges brought about by the spin-off, transformation and M&A with full enthusiasm, and achieve long-term, stable growth with high quality.

5. Intellectual Property Risks

Competition in the semi-conductor display and materials field is becoming increasingly fierce. As the Company keeps expanding its business scale and technological layout, patent disputes occur from time to time, and intellectual property risks become increasingly obvious. Ideological trends such as “counter-globalization” are more likely to further amplify related risks.

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

Part V Significant Events

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	Index to disclosed information
The First Extraordinary General Meeting of 2020	Combination of on-site and online voting	24.98%	3 February 2020	4 February 2020	http://www.cninfo.com.cn
The Second Extraordinary General Meeting of 2020	Combination of on-site and online voting	23.05%	16 March 2020	17 March 2020	
The 2019 Annual General Meeting	Combination of on-site and online voting	22.84%	20 April 2020	21 April 2020	
The Third Extraordinary General Meeting of 2020	Combination of on-site and online voting	25.55%	15 June 2020	16 June 2020	

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

□ Applicable ■ Not applicable

II Interim Dividend Plan

□ Applicable ■ Not applicable

III 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

No such cases in the Reporting Period.

IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

□ Yes ■ No

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

□ Applicable ■ Not applicable

VI Explanations Given by the Board of Directors Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of Last Year

□ Applicable ■ Not applicable

VII Insolvency and Reorganization

□ Applicable ■ Not applicable

VIII Legal Matters

Significant lawsuits and arbitrations:

□ Applicable ■ Not applicable

Other legal matters:

□ Applicable ■ Not applicable

IX Doubts from Media

□ Applicable ■ Not applicable

The Company had no issues about which media generally raised doubts in the Reporting Period.

X Punishments and Rectifications

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

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

□ Applicable ■ Not applicable

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

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

On 14 April 2020, the Company disclosed the Announcement on the Completion of the Non-Deal Transfers under the First Global Partner Plan and Shareholding Increases by Directors, Supervisors and Senior Management. As indicated in the Confirmation of Securities Ownership Transfer issued by the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., 32,022,354 shares (0.24% of the Company's total share capital) of the Company held in the securities account under the Designated Asset Management Plan of the First Global Partner Plan of TCL Group were transferred through a non-deal manner to the securities accounts of the holders under the plan. To be specific, a total of 2,443,960 shares were transferred to the Company's directors, supervisors and senior management (Mr. Li Dongsheng, Ms. Du Juan, Mr. Jin Xuzhi, Mr. Liao Qian, Mr. Yan Xiaolin and Mr. Mao Tianxiang), and 29,578,394 shares to other holders. The unvested 67,125,761 shares under the First Global Partner Plan and the corresponding dividends (if any) would be sold by the Management Committee of the First Stock Ownership Plan at a proper timing before the expiry of the First Global Partner Plan, and the proceeds generated therein would be returned to the Company.

(II) The Second Global Partner Plan

On 14 April 2020, the Company disclosed the Announcement on the Equity Vesting of the Second Global Partner Plan. This plan set out a company performance-related condition of a not-lower-than-15% growth in the net profit attributable to shareholders of the Company as the parent in 2019 compared to 2018. According to the 2019 Annual Independent Auditor's Report for TCL Technology Group Corporation issued by Da Hua Certified Public Accountants (Special General Partnership), the net profit attributable to shareholders of the Company as the parent in 2019 failed to grow by over 15% compared to 2018, which meant the said condition had not been satisfied. Therefore, the 33,391,897 shares under the Second Global Partner Plan and the corresponding dividends (if any) would be taken back by the Company and would not be vested in the holders under the plan. These shares would be sold by the Management Committee of the Second Stock Ownership Plan at a proper timing before the expiry of the Second Global Partner

Plan, and the proceeds generated therein would be returned to the Company.

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

The Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted under the 2018 and 2019 Restricted Stock Incentive Plans But Are Still in Lockup was approved respectively at the 25th Meeting of the 6th Board of Directors and the 16th Meeting of the 6th Supervisory Committee both dated 28 March 2020. As such, it was agreed to repurchase and retire the 6,780,952 restricted shares that had been granted to 723 awardees under the 2018 Restricted Stock Incentive Plan but were still in lockup due to the failure to satisfy the unlocking condition for the second unlocking period, i.e. an unfulfilled company performance requirement for 2019; it was agreed to repurchase and retire the 881,067 restricted shares that had been granted to 27 awardees under the 2019 Restricted Stock Incentive Plan but were still in lockup because they were deemed by the Board of Directors as no longer eligible for the incentives due to reasons such as the spin-off of Huizhou TCL Environmental Resource Co., Ltd. and resignation; and it was agreed to repurchase and retire the 1,497,289 restricted shares that had been granted to 95 in-service awardees but were still in lockup due to the failure to satisfy the unlocking condition for the current unlocking period, i.e. an unfulfilled company performance requirement for 2019. The independent directors of the Company issued their independent opinion on the relevant matters, and the law firm issued the legal opinion. The said matters were approved at the 2019 Annual General Meeting on 20 April 2020.

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

The Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted under the 2018 and 2019 Restricted Stock Incentive Plans But Are Still in Lockup was approved respectively at the 25th Meeting of the 6th Board of Directors and the 16th Meeting of the 6th Supervisory Committee both dated 28 March 2020. As such, it was agreed to repurchase and retire the 6,780,952 restricted shares that had been granted to 723 awardees under the 2018 Restricted Stock Incentive Plan but were still in lockup due to the failure to satisfy the unlocking condition for the second unlocking period, i.e. an unfulfilled company performance requirement for 2019; it was agreed to repurchase and retire the 881,067 restricted shares that had been granted to 27 awardees under the 2019 Restricted Stock Incentive Plan but were still in lockup because they were deemed by the Board of Directors as no longer eligible for the incentives due to reasons such as the spin-off of Huizhou TCL Environmental Resource Co., Ltd. and resignation; and it was agreed to repurchase and retire the 1,497,289 restricted shares that had been granted to 95 in-service awardees but were still in lockup due to the failure to satisfy the unlocking condition for the current unlocking period, i.e. an unfulfilled company performance requirement for 2019. The independent directors of the Company issued their independent opinion on the relevant matters, and the law firm issued the legal opinion. The said matters were approved at the 2019 Annual General Meeting on 20 April 2020.

XIII Major Related-Party Transactions

1. Continuing Related-Party Transactions

□ Applicable ■ Not applicable

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

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

5. Other Major Related-Party Transactions

Title of announcement	Date of disclosure	Website for disclosure
Announcement on the Expected Continuing Related-Party Transactions for 2020	31 March 2020	http://www.cninfo.com.cn
Announcement on TCL Finance Co., Ltd. Continuing to Provide Financial Services for TCL Industries Holdings Inc. and Extending the Financial Service Agreement between Them and the Related-Party Transaction	31 March 2020	

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

□ Applicable ■ Not applicable

XV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

(3) Leases

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (agreement signing date)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
TCL King Electrical Appliances (Huizhou) Co., Ltd.	2018-12-7	345,000	2019-8-29	344,310	Joint-liability	1 month-5 years	No	Yes
TCL Overseas Electronics (Huizhou) Ltd.	2018-12-7	120,000	2020-1-15	47,057	Joint-liability	1 month-1 year	No	Yes

TCL King Electrical Appliances (Chengdu) Co., Ltd.	2018-12-7	60,000	2019-11-18	4,000	Joint-liability	1 year	No	Yes
Huizhou TCL Mobile Communication Co., Ltd.	2018-12-7	450,000	2020-1-10	257,867	Joint-liability	3 months-1 year	No	Yes
TCL Communication Technology Holdings Limited	2018-12-7	120,000	2017-11-20	12,035	Joint-liability	1-5 years	No	Yes
TCL Mobile Communication (HK) Company Limited	2018-12-7	248,500	2020-3-5	84,425	Joint-liability	3 months-1 year	No	Yes
TCT Mobile Italy S.R.L	2018-12-7	1,600	2020-3-1	750	Joint-liability	3 months-1 year	No	Yes
TCL Home Appliances (Hefei) Co., Ltd.	2018-12-7	140,000	2020-1-14	32,966	Joint-liability	6 months-1 year	No	Yes
TCL Home Appliances (Zhongshan) Co., Ltd.	2018-12-7	16,000	2020-4-13	2,647	Joint-liability	1-6 months	No	Yes
TCL Air-Conditioner (Zhongshan) Co., Ltd.	2018-12-7	158,600	2016-9-9	89,244	Joint-liability	1 month-5 years	No	Yes
TCL Air Conditioner (Wuhan) Co., Ltd.	2018-12-7	131,600	2020-1-17	22,490	Joint-liability	1 month-1 year	No	Yes
Zhongshan TCL Refrigeration Equipment	2018-12-7	75,300	2020-1-21	9,866	Joint-liability	9 days-6 months	No	Yes

Co., Ltd.								
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	2018-12-7	7,000	2020-1-15	2,422	Joint-liability	3-6 months	No	Yes
TCL Air-Conditioner (Jiujiang) Co., Ltd.	2018-12-7	25,000	2020-1-13	11,796	Joint-liability	1-6 months	No	Yes
TCL Tonly Electronics (Huizhou) Co., Ltd.	2018-12-7	40,000	2015-11-7	16,409	Joint-liability	2-5 years	No	Yes
TCL Very Lighting Technology (Huizhou) Co., Ltd.	2018-12-7	4,000	2020-2-14	354	Joint-liability	4-182 days	No	Yes
SHIFENDAOJIA Online Service Co., Ltd.	2018-12-7	3,000	2020-1-20	40	Joint-liability	6-162 days	No	Yes
Guangzhou Yunsheng Tianji Technology Co., Ltd.	2018-12-7	110,000	2017-9-28	89,855	Joint-liability	12 years	No	Yes
Guangzhou TCL Science and Technology Development Co., Ltd.	2018-12-7	200,000	2018-12-18	115,300	Joint-liability	13 years	No	Yes
Shenzhen Bao'an TCL Haichuanggu Technology Park Development Co., Ltd.	2018-12-7	20,000	2018-9-25	16,144	Joint-liability	3 years	No	Yes

TCL Industries Holdings (HK) Limited	2018-12-7	800,000	2016-10-4	740,505	Joint-liability	1-5 years	No	Yes
Canyon Circuit Technology (Huizhou) Co., Ltd.	2018-12-7	5,000	2020-1-2	269	Joint-liability	1 month-191 days	No	Yes
Huizhou Shenghua Industrial Co., Ltd.	2018-12-7	9,000	2020-1-3	822	Joint-liability	63-189 days	No	Yes
Taiyang Electro-optic (Huizhou) Co., Ltd.	2018-12-7	4,000	2020-1-13	61	Joint-liability	135-184 days	No	Yes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2020-3-31	40,000	2020-1-10	25,827	Joint-liability	1 month-1 year	No	No
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	2020-3-31	110,000	2020-6-17	3,800	Joint-liability	1 year	No	No
Total approved line for such guarantees in the Reporting Period (A1)		3,621,525		Total actual amount of such guarantees in the Reporting Period (A2)		954,356		
Total approved line for such guarantees at the end of the Reporting Period (A3)		3,621,525		Total actual balance of such guarantees at the end of the Reporting Period (A4)		1,931,259		
Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (agreement	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or

			signing date)					not
Wuhan China Star Optoelectronics Technology Co., Ltd.	2020-3-31	1,110,000	2016-2-24	614,301	Joint-liability	3 months-8 years	No	No
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2020-3-31	3,820,000	2018-2-11	1,664,681	Joint-liability	3 months-8 years	No	No
TCL China Star Optoelectronics Technology Co., Ltd.	2020-3-31	710,800	2015-4-21	458,407	Joint-liability	1 month-8 years	No	No
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2020-3-31	1,510,000	2017-12-22	1,112,062	Joint-liability	3 months-8 years	No	No
Huizhou China Star Optoelectronics Technology Co., Ltd.	2020-3-31	730,000	2019-12-26	343,631	Joint-liability	2 months-1 year	No	No
China Star Optoelectronics International (HK) Limited	2020-3-31	330,000	2019-8-30	48,000	Joint-liability	1 year	No	No
China Display Optoelectron	2020-3-31	150,000	2019-5-27	35,151	Joint-liability	1 month-4 years	No	No

ics Technology (Huizhou) Co., Ltd.								
Wuhan China Display Optoelectronics Technology Co., Ltd.	2020-3-31	50,000	2018-10-31	2,623	Joint-liability	1 month-5 years	No	No
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	2020-3-31	100,000	2019-12-13	20,000	Joint-liability	12 months	No	No
Highly Information Industry Co., Ltd.	2020-3-31	294,000	2018-7-2	207,122	Joint-liability	1 month—3 years	No	No
Beijing Hecheng Nuoxin Technology Co., Ltd.	2020-3-31	5,000	2018-9-5	2,000	Joint-liability	2 years	No	No
Beijing Lingyun Data Technology Co., Ltd.	2020-3-31	90,000	2020-1-1	33,145	Joint-liability	1 month-1 year	No	No
Beijing Sunpiestore Technology Co., Ltd.	2020-3-31	70,000	2018-9-5	57,000	Joint-liability	1-2 years	No	No
Shaanxi Titi Electronic Technology Co., Ltd.	2020-3-31	3,000	2018-9-5	1,000	Joint-liability	2 years	No	No
Total approved line for such guarantees in the Reporting Period (B1)		9,862,800		Total actual amount of such guarantees in the Reporting Period (B2)		3,494,494		
Total approved line for such		9,862,800		Total actual balance of such		4,599,123		

guarantees at the end of the Reporting Period (B3)		guarantees at the end of the Reporting Period (B4)	
Total guarantee amount (total of the three kinds of guarantees above)			
Total guarantee line approved in the Reporting Period (A1+B1+C1)	13,484,325	Total actual guarantee amount in the Reporting Period (A2+B2+C2)	4,448,850
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	13,484,325	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	6,530,382
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		217%	
Of which:			
Balance of guarantees provided for shareholders, the actual controller and their related parties (D)		1,901,632.29	
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)		2,647,178.76	
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)		5,024,784.76	
Total of the three amounts above (D+E+F)		9,573,595.82	
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)		N/A	
Guarantees provided in breach of prescribed procedures (if any)		N/A	

Irregularities in Provision of Guarantees

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted for Wealth Management

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount
Bank's wealth management product	Self-funded	540,983	511,433	-
Securities firm's wealth management product	Self-funded	115,000	-	-
Trust plan	Self-funded	80,000	70,000	-
Other	Self-funded	70,173	27,996	-
Total		806,156	609,429	-

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

□ Applicable ■ Not applicable

4. Other Major Contracts

□ Applicable ■ Not applicable

No such cases in the Reporting Period.

XVI Corporate Social Responsibility (CSR)

1. Major Environmental Issues

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

Name of the Company or subsidiary	Major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration (mg/L)	Governing discharge standards (mg/L)	Total discharge (metric ton)	Approved total discharge (metric tons/year)	Excessive discharge
TCL China Star Optoelectronics Technology Co., Ltd.	COD	Intermittently discharged to Guangming Sewage Plant	1	Northwestern corner of the plant area	122.5mg/L	260 mg/L	443.43t	1226.05t	None
	Ammonia nitrogen				7.0 mg/L	30 mg/L	25.3t	/	None
	COD	Continuously discharged to Dongkengshui	1	Artificial wetland to the north of the plant area	19 mg/L	30 mg/L	32.48t	174.89t	None
	Ammonia nitrogen				0.42 mg/L	1.5 mg/L	0.72t	7.7t	None
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Intermittently discharged to Zuoling Sewage Plant	1	Northwestern corner of the plant area	36-75mg/L	400mg/L	114.04t	353.55t	None
	Ammonia nitrogen				0.56-1.72mg/L	30mg/L	11.41t	35.36t	None

Construction and operation of facilities for preventing pollution:

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

The waste water of each subsidiary company includes domestic waste water and industrial waste water, of which domestic waste water is discharged into the local municipal sewage treatment pipe network after being pre-treated by oil separation and septic treatment, and industrial waste water enters different treatment systems according to its characteristics, and is discharged subjected to the standards after physical and chemical and biochemical treatment. The atmospheric pollutants produced by each subsidiary are mainly process waste gases in the production process. For different types of waste gases, each subsidiary has constructed corresponding waste gas treatment systems, such as 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 each subsidiary include general waste, hazardous waste and domestic garbage, of which, hazardous wastes are treated by an entrusted qualified hazardous waste disposal agency according to the regulations; general wastes are disposed of by a resource recycling firm after being classified in the plant area; while domestic garbage is disposed of by the property management company by sending the garbage to qualified landfills. All the disposals meet the regulatory requirements. The factory noise generated by each subsidiary comes from the mechanical noises of production and power equipment, including refrigerators, cooling towers, air compressors, fans, various types of pumps, etc.. The Company reduces the impact of noise on the surrounding environment by the use of low-noise equipment, vibration reduction, noise reduction, etc., and noise reduction measures such as sound insulation and sound absorption in the factories and equipment rooms. The monitoring results show that the factory boundary noise and emission of all subsidiaries meet the standards in a stable manner.

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

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

Emergency Response Plan for Environmental Incidents

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

Environmental Self-Monitoring Program

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

Other environment-related information that should be disclosed:

None.

Other relevant information:

None.

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

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

In 2019, Shenzhen TCL Public Welfare Foundation officially launched the “A.I. Go Home” project. In cooperation with TCL Industrial Technology Research Institute, the Foundation employed artificial intelligence technology to develop and design a storytelling robot named “Yi Ge” which can simulate the voices of parents and tell stories to left-behind children and migrant children, thus strengthening the emotional connections between parents and children. With the help of the robot, children can hear the voices of their parents more often in the process of growing up, so that mental health problems and deviant behavior of left-behind children and migrant children caused by the long-time separation from their parents can be prevented.

Shenzhen TCL Public Welfare Foundation and the Education Foundation of the Central Conservatory of Music in Beijing jointly set up the “Little Music +” project in 2019 and released the “Xiao Xue” music robot, with the hope of bringing famous Chinese and foreign music pieces and appreciations to students who lack music resources, inspiring optimism in every child with the power of music, and making music literacy the wealth of a lifetime for every child.

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

In 2020, the original launch of the 7th TCL Hope Project—Candlelight Awards Program was disrupted by the sudden COVID-19 outbreak. After discussion, we determined that the content of the project would be adjusted and upgraded. Therefore, Shenzhen TCL Public Welfare Foundation and the China Youth Development Foundation decided to cancel the 7th TCL Hope Project—Candlelight Awards Program in 2020.

In the first half of 2020, an online “Yi Ge Chinese Idiom Class” was organized for pilot schools in rural areas. According to the lesson teaching methods of the pilot primary schools and combined with the teaching materials used by each grade, the idioms, fables and ancient poems in the “Yi Ge” storytelling robot were selected as extracurricular and extended learning materials for formal courses, helping the students to learn knowledge while listening to stories. The project covered ten classes from the first to sixth grades of 2 schools in 2 provinces, with a total of 586 students. The duration exceeded 1,500 minutes (25 hours).

Meanwhile, project plan adjustments were made due to the epidemic. The originally planned offline "Little Music Class" was changed to an online activity called "A Song Between Classes", and the music in the "Xiao Xue" music robot was used. Without occupying the course time of the teachers and students, 1 classic song of the world was played online every day between classes, creating a new break time mode for rural primary schools. In total, applications from 35 schools were received, but in the end 18 classes of 5 schools (located in 5 counties in Heilongjiang, Henan, Hebei, Yunnan, and Sichuan, respectively) were chosen to participate in the project, covering 956 students from the first to sixth grades. The duration exceeded 6,400 minutes (about 107 hours).

(3) Results

Indicators	Measurement Unit	Quantity/Development
I. Overall summary	——	——
Of which: Cash	RMB'0,000	20
Poverty alleviation by public programmes	——	——
Investment amount in targeted poverty alleviation	RMB'0,000	10
Investment amount in public fund for poverty alleviation	RMB'0,000	10

(4) Subsequent Plans

From 2020, the coverage of the "A.I. Go Home" project will keep expanding. It is expected that 5 to 8 pilot schools will be established in the second half of the year, and that more than 30 classes will join the "Yi Ge Story Club" and drive the participation of the schools on a class basis. In the meantime, customized "Yi Ge" storytelling robots will be provided to left-behind children so that the left-behind children can grow up happily with the company of the robots that can simulate the voices of their parents.

In 2020, we will continue to expand the coverage of the "Little Music +" project, and establish 5 to 8 partner schools and 30 partner classes. We will also continue the online "A Song Between Classes" project to provide more children who lack professional music resources with famous Chinese and foreign music pieces and master appreciations.

The Company will expand the existing award scale and publicity impact of the TCL Hope Project—Candlelight Awards Program, and strengthen interactive communication on the Internet platform to maintain social attention.

The coverage of the Candlelight Micro-loan Project will be expanded to solve the financial needs of more rural teachers and improve their lives. This is to ensure the positive development of rural education.

XVII Other Significant Events

Title of announcement	Date of disclosure	Website for disclosure
Announcement on the Completion of a Share Repurchase and the Corresponding Share Changes	13 January 2020	http://www.cninfo.com.cn
Announcement on the Change of the Company Name with the Industrial and Commercial Administration and the Change of the Stock Name	7 February 2020	
Preliminary Plan on the Acquisition of Assets through Share Offering, Convertible Corporate Bonds Offering and Cash Payment and Raising the Matching Funds	29 April 2020	
Announcement on Participating in the Public Acquisition of the 100% Equity Interests in Zhonghuan Group	24 June 2020	

XVIII Significant Events of Subsidiaries

Title of announcement	Date of disclosure	Website for disclosure
Announcement on Intending to Increase the Capital in TCL CSOT	31 March 2020	http://www.cninfo.com.cn
Voluntary Announcement on Subsidiary TCL CSOT and San'an Semiconductor Establishing a Joint Lab	8 June 2020	

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
1. Restricted shares	867,764,980	6.41%	-	-	-	713,455	713,455	868,478,435	6.42%
1.1 Shares held by state-owned legal persons	0	0.00%	-	-	-	0	0	0	0.00%
1.2 Shares held by other domestic investors	777,102,199	5.74%	-	-	-	713,455	713,455	777,815,654	5.75%
Among which: Shares held by domestic legal persons	150,908,441	1.12%	-	-	-	0	0	150,908,441	1.12%
Shares held by domestic natural persons	626,193,758	4.63%	-	-	-	713,455	713,455	626,907,213	4.63%
1.3 Shares held by foreign investors	90,662,781	0.67%	-	-	-	0	0	90,662,781	0.67%
Among which: Shares held by foreign legal persons	90,532,347	0.67%	-	-	-	0	0	90,532,347	0.67%
Shares held by foreign natural	130,434	0.00%	-	-	-	0	0	130,434	0.00%

persons									
2. Unrestricted shares	12,660,673,739	93.59%	-	-	-	-713,455	-713,455	12,659,960,284	93.58%
2.1 RMB-denominated ordinary shares	12,660,673,739	93.59%	-	-	-	-713,455	-713,455	12,659,960,284	93.58%
3. Total shares	13,528,438,719	100.00%	-	-	-	0	0	13,528,438,719	100.00%

Reasons for share changes:

During the Reporting Period, locked-up shares held by senior management increased by 713,455 restricted shares, as unrestricted shares decreased by the same number. As such, the total shares of the Company remained unchanged.

Approval of share changes:

□Applicable ■ Not applicable

Transfer of share ownership:

□Applicable ■ Not applicable

Progress on any share repurchase:

■ Applicable □ Not applicable

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

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

□ Applicable ■ Not applicable

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

□ Applicable ■ Not applicable

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

□ Applicable ■ Not applicable

2. Changes in Restricted Shares

Unit: share

Shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Star Century Enterprises Limited	90,532,347	-	-	90,532,347	Restricted shares in a share offering	2020-12-25
Duilong Xinglan Venture Investment Management Partnership (Limited Partnership)	42,521,163	-	-	42,521,163	Restricted shares in a share offering	2020-12-25
Duilong Xingyong Venture Investment Management Partnership (Limited Partnership)	38,380,684	-	-	38,380,684	Restricted shares in a share offering	2020-12-25
Duilong Xingyuan Venture Investment Management Partnership (Limited Partnership)	37,695,315	-	-	37,695,315	Restricted shares in a share offering	2020-12-25
Duilong Xinglian Venture Investment Management Partnership (Limited Partnership)	32,311,279	-	-	32,311,279	Restricted shares in a share offering	2020-12-25
Other	615,667,627	-	713,455	616,381,082	Locked-up shares of senior	9999-99-99

					management	
2018 Restricted Stock Incentive Plan	6,780,952	-	-	6,780,952	Restricted shares granted as incentives	2020-5-16
2019 Restricted Stock Incentive Plan	3,875,613	-	-	3,875,613	Restricted shares granted as incentives	2020-6-26
Total	867,764,980	-	713,455	868,478,435	--	--

II Issuance and Listing of Securities

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issued number	Listing date	Number approved for public trading	Termination date of transaction	Index to disclosed information	Date of disclosure
Type: convertible corporate bonds, convertible corporate bonds with warrants, corporate bonds								
Corporate bonds	2020-6-8	2.5%	10,000,000	2020-6-16	10,000,000	2020-12-04	http://www.cninfo.com.cn	2020-6-8

III Shareholders and Their Shareholdings at the End of the Reporting Period

Unit: share

Number of ordinary shareholders at the period-end	522,933	Number of preference shareholders with resumed voting rights at the period-end (if any) (see note 8)	0

5% or greater ordinary shareholders or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total ordinary shares held at the period-end	Increase/decrease in the Reporting Period	Restricted ordinary shares held	Unrestricted ordinary shares held	Shares in pledge or frozen	
							Status	Shares
Li Dongsheng and his acting-in-concert party	Domestic natural person/general legal person	8.56	1,158,599,393	-63,148,616	610,181,602	548,417,791	Put in pledge by Li Dongsheng	275,000,000
							Put in pledge by Jiutian Liancheng	344,899,521
Huizhou Investment	State-owned legal person	5.49	743,139,840	-135,279,907	-	743,139,840	-	-

Holding Co., Ltd.									
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	3.19	431,613,255	78,123,401	-	431,613,255		-	-
Tibet Tianfeng Enterprise Management Co., Ltd.	Domestic general legal person	3.08	417,344,415	-108,751,227	-	417,344,415		-	-
China Securities Finance Corporation Limited	Domestic general legal person	2.76	373,231,553	-	-	373,231,553		-	-
Central Huijin Asset Management Co., Ltd.	State-owned legal person	1.53	206,456,500	-	-	206,456,500		-	-
National Social Security Fund-Portfolio 601	Fund, wealth management product, etc.	0.95	128,080,487	75,080,487	-	128,080,487		-	-
Perseverance Asset Management L.L.P.－Perseverance Linshan Yuanwang Fund No. 1	Fund, wealth management product, etc.	0.74	100,000,000	40,000,000	-	100,000,000		-	-
Industrial and Commercial Bank of China－E Fund Research Selected Stock Fund	Fund, wealth management product, etc.	0.73	99,184,547	99,184,547	-	99,184,547		-	-
Star Century Enterprises Limited	Foreign legal person	0.67	90,532,347	-	90,532,347	-		-	-
Strategic investor or general legal person becoming a		Not applicable							

top-10 ordinary shareholder in a rights issue (if any) (see note 3)	
Related or acting-in-concert parties among the shareholders above	Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Jiutian Liancheng") are the biggest shareholder of the Company with a total of 1,158.5994 million shares. As certain partners of Jiutian Liancheng have quit from the company and as requested by these partners, the meeting of partners of Jiutian Liancheng has resolved to reduce shareholdings in the Company corresponding to the shares of these partners in the partnership. And these partners would withdraw from the partnership. On 27 February 2020, Jiutian Liancheng reduced its holdings of 63.876 million shares, accounting for 0.5% of the Company's total share capital, through bulk trading. This shareholding reduction is in compliance with the Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders, Directors, Supervisors and Senior Management of the Listed Company. With confidence in the future development of the Company, Mr. Li Dongsheng and the incumbent senior management of the Company do not reduce their direct or indirect shareholdings in the Company. On 28 April 2020, They had also undertaken not to reduce their shareholdings in the Company during the period, from the date when announced the resolutions of the first Board meeting, which convened to review the plan that acquire the 39.95% interest held by Wuhan Optics Valley Industrial Investment Co., Ltd. in Wuhan China Star Optoelectronics Technology Co., Ltd. through share offering, convertible corporate bonds offering and cash payment and raise the matching funds (hereinafter referred to as the "Transaction"), to the date of the completion/termination of the Transaction.

Top 10 unrestricted ordinary shareholders			
Name of shareholder	Unrestricted ordinary shares held at the period-end	Shares by class	
		Class	Shares
Huizhou Investment Holding Co., Ltd.	743,139,840	RMB-denominated ordinary shares	743,139,840
Li Dongsheng and his acting-in-concert party	548,417,791	RMB-denominated ordinary shares	548,417,791
Hong Kong Securities Clearing Company Ltd.	431,613,255	RMB-denominated ordinary shares	431,613,255
Tibet Tianfeng Enterprise Management Co., Ltd.	417,344,415	RMB-denominated ordinary shares	417,344,415
China Securities Finance Corporation Limited	373,231,553	RMB-denominated ordinary shares	373,231,553
Central Huijin Asset Management Co., Ltd.	206,456,500	RMB-denominated ordinary shares	206,456,500
National Social Security Fund-Portfolio 601	128,080,487	RMB-denominated ordinary shares	128,080,487
Perseverance Asset Management L.L.P.－	100,000,000	RMB-denominated ordinary shares	100,000,000

Perseverance Linshan Yuanwang Fund No. 1			
Industrial and Commercial Bank of China－E Fund Research Selected Stock Fund	99,184,547	RMB-denominated ordinary shares	99,184,547
Huizhou Investment and Development Co., Ltd.	75,504,587	RMB-denominated ordinary shares	75,504,587
Related or acting-in-concert parties among top 10 unrestricted ordinary shareholders, as well as between top 10 unrestricted ordinary shareholders and top 10 ordinary shareholders	Being acting-in-concert parties upon the signing of the Agreement on Acting in Concert, Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Jiutian Liancheng") are the biggest shareholder of the Company with a total of 1,158.5994 million shares. As certain partners of Jiutian Liancheng have quit from the company and as requested by these partners, the meeting of partners of Jiutian Liancheng has resolved to reduce shareholdings in the Company corresponding to the shares of these partners in the partnership. And these partners would withdraw from the partnership. On 27 February 2020, Jiutian Liancheng reduced its holdings of 63.876 million shares, accounting for 0.5% of the Company's total share capital, through bulk trading. This shareholding reduction is in compliance with the Several Provisions on the Reduction of Shares Held in a Listed Company by the Shareholders, Directors, Supervisors and Senior Management of the Listed Company. With confidence in the future development of the Company, Mr. Li Dongsheng and the incumbent senior management of the Company do not reduce their direct or indirect shareholdings in the Company. On 28 April 2020, They had also undertaken not to reduce their shareholdings in the Company during the period, from the date when announced the resolutions of the first Board meeting, which convened to review the plan that acquire the 39.95% interest held by Wuhan Optics Valley Industrial Investment Co., Ltd. in Wuhan China Star Optoelectronics Technology Co., Ltd. through share offering, convertible corporate bonds offering and cash payment and raise the matching funds (hereinafter referred to as the "Transaction"), to the date of the completion/termination of the Transaction.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	None		

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

□ Yes ■ No

No such cases in the Reporting Period.

IV Change of the Controlling Shareholder or the Actual Controller

□ Applicable ■ Not applicable

Part VII Directors, Supervisors and Senior Management

I Change in Shareholdings of Directors, Supervisors and Senior Management

□ Applicable ■ Not applicable

No changes occurred to the shareholdings of the directors, supervisors and senior management in the Reporting Period. See the 2019 Annual Report for more details.

II Change of Directors, Supervisors and Senior Management

□ Applicable ■ Not applicable

No changes occurred to the directors, supervisors and senior management in the Reporting Period. See the 2019 Annual Report for more details.

Part VIII Corporate Bonds

General Information of Corporate Bonds

Bond name	Abbr.	Bond code	Value date	Maturity	Outstanding balance (RMB'0,000)	Coupon rate	Way of principal repayment and interest payment
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 1) (Type 2)	16TCL02	112353	16 March 2016	16 March 2021	150,000	3.56%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2016 to Qualified Investors (Tranche 2)	16TCL03	112409	7 July 2016	7 July 2021	200,000	3.50%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1)	17TCL01	112518	19 April 2017	19 April 2022	100,000	3.40%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate	17TCL02	112542	7 July 2017	7 July 2022	300,000	4.93%	Interest payable annually and

Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2)							principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1)	18TCL01	112717	6 June 2018	6 June 2023	100,000	5.48%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2)	18TCL02	112747	20 August 2018	20 August 2023	200,000	5.30%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)	19TCL01	112905	20 May 2019	20 May 2024	100,000	4.33%	Interest payable annually and principal repayable in full upon maturity
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2)	19TCL02	112938	23 July 2019	23 July 2024	100,000	4.30%	Interest payable annually and principal repayable in full upon maturity
TCL	19TCL03	112983	21 October	21 October	200,000	4.20%	Interest

Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3)			2019	2024			payable annually and principal repayable in full upon maturity
TCL Technology Group Corporation's Short-Term Corporate Bonds Publicly Offered in 2020 to Professional Investors (Tranche 1)	20TCLD1	149140	8 June 2020	5 December 2020	100,000	2.50%	Principal repayable in full upon maturity with interest
Place for bond listing and trading		Shenzhen Stock Exchange					
Investor eligibility		These bonds are for qualified investors only (20TCLD1 were offered after the new Securities Law and are for professional investors only).					
Interest payment and principal repayment during the Reporting Period		1. The interest for the period from 16 March 2019 to 15 March 2020 on "16TCL02" was paid on 16 March 2020. 2. The interest for the period from 19 April 2019 to 18 April 2020 on "17TCL01" was paid on 20 April 2020. 3. The interest for the period from 20 May 2019 to 19 April 2020 on "19TCL01" was paid on 20 May 2020. 4. The interest for the period from 6 June 2019 to 5 June 2020 on "18TCL01" was paid on 8 June 2020.					
Where the bond carries any issuer or investor option clause, interchangeable clause or other special clauses, give the execution details (if applicable) of these clauses during the Reporting Period		1. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. During the Reporting Period, the issuer exercised its coupon rate adjustment option to adjust the coupon rate for the period from 19 April 2020 to 18 April 2020 to 3.40% subsequent to a coupon rate of 4.80% for the period from 19 April 2017 to 18 April 2020; investors exercised their sell-back option and the Company paid the principals of RMB403,000,200 on 20 April 2020; and the sold-back bonds have all been resold, with an actual sell-back amount of RMB0 and a currently outstanding amount of RMB1 billion. 2. TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche					

	2) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. During the Reporting Period, the issuer exercised its coupon rate adjustment option to adjust the coupon rate for the period from 7 July 2020 to 6 July 2020 to 3.45% subsequent to a coupon rate of 4.93% for the period from 7 July 2017 to 6 July 2020; investors exercised their sell-back option and the Company paid the principals of RMB2.843 billion on 7 July 2020; and the Company is reselling the sold-back bonds in accordance with applicable regulations, and the number of bonds planned to be resold will not exceeds 28,430,000. 3. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is June 6 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is June 6 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). 4. TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is August 20 from 2019 to 2023 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is August 20 from 2019 to 2021 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). 5. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is May 20 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is May 20 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). 6. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2) is of a five-year term, with the issuer's coupon rate adjustment option and the investors' sell-back option at the end of the third year. The interest payment day is July 23 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is July 23 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). 7. TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3) is of a five-year term, with the issuer's coupon rate adjustment option and the investors'

	sell-back option at the end of the third year. The interest payment day is October 21 from 2020 to 2024 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement). If an investor chooses to exercise the sell-back option, the interest payment day for the sold-back bonds is October 21 from 2020 to 2022 (the subsequent first trading day if it is a statutory holiday or rest day, with no additional interest for the postponement).

Bond Trustee and Credit Rating Agency

Bond trustee:							
Name	Guotai Junan Securities Co., Ltd.	Office address	33/F, Bohua Plaza, 669 Xinzha Road, Shanghai	Contact person	Wu Lei	Tel.	021-38676503
Name	CITIC Securities Co., Ltd.	Office address	22/F, CITIC Securities Plaza, 48 Liangmaqiao Road, Chaoyang District, Beijing	Contact person	Deng Xiaoqiang	Tel.	010-60838888
Credit rating agency which conducted follow-up ratings for bonds during Reporting Period:							
Name	China Chengxin Securities Rating Co., Ltd.			Office address	Room 968, Tower 1, 599 Xinye Road, Qingpu District, Shanghai		
Where the bond trustee or credit rating agency was changed during the Reporting Period, explain the reasons, the executed procedures, the impact on investors' interests, etc. (if applicable)	Not applicable						

Utilization of Funds Raised through Corporate Bonds

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

	Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2), the Escrow Account Agreement for the Funds Raised through TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3), and the Escrow Account Agreement for the Funds Raised through TCL Technology Group Corporation's Short-Term Corporate Bonds Publicly Offered in 2020 to Professional Investors (Tranche 1) with China Development Bank (Guangdong branch) to ensure that the raised funds will be used as earmarked.
Whether the utilization of raised funds is in line with the promised usages, utilization plan or other promises in the prospectus	Yes

Rating Results of Corporate Bonds

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

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

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

Credit Enhancement, Repayment Plans and Other Repayment Guarantee Measures

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

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

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

Meetings of Bondholders Convened during Reporting Period

No such cases in the Reporting Period.

Performance of Duties by Bond Trustee during Reporting Period

As the trustee of the "16TCL02", "16TCL03", "17TCL01", "17TCL02", "18TCL01", "18TCL02", "19TCL01" and "20TCLD1" bonds, Guotai Junan Securities Co., Ltd., in strict accordance with the applicable laws and regulations including the Measures for the Issue and Trading of Corporate Bonds and the Professional Code of Conduct for Corporate Bond Trustees, keeps a close eye on the Company's operating, financial and credit conditions to fulfill its duties as a bond trustee and protect the legal rights and interests of the bondholders. And the bond trustee has no conflicts of interests in any kind with the Company.

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

Relevant Financial Information of the Company as at the End of the Reporting Period or the End of Last year (or the Reporting Period or the Same Period of Last Year)

Item	30 June 2020	31 December 2019	Change (%)
Current ratio	1.13	1.12	0.94%
Debt/asset ratio (%)	64.89	61.25	3.64
Quick ratio	0.87	0.85	2.25%
	H1 2020	H1 2019	Change (%)
EBITDA-to-interest cover (times)	3.93	5.66	-30.57%
Debt repayment ratio (%)	100	100	0.00
Interest payment ratio (%)	100	100	0.00

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

It’s primarily driven by the year-on-year decrease in profit.

Overdue Amounts

□ Applicable ■ Not applicable

No such cases.

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

No.	Bond abbreviation	Principal amount (RMB’00,000,000)	Issue date	Maturity	Coupon rate	Principal repayment and interest payment
1	15TCL-MTN001	5	2015-4-1	5 years	5.50%	Repaid in full on time

Credit Lines Granted by Banks, as well as Their Utilization and Repayment during the Reporting Period

The Company operates in compliance, with a fine credit reputation, strong profitability and a great ability to repay debt. Additionally, it maintains a long-term partnership with the China Development Bank, The Export-Import Bank of China, the Industrial and Commercial Bank of China, etc. As at 30 June 2020, the credit lines granted by the major bank partners to the Company totaled RMB216.6 billion, with RMB77.2 billion utilized and RMB139.4 billion left. During the Reporting Period, there were no defaults on bank loans.

Fulfillment of Commitments Made in Bond Prospectuses during Reporting Period

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

Significant Events during the Reporting Period

□ Applicable ■ Not applicable

Guarantor for Corporate Bonds

□ Yes ■ No

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

□ Yes ■ No

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

□ Yes ■ No

TCL Technology Group Corporation

Unaudited Financial Statements

(For the period from 1 January 2020 to 30 June 2020)

Contents **Page**

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

Assets:	Note V	30 June 2020	31 December 2019
Current assets:			
Monetary assets	1	21,542,628	18,648,185
Held-for-trading financial assets	2	8,989,331	6,074,751
Derivative financial assets	3	187,212	159,036
Notes receivable	4	26,133	228,942
Accounts receivable	5	9,730,784	8,340,354
Receivables financing	6	106,755	-
Prepayments	7	694,616	364,423
Other receivables	8	5,084,046	2,750,042
Inventories	9	5,541,418	5,677,963
Other current assets	10	8,080,115	5,911,827
Total current assets		59,983,038	48,155,523
Non-current assets:			
Loans and advances to customers	11	1,941,271	3,637,768
Debt investments	12	20,116	20,373
Long-term equity investments	13	18,606,252	17,194,284
Investments in other equity instruments	14	270,923	279,884
Other non-current financial assets	15	2,676,086	2,542,689
Investment property	16	1,163,697	82,273
Fixed assets	17	59,857,478	45,459,070
Construction in progress	18	21,017,402	33,578,290
Intangible assets	19	6,378,500	5,684,584
Development costs	20	895,325	1,548,471
Goodwill	21	2,452	2,452
Long-term prepaid expense	22	2,073,741	1,567,691
Deferred income tax assets	23	860,601	840,874
Other non-current assets	24	9,086,352	4,250,659
Total non-current assets		124,850,196	116,689,362
Total assets		184,833,234	164,844,885

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

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

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

Liabilities and shareholders' equity:	Note V	30 June 2020	31 December 2019
Current liabilities:			
Short-term borrowings	25	16,491,171	12,069,657
Borrowings from central bank	26	1,404,722	573,222
Customer deposits and deposits from other banks and financial institutions	27	3,617,529	1,355,129
Loans from other banks and financial institutions	28	500,000	-
Held-for-trading financial liabilities	29	403,530	188,220
Derivative financial liabilities	30	156,664	84,705
Notes payable	31	2,293,907	1,720,402
Accounts payable	32	11,436,883	11,549,133
Advances from customers	33	2,155	141,749
Contract liabilities	34	231,497	-
Financial assets sold under repurchase agreements	35	50,073	-
Employee benefits payable	36	821,672	1,094,217
Taxes and levies payable	37	260,209	226,806
Other payables	38	12,315,818	12,293,566
Current portion of non-current liabilities	39	3,092,394	1,691,963
Other current liabilities	40	108,656	69,022
Total current liabilities		53,186,880	43,057,791
Non-current liabilities			
Long-term borrowings	41	46,145,998	38,512,059
Bonds payable	42	17,977,601	16,479,085
Long-term payables	43	24,210	24,206
Long-term employee benefits payable	36	22,408	23,018
Deferred income	44	1,589,175	1,912,421
Deferred income tax liabilities	23	995,139	952,678
Other non-current liabilities		-	483
Total non-current liabilities		66,754,531	57,903,950
Total liabilities		119,941,411	100,961,741
Share capital	45	13,528,439	13,528,439
Capital reserves	46	5,764,408	5,716,667
Less: Treasury stock	47	1,945,748	1,952,957
Other comprehensive income	68	(602,550)	(534,082)
Surplus reserves	48	2,238,368	2,238,368
General reserve	49	361	361
Retained earnings	50	11,044,065	11,115,150
Total equity attributable to shareholders of the Company as the parent		30,027,343	30,111,946
Non-controlling interests		34,864,480	33,771,198
Total shareholders' equity		64,891,823	63,883,144
Total liabilities and shareholders' equity		184,833,234	164,844,885

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

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

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

	Note V	H1 2020	H1 2019
1. Total revenue		29,418,903	43,860,558
Including: Revenue	51	29,333,211	43,781,614
Interest income	52	85,692	78,944
Less: Cost of sales	51	26,740,893	37,357,128
Interest expense	52	16,278	8,312
Taxes and levies	53	87,284	241,189
Selling expense	54	324,665	2,382,736
Administrative expense	55	770,003	1,266,510
R&D expense	56	1,882,501	1,880,667
Finance costs	57	916,022	604,714
Including: Interest expense		1,132,442	1,096,991
Interest income		250,867	239,908
Add: Other income	58	952,416	921,527
Return on investment	59	1,340,665	2,005,739
Including: Share of profit or loss of joint ventures and associates		881,503	654,004
Exchange gain	52	689	(11,065)
Gain on changes in fair value	60	114,034	295,530
Less: Credit impairment loss	63	1,124	20,547
Asset impairment loss	62	328,682	314,341
Add: Asset disposal income	61	1,320	(3,428)
2. Operating profit		760,573	2,992,717
Add: Non-operating income	64	491,939	46,113
Less: Non-operating expense	65	18,801	18,820
3. Gross profit		1,233,711	3,020,010
Less: Income tax expense	66	164,587	282,947
4. Net profit		1,069,124	2,737,063
4.1 By operating continuity			
Net profit from continuing operations		1,069,124	1,404,976
Net profit from discontinued operations		-	1,332,087
4.2 By ownership			
Net profit attributable to shareholders of the Company as the parent		1,208,066	2,092,349
Net profit attributable to non-controlling interests		(138,942)	644,714
5. Other comprehensive income, net of tax	67	(88,940)	512,530
5.1 Other comprehensive income that will not be reclassified to profit or loss		(13,382)	(17,564)
5.2 Other comprehensive income that may subsequently be reclassified to profit or loss upon satisfaction of prescribed condition		(75,558)	530,094
6. Total comprehensive income		980,184	3,249,593
Attributable to shareholders of the Company as the parent		1,139,598	2,441,842
Attributable to non-controlling interests		(159,414)	807,751
7. Earnings per share	68		
7.1 Basic earnings per share (RMB yuan/share)		0.0932	0.1569
7.2 Diluted earnings per share (RMB yuan/share)		0.0893	0.1544

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

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

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

	Note V	H1 2020	H1 2019
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		30,776,853	46,131,645
Net increase/(decrease) in customer deposits and deposits from other banks and financial institutions		2,262,400	2,657,645
Net increase/(decrease) in borrowings from central bank		831,500	(33,465)
Net increase in loans from other financial institutions		500,000	-
Interest, fees and commissions received		85,692	78,944
Tax and levy rebates		1,409,112	2,051,141
Cash generated from other operating activities	69	1,133,384	911,336
Subtotal of cash generated from operating activities		36,998,941	51,797,246
Payments for commodities and services		(23,358,384)	(34,287,313)
Net (increase)/decrease in loans and advances to customers		(106,115)	(3,013,412)
Net (increase)/decrease in deposits in central bank and other banks and financial institutions		319,970	368,644
Cash paid to and for employees		(2,545,709)	(2,909,441)
Taxes and levies paid		(2,253,748)	(2,402,718)
Cash used in other operating activities	70	(1,707,145)	(3,402,183)
Subtotal of cash used in operating activities		(29,651,131)	(45,646,423)
Net cash generated from/used in operating activities	73	7,347,810	6,150,823
2. Cash flows from investing activities:			
Proceeds from disinvestment		10,040,824	9,423,467
Return on investment		245,980	199,930
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		146	20,067
Net proceeds from the disposal of subsidiaries and other business units		199,303	863,817
Cash generated from other investing activities		10,486,253	10,507,281
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		(12,491,013)	(11,374,990)
Payments for investments		(15,202,884)	(13,828,141)
Net payments for the acquisition of subsidiaries and other business units		-	(171,293)
Cash used in other investing activities	71	(920)	(7,118,896)
Subtotal of cash used in investing activities		(27,694,817)	(32,493,320)
Net cash generated from/used in investing activities		(17,208,564)	(21,986,039)

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

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

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

	Note V	H1 2020	H1 2019
3. Cash flows from financing activities:			
Capital contributions received		2,262,240	4,829,829
Including: Capital contributions by non-controlling interests to subsidiaries		2,262,240	4,822,620
Borrowings raised		28,360,521	19,249,337
Net proceeds from issuance of bonds		4,403,000	1,000,000
Cash generated from other financing activities		71,503	-
Subtotal of cash generated from financing activities		35,097,264	25,079,166
Repayment of borrowings		(18,182,122)	(14,866,027)
Interest and dividends paid		(3,066,421)	(2,898,038)
Including: Dividends paid by subsidiaries to non-controlling interests		(275,264)	(25,953)
Cash used in other financing activities	72	(612,872)	(1,850,155)
Subtotal of cash used in financing activities		(21,861,415)	(19,614,220)
Net cash generated from/used in financing activities		13,235,849	5,464,946
4. Effect of foreign exchange rates changes on cash and cash equivalents		13,317	468,710
5. Net increase in cash and cash equivalents		3,388,412	(9,901,560)
Add: Cash and cash equivalents, beginning of the period		17,637,743	25,702,384
6. Cash and cash equivalents, end of the period	74	21,026,155	15,800,824

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

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

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

	H1 2020								
	Equity attributable to shareholders of the Company as the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	General reserve	Retained earnings		
1. Balance as at the end of the prior year	13,528,439	5,716,667	(1,952,957)	(534,082)	2,238,368	361	11,115,150	33,771,198	63,883,144
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the year	13,528,439	5,716,667	(1,952,957)	(534,082)	2,238,368	361	11,115,150	33,771,198	63,883,144
3. Increase/decrease in the period	-	47,741	7,209	(68,468)	-	-	(71,085)	1,093,282	1,008,679
3.1 Total comprehensive income	-	-	-	(68,464)	-	-	1,208,066	(159,414)	980,188
3.2 Capital increased and reduced by shareholders	-	47,741	7,209	-	-	-	-	1,659,202	1,714,152
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	2,262,240	2,262,240
3.2.2 Share-based payments included in owners' equity	-	5,526	7,209	-	-	-	-	-	12,735
3.2.3 Others	-	42,215	-	-	-	-	-	(603,038)	(560,823)
3.3 Profit distribution	-	-	-	-	-	-	(1,279,155)	(406,506)	(1,685,661)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,279,155)	(406,506)	(1,685,661)
3.4 Transfers within owners' equity	-	-	-	(4)	-	-	4	-	-
3.4.1 Other comprehensive income transferred to retained earnings	-	-	-	(4)	-	-	4	-	-
4. Balance as at the end of the period	13,528,439	5,764,408	(1,945,748)	(602,550)	2,238,368	361	11,044,065	34,864,480	64,891,823

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

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

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

	2019								
	Equity attributable to shareholders of the Company as the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	General reserve	Retained earnings		
1. Balance as at the end of the prior year	13,549,649	5,996,741	(63,458)	(1,174,162)	2,184,261	361	10,000,973	30,377,308	60,871,673
Add: Adjustment for change in accounting policy	-	-	-	334,950	-	-	(106,833)	(994)	227,123
2. Balance as at the beginning of the year	13,549,649	5,996,741	(63,458)	(839,212)	2,184,261	361	9,894,140	30,376,314	61,098,796
3. Increase/decrease in the period	(21,210)	(280,074)	(1,889,499)	305,130	54,107	-	1,221,010	3,394,884	2,784,348
3.1 Total comprehensive income	-	-	-	299,561	-	-	2,617,765	1,223,644	4,140,970
3.2 Capital increased and reduced by shareholders	(21,210)	(280,074)	(1,889,499)	-	-	-	-	2,247,318	56,535
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	7,327,174	7,327,174
3.2.2 Share-based payments included in owners' equity	(21,210)	(8,061)	(81,962)	-	-	-	-	-	(111,233)
3.2.3 Others	-	(272,013)	(1,807,537)	-	-	-	-	(5,079,856)	(7,159,406)
3.3 Profit distribution	-	-	-	-	54,107	-	(1,391,186)	(76,078)	(1,413,157)
3.3.1 Appropriation to surplus reserves	-	-	-	-	52,832	-	(52,832)	(16,923)	(16,923)
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,337,079)	(59,155)	(1,396,234)
3.3.3 Others	-	-	-	-	1,275	-	(1,275)	-	-
3.4 Transfers within owners' equity	-	-	-	5,569	-	-	(5,569)	-	-
3.4.1 Other comprehensive income transferred to retained earnings	-	-	-	5,569	-	-	(5,569)	-	-
4. Balance as at the end of the period	13,528,439	5,716,667	(1,952,957)	(534,082)	2,238,368	361	11,115,150	33,771,198	63,883,144

Legal representative: Li Dongsheng Person-in-charge of financial affairs: Du Juan Person-in-charge of the 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 as the Parent
(RMB'000)

Assets	Note XV	30 June 2020	31 December 2019
Current assets			
Monetary assets		11,913,572	3,966,899
Held-for-trading financial assets		2,906,115	2,969,106
Derivative financial assets		854	-
Notes receivable		21,361	22,514
Accounts receivable	1	144,774	445,090
Prepayments		200,601	97,127
Other receivables	2	15,001,251	17,129,473
Inventories		6,776	14,869
Other current assets		9,801	6,471
Total current assets		30,205,105	24,651,549
Non-current assets			
Long-term equity investments	3	45,722,688	39,297,272
Investments in other equity instruments	4	15,000	15,000
Other non-current financial assets	5	1,583,060	1,540,913
Investment property		90,654	92,623
Fixed assets		49,292	54,238
Construction in progress		19,280	1,241
Intangible assets		19,746	19,145
Long-term prepaid expense		449,084	454,969
Total non-current assets		47,948,804	41,475,401
Total assets		78,153,909	66,126,950

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

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

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

Liabilities and shareholders' equity:	Note XV	30 June 2020	31 December 2019
Current liabilities			
Short-term borrowings		7,213,043	6,484,481
Derivative financial liabilities		-	5,981
Notes payable		137,543	30,283
Accounts payable		106,095	424,225
Advances from customers		28	17,471
Contract liabilities		56,508	-
Employee benefits payable		123,795	125,095
Taxes and levies payable		9,669	10,355
Other payables		13,437,563	9,347,608
Current portion of non-current		3,024,296	847,327
Total current liabilities		24,108,540	17,292,826
Non-current liabilities			
Long-term borrowings		5,703,000	2,110,000
Bonds payable		17,977,601	16,479,085
Long-term employee benefits		22,408	23,018
Deferred income		39,335	51,562
Total non-current liabilities		23,742,344	18,663,665
Total liabilities		47,850,884	35,956,491
Share capital		13,528,439	13,528,439
Capital reserves		8,388,302	8,382,776
Less: Treasury stock		1,945,748	1,952,957
Other comprehensive income		120,782	56,064
Surplus reserves		2,036,304	2,036,304
Retained earnings		8,174,946	8,119,833
Total shareholders' equity		30,303,025	30,170,459
Total liabilities and shareholders' equity		78,153,909	66,126,950

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

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

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

	Note XV	H1 2020	H1 2019
1. Revenue	6	486,384	763,599
Less: Cost of sales	6	384,058	650,918
Taxes and levies		4,022	8,920
Selling expense		11,918	14,396
Administrative expense		141,988	160,762
R&D expense		51,618	45,261
Finance costs		543,831	413,526
Including: Interest expense		844,394	676,058
Interest income		303,902	301,489
Add: Other income		15,329	4,959
Return on investment	7	1,391,855	742,856
Including: Share of profit or loss of joint ventures and associates	7	617,216	583,230
Gain on changes in fair value		98,825	(71,490)
Less: Credit impairment loss		(601)	(2,745)
Add: Asset disposal income		-	(10)
2. Operating profit		855,559	148,876
Add: Non-operating income		486,288	10,008
Less: Non-operating expense		7,579	7,304
3. Gross profit		1,334,268	151,580
Less: Income tax expense		-	-
4. Net profit		1,334,268	151,580
5. Other comprehensive income		64,718	32,130
6. Total comprehensive income		1,398,986	183,710

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

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

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

		Note XV	H1 2020	H1 2019
1.	Cash flows from operating activities:			
	Proceeds from sale of commodities and rendering of services		832,527	746,180
	Tax and levy rebates		1,073	341
	Cash generated from other operating activities		112,440	5,063,425
	Subtotal of cash generated from operating activities		946,040	5,809,946
	Payments for commodities and services		(717,268)	(909,086)
	Cash paid to and for employees		(108,049)	(77,954)
	Taxes and levies paid		(19,721)	(45,844)
	Cash used in other operating activities		(964,363)	(800,356)
	Subtotal of cash used in operating activities		(1,809,401)	(1,833,240)
	Net cash generated from/used in operating activities	8	(863,361)	3,976,706
2.	Cash flows from investing activities:			
	Proceeds from disinvestment		3,069,748	9,941,886
	Return on investment		4,989,820	280,280
	Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		1	135
	Cash generated from other investing activities		8,059,569	10,222,301
	Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		(12,165)	(2,576)
	Payments for investments		(10,584,137)	(4,220,774)
	Cash used in other investing activities		(920)	-
	Subtotal of cash used in investing activities		(10,597,222)	(4,223,350)
	Net cash generated from/used in investing activities		(2,537,653)	5,998,951

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

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

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

	Note XV	H1 2020	H1 2019
1. Cash flows from financing activities：			
Capital contributions received		-	7,209
Borrowings raised		19,360,252	6,460,956
Net proceeds from issuance of bonds		4,403,000	1,000,000
Cash generated from other financing activities		60,000	-
Subtotal of cash generated from financing activities		23,823,252	7,468,165
Repayment of borrowings		(10,824,628)	(9,480,956)
Interest and dividends paid		(1,707,229)	(1,782,161)
Cash used in other financing activities		(16,524)	(1,536,764)
Subtotal of cash used in financing activities		(12,548,381)	(12,799,881)
Net cash generated from/used in financing activities		11,274,871	(5,331,716)
4. Effect of foreign exchange rates changes on cash and cash equivalents		(3,269)	(30,892)
5. Net increase in cash and cash equivalents		7,870,588	4,613,049
Add: Cash and cash equivalents, beginning of the period		3,941,090	1,328,679
6. Cash and cash equivalents, end of the period	9	11,811,678	5,941,728

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

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

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

	H1 2020						
	Share capital	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balance as at the end of the prior year	13,528,439	8,382,776	(1,952,957)	56,064	2,036,304	8,119,833	30,170,459
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-
2. Balance as at the beginning of the year	13,528,439	8,382,776	(1,952,957)	56,064	2,036,304	8,119,833	30,170,459
3. Increase/decrease in the period	-	5,526	7,209	64,718	-	55,113	132,566
3.1 Total comprehensive income	-	-	-	64,718	-	1,334,268	1,398,986
3.2 Capital increased and reduced by shareholders	-	5,526	7,209	-	-	-	12,735
3.2.1 Share-based payments included in owners' equity	-	5,526	7,209	-	-	-	12,735
3.3 Profit distribution	-	-	-	-	-	(1,279,155)	(1,279,155)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	(1,279,155)	(1,279,155)
3.3.3 Others	-	-	-	-	-	-	-
4. Balance as at the end of the period	13,528,439	8,388,302	(1,945,748)	120,782	2,036,304	8,174,946	30,303,025

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

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

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

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

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

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

I General information

(I) Place of incorporation and form of organization

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

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

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

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

On 19 May 2011, the Company carried out a bonus issue of 10 additional shares for every 10 shares to all the shareholders with capital reserves, representing a total of 4,238,109,417 new shares, with a par value of RMB1 per share. Upon the completion of this bonus issue, the registered capital of the Company increased from RMB4,238,109,417 to RMB8,476,218,834, and on 27 June 2011, the Company was approved by Huizhou Administration for Industry and Commerce to change its business license to Business License No. 440000000011990.

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

I General information (continued)

(I) Place of incorporation and form of organization (continued)

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

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

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

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

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

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

In 2020, the Proposal on the Intended Change of the Company's Full Name and Stock Name was approved respectively at the 23rd Meeting of the 6th Board of Directors and the First Extraordinary General Meeting of 2020. As such, the name of the Company has been changed from "TCL Corporation" to "TCL Technology Group Corporation" (abbreviation from "TCL CORP." to "TCL TECH.") since 7 February 2020, with the stock name changed from "TCL CORP." to "TCL TECH." and the stock code of "000100" unchanged.

As at 30 June 2020, the total issued share capital of the Company were 13,528,438,719 shares. Please refer to Note V, 45 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.

I General information (continued)

(II) Scope of business

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

(III) Authorization of financial statements for issue

These financial statements were authorized for issue by the Company’s Board of Directors on 27 August 2020.

II Scope of the consolidated financial statements

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

III Significant accounting policies and accounting estimates

1 Basis for the preparation of financial statements

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

2 Going concern basis

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

3 Statement of compliance with corporate accounting standards

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

III Significant accounting policies and accounting estimates (continued)

4 Accounting period

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

5 Operating cycle

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

6 Base currency for bookkeeping

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

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

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

(a) These transactions are made simultaneously or with consideration of influence on each other;

(b) These transactions can only achieve a complete business outcome when treated as a whole;

(c) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;

(d) A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

(2) Business combinations involving enterprises under common control

(a) Individual financial statement

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

III Significant accounting policies and accounting estimates (continued)

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

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

(a) Individual financial statements (continued)

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

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

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

(b) Consolidated financial statements

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

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

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.

III Significant accounting policies and accounting estimates (continued)

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

(3) Business combinations involving enterprises not under common control

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements (continued)

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

III Significant accounting policies and accounting estimates (continued)

9 Criteria for determining cash and cash equivalents

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

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

10 Foreign currency business and translation of foreign currency statement

(1) Foreign currency transactions

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

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

Foreign currency non-monetary items measured at fair value are translated at the spot exchange rates on the date when the fair value is determined, and the exchange differences resulted therefrom are included in profit or loss in the current period as a change in fair value. In the case of foreign currency non-monetary items that are 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 profit" items, are translated at the spot exchange rate at the time of occurrence of items. All the incurred items in the income statement are translated at the current average exchange rate of the period in which transactions occur.

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

III Significant accounting policies and accounting estimates (continued)

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

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

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

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

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

① For purchased or originated credit-impaired financial assets, the Company calculates and determines their interest income at the amortized cost of the financial asset and the credit-adjusted effective interest rate since the initial recognition.
② For financial assets not credit-impaired at the time of being purchased or originated but in the subsequent period, the Company calculates and determines their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the effective interest rate by the book balance of the financial asset.

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(2) Classification and measurement of financial liabilities

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

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

Subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

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

(b) Other financial liabilities

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

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

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

(3) Derecognition of financial assets and liabilities
(a) Financial asset are derecognized, i.e. written off from its account and balance sheet if:

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

(b) Conditions for derecognition of financial liabilities

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

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

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

① The carrying amount of the derecognized portion on the derecognition date.

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

III Significant accounting policies and accounting estimates (continued)

11 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.

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(6) Impairment of financial instruments

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

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

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

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

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

(a) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, its loss reserve shall be measured according to an amount equivalent to its expected credit loss in the next 12 months, and the interest income shall be calculated at the book balance and the effective interest rate.

(b) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, then its loss reserve shall be measured according to an amount equivalent to its expected credit loss throughout its life, and the interest income shall be calculated at the book balance and the effective interest rate.

(c) If the financial instrument is credit-impaired since its initial recognition, it is in the third stage, and the Company shall measure its loss reserve according to an amount equivalent to its expected credit loss throughout its life, and calculate the interest income at the amortized cost and the effective interest rate.

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

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

(a) Significant increase of credit risk

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

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

① According to the actual or as expected, whether the debtor's operating results have changed significantly;

② Whether the regulatory, economic or technological environment of the debtor has undergone significant adverse changes;

③ Whether the following items have changed significantly: the value of collateral as debt mortgage, or the guarantee provided by a third party, or the quality of credit enhancement; these changes will reduce the debtor's economic motivation to repay the loan within the time limit stipulated in the contract or impact the probability of default;

④ Whether the debtor's expected performance and repayment behavior have changed significantly;

⑤ Whether the Company's credit management methods for financial instruments have changed, etc.

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

III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

(6) Impairment of financial instruments (continued)

(b) Financial assets with depreciation of credit

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

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

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

(c) Determination of expected credit loss

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

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

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

① In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the company shall receive and the expected cash flow.
② In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the holder of the contract, the debtor or any other party.
③ If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

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

III Significant accounting policies and accounting estimates (continued)

11 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.

III Significant accounting policies and accounting estimates (continued)

12 Notes receivable

For the determination method and accounting treatment method of the Company's expected credit loss on notes receivable, please refer to 11(6) of note III Impairment of financial instruments.

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

13 Accounts receivable

For the determination method and accounting treatment method of the Company's expected credit loss on accounts receivable, please refer to 11(6) of note III Impairment of financial instruments.

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

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

14 Other receivables

For the determination method and accounting treatment method of the Company's expected credit loss of other receivables, please refer to 11(6) of note III Impairment of financial instruments.

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

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

15 Inventories
(1) Classification of inventories

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

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

III Significant accounting policies and accounting estimates (continued)

15 Inventories (continued)

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

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

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

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

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

(4) Inventory system

The Company adopts a perpetual inventory system for inventory management.

(5) Amortization method of turnover materials

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

III Significant accounting policies and accounting estimates (continued)

16 Long-term equity investments

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

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

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

(1) Recognition of initial investment cost

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

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

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

16 Long-term equity investments (continued)

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

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

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

(a) Subsequent measurement

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

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

(b) Recognition of profit and loss

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

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

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

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

III Significant accounting policies and accounting estimates (continued)

16 Long-term equity investments (continued)

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

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

(a) These transactions are made simultaneously or with consideration of influence on each other;

(b) These transactions can only achieve a complete business outcome as a whole;

(c) The occurrence of a transaction depends on the occurrence of at least one of the other transaction;

(d) A transaction alone is uneconomical, but is economical when considered together with other transactions.

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

(a) In the individual financial statements, the disposed equity should be accounted for in accordance with the "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment"; meanwhile, the remaining equity should be recognized as long-term equity or other related financial assets based on its book value. If the remaining equity after disposal can be used to exercise common control or significant influence on the original subsidiary, it shall be accounted for in accordance with the relevant provisions on the conversion of the cost method into the equity method.

(b) In the consolidated financial statements, the remaining equity should be re-measured in accordance with its fair value on the date of loss of control. The difference between the sum of the consideration acquired from the disposal of the equity and the fair value of the remaining equity, less the share of net assets of the original subsidiary that should be enjoyed in accordance with the original share-holding ratio from the date of acquisition, is included in the current profit and loss of the period in which loss of control occurred. Other comprehensive income related to the original subsidiary's equity investment should be converted into current investment income when control is lost. The enterprise shall disclose in the notes the fair value of the remaining equity after disposal on the date of loss of control and the amount of relevant gains or losses arising from the disposal remeasured based on the fair value.

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

(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.

III Significant accounting policies and accounting estimates (continued)

16 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.

17 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.

III Significant accounting policies and accounting estimates (continued)

18 Fixed assets

(1) Recognition criteria for fixed assets

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

(a) The economic benefits associated with the fixed assets are likely to flow into the enterprise;

(b) The cost of the fixed asset can be measured in a reliable way.

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

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

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

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

(a) The ownership of the leased asset is attributable to the Company upon the expiry of lease;

(b) The Company has the option to purchase the asset, and the purchase price is much lower than the fair value of the asset when the option is exercised;

(c) The lease term represents the majority of the service life of the leased asset;

(d) The present value of the minimum lease payments on the lease start date is not significantly different from the fair value of the asset.

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

(The amounts in tables are expressed in thousands of RMB)

III Significant accounting policies and accounting estimates (continued)

18 Fixed assets (continued)

(3) Depreciation method for fixed assets

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

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

Fixed assets renovation is amortized evenly over the benefit period.

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

19 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.

III Significant accounting policies and accounting estimates (continued)

20 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.

III Significant accounting policies and accounting estimates (continued)

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

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

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

(1) It is technically feasible to complete the intangible asset to enable it to be used or sold;

(2) There is intent to complete the intangible asset and use or sell it;

(3) The intangible assets can bring economic benefits;

(4) There are sufficient technical, financial and other resources to support the development of the intangible assets as well as ability to use or sell the intangible assets;

(5) Expenditures attributable to the development stage of the intangible asset can be measured in a reliable way.

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

III Significant accounting policies and accounting estimates (continued)

22 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.

23 Impairment of long-lived assets

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

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

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

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

24 Asset transfer with repurchase conditions

When the Company sells products or transfers other assets, it signs a product or a transfer asset repurchase agreement with the purchaser, and determines whether the sales commodity satisfies the revenue recognition conditions according to the terms of the agreement. If the after-sales repurchase is a financing transaction, the Company does not recognize the sales revenue when the product or asset is delivered. If the repurchase price is greater than the difference between the sales prices, interest of the difference is accrued on time during the repurchase period, and included in financial expenses.

III Significant accounting policies and accounting estimates (continued)

25 Provisions

When the Company is involved in any litigation, debt guarantee, contract loss or reorganization, which is likely in need of future delivery of assets or rendering of services, and the amount of which can be measured in a reliable way, it is recognized as provisions.

(1) Recognition criteria of provisions

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

(a) The obligation is the current obligation of the Company;

(b) The fulfillment of the obligation is likely to cause economic benefits to flow out of the Company;

(c) The amount of the obligation can be measured in a reliable way.

(2) Measurement of provisions

The provisions of the Company are initially measured on the basis of the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money related to contingent events. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

In case that there is a continuous range (or interval) of required expenditures, within which the possibility of occurrence of various results is the same, the best estimate is determined by the average of the middle value of the range, that is, the average of the upper and lower limits.

In case that there is no continuous range (or interval) of required expenditures, or there is a continuous range but the possibility of various results in the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; if a contingency involves multiple items, the best estimate is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to settle the provisions are expected to be compensated by a third party, the compensation amount is separately recognized as an asset when it is basically confirmed to be received, and the recognized compensation amount should not exceed the book value of provisions.

26 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.

III Significant accounting policies and accounting estimates (continued)

27 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, and short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at their fair value.

(b) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the Reporting Period, the Company's defined contribution plans mainly include basic pensions and unemployment insurance.

(c) Termination benefits

If the Company terminates the labor relationship with an employee before the labor contract expires, or offers compensation for encouraging the employee to accept the redundancies voluntarily, the liabilities arising from the termination of labor relations with the employee is determined, and also included in the current profit and loss, at the time when the group cannot unilaterally withdraw the termination of the labor relationship plan or redundancies proposal, or the time when the cost associated with reorganization involving payment of termination benefits is confirmed, whichever is earlier.

(d) Other long-term employee benefits

Other long-term employee benefits refer to all employee benefits except short-term employment benefits, post-employment benefits and termination benefits.

III Significant accounting policies and accounting estimates (continued)

28 Share-based payments

The share-based payments of the Company are mainly equity-settled share-based payments, and only allow to be exercised by employees after the completion of their services in the waiting period. On each balance sheet date in the waiting period, based on the best estimate of the number of vesting equity instruments, the services obtained in the current period are included in the relevant costs or expenses and capital reserve based on the fair value at the grant date of the equity instruments.

The fair value of equity instruments is determined by the external appraiser or management based on the binomial distribution method. The best estimate of the vesting equity instrument is determined by the management based on historical statistics on the vesting weights and turnover rates on the balance sheet date.

Equity-settled share-based payments are measured based on the fair value of the equity instruments granted to employees. In case that the vesting right is available immediately after the grant, it is included in relevant cost or expense based on the fair value of the equity instrument on the grant date, and the capital reserve is increased accordingly. In case that the vesting right is available after the completion of services in the waiting period or satisfaction of stipulated performance conditions, on each balance sheet day during the waiting period, the services acquired in the current period are included into the relevant costs or expenses and capital reserve on the basis of the best estimate of the number of feasible equity instruments and at the fair value of the date on which the equity instruments are granted. No adjustments are made to the identified related costs or expenses or total owner's equity after the vesting date.

29 Revenue recognition (applicable before 31 December 2019)

Revenue is recognized only when economic benefits are likely to flow in and the amount of income and associated costs can be measured in a reliable way, and the following conditions are all satisfied:

(1) Sales of goods

The Company has transferred the main risks and rewards of ownership of the goods to the purchaser, and no longer retains any continuing management right or effective control of the goods, which are usually linked to the ownership, and recognizes the realization of sales revenue of the goods.

(2) Sales of property development products

The realization of sales revenue is recognized when the sales of property is completed and acceptance of the property is qualified, the terms of delivery stipulated in the sales contract are satisfied, and the buyer has obtained the certificate of payment for the delivery of the property stipulated in the sales contract (usually the first payment of the sales contract is received and the payment arrangement of the remaining payment is confirmed).

(3) Rendering of services

In the case that the transaction results of service rendering can be estimated in a reliable way, the Company confirms the relevant labor revenue according to the percentage of completion method on the balance sheet date; otherwise, the revenue is recognized based on the amount of labor costs that have occurred and are expected to be compensated.

(4) Interest income

Accounted for according to the time and effective interest rate of the Company's monetary assets used by others.

III Significant accounting policies and accounting estimates (continued)

29 Revenue recognition (continued)

(5) Royalties income

Accounted for according to the time and method of charging as stipulated in the relevant contract or agreement.

30 Revenue recognition (applicable from 1 January 2020)

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 cost is predicted to be compensated, corresponding revenue shall be recognized based on the specific cost amount till the fulfillment schedule could be reasonably determined.

III Significant accounting policies and accounting estimates (continued)

30 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 obligation.

(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

The Company shall recognize corresponding revenues by using the straight line method within the lease term agreed in the lease contract.

(c) Royalties income

If revenues are recognized within a certain period based on the technical service contract, corresponding revenues shall be recognized according to the performance schedule.

III Significant accounting policies and accounting estimates (continued)

31 Contract cost

(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.

(4) Impairment of contract cost

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 are established, if changes in depreciation factors during previous periods have made the above different 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 asset shall not exceed the book value of the asset on the date of restitution without establishing impairment allowances.

III Significant accounting policies and accounting estimates (continued)

32 Government grants

(1) Category

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 profit and loss.

(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 profit or loss 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.

III Significant accounting policies and accounting estimates (continued)

33 Deferred income tax assets and deferred income tax liabilities

The income taxes of the Company include current income tax and deferred income tax. Both current income tax and deferred income tax are recognized in the current profit and loss as income tax expense or gain, except for the following:

(1) Adjusting goodwill due to income tax arising from business combination;

(2) Income tax related to transactions or events directly included in shareholders' equity is included in shareholders’ equity.

On the balance sheet date, the Company recognizes the deferred income tax assets or deferred income tax liabilities in accordance with the balance sheet liability method on temporary differences between the book value of assets or liabilities and their tax base.

The Company recognizes all taxable temporary differences as deferred tax liabilities except the taxable temporary differences incurred in the following transactions:

(1) Initial recognition of goodwill; or initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;

(2) For taxable temporary differences related to investments in subsidiaries, associates and joint ventures, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

The Company recognizes deferred income tax assets arising from deductible temporary differences, subject to the amount of taxable income likely to be obtained to offset the deductible temporary differences, except the deductible temporary differences incurred in the following transactions:

(1) The transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;

(2) The deductible temporary differences related to investment in subsidiaries, associates and joint ventures cannot satisfy all the following: the temporary differences are likely to be reversed in the foreseeable future and are likely to be used for deduction of deductible taxable income for temporary differences in the future.

On the balance sheet date, the Company measures the deferred income tax assets and deferred income tax liabilities according to the tax law based on the applicable tax rate during the period of expectation of recovering the assets or paying off the liabilities, and reflects the income tax impact of the expected recovery of assets or liquidation of liabilities on the balance sheet date.

On the balance sheet date, the Company reviews the book value of deferred income tax assets. If it is probable that no sufficient taxable income will be available in the future to offset the benefits of deferred tax assets, the book value of deferred tax assets is written down. When it is probable that sufficient taxable income will be available, the amount written-down will be reversed.

III Significant accounting policies and accounting estimates (continued)

34 Leases

(1) Accounting treatment of operating leases

(a) The rental fees paid by the Company for the lease of assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and included in the current expenses. The initial direct costs associated with the lease transactions paid by the Company are included in the current expenses.
When the lessor of an asset bears the expenses related to the lease that should be borne by the Company, the Company deducts the part of the expenses from the total rent. The deducted rental expenses are apportioned during the lease term and included in the current expenses.

(b) The rental fees charged by the Company for renting out assets are apportioned on a straight-line basis over the entire lease term without deduction of the rent-free period and is recognized as rental income. The initial direct expenses related to lease transactions paid by the Company are included in the current expenses; if the amount is a significant one, it is capitalized and included in the current income in the same period as the lease income is recognized throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company deducts the part of the expenses from the total rental income, and distributes the deducted rental expenses within the lease term.

(2) Financial leased assets
On the date when lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower, and recognizes the minimum lease payment amount as the book value of the long-term payable, and the difference between the two is recognized as unconfirmed financing expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and includes them in financial expenses.

(3) Financial leasing assets
On the date when lease starts, the Company recognizes the receivable of the financial lease, the difference between the sum of unsecured residual value and its present value as unrealized financing income, and recognizes the lease income in the future period of the lease. The initial direct costs incurred by the Company in connection with lease transactions are included in the initial measurement of financial lease receivable, and the amount of income recognized during the lease term is reduced.

35 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.

36 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 satisfied any of the following as a component of discontinued operations: (1) The component represents an independent major business or a separate major business area; (2) This component is part of a related plan to dispose of an independent major business or a separate major operating area; (3) This component is a subsidiary that is acquired for resale. Operating profit and loss, such as impairment losses for discontinued operations and the amount reversed, and disposal profit and loss are presented in the income statement as profit and loss of discontinued operations.

(The amounts in tables are expressed in thousands of RMB)

III Significant accounting policies and accounting estimates (continued)

37 Changes to major accounting policies and estimates

(1) Changes to accounting policies

The Company has adopted since 1 January 2020 the Accounting Standard No. 14 for Business Enterprises-Revenue revised by the Ministry of Finance in 2017. For details of the changed accounting policies, please refer to Item 30 in Note III to the financial statements in this report.

As required by the new revenue standard, retained earnings and other relevant financial statement items at the beginning of the period when the new revenue standard was first adopted (1 January 2020) should be adjusted according to the cumulative effects arising from the first adoption of the new revenue standard, and data of the comparable periods should not be adjusted.

When executing the new revenue standard, the Company considered adjustments only for the cumulative effects in respect of the outstanding contracts on the date of the standard's first adoption; and did not make retrospective adjustments in respect of the changes that had occurred to contracts before the beginning of the earliest comparable period or before the beginning of 2020, but according to the final arrangements of the contract changes, identified the fulfilled and unfulfilled performance obligations, determined the transaction price and distributed the transaction price to the fulfilled and unfulfilled performance obligations.

The effects of the adoption of the new revenue standard on the presentation of the balance sheet items as at the beginning of the current period are as follows:

Item	Carrying amount as per the former revenue standard	Effect of re classification	Effect of re measurement	Carrying amount as per the revised revenue standard
Advances from customers	141,749	(136,249)	-	5,500
Contract liabilities	-	133,818	-	133,818
Other current liabilities	69,022	2,431	-	71,453

(2) Changes to accounting estimates

No change occurred to the major accounting estimates in the Reporting Period.

38 Correction of previous accounting errors

No previous accounting errors were identified and corrected in the Reporting Period.

IV Taxes

1 Value-added tax

Starting from 1 April 2019, output tax was calculated at 6%, 9% or 13% of the taxable income of general taxpayers and the value added-tax was paid based on the difference after deducting the allowance deduction of input tax in the current period. The value added-tax payment for the Company's directly exported goods is executed in accordance with the regulations of "Exemption, Offset and Refund". Starting from 1 April 2019, the tax refund rate is 0%-13%.

2 Urban maintenance and construction tax

Subject to the relevant tax laws and regulations of the state and local regulations, urban maintenance and construction tax is paid based on the proportion stipulated by the state according to the individual circumstances of each member of the Company.

3 Education surcharges

Education surcharges are paid according to the individual circumstances of each member of the Company based on the proportion stipulated by the state in accordance with the relevant national tax regulations and local regulations.

4 Dike protection fee

Dike protection fee is paid according to relevant national tax regulations and local regulations.

5 Property tax

Property tax is paid on the houses with property rights according to the proportion stipulated by the state in accordance with the relevant national tax regulations and local regulations.

6 Corporate income tax

The corporate income tax rate for the Company was 25% in the Current Period (2019: 25%).

According to Article 28 of the Enterprise Income Tax Law of the People's Republic of China, a reduced corporate income tax rate of 15% is applied to important high-tech enterprises that the government supports.

IV Taxes (continued)

6 Corporate income tax (continued)

The following subsidiaries are entitled to tax preferences, overseas subsidiaries adopt the local tax rates, and the other subsidiaries of the Company are all taxed at a rate of 25%.

Subsidiaries entitled to tax preferences:

Company name	Preferential tax rate	Reason
TCL China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Qingdao Blue Business Consulting Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise

7 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.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements

1 Monetary assets

	30 June 2020	31 December 2019
Cash on hand	686	966
Ban k deposits	20,681,078	17,636,777
Deposits with the central bank	251,029	570,999
Interest receivable on deposits	133,107	64,970
Other monetary assets	476,728	374,473
	21,542,628	18,648,185

Note Monetary assets with restricted use rights

	30 June 2020	31 December 2019
TCL Finance's statutory reserve deposits with the central bank	251,029	570,999
Other monetary assets	132,337	374,473
Interest receivable on deposits	133,107	64,970
	516,473	1,010,442

As at 30 June 2020, the Company's bank deposits of RMB251,029 thousand (31 December 2019: 570,999 thousand) are statutory reserve deposits placed in the central bank by TCL Finance Co., Ltd., a subsidiary of the Company.

As at 30 June 2020, the Company's monetary assets abroad amounted to RMB697,796 thousand (31 December 2019: RMB523,583 thousand), all of which were owned by the overseas subsidiaries of the Company.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

2 Held-for-trading financial assets

	30 June 2020	31 December 2019
Debt instrument investments	8,619,290	5,772,747
Equity instrument investments	370,041	302,004
	8,989,331	6,074,751

3 Derivative financial assets

	30 June 2020	31 December 2019
Foreign exchange forwards	144,216	121,255
Interest rate swaps	-	7,727
Others	42,996	30,054
	187,212	159,036

4 Notes receivable

(1) Notes receivable by category

	30 June 2020	31 December 2019
Bank acceptance notes	26,133	207,713
Trade acceptance notes	-	21,229
	26,133	228,942

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

4 Notes receivable (continued)

(1) Notes receivable by category (continued)

	30 June 2020					31 December 2019				
	Gross amount		Allowance for doubtful accounts		Carrying amount	Gross amount		Allowance for doubtful accounts		Carrying amount
	Amount	Percentage	Amount	Percentage		Amount	Percentage	Amount	Percentage	
Notes receivable for which the allowance for doubtful accounts were established on the grouping basis	26,133	100%	-	-	26,133	228,942	100%	-	-	228,942
By aging analysis	26,133	100%	-	-	26,133	228,942	100%	-	-	228,942

(2) As at 30 June 2020, there were no notes receivable in pledge or endorsed or discounted notes receivable that were undue on the balance sheet date.

5 Accounts receivable

	30 June 2020	31 December 2019
Accounts receivable	9,769,829	8,385,374
Less: allowance for doubtful accounts	39,045	45,020
	9,730,784	8,340,354

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

5 Accounts receivable (continued)

(1) Accounts receivable in the period from 1 January 2020 to 30 June 2020 are classified as follows by how the allowances for doubtful accounts were established:

	30 June 2020		
	Gross amount	Allowance for doubtful accounts	
		Lifetime ECL rate	Gross amount
Accounts receivable for which the related allowances for doubtful accounts were established on the individual basis			
Of which:			
Accounts receivable1	7,453	22.18%	1,653
Accounts receivable for which the related allowances for doubtful accounts were established on the grouping basis			
Of which:			
Group 1 : by aging analysis	7,560,428	0.49%	36,970
Group 2 : by related party grouping	2,201,948	0.02%	422
	9,762,376		37,392
	9,769,829		39,045

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

	30 June 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Within 1 year	9,715,829	99.44%	8,258,361	98.49%
1-2 years	35,873	0.37%	96,100	1.15%
2-3 years	5,737	0.06%	10,451	0.12%
Over 3 years	12,390	0.13%	20,462	0.24%
	9,769,829	100%	8,385,374	100%

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

5 Accounts receivable (continued)

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

	30 June 2020	31 December 2019
End of the prior year	45,020	434,893
Changes in accounting policies	-	3,879
Adjusted beginning	45,020	438,772
Current accrual	5,712	46,633
Reversal of current period	(1,532)	(11,940)
Write-off of current period	(10,237)	(8,604)
Reduced subsidiaries	-	(419,974)
Exchange adjustment	82	133
Ending amount	39,045	45,020

(4) There is no debt owed by shareholders holding 5% or more voting shares in this account balance.

(5) As at 30 June 2020, the accounts receivable of the top five balances are as follows:

	30 June 2020	31 December 2019
Total amount owed by the top five	5,892,013	3,991,332
Proportion of total accounts receivable	60.31%	47.60%

6 Receivables financing

	30 June 2020	31 December 2019
Receivables financing	106,755	-

Note Endorsed or discounted notes receivable and accounts receivable that were outstanding on the balance sheet date as at the period-end are as follows:

	Derecognized amount at period-end	Un-derecognized amount at period-end
Receivables financing	136,455	-

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

7 Prepayments

(1) Prepayments are analyzed as follows:

	30 June 2020	31 December 2019
Within 1 year	694,616	364,423

(2) As at 30 June 2020, the prepayments of the top five balances are as follows:

	30 June 2020	31 December 2019
Total amount owed by the top five	373,439	169,266
As % of total prepayments	53.76%	46.45%

8 Other receivables

	30 June 2020	31 December 2019
Dividends receivable	374,627	5,771
Other receivables	4,709,419	2,744,271
	5,084,046	2,750,042

Other receivables mainly included current accounts.

(1) Dividends receivable

	30 June 2020	31 December 2019
Bank of Shanghai Co., Ltd.	316,955	
Fantasia Holdings Group Co., Limited	57,672	-
Wuxi TCL Venture Capital Partnership (Limited Partnership)	-	5,771
	374,627	5,771

(2) Other receivables

	30 June 2020	31 December 2019
Other receivables	4,787,398	2,844,737
Less: allowance for doubtful accounts	77,979	100,466
	4,709,419	2,744,271

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

(2) Other receivables (continued)

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

	30 June 2020	31 December 2019
Subsidy receivable	1,460,824	1,354,557
External unit current account	749,122	993,962
Deposit and security deposit	2,196,172	162,934
Others	303,301	232,818
	4,709,419	2,744,271

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

	In the next 12 months Expected credit loss	Expected credit loss for the entire duration (incurred credit impairment)	Total
Beginning amount	45,157	55,309	100,466
Current accrual	500	-	500
Reversal of current period	(74)	(601)	(675)
Write-off in current period	-	(22,459)	(22,459)
Exchange adjustment	147	-	147
30 June 2020	45,730	32,249	77,979

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

	30 June 2020		31 December 2019	
	Carrying amount	Percentage	Carrying amount	Percentage
Within 1 year	4,521,311	94.44%	2,635,597	92.65%
1 to 2 years	157,548	3.29%	77,938	2.74%
2 to 3 years	55,809	1.17%	48,704	1.71%
More than 3 years	52,730	1.10%	82,498	2.90%
	4,787,398	100%	2,844,737	100%

(d) There is no debt owed by shareholders holding 5% or more voting shares in this account balance.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

(2) Other receivables (continued)

(e) As at 30 June 2020, the other receivables of the top five balances are as follows:

	30 June 2020	31 December 2019
Total amount owed by the top five	3,380,220	1,830,213
As % of total other receivables	70.61%	64.34%

(f) As at 30 June 2020, there is no transfer of other receivables that do not conform to the conditions for derecognition in the balance of this account; no transaction arrangement for asset securitization with other receivables as the subject asset; and no financial instrument that is the subject of securitization and does not conform to the conditions for derecognition.

9 Inventories

(1) Inventory is classified as follows:

	30 June 2020			31 December 2019		
	Gross amount	Inventory valuation allowance	Carrying amount	Gross amount	Inventory valuation allowance	Carrying amount
Raw materials	1,229,001	153,745	1,075,256	1,033,927	129,254	904,673
Goods in process	894,195	121,765	772,430	760,881	149,624	611,257
Finished goods	3,724,193	294,882	3,429,311	4,066,809	172,044	3,894,765
Turnover materials	265,239	818	264,421	268,086	818	267,268
	6,112,628	571,210	5,541,418	6,129,703	451,740	5,677,963

As at 30 June 2020, the Company has no inventory for liabilities guarantee.

(2) Inventory valuation allowances are analyzed as follows:

	1 January 2020	Current accrual	Resersal in current period	Write-off in current period	Exchange adjustment	30 June 2020
Raw materials	129,254	26,518	(1,899)	(128)	-	153,745
Goods in process	149,624	43,275	(71,134)	-	-	121,765
Finished goods	172,044	339,870	(8,027)	(209,620)	615	294,882
Turnover materials	818	-	-	-	-	818
	451,740	409,663	(81,060)	(209,748)	615	571,210

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

10 Other current assets

	30 June 2020	31 December 2019
Debt investments	1,348,462	1,596,741
VAT to be deducted, to be certified, etc.	2,788,833	2,299,416
Current portion of loans and advances to customers (note)	3,867,422	1,968,056
Others	75,398	47,614
	8,080,115	5,911,827

Note The current portion of loans and advances is loans due within the next year issued by subsidiaries TCL Finance Co., Ltd., Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd., of which interest receivable is RMB110,380 thousand.

11 Loans and advances to customers

	30 June 2020	31 December 2019
Loans and advances to customers (note)	1,941,271	3,637,768

Note Loans and advances to customers are loans granted by subsidiaries TCL Finance Co., Ltd., Guangzhou TCL Internet Microcredit Co., Ltd. and Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.

12 Debt investments

	30 June 2020	31 December 2019
National debt (note)	20,116	20,373

Note As at 30 June 2020, there were no significant debt investments.

13 Long-term equity investments

	30 June 2020			31 December 2019		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates (1)	18,568,017	15,773	18,552,244	17,042,572	22,846	17,019,726
Joint ventures (2)	54,008	-	54,008	174,558	-	174,558
	18,622,025	15,773	18,606,252	17,217,130	22,846	17,194,284

As at 30 June 2020, the Company has established impairment allowances for long-term equity investments in investees with poor management and insolvent assets. Other than that, there are no major restrictions on the realization of investment and the remittance of return on investment for long-term equity investments.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(1) Associates

Name of investee	Amount at beginning of year	Increase or decrease in investment in current period	Increase or decrease in current period						30 June 2020
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Bank of Shanghai Co., Ltd.	9,314,611	792,028	591,599	64,718	-	(316,955)	-	-	10,446,001
China Innovative Capital Management Limited	877,920	-	6,044	-	-	-	-	-	883,964
Tianjin 712 Communication & Broadcasting Co., Ltd.	762,470	-	19,511	-		(14,725)	-	-	767,256
LG Electronics(Hui Zhou) INC.	92,583	-	4,164		-	-	-	-	96,747
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	40,837	-	(136)	-	-	-	-	-	40,701
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,342	300	207	-	-	-	-	-	5,849
Shenzhen Tixiang Management Technology Co., Ltd.	2,078	-	160	-	-	-	-	-	2,238
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	1,815	-	(86)	-	-	-	-	-	1,729
TCL Air Conditioner (Wuhan) Co., Ltd.	37,666	-	582	-		-	-	-	38,248
TCL Finance (Hong Kong) Co., Limited	972	-	(972)		-	-	-	-	-
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	8,688	-	4,135	-	-	(595)	-	-	12,228
Shenzhen Tianyi Hemeng Education Co., Ltd.	6,325	-	(1,889)	-	-	-	-	-	4,436
Yizheng Zeyu Electric Light Co., Ltd.	2,507	-	-	-	-	-	-	-	2,507
Urumqi TCL Equity Investment Management Co., Ltd.	870	-	348	-	-	(1,118)	-	-	100
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,137,499	(49,367)	96,771	-	-	-	-	-	1,184,903

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Amount at beginning of year	Increase or decrease in investment in current period	Increase or decrease in current period						30 June 2020
			Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	585,223	(16,291)	82,441	5	-	(48,608)	-	-	602,770
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	205,476	-	(756)	-	-	-	-	-	204,720
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	199,603	(13,484)	22,818	-	-	(8,957)	-	-	199,980
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	114,768	55,167	2,846	-	-	-	-	-	172,781
Wuxi TCL Venture Capital Partnership (Limited Partnership)	34,546	-	657	(8)	-	-	-	-	35,195
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	67,768	-	(583)	-	-	-	-	-	67,185
Shanghai Chuangxiang Venture Capital Partnership (Limited Partnership)	29,667	-	9,552	15	-	(9,094)	-	-	30,140
Nanjing Zijin A Dynamic Investment Partnership (Limited Partnership)	25,982	-	(5)	4	-	-	-	-	25,981

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Amount at beginning of year	Increase or decrease in investment in current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	30 June 2020
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	8,754	-	(95)	-	-	-	-	-	8,659
Beijing A Dynamic Venture Capital Center (Limited Partnership)	21,008	(2,600)	(43)	-	-	-	-	-	18,365
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	17,931	(4,552)	617	2	-	-	-	1	13,999
Shenzhen A Dynamic New Industry Investment Fund Enterprise (Limited Partnership)	11,437	-	-	-	-	-	-	-	11,437
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	4,301	-	(264)	-	-	-	-	-	4,037
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,869	-	(209)	-	-	-	-	-	2,660
Shenzhen Jiutian Matrix Investment Management Co., Ltd.	1,953	-	17	-	-	-	-	-	1,970
Urumqi Qixinda Equity Investment Management Co., Ltd.	1,396	-	(29)	-	-	-	-	-	1,367
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	760	-	(1)	-	-	-	-	-	759
Beijing A Dynamic Investment Consulting Co., Ltd.	555	-	(78)	-	-	-	-	-	477
Shanghai Gen Auspicious Investment Management Co., Ltd.	518	-	(3)	-	-	-	-	-	515

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Amount at beginning of year	Increase or decrease in investment in current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	30 June 2020
Changzhou A Dynamic Fund Management Co., Ltd.	536	-	1	-	-	-	-	-	537
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	287	-	(8)	-	-	-	-	-	279
Wuxi TCL Medical Imaging Technology Co., Ltd.	50,264	-	(2,544)	-	-	-	-	10	47,730
Beijing WeMed Medical Equipment Co., Ltd.	11,972	(136)	(1,279)	-	-	-	(7,073)	3,591	7,075
Shanghai Huiying Medical Technology Co., Ltd.	442	-	(264)	-	-	-	-	-	178
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	279,442	225,733	11,100	-	-	-	-	-	516,275
TCL Ventures Fund L.P.	39,609	-	(1,283)	-	-	-	-	(1,527)	36,799
Getech Ltd.	7,576	4,451	(2,038)	-	-	-	-	15,910	25,899
Huizhou TCL Environmental Resource Co., Ltd.	79,990	-	8,158	-	-	-	-	-	88,148
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	375,020	-	(4,832)	-	-	-	-	-	370,188

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Amount at beginning of year	Increase or decrease in investment in current period	Increase or decrease in current period: Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	30 June 2020
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	149,493	-	(1,180)	-	-	-	-	-	148,313
TCL Intelligent Technology (Ningbo) Co., Ltd.	-	12,500	594	-	-	-	-	-	13,094
Others	2,398,397	-	27,595	(5,842)	-	(57,672)	-	45,347	2,407,825
	17,019,726	1,003,749	871,340	58,894	-	(457,724)	(7,073)	63,332	18,552,244

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(2) Joint ventures

Name of investee	Amount at beginning of year	Increase or decrease in current period							30 June 2020
		Increase or decrease in investment in current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equty changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
TV University Online Distance Education Technology Co., Ltd.	137,903	-	(10,537)	-	-	-	-	(127,366)	-
Huizhou TCL Taidong Shihua Investment Co., Ltd.	12,779	-	(9,432)	-	-	-	-	(3,347)	-
Shanxi TCL Huirong Venture Investment Co., Ltd.	22,633	-	30,097	-	-	-	-	-	52,730
TCL Huizhou City, Kai Enterprise Management Limited	1,243	-	35	-	-	-	-	-	1,278
	174,558	-	10,163	-	-	-	-	(130,713)	54,008

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

13 Long-term equity investments (continued)

(3) Impairment allowances for long-term equity investments

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020	Notes
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Beijing WeMed Medical Equipment Co., Ltd.	21,222	-	(7,073)	14,149	Note 1
	22,846	-	(7,073)	15,773	

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

14 Investments in other equity instruments

	30 June 2020	31 December 2019
Non-trading equity instruments	270,923	279,884

Item name	Dividend income recognized	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons designated as measured at fair value and whose changes are included in other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Non-trading equity instruments	1,136	-	(154,111)	4	Non-trading equity instruments	Sale in current period

15 Other non-current financial assets

	30 June 2020	31 December 2019
Equity investments	2,664,744	2,531,111
Debt investments	11,342	11,578
	2,676,086	2,542,689

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

16 Investment property

	Housing and buildings	Land use right	Total
Gross amount:			
1 January 2020	134,644	477	135,121
Increase			
Increase in current period	9,362	-	9,362
Reclassified from fixed assets and intangible assets	-	103,007	103,007
Reclassified from construction in progress	985,667	-	985,667
Decrease			
Reclassified to fixed assets and intangible assets	(8,045)	-	(8,045)
30 June 2020	1,121,628	103,484	1,225,112
Accumulated depreciation and amortization:			
1 January 2020	52,742	106	52,848
Increase			
Increase in current period	8,827	1,088	9,915
Reclassified from fixed assets and intangible assets	-	2,137	2,137
Decrease			
Reclassified to fixed assets and intangible assets	(3,485)	-	(3,485)
30 June 2020	58,084	3,331	61,415
Investment property, net:			
30 June 2020	1,063,544	100,153	1,163,697
1 January 2020	81,902	371	82,273

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

17 Fixed assets

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Gross amount:						
1 January 2020	16,407,245	6,571	56,430,796	1,758,555	84,587	74,687,754
Increase						
Purchase	1,659	-	688,608	33,213	2,243	725,723
Reclassified from investment property	8,045	-	-	-	-	8,045
Reclassified from construction in progress	435,967	-	16,974,544	34,795	868	17,446,174
Decrease						
Written down with government grants	-	-	(13,756)	-	-	(13,756)
Reduced subsidiaries	-	-	-	(2,655)	(1,037)	(3,692)
Other decreases	(14,645)	-	(217,059)	(344,965)	(515)	(577,184)
Exchange adjustment	(460)	-	-	114	60	(286)
30 June 2020	16,837,811	6,571	73,863,133	1,479,057	86,206	92,272,778
Accumulated depreciation:						
1 January 2020	1,875,286	4,293	26,629,564	652,321	50,663	29,212,127
Increase						
Accrual	286,940	431	3,093,378	95,141	5,742	3,481,632
Reclassified from investment property	3,485	-	-	-	-	3,485
Decrease						
Written down with government grants	(17,108)	-	(234,207)	-	-	(251,315)
Reduced subsidiaries	-	-	-	(2,477)	(855)	(3,332)
Other decreases	(6,486)	-	(30,886)	(3,155)	(162)	(40,689)
Exchange adjustment	-	-	-	70	33	103
30 June 2020	2,142,117	4,724	29,457,849	741,900	55,421	32,402,011
Fixed assets, net:						
30 June 2020	14,695,694	1,847	44,405,284	737,157	30,785	59,870,767
1 January 2020	14,531,959	2,278	29,801,232	1,106,234	33,924	45,475,627

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

17 Fixed assets (continued)

	Housing and buildings	Fixed assets renovation	Machinery equipment	Office and electronic equipment	Means of transport	Total
Impairment allowance:						
1 January 2020	-	-	6,666	9,891	-	16,557
Current accrual	-	-	-	-	-	-
Write-off in current period	-	-	(3,268)	-	-	(3,268)
Exchange adjustment	-	-	-	-	-	-
30 June 2020			3,398	9,891		13,289
Fixed assets, net:						
30 June 2020	14,695,695	1,847	44,401,886	727,266	30,785	59,857,478
1 January 2020	14,531,959	2,278	29,794,566	1,096,343	33,924	45,459,070

Please refer to Item 75 of Note V for information on fixed asset mortgage. As at 30 June 2020, the Company has no temporarily idle fixed assets; the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB11,634,643 thousand.

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

	Gross amount	Accumulated depreciation	Provision for impairment	Carrying amount	Expected time of obtaining ownership certificate
Housing and buildings (Note)	7,482,134	366,007	-	7,116,127	Within 2021

Note As at 30 June 2020, the fixed assets with pending ownership certificates of the Company are mainly the housing and buildings of CSOT's t3, t4 and t6 manufacturing bases and Huizhou module factory.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

18 Construction in progress

Project name	Budget	Amount at beginning of year	Increase in current period	Reclassified to fixed assets in current period	Other decreases	30 June 2020	Investment as % of budget	Progress	Cumulative capitalized interest	Of whch: capitalized interest in current period	Interest capitalization rate for current period	Funding source
t6 production line of LCD panel	33,149,000	17,267,442	374,490	(16,099,035)	-	1,542,897	82%	98%	796,952	220,984	4.69%	Self-funded + external-loan-funded
t7 production line of LCD panel	35,337,000	3,350,136	2,727,744	-	-	6,077,880	19%	19%	8,505	8,505	4.00%	Self-funded + external-loan-funded
t4 production line of LCD panel	27,081,000	10,024,509	1,193,941	(218,097)	(1,290)	10,999,063	58%	58%	625,646	151,710	3.40%	Self-funded + external-loan-funded
Huizhou modular integration project	5,930,000	1,441,460	802,081	(792,704)	-	1,450,837	79%	75%	14,486	-	-	Self-funded + external-loan-funded
Others	N/A	1,494,743	778,500	(336,338)	(990,180)	946,725	N/A	N/A	N/A	N/A	N/A	N/A
		33,578,290	5,876,756	(17,446,174)	(991,470)	21,017,402						

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

19 Intangible assets

	Land use right	Non-patented technologies /patents	Trademark use rights	Other
Gross amount:				
1 January 2020	3,477,919	3,301,461	778,796	7,558,176
Increase				
Purchase	154,657	46,546	25,004	226,207
Reclassified from investment property	-	-	-	-
Reclassified from construction in progress	-	-	1,290	1,290
Reclassified from development costs	-	866,080	-	866,080
Decrease				
Sale and disposal	-	-	(1,927)	(1,927)
Reclassified to investment property	(103,007)	-	-	(103,007)
Reduced subsidiaries	-	-	(8,155)	(8,155)
Exchange adjustment	-	2,156	2	2,158
30 June 2020	3,529,569	4,216,243	795,010	8,540,822
Accumulated amortization:				
1 January 2020	334,894	1,080,538	401,055	1,816,487
Increase				
Accrual	52,746	193,780	55,128	301,654
Reclassified from investment property				
Decrease				
Sale and disposal	-	-	(1,889)	(1,889)
Reclassified to investment property	(2,137)	-	-	(2,137)
Reduced subsidiaries	-	-	(6,479)	(6,479)
Written down with government grants	(3,418)	-	-	(3,418)
Exchange adjustment	-	481	1	482
30 June 2020	382,085	1,274,799	447,816	2,104,700
Intangible assets, net:				
30 June 2020	3,147,484	2,941,444	347,194	6,436,122
1 January 2020	3,143,025	2,220,923	377,741	5,741,689
Impairment allowance:				
1 January 2020	-	34,881	22,224	57,105
Accrual	-	-	-	-
Write-off in current period	-	-	-	-
Exchange adjustment	-	517	-	517
30 June 2020	-	35,398	22,224	57,622
Intangible assets, net:				
30 June 2020	3,147,484	2,906,046	324,970	6,378,500
1 January 2020	3,143,025	2,186,042	355,517	5,684,584

Please refer to Item 75 of Note V for information on collateralized intangible assets.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

20 Development costs

Development costs are as follows:

	30 June 2020	31 December 2019
LCD panels	895,325	1,548,471

21 Goodwill

(1) Gross amount of goodwill

Name of investee or item incuuring goodwill		Beginning amount	Increase in current period		Decrease in current period		Ending amount
			Incurred in business combination	Others	Disposal	Others	
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
		31,419	-	-	-	-	31,419

(2) Goodwill impairment allowance

Name of investee or item incuuring goodwill	Beginning amount	Increase in current period		Decrease in current period		Ending amount
		Accrual	Others	Disposal	Others	
TCL Medical Radiological Technology (Beijing) Co., Ltd.	28,967	-	-	-	-	28,967

V Notes to Consolidated Financial Statements (Continued)

21 Goodwill (continued)

(2) Goodwill impairment allowance (continued)

Note 1 The Company acquired in 2010 a 51.82% interest in TCL Medical Radiological Technology (Beijing) Co., Ltd. (hereinafter referred to as "TCL Medical Radiological Technology") with a capital of RMB 52,319 thousand. As such, the difference between the accumulated investment of the Company in TCL Medical Radiological Technology (corresponding to a 51.82% interest) and the fair value of the identifiable net assets of TCL Medical Radiological Technology attributable to the Company on the settlement date (equal to RMB 28,967 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.

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 RMB 10,000 thousand. As such, the difference between the accumulated investment of Highly Information Industry Co., Ltd. in Blue Business Consulting (corresponding to a 60% interest) and the fair value of the identifiable net assets of Blue Business Consulting attributable to Highly Information Industry Co., Ltd. on the settlement date (equivalent to RMB 2,452 thousand) was recorded in the Company's goodwill.

Note 3 On 30 June 2020, the Company tested asset groups inclusive of goodwill for impairment. Upon the test, goodwill is not impaired.

V Notes to Consolidated Financial Statements (Continued)

21 Goodwill (continued)

(3) The Company tested goodwill acquired from business combination that has been allocated to the following asset groups or asset group combinations for impairment:

The Company distributes goodwill to the following independent asset groups:

Business asset group of Qingdao Blue: fixed assets and goodwill of Qingdao Blue Business Consulting Co., Ltd. are the asset group where goodwill is located.

(a) The carrying amount of each asset group including goodwill and the amount of allocated goodwill are as follows:

	30 June 2020	
	Carrying amount of asset group	Allocated goodwill amount
Business asset group of Qingdao Blue	3,028	2,452

(b) The recoverable amount of the asset group and the asset group combination is calculated based on the five-year budget approved by the management and the cash flow after the detailed annual forecast period at a specific long-term average growth rate, and is calculated using the present value model of future cash flow. Key assumptions used include:

	Business asset group of Qingdao Blue
Income growth rate in forecast period	10%
Income growth rate in stable period	3%
Net profit rate in forecast period	5%
Net profit rate in stable period	4%
Discount rate	8%

(c) Goodwill impairment test results

At the end of the Reporting Period, the Company tested the above goodwill for impairment. During the impairment test, the Company compared the carrying amount of the relevant asset group including goodwill with its recoverable amount. If the recoverable amount is lower than the carrying amount, the relevant difference is included in the current profits and losses. According to the goodwill impairment test, the goodwill of Business asset group of Qingdao Blue is not impaired.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

22 Long-term prepaid expense

	1 January 2020	Increase in current period	Amortization in current period	Others	30 June 2020
Improvement expense on leased fixed assets	1,528,158	134,323	(62,539)	(1,533)	1,598,409
Others	39,533	825,831	(378,072)	(11,960)	475,332
	1,567,691	960,154	(440,611)	(13,493)	2,073,741

23 Deferred income tax assets and deferred income tax liabilities

(1) Unoffset deferred income tax assets

	30 June 2020		31 December 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provisions	228,516	37,125	177,421	28,473
Asset impairment allowances	474,459	77,776	444,625	74,208
Changes in fair value	2,862	429	2,862	429
Deductible losses	3,905,283	625,818	4,202,964	671,868
Others	679,575	119,453	353,392	65,896
	5,290,695	860,601	5,181,264	840,874

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

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

(2) Unoffset deferred income tax liabilities

	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred Income Tax Liabilities	Taxable temporary differences	Deferred Income Tax Liabilities
Accelerated depreciation of fixed assets	4,941,869	786,502	4,924,463	782,644
Changes in fair value	396,405	93,004	242,663	54,491
Government grants	124,429	29,159	314,595	52,290
Other	400,726	86,474	307,929	63,253
	5,863,429	995,139	5,789,650	952,678

(3) Unrecognized deferred income tax assets

	30 June 2020	31 December 2019
Deductible temporary differences	464,094	314,937
Deductible losses	582,051	340,140
	1,046,145	655,077

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

23 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:

	30 June 2020	31 December 2019
2020	-	9
2021	-	805
2022	-	672
2023	6,575	6,575
2027	19,202	19,202
2028	128,689	139,065
2029	173,812	173,812
2030	253,773	-
	582,051	340,140

24 Other non-current assets

	30 June 2020	31 December 2019
Advance payment for equipment and land use rights (Note)	8,150,900	3,336,619
Advance payment for patents	251,429	225,576
Others	684,023	688,464
	9,086,352	4,250,659

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.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

25 Short-term borrowings

	30 June 2020	31 December 2019
Unsecured borrowings	15,718,031	11,291,664
Pledge borrowings	739,084	754,794
Interest payable	34,056	23,199
	16,491,171	12,069,657

As at 30 June 2020, the short-term pledged borrowings of the Company amounted to RMB739,084 thousand (31 December 2019: RMB754,794 thousand), which was pledged by held-for-trading financial assets of about RMB1,840,612 thousand (31 December 2019: RMB1,743,204 thousand).

As at 30 June 2020, the Company does not have any short-term borrowings that have expired and have not been repaid.

26 Borrowings from central bank

As at 30 June 2020, the balance of the borrowings of TCL Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB1,404,722 thousand (31 December 2019: RMB573,222 thousand).

27 Customer deposits and deposits from banks and other financial institutions

	30 June 2020	31 December 2019
Customer deposits and deposits from banks and other financial institutions	3,617,529	1,355,129

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

28 Loans from other banks and financial institutions

	30 June 2020	31 December 2019
Loans from other banks and financial institutions	500,000	-

29 Held-for-trading financial liabilities

	30 June 2020	31 December 2019
Financial liabilities at fair value through profit or loss	403,530	188,220

30 Derivative financial liabilities

	30 June 2020	31 December 2019
Derivative financial liabilities	156,664	84,705

31 Notes payable

	30 June 2020	31 December 2019
Bank acceptance notes	1,838,732	1,595,901
Trade acceptance notes	455,175	124,501
	2,293,907	1,720,402

There is no amount payable to shareholders holding 5% or more voting shares in the Company in the account balance.

32 Accounts payable

	30 June 2020	31 December 2019
Amounts due to suppliers	11,436,883	11,549,133

As at 30 June 2020, there were no significant accounts payable with an age of over one year. There is no amount payable to shareholders holding 5% or more voting shares in this account.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

33 Advances from customers

	30 June 2020	1 January 2020	31 December 2019
Advances from customers	2,155	5,500	141,749

The Company had no advances from customers of a large amount with an age of over one year.

There is no advance from shareholders holding 5% or more voting shares in this account balance.

34 Contract liabilities

	30 June 2020	1 January 2020
Advances from customers	231,497	133,818

35 Financial assets sold under repurchase agreements

	30 June 2020	31 December 2019
Financial assets sold under repurchase agreements	50,073	-

36 Employee benefits payable and long-term employee benefits payable

(1) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable	799,293	1,089,163
Defined contribution plans payable	22,379	1,371
Dismissal benefits payable	-	3,683
	821,672	1,094,217

(The amounts in tables are expressed in thousands of RMB)

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

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
Wages, bonuses, allowances and subsidies	910,703	1,975,959	(2,210,245)	676,417
Employee services and benefits	9,623	90,788	(90,196)	10,215
Social insurance benefits	42,174	38,688	(57,368)	23,494
Of which: medical insurance	40,454	34,764	(53,448)	21,770
Employment injury insurance	555	461	(467)	549
Maternity insurance	1,165	3,463	(3,453)	1,175
Housing fund	20,008	73,717	(66,369)	27,356
Trade union funds and staff education funds	2,050	2,521	(2,369)	2,202
Others	104,605	28,168	(73,164)	59,609
	1,089,163	2,209,841	(2,499,711)	799,293

(b) Defined contribution plans

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
Basic pension insurance	1,312	58,751	(38,516)	21,547
Unemployment insurance	59	1,698	(925)	832
	1,371	60,449	(39,441)	22,379

(2) Long-term employee benefits payable

	30 June 2020	31 December 2019
Supplementary pension insurance (note)	22,408	23,018

Note This item is the supplementary pension insurance benefits payable to retired employees.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

37 Taxes and levies payable

	30 June 2020	31 December 2019
VAT	54,729	26,997
Corporate income tax	127,504	154,027
Individual income tax	24,594	22,666
City construction tax	1,898	1,965
Educational surcharge	1,386	1,450
Others	50,098	19,701
	260,209	226,806

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

38 Other payables

	30 June 2020	31 December 2019
Dividends payable	5,594	11,058
Other payables	12,310,224	12,282,508
	12,315,818	12,293,566

(1) Dividends payable

	30 June 2020	31 December 2019
Other minority interests	5,594	11,058

(2) Other payables

	30 June 2020	31 December 2019
Payables for engineering equipment	8,268,944	8,515,216
Amounts due to external entities	2,734,748	2,711,596
Unpaid expenses	1,102,011	856,377
Deposit and security deposit	204,521	199,319
	12,310,224	12,282,508

There is no amount payable to shareholders holding 5% or more voting shares in this account.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

39 Current portion of non-current liabilities

	Note V	30 June 2020	31 December 2019
Current portion of long-term borrowings (note 1)	41	-	800,000
Current portion of MTN (note 2)		2,498,942	499,748
Current portion of interest payable		593,452	392,215
		3,092,394	1,691,963

Note 1 As at 30 June 2020, there were no current portion of long-term borrowings. And as at 31 December 2019, the interest rate of the current portion of long-term borrowings ranged from 2.33% to 6.00%.

Note 2 The current portion of medium-term notes payable of RMB2,498,942 thousand at the end of the period was reclassified to the item of “current portion of non-current liabilities”.

40 Other current liabilities

	30 June 2020	1 January 2020	31 December 2019
After-sales service expense (note)	56,944	35,435	35,435
Others	51,712	36,018	33,587
	108,656	71,453	69,022

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

41 Long-term borrowings

	30 June 2020	31 December 2019
Mortgage borrowings	36,087,824	33,589,761
Unsecured borrowings	10,058,174	5,722,298
	46,145,998	39,312,059
Of which: Current portion of long-term borrowings	-	(800,000)
	46,145,998	38,512,059

The maturities of the Company's long-term borrowings vary from 2021 to 2030.

As at 30 June 2020, the carrying amount of long-term mortgage borrowings was RMB36,087,824 thousand, with land use rights, buildings, machinery and equipment equivalent to RMB38,710,256 thousand as the collateral.

The interest rate of the Company's long-term borrowing ranges from 2.70% to 4.90% in the current period (in 2019: 2.33% to 6.00%).

42 Bonds payable

	30 June 2020	31 December 2019
Corporate bonds	12,987,168	14,483,130
MTN	4,990,433	1,995,955
	17,977,601	16,479,085

(The amounts in tables are expressed in thousands of RMB)

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	Repaid in current period	Others (note)	Ending amount
16TCL02	1,500,000	2016-03-16	2021-03-16	1,500,000	1,500,000	-	-	-		(1,500,000)	-
16TCL03	2,000,000	2016-07-07	2021-07-07	2,000,000	2,000,000	-	-	-	-		2,000,000
17TCL01	1,000,000	2017-04-19	2022-04-19	1,000,000	1,000,000	403,000	-	1,314	(403,000)		1,001,314
17TCL02	3,000,000	2017-07-07	2022-07-07	3,000,000	3,000,000	-	-	-	-		3,000,000
18TCL01	1,000,000	2018-06-06	2023-06-06	1,000,000	998,786	-	-	159	-		998,945
18TCL02	2,000,000	20180-8-20	2023-08-20	2,000,000	1,995,639	-	-	597	-		1,996,236
18TCL-MTN001	2,000,000	2018-12-03	2021-12-03	2,000,000	1,995,955	-	-	1,047	-		1,997,002
19TCL01	1,000,000	2019-05-20	2024-05-20	1,000,000	997,480	-	-	287	-		997,767
19TCL02	1,000,000	2019-07-23	2024-07-23	1,000,000	997,448	-	-	279			997,727
19TCL03	2,000,000	2019-10-21	2024-10-21	2,000,000	1,993,777	-	-	1,401			1,995,179
20TCL-MTN001	3,000,000	2020-03-27	2023-03-26	3,000,000	-	3,000,000	-	(6,569)			2,993,431
20TCLD1	1,000,000	2020-06-08	2020-12-05	1,000,000	-	1,000,000	-	(1,058)		(998,942)	-
	20,500,000			20,500,000	16,479,085	4,403,000	-	(2,543)	(403,000)	(2,498,942)	17,977,601

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

43 Long-term payables

	30 June 2020	31 December 2019
Technological development fund	24,000	24,000
Others	210	206
	24,210	24,206

44 Deferred income

	1 January 2020	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	30 June 2020
Government grants related to assets	220,063	181,870	(1,466)	-	(29,114)	(14,726)	356,627
Government grants related to income	1,692,358	573,120	-	(933,324)	(77,582)	(22,024)	1,232,548
	1,912,421	754,990	(1,466)	(933,324)	(106,696)	(36,750)	1,589,175

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

45 Share capital

	1 January 2020		Increase/decrease in current period			30 June 2020	
(Unit: RMB'000)	Amount	Percentage	New issues	Others	Subtotal	Amount	Percentage
1. Restricted shares	867,766	6.41%	-	713	713	868,479	6.42%
2. Unrestricted shares	12,660,673	93.59%	-	(713)	(713)	12,659,960	93.58%
3. Total shares	13,528,439	100%	-	-	-	13,528,439	100%

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

45 Share capital (continued)

As at 30 June 2020, the Company's total share capital was 13,528,439,000 shares.

Note Except for Chairman of the Board Mr. Li Dongsheng who holds restricted shares subscribed for in a private placement, none of the other incumbent directors, supervisors or senior management hold any restricted shares from a split-share structure reform or a private placement. The shares held by these personnel will stay partially frozen as per the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes thereof. The trading and information disclosure in relation to these shares shall be in strict compliance with the applicable laws, regulations and rules.

46 Capital reserves

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
Share premium	4,924,212	-	-	4,924,212
Other capital reserves	792,455	47,741	-	840,196
	5,716,667	47,741	-	5,764,408

47 Treasury stock

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
Incentive shares	145,420	-	(7,209)	138,211
Repurchased shares	1,807,537	-	-	1,807,537
	1,952,957	-	(7,209)	1,945,748

The decrease in incentive shares in the current period was primarily attributed to the repurchase of restricted shares.

48 Surplus reserves

	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
Statutory surplus reserves	2,055,498	-	-	2,055,498
Discretionary surplus reserves	182,870	-	-	182,870
	2,238,368	-	-	2,238,368

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.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

49 General reserve

	1 January 2020	Accrued in current period	Decrease in current period	30 June 2020
General reserve	361	-	-	361

As per the General Rules on Financial Affairs of Financial Enterprises and the Guide to the Implementation of the General Rules on Financial Affairs of Financial Enterprises promulgated by the Ministry of Finance, as well as the Articles of Association of TCL Finance Co., Ltd., this subsidiary appropriated 1% of its net profit as general reserve in the previous years.

50 Retained earnings

	H1 2020	H1 2019
Beginning retained earnings	11,115,150	10,000,973
Changes in accounting policies	-	(106,833)
Net profit for current period	1,208,066	2,092,349
Decrease in current period	(1,279,151)	(1,354,663)
Including: Appropriated as surplus reserves	-	-
Distributed to ordinary shareholders as dividends	(1,279,155)	(1,337,079)
Others	4	(17,584)
Ending retained earnings	11,044,065	10,631,826

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

51 Revenue and cost of sales

	H1 2020		H1 2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	29,092,257	26,698,363	43,364,809	37,162,229
Non-core business	240,954	42,530	416,805	194,899
	29,333,211	26,740,893	43,781,614	37,357,128

(1) Core business by operating segment

	Revenue		Cost of sales		Gross profit	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Domestic	20,814,425	23,804,831	19,272,087	20,230,464	1,542,338	3,574,367
Overseas	8,277,832	19,559,978	7,426,276	16,931,765	851,556	2,628,213
	29,092,257	43,364,809	26,698,363	37,162,229	2,393,894	6,202,580

(2) The sales revenue from the top five customers combined was RMB11,621,499 thousand and RMB11,698,539 thousand respectively for H1 2020 and H1 2019, accounting for 39.95% and 26.98% of the core business revenue.

52 Interest income/expense and exchange gain

	H1 2020	H1 2019
Interest income	85,692	78,944
Interest expense	16,278	8,312
Exchange gain/(loss)	689	(11,065)

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

53 Taxes and levies

	H1 2020	H1 2019
City maintenance and construction tax	6,053	57,345
Property tax	43,614	49,221
Stamp tax	29,668	41,419
Educational surcharge	4,312	42,561
Land use tax	3,280	6,757
Others	357	43,886
	87,284	241,189

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

54 Selling expense

	H1 2020	H1 2019
Employee salaries and benefits	118,172	441,208
After-sales service expense	70,833	344,590
Transport expense	62,420	428,212
Others	73,240	1,168,726
	324,665	2,382,736

55 Administrative expense

	H1 2020	H1 2019
Employee salaries and benefits	239,141	499,992
Depreciation and amortization expense	159,465	277,386
Expense for hiring intermediary organizations	93,429	115,099
Others	277,968	374,033
	770,003	1,266,510

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

56 R&D expense

	H1 2020	H1 2019
Depreciation and amortization expense	828,746	550,111
Employee salaries and benefits	275,167	523,775
Material expense	549,480	442,272
Others	229,108	364,509
	1,882,501	1,880,667

57 Finance costs

	H1 2020	H1 2019
Interest expense	1,132,442	1,096,991
Interest income	(250,867)	(239,908)
Exchange loss/(gain)	27,234	(288,121)
Others	7,213	35,752
	916,022	604,714

58 Other income

	H1 2020	H1 2019
R&D subsidies	939,165	848,918
VAT rebates on software	1,307	61,525
Over-dedcution in taxable amount for VAT	8,120	434
Others	3,824	10,650
	952,416	921,527

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

59 Return on investment

	H1 2020	H1 2019
Proceeds from disposal of debt instruments at fair value through profit or loss	53,588	132,451
Proceeds from disposal of equity instruments at fair value through profit or loss	21,704	(220,027)
Proceeds from holding of equity instruments at fair value through profit or loss	22,482	8,416
Proceeds from holding of debt instruments at fair value through profit or loss	111,645	65,033
Proceeds from holding of equity instruments at fair value through other comprehensive income	1,136	9,632
Share of net income of associates	871,340	643,353
Share of net income of joint ventures	10,163	10,651
Net income from disposal of long-term equity investments	288,383	1,302,625
Others	(39,776)	53,605
	1,340,665	2,005,739

60 Gain on changes in fair value

	H1 2020	H1 2019
Held-for-trading financial assets	106,075	404,132
Derivative financial assets	16,811	99,603
Held-for-trading financial liabilities	(8,860)	(1,747)
Derivative financial liabilities	8	(206,458)
	114,034	295,530

61 Credit impairment loss

	H1 2020	H1 2019
Loss on uncollectible accounts receivable	4,180	23,812
Loss on uncollectible other receivables	(175)	(3,265)
Other financial assets	(2,881)	-
	1,124	20,547

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

62 Asset impairment loss

	H1 2020	H1 2019
Inventory valuation loss	328,603	201,644
Loss on impairments of fixed assets	-	2,660
Loss on impairment of intangible assets	-	11,845
Loss on impairment of goodwill	-	92,952
Loss on impairment of other assets	79	5,240
	328,682	314,341

63 Asset disposal income

	H1 2020	H1 2019
Income/(loss) from disposal of fixed assets	1,320	(3,184)
Income/(loss) from disposal of intangible assets	-	(253)
Income from disposal of other non-current assets	-	9
	1,320	(3,428)

64 Non-operating income

	H1 2020	H1 2019	Amount through current non-recurring gains and losses
Gains on retired or damaged non-current assets	63	84	63
Others	491,876	46,029	491,876
	491,939	46,113	491,939

65 Non-operating expense

	H1 2020	H1 2019	Amount through current non-recurring gains and losses
Losses on retired or damaged non-current assets	139	624	139
Others	18,662	18,196	18,662
	18,801	18,820	18,801

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

66 Income tax expense

(1) Income tax expense

	H1 2020	H1 2019
Current income tax expense	141,710	235,888
Deferred income tax expense	22,877	47,059
	164,587	282,947

(2) Accounting profit and income tax adjustment process

	H1 2020	H1 2019
Gross profit	1,233,711	3,020,010
Income tax expense calculated at statutory/applicable tax rate	308,428	755,002
Impact of different tax rates applied to subsidiaries	(123,181)	(562,758)
Impact of adjusting income tax in previous periods	5,403	16,018
Impact of non-taxable income	(83,807)	(44,442)
Impact of non-deductible costs, expenses and losses	3,814	10,554
Impact of deductible losses on the use of previously unrecognized deferred income tax assets	(2,742)	(18,518)
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	95,350	63,827
Others	(38,678)	63,264
Income tax expense	164,587	282,947

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

67 Other comprehensive income

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

	H1 2020	H1 2019
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	(6,233)	-
Amount attributable to the Company in the current period	(6,233)	-
2. Changes in fair value of other equity instruments	(7,149)	17,564
Current gain/(loss)	(7,145)	(30,761)
Previous other comprehensive income reclassified to retained earnings for current period	(4)	17,584
Income tax effects recorded in other comprehensive income	-	(4,387)
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	65,127	30,931
Amount attributable to the Company in the current period	65,127	30,931
2. Changes in fair value of financial assets recorded in other comprehensive income	(637)	-
Current gain/(loss)	(637)	-
3. Cash flow hedges	(76,988)	(86,037)
Current gain/(loss)	(76,988)	(119,842)
Previous other comprehensive income reclassified to profit for current period	-	31,056
Income tax effects recorded in other comprehensive income	-	2,749
4. Differences arising from translation of foreign currency financial statements of overseas operations	(63,060)	585,200
	(88,940)	512,530

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

67 Other comprehensive income(continued)

(2) Changes in other comprehensive income items

	Equity attributable to shareholders of the Company as the parent									
	Accounting policy Change	Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	Gain/loss on changes in fair value of 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	Other comprehensive income transferred to retained earnings	Subtotal	Non-controlling interests	Total other comprehensive income
1 January 2019	-	188,998	(350,407)	32,251	(1,045,004)	-	-	(1,174,162)	(221,691)	(1,395,853)
Change in 2019	334,950	41,181	-	(66,723)	311,357	19,315	-	640,080	183,675	823,755
31 December 2019	334,950	230,179	(350,407)	(34,472)	(733,647)	19,315	-	(534,082)	(38,016)	(572,098)
Change in 2020	-	58,518	(637)	(35,430)	(83,770)	(7,145)	(4)	(68,468)	(20,472)	(88,940)
30 June 2020	-	288,697	(351,044)	(69,902)	(817,417)	12,170	(4)	(602,550)	(58,488)	(661,038)

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

68 Earnings per share

(1) Basic earnings per share

	H1 2020	H1 2019
Net profit attributable to shareholders of the Company as the parent	1,208,066	2,092,349
Weighted average outstanding ordinary shares (in thousand shares)	12,956,324	13,338,143
Basic earnings per share (RMB yuan/share)	0.0932	0.1569

(2) Diluted earnings per share

	H1 2020	H1 2019
Net profit attributable to shareholders of the Company as the parent	1,208,066	2,092,349
Diluted weighted average outstanding ordinary shares (in thousand shares)	13,528,439	13,549,649
Diluted earnings per share (RMB yuan/share)	0.0893	0.1544

69 Cash generated from other operating activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB1,133,384 thousand (H1 2019: RMB911,336 thousand), which primarily consisted of other current payments received and government grants.

70 Cash used in other operating activities

Cash used in other operating activities in the consolidated cash flow statement was RMB1,707,145 thousand (H1 2019: RMB3,402,183 thousand), which primarily consisted of various expenses.

71 Cash used in other investing activities

Cash used in other investing activities in the consolidated cash flow statement was RMB920 thousand (H1 2019: RMB7,118,896 thousand), which primarily consisted of cash used in other investing activities.

72 Cash used in other financing activities

Cash used in other financing activities in the consolidated cash flow statement was RMB612,872 thousand (H1 2019: RMB1,850,155 thousand), which was mainly cash paid to acquire non-controlling interests.

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

73 Supplementary information for the cash flow statement

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

	H1 2020	H1 2019
Net profit	1,069,124	2,737,063
Add：Asset impairment allowance	329,806	334,888
Depreciation of fixed assets	3,491,547	3,776,389
Amortization of intangible assets	301,654	264,149
Amortization of long-term prepaid expense	440,611	298,132
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(1,320)	3,428
Loss on retired or damaged fixed assets	76	540
Loss/(Gain) on changes in fair value	(114,034)	(295,530)
Financial Expenses	1,175,265	828,247
Return on Investment	(1,340,665)	(2,005,739)
Decrease/(Increase) in deferred income tax assets	(19,727)	462,246
Increase/(Decrease) in deferred income tax liabilities	42,461	(49,255)
Decrease/(Increase) in inventory	136,545	15,454,388
Decrease/(Increase) in operating receivables	(3,060,866)	10,111,819
Increase/(Decrease) in operating receivables	4,335,225	(26,222,512)
Others	562,108	452,570
Net cash generated from/used in operating activities	7,347,810	6,150,823

(2) There were no net cash payments for acquisition of subsidiaries in the current period.

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

	Amount
Cash or cash equivalents received in current period due to disposal of subsidiary in current period	219,596
Less: cash and cash equivalents held by subsidiary on the date when the Company’s control over the subsidiary ceased	20,293
Add: cash or cash equivalents received in current period due to disposal of subsidiary in prior periods	-
Net cash proceeds from disposal of subsidiaries	199,303

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

73 Supplementary information for the cash flow statement

(4) Breakdown of cash and cash equivalents

	30 June 2020	31 December 2019
1. Cash	21,026,155	17,637,743
Of which: Cash on hand	686	966
Bank deposits available for payment on demand	20,681,078	17,636,777
Other monetary assets available for payment on demand	344,391	-
2. Cash equivalents	-	-
3. Cash and cash equivalents, end of the period	21,026,155	17,637,743

74 Changes in cash and cash equivalents, net

	H1 2020	H1 2019
Ending cash and cash equivalents	21,026,155	15,800,824
Less: Beginning cash	17,637,743	25,702,384
Net increase in cash and cash equivalents	3,388,412	(9,901,560)

Analysis of ending cash and cash equivalents：

Ending monetary assets	21,542,628	16,442,086
Less: Ending non-cash equivalents (note)	516,473	641,262
Ending cash and cash equivalents	21,026,155	15,800,824

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

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

75 Assets with restricted ownership or use rights

	30 June 2020	Reason for restriction
Monetary assets	251,029	Statutory reserve deposit s in the central bank
Monetary assets	265,444	Other monetary assets
Held-for-trading financial assets	1,840,612	In pedge for loan
Fixed assets	36,094,192	As collateral for loan
Intangible assets	2,616,064	As collateral for loan
	41,067,341	

76 Foreign currency monetary items

	30 June 2020		
	Foreign currency balance	Conversion rate	RMB balance
Monetary assets			
Including: USD	307,134	7.0795	2,174,352
HKD	207,347	0.9134	189,391
Accounts receivable			
Including: USD	404,683	7.0795	2,864,953
HKD	99,127	0.9134	90,543
Accounts payable			
Including: USD	104,069	7.0795	736,756
HKD	1,171,248	0.9134	1,069,818
JPY	2,649,347	0.0657	174,062
INR	1,955,588	0.0937	183,239
Other receivables			
Including: USD	32,344	7.0795	228,979
HKD	60,976	0.9134	55,695
JPY	11,970	0.0657	786
PLN	149	1.7877	266
INR	786,528	0.0937	73,698
KRW	95,000	0.0059	563

(The amounts in tables are expressed in thousands of RMB)

V Notes to Consolidated Financial Statements (Continued)

76 Foreign currency monetary items (continued)

	30 June 2020		
	Foreign currency balance	Conversion rate	RMB balance
Other payables			
Including: USD	21,408	7.0795	151,558
HKD	76,967	0.9134	70,302
JPY	135,536	0.0657	8,905
INR	37,610	0.0937	3,524
PLN	4,920	1.7877	8,795
KRW	21,149	0.0059	125
Short-term borrowings			
Including: USD	174,401	7.0795	1,234,672
Long-term borrowings			
Including: USD	2,006,000	7.0795	14,201,477

(The amounts in tables are expressed in thousands of RMB)

VI Changes in Consolidation Scope

1 Newly consolidated entities for current period

Name of investee	Consolidated period	Reason for change	Registered capital	The Company's interest
TCL Optoelectronics Korea Co., Ltd	Apr.-Jun. 2020	Newly incorporated	KRW100,000,000	100%
TCL Technology Investments Limited(BVI)	Apr.-Jun. 2020	Newly incorporated	USD1	100%
Admiralty Harbour Strategic Investment Limited	Jun. 2020	Newly incorporated	USD10,000	100%

2 Deconsolidated entities for current period

Name of investee	Time of deconsolidation	Reason
TCL Light Electrical Appliances (Longmen) Co., Ltd.	Jan. 2020	De-registered
TCL Educational Web Ltd. and its subsidiaries	Mar. 2020	Transferred

3 Subsidiaries disposed in current period

Name of subsidiary	TCL Educational Web Ltd. and its subsidiaries
Price for equity interest disposal	420,000
% equity interest disposed	100%
Way of disposal	Transferred
Time of loss of control	Mar. 2020
Determination basis for time of loss of control	When the rights and obligations in relation to the target equity interest have all been transferred
Difference between the disposal price and the Company's share of the subsidiary's net assets in the consolidated financial statements relevant to the disposed equity interest	270,788

(The amounts in tables are expressed in thousands of RMB)

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	Company's interest		How subsidiary was obtained
				Direct	Indidirect	
TCL China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	91.56%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	54.12%	Incorporated
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	Research and development	Guangzhou	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd. (note 1)	Wuhan	Manufacturing and sales	Wuhan	-	45.55%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (note 1)	Wuhan	Manufacturing and sales	Wuhan	-	33.88%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	100%	Obtained in a 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	-	64.21%	Obtained in a 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
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	73.69%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Sales	Beijing	-	60%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Sales	Beijing	-	60%	Incorporated
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	Guangzhou	Financial	Guangzhou	100%	-	Incorporated
TCL Finance Co., Ltd.	Huizhou	Financial	Huizhou	82%	18%	Incorporated
TCL Finance Technology (Shenzhen) Co., Ltd.	Shenzhen	Financial	Shenzhen	-	100%	Incorporated
Shenzhen Baisi Asset Management Co., Ltd.	Shenzhen	Asset management	Shenzhen	-	100%	Incorporated
TCL Financial Service (Guangzhou) Co., Ltd.	Guangzhou	Financial services	Guangzhou	-	100%	Incorporated
TCL Commercial Factoring (Shenzhen) Co., Ltd.	Shenzhen	Commercial factoring	Shenzhen	-	100%	Incorporated

(The amounts in tables are expressed in thousands of RMB)

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	Company's interest		How subsidiary was obtained
				Direct	Indidrect	
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	Huizhou	Financial	Huizhou	89.94%	-	Purchased
Xinjiang TCL Equity Investment Co., Ltd	Xinjiang	Investment business	Xinjiang	100%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	Huizhou	-	100%	Incorporated
Winshero Investment Limited	The Virgin Islands	Investment business	The Virgin Islands	-	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

Note 1 TCL China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "TCL CSOT"), a subsidiary of the Company, has a 45.55% interest in Wuhan China Star Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT") and a 33.88% interest in Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (hereinafter referred to as "Wuhan CSOT Optoelectronics Semiconductor"). TCL CSOT appoints key management personnel of Wuhan CSOT and Wuhan CSOT Optoelectronics Semiconductor and decides its business and financial policies, so TCL CSOT is considered to have substantial control over Wuhan CSOT. Therefore, Wuhan CSOT is included in the Company's consolidated financial statements.

(2) Subsidiaries with significant non-controlling interests

Name of subsidiary	Non-controlling interests	Current period Profit or loss attributable to non-controlling interests	Current period Dividends distributed to non-controlling interests	Ending equity attributable to non-controlling interests
TCL China Star Optoelectronics Technology Co., Ltd.	8.44%	(156,898)	349,027	34,412,835
Highly Information Industry Co., Ltd.	26.31%	1,328	32,731	247,688

(The amounts in tables are expressed in thousands of RMB)

VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

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

The main financial information of the above subsidiary is listed as follows:

	30 June 2020						31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabiliites	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabiliites
TCL China Star Optoelectronics Technology Co., Ltd.	45,915,354	102,202,156	148,117,510	44,137,998	42,680,582	86,818,580	39,784,300	90,798,110	130,582,410	36,200,599	39,150,594	75,351,193
Highly Information Industry Co., Ltd.	4,290,290	35,359	4,325,649	3,026,359	313,587	3,339,946	4,482,847	37,662	4,520,509	3,484,042	33,587	3,517,629

	H1 2020				H1 2019			
	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.	19,512,205	(139,252)	(210,542)	6,728,060	16,275,667	1,018,706	942,406	3,596,443
Highly Information Industry Co., Ltd.	9,126,806	100,311	100,311	(529,200)	8,814,034	87,682	87,682	(336,484)

(The amounts in tables are expressed in thousands of RMB)

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	The Company's interest	
				Direct	Indirect
Associates–					
Tianjin 712 Communication & Broadcasting Co., Ltd.	Tianjin	Communication	Yes	19.07%	-
Bank of Shanghai Co., Ltd. (note 1)	Shanghai	Financial	Yes	5.58%	-

Note 1: For the Reporting Period, the Company had a 5.58% interest in Bank of Shanghai Co., Ltd. and appointed one of its directors to be a member of the Risk Management Committee under the Board of the Bank of Shanghai. Therefore, the Company is deemed to have significant influence on the Bank of Shanghai, and this long-term equity investment is thus measured using the equity method.

(2) Key financial information of major associates

	30 June 2020		31 December 2019	
	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.
Current assets	4,669,040	N/A	4,747,834	N/A
Non-current assets	716,945	N/A	716,851	N/A
Total assets	5,385,985	2,388,229,360	5,464,685	2,237,081,943
Current liabilities	2,685,900	N/A	2,844,594	N/A
Non-current liabilities	115,750	N/A	61,820	N/A
Total liabilities	2,801,650	2,205,052,909	2,906,414	2,059,855,312
Non-controlling interests	-	528,204	-	518,019
Equity attributable to shareholders of the Company as the parent	2,584,336	182,648,247	2,558,272	176,708,612
Share of equity in proportion to the Company's interest	492,833	10,187,422	487,862	9,077,778
Carrying amount of investment in associate	767,256	10,446,001	762,470	9,314,611

(The amounts in tables are expressed in thousands of RMB)

VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates (continued)

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

	H1 2020		H1 2019	
	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.	Tianjin 712 Communication & Broadcasting Co., Ltd.	Bank of Shanghai Co., Ltd.
Revenue	839,937	25,411,782	723,326	25,150,585
Net profit	103,264	11,148,126	53,860	10,739,685
Other comprehensive income	-	491,004	-	496,321
Total comprehensive income	103,264	11,639,130	53,860	11,236,006
Dividends from associate to the Group in current period	14,725	316,955	7,362	245,337

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

	H1 2020	H1 2019
Joint ventures:		
Aggregated carrying amount of investments	54,008	148,373
Aggregate of following items calculated in proportion to the Company’s interest		
Net profit (note)	10,163	10,651
Other comprehensive income (note)	-	-
Total comprehensive income	10,163	10,651
Associates:		
Aggregated carrying amount of investments	7,338,987	6,723,710
Aggregate of following items calculated in proportion to the Company’s interest		
Net profit (note)	260,230	112,683
Other comprehensive income (note)	(5,824)	(1,012)
Total comprehensive income	254,406	111,671

(4) The Company had no significant joint ventures in the Reporting Period.

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.

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.

Main risks caused by the Company's financial instruments include the credit risk, the liquidity risk and the market risk (including the foreign exchange risk and the 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 at 30 June 2020, no significant guarantee or other credit enhancements held due to the debtor's 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 effort 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 fund so as to satisfy the short-term and long-term capital demand.

(The amounts in tables are expressed in thousands of RMB)

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.

On June 30, the Group priced the foreign currency liabilities having significant interest rate risk exposure in USD; after corresponding management measures were taken, the total risk exposure of the item in USD was the net asset exposure USD130,454,222.10 which could be converted into RMB923,550,665.37 based on the spot rate on the balance sheet day. The translation reserve was not included.

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

	Average exchange rate H1 2020	Exchange rate at period-end 30 June 2020
USD/RMB	7.0413	7.0795

It shall be assumed that other risk variables remained unchanged except the interest rate, on which basis, changes in the Group's exchange rate of RMB against USD made RMB increased/decreased 5% and the shareholder's equity/net profit increased/decreased RMB46,177,533.

The above-mentioned sensitivity analysis is made based on the assumption that the interest rate changes on the balance sheet day and financial instruments held by the Group on the balance sheet day based on the changed interest rate having the foreign exchange risk are re-calculated. The above analysis shall not include the translation reserve difference.

(b) Interest risk

The Group's interest rate risk mainly results from the bank liability with interest adopting the floating interest rate, and the Group has determined the proportion of fixed interest rate and floating interest rate based on the market environment and the risk tolerance. Up to 30 June 2020, the Group's liabilities with interest based on the floating interest rate occupied 39%. However, the Group will continuously monitor the specific interest rate level and make corresponding adjustment according to the specific market changes so as to avoid any possible interest rate risk.

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 quotation provided by the financial institution in valuation.

4. Items measured at continuous level 3 fair value adopt the following valuation techniques and parameters (nature and quantity):

Other non-current financial assets measured at continuous level 3 fair value are mainly unlisted equity investments held by the Company. In measuring the fair value, the Company mainly adopts the valuation technique of comparison with listed companies, taking into account the price of similar securities and liquidity discount.

Held-for-trading financial assets measured at continuous level 3 fair value are mainly wealth management products held by the Company. In valuation of the fair value, the Company adopts the method of discounting future cash flows based on the agreed expected yield rate.

(The amounts in tables are expressed in thousands of RMB)

IX Classification of Financial Instruments and Fair Value (Continued)

5 Financial instruments measured at three levels of fair value

Financial assets

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets (see Note V, 2)	2,879,210	388,178	5,721,943	8,989,331
Derivative financial assets (see Note V, 3)	-	187,212	-	187,212
Receivables financing (see Note V, 6)	-	106,755	-	106,755
Investments in other equity instruments (see Note V, 14)	182,443	-	88,480	270,923
Other non-current financial assets (see Note V, 15)	-	-	2,676,086	2,676,086
Total assets continuously measured at fair value	3,061,653	682,145	8,486,509	12,230,307

Financial liabilities

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial liabilities (see Note V, 29)	240,427	163,103	-	403,530
Derivative financial liabilities (see Note V, 30)	-	156,664	-	156,664
Total liabilities continuously measured at fair value	240,427	319,767	-	560,194

X Related Parties and Related-Party Transactions

1 Actual controller and its acting-in-concert parties

The Company has no controlling shareholder.

Mr. Li Dongsheng and Xinjiang Jiutian Liancheng Equity Investment Partnership (Limited Partnership) have become acting-in-concert parties due to the signing of the Concerted Action Agreement. They hold a total of 1,158.5994 million shares in the Company, which makes them the largest shareholder of the Company.

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

X Related Parties and Related-Party Transactions (Continued)

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

Information about such related parties：

Related party	Relationship with the Company
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	Associate
TCL Intelligent Technology (Ningbo) Co., Ltd.	Associate
LG Electronics (Hui Zhou) INC.	Associate
Wuxi TCL Medical Imaging Technology Co., Ltd.	Associate
Beijing WeMed Medical Equipment Co., Ltd.	Associate
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	Associate
Shenzhen Tixiang Management Technology Co., Ltd.	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Petro AP (Hong Kong) Company Limited	Associate
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	Associate
Wuxi TCL Venture Capital Partnership (Limited Partnership)	Associate
Nanjing Zijin A Dynamic Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	Associate
Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	Associate
Shenzhen Tianyi Hemeng Education Co., Ltd.	Associate
Bank of Shanghai Co., Ltd.	Associate
Shanghai Huiying Medical Technology Co., Ltd.	Associate
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	Associate
Fantasia Holdings Group Co., Limited	Associate
TCL Finance (HK) Limited	Associate

X Related Parties and Related-Party Transactions (Continued)

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

Related party	Relationship with the Company
Getech Ltd. and its subsidiaries	Associate
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	Associate
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	Associate
Huizhou TCL Real Estate Development Co., Ltd.	Associate’s subsidiary
Qihang Import&Export Limited	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
Purplevine IP Operating (Shenzhen) Co. Ltd	Associate’s subsidiary
Shenzhen Xirang International Business Travel Co., Ltd.	Associate’s subsidiary
PETRO AP S.A.	Associate’s subsidiary
Qihang International Import & Export Limited	Associate’s subsidiary
TCL Industries Holdings Inc. and its subsidiaries	Under control of the same director
CJ Speedex Logistics Co., Ltd.	Significantly influenced by the Company’s director

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions

		Note	H1 2020	H1 2019
(1)	Selling raw materials and finished products to related parties	Note 1		
	TCL Industries Holdings Inc. and its subsidiaries		5,240,451	2,311,111
	Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.		234,209	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		137,086	430,845
	Qihang International Import & Export Limited		107,240	-
	Qihang Import&Export Limited		96,347	661,114
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries		2,389	-
	Purplevine IP Operating (Shenzhen) Co. Ltd		508	329
	Saipu TCL Electronic Industrial Technology Co., Ltd.		-	252,078
	TCL Sun,Inc.		-	79,594
	TCT Mobile - Telefones LTDA		-	44,889
	CJ Speedex Logistics Co., Ltd.		-	84,809
	T2Mobile International Limited		-	23,346
	Taiyang Electro-optic (Huizhou) Co., Ltd.		-	336
	Palm Venture Group		-	238
	Beijing Shangdao Yuetu Technology Co., Ltd.		-	240
	Shenzhen Thunderbird Smart Products Co.,Ltd.		-	116
	Shenzhen Tixiang Enterprise Management Technology Co., Ltd.		-	40
	Huizhou Gaoshengda Technology Co., Ltd.		-	15
	Beijing National Center for Open & Distance Education Co., Ltd.		-	12
			5,818,230	3,889,112

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

		Note	H1 2020	H1 2019
(2)	Purchasing raw materials and finished products from related parties	Note 2		
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.		1,142,086	242,826
	TCL Industries Holdings Inc. and its subsidiaries		266,602	250,290
	Shenzhen Jucai Supply Chain Technology Co., Ltd.		63,237	13,277
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries		10,190	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		141	95,648
	TCL Intelligent Technology (Ningbo) Co., Ltd.		7	-
	Huizhou Gaoshengda Technology Co., Ltd.		-	154,843
	CJ Speedex Logistics Co., Ltd.		-	78,847
	Taiyang Electro-optic (Huizhou) Co., Ltd.		-	50,882
	TCL Very Lighting Technology (Huizhou) Co., Ltd.		-	41,946
	Wuhan Shangde Plastics Technology Co., Ltd.		-	33,866
	Huizhou Shenghua Industrial Co., Ltd.		-	20,659
	Amlogic Co., Limited		-	13,947
	Qihang Import&Export Limited		-	3,529
	Huizhou TCL Taidong Shihua Investment Co., Ltd.		-	1,551
	Shenzhen Thunderbird Network Media Co., Ltd.		-	695
	Shenzhen Thunderbird Smart Products Co.,Ltd.		-	370
	Canyon Circuit Technology (Huizhou) Co., Ltd.		-	58
			1,482,263	1,003,234

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(3) Receiving fundings from related parties	Note 3	H1 2020	H1 2019
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.		1,839,450	1,000,000
TCL Finance (HK) Limited		1,510,089	1,832,048
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)		77,054	82,009
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		42,653	12,684
Shenzhen Jucai Supply Chain Technology Co., Ltd.		36,224	20,428
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.		17,844	-
Qihang Import&Export Limited		3,415	26,880
Qihang International Import & Export Limited		2,626	-
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.		2,574	4,891
Elite Excellent Investments Limited		2,187	2,167
Huixing Holdings Limited		661	663
Marvel Paradise Limited		650	642
Union Dynamic Investment Limited		478	482
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)		241	-
Petro AP (Hong Kong) Company Limited		122	3,391
Esteem Venture Investment Limited		99	-
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries		14	-
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries		5	-
Zijinshan Investment Co., Ltd.		1	6
TCL Industries Holdings Inc. and its subsidiaries		-	14,186
Beijing National Center for Open & Distance Education Co., Ltd.		-	3,813
Huan Tech Co., Ltd.		-	469
TV University Online Distance Education Technology Co., Ltd.		-	262
		3,536,387	3,005,021

(4) Providing fundings for related parties	Note 3	H1 2020	H1 2019
TCL Industries Holdings Inc. and its subsidiaries		2,733,731	2,882,797
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries		244,714	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		22,428	83,819
		3,000,873	2,966,616

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

		H1 2020	H1 2019
(5)	Leases		
	Rental income		
	TCL Industries Holdings Inc. and its subsidiaries	51,496	6,081
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	19,986	20,421
	Huizhou TCL Real Estate Development Co., Ltd.	454	422
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	390	145
	Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	161	71
	Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	29	-
	Purplevine IP Operating (Shenzhen) Co. Ltd	25	341
	Beijing National Center for Open & Distance Education Co., Ltd.	-	3,364
	Shenzhen Thunderbird Network Media Co., Ltd.	-	787
	Shenzhen Thunderbird Information Technology Co., Ltd.	-	608
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	445
	Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	-	253
	CJ Speedex Logistics Co., Ltd.	-	250
	Urumqi Dongpeng Chuangdong Equity Investment Management Partnership (Limited Partnership)	-	60
	Shenzhen Tianyi Hemeng Education Co., Ltd.	-	34
	Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	-	31
	Huan Tech Co., Ltd.	-	10
	Huizhou Shenghua Industrial Co., Ltd.	-	1
	Taiyang Electro-optic (Huizhou) Co., Ltd.	-	1
		72,541	33,325

	H1 2020	H1 2019
Rental expense		
TCL Industries Holdings Inc. and its subsidiaries	31,525	10,660
Wuhan Lesheng Times Trading Co., Ltd.	-	9,544
CJ Speedex Logistics Co., Ltd.	-	4,558
TCL Very Lighting Technology (Huizhou) Co., Ltd.	-	603
	31,525	25,365

		H1 2020	H1 2019
(6)	Providing labour service for or accepting labour service from related parties		
	Providing labour service for related parties	51,194	80,366
	Accepting labour service from related parties	170,430	378,577

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

		Note	H1 2020	H1 2019
(7)	Receiving interest from or paying interest to related parties	Note 3		
	Interest received		59,029	80,802
	Interest paid		4,789	7,218

		H1 2020	H1 2019
(8)	Remuneration of key management personnel	5,209	7,270

Note 1 Selling raw materials and finished goods 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 goods 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 fundings for or receiving fundings from related parties and corresponding interest received or paid

The Company set up a settlement center in 1997 and TCL 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 the Company and the following companies in the period from January to March in the current period are related-party transactions.

Related party	Relationship with the Company
TV University Online Distance Education Technology Co., Ltd.	Joint venture
Beijing National Center for Open & Distance Education Co., Ltd.	Joint venture's subsidiary

Note 5 The transactions between the Company and Huizhou TCL Taidong Shihua Investment Co., Ltd. in the period from January to May in the current period are related-party transactions.

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

Note 6 The transactions between the Company and the following companies in the period from January to March 2019 are related-party transactions.

Related party	Relationship with the Company
Saipu TCL Electronic Industrial Technology Co., Ltd.	Associate
Taiyang Electro-optic (Huizhou) Co., Ltd.	Associate
Palm Venture Group	Associate
Beijing Shangdao Yuetu Technology Co., Ltd.	Associate
Wuhan Shangde Plastics Technology Co., Ltd.	Associate
TCL Very Lighting Technology (Huizhou) Co., Ltd.	Associate
Huan Tech Co., Ltd.	Associate
Canyon Circuit Technology (Huizhou) Co., Ltd.	Associate
TCL Sun,Inc.	Joint venture
TCT Mobile - Telefones LTDA	Associate’s subsidiary
Huizhou Gaoshengda Technology Co., Ltd.	Associate’s subsidiary
Huizhou Shenghua Industrial Co., Ltd.	Associate’s subsidiary
Amlogic Co., Limited	Associate’s subsidiary
Wuhan Lesheng Times Trading Co., Ltd.	Associate’s subsidiary
Shenzhen Yisheng Kangyun Technology Development Co., Ltd.	Associate’s subsidiary
T2Mobile International Limited	Joint venture’s subsidiary

4 Balances due from and to related parties

(1) Accounts receivable

	30 June 2020	31 December 2019
TCL Industries Holdings Inc. and its subsidiaries	1,712,830	2,169,426
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	177,862	-
Qihang International Import & Export Limited	105,630	-
Qihang Import&Export Limited	41,083	24,892
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	29,986	32,242
Purplevine IP Operating (Shenzhen) Co. Ltd	438	39
Huizhou TCL Real Estate Development Co., Ltd.	76	-
Bank of Shanghai Co., Ltd.	75	68
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	13	-
Shanghai Huiying Medical Technology Co., Ltd.	-	1,000

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(1) Accounts receivable (continued)

CJ Speedex Logistics Co., Ltd.	-	33
	2,067,993	2,227,700

(2) Accounts payable

	30 June 2020	31 December 2019
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	410,454	410,872
Shenzhen Jucai Supply Chain Technology Co., Ltd.	48,385	19,746
TCL Industries Holdings Inc. and its subsidiaries	41,732	294,817
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	20,920	54,112
Getech Ltd. and its subsidiaries	-	23,617
	521,491	803,164

(3) Other receivables

	30 June 2020	31 December 2019
TCL Industries Holdings Inc. and its subsidiaries	36,878	59,769
Shenzhen Xirang International Business Travel Co., Ltd.	2,009	-
PETRO AP S.A.	1,322	1,296
Nanjing Zijin A Dynamic Investment Partnership (Limited Partnership)	296	296
LG Electronics (Hui Zhou) INC.	21	46
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	18	22,253
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	8	2
Shenzhen Jucai Supply Chain Technology Co., Ltd.	-	144
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	-	75
Wuxi TCL Medical Imaging Technology Co., Ltd.	-	5
Beijing WeMed Medical Equipment Co., Ltd.	-	2
	40,552	83,888

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(4) Other payables

	30 June 2020	31 December 2019
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	76,939	1,102
TCL Industries Holdings Inc. and its subsidiaries	54,349	49,029
Getech Ltd. and its subsidiaries	28,696	23,137
Petro AP (Hong Kong) Company Limited	23,547	23,100
TCL Finance (HK) Limited	12,389	12,208
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	5,546	5,541
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	4,685	4,701
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	4,108	-
Purplevine IP Operating (Shenzhen) Co. Ltd	3,591	3,238
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	3,548	2,035
Qihang Import&Export Limited	3,415	28,268
Qihang International Import & Export Limited	2,626	-
Elite Excellent Investments Limited	2,187	2,164
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	871	384
Huixing Holdings Limited	661	665
Marvel Paradise Limited	650	640
CJ Speedex Logistics Co., Ltd.	500	1,040
Union Dynamic Investment Limited	478	471
Huizhou TCL Real Estate Development Co., Ltd.	165	165
Shenzhen Jucai Supply Chain Technology Co., Ltd.	131	-
Esteem Venture Investment Limited	99	97
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	37	37
Zijinshan Investment Co., Ltd.	1	1
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	-	27,654
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	-	3,591
Shenzhen Xirang International Business Travel Co., Ltd.	-	2,769
Beijing National Center for Open & Distance Education Co., Ltd.	-	168
TV University Online Distance Education Technology Co., Ltd.	-	138
	229,219	192,343

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(5) Prepayments

	30 June 2020	31 December 2019
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	63,621	31,592
Getech Ltd. and its subsidiaries	16,957	-
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	7,018	-
Shenzhen Xirang International Business Travel Co., Ltd.	2,119	1,446
TCL Industries Holdings Inc. and its subsidiaries	733	565
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	35	35
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	-	200
	90,483	33,838

(6) Advances from customers

	30 June 2020	31 December 2019
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	3	328
TCL Industries Holdings Inc. and its subsidiaries	-	1,994
Huizhou TCL Real Estate Development Co., Ltd.	-	76
	3	2,398

(7) Dividends receivable

	30 June 2020	31 December 2019
Bank of Shanghai Co., Ltd.	316,955	
Fantasia Holdings Group Co., Limited	57,672	-
Wuxi TCL Venture Capital Partnership (Limited Partnership)	-	5,771
	374,627	5,771

(The amounts in tables are expressed in thousands of RMB)

X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(8) Deposits from related parties (note)

	30 June 2020	31 December 2019
Zhihui Xinyuan Commerce (Huizhou) Co., Ltd.	1,839,616	350,247
TCL Finance (HK) Limited	1,510,658	-
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	42,686	30,489
Shenzhen Jucai Supply Chain Technology Co., Ltd.	36,253	22,544
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	17,856	-
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	2,575	1,601
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	204	297
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	157	169,316
Petro AP (Hong Kong) Company Limited	122	140
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	14	83,149
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	5	652,130
Qihang Import&Export Limited	-	28,267
Beijing National Center for Open & Distance Education Co., Ltd.	-	5,087
Elite Excellent Investments Limited	-	2,164
Huixing Holdings Limited	-	665
Marvel Paradise Limited	-	640
TV University Online Distance Education Technology Co., Ltd.	-	554
Union Dynamic Investment Limited	-	471
Esteem Venture Investment Limited	-	97
Zijinshan Investment Co., Ltd.	-	1
	3,450,146	1,347,859

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

(9) Other non-current assets

	30 June 2020	31 December 2019
Purplevine IP Operating (Shenzhen) Co. Ltd	200,632	129,965

(10) Other current assets

	30 June 2020	31 December 2019
Tcl Industries Holdings Inc. and its subsidiaries	100,313	5,208
Huizhou TCL Environmental Resource Co., Ltd. and its subsidiaries	379	738
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	3	193
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	-	189
	100,695	6,328

(The amounts in tables are expressed in thousands of RMB)

XI Commitments

1 Lease commitments

The following table presents the minimum lease payables after the balance sheet date according to the irrevocable operating lease contracts signed by the Company：

	30 June 2020	31 December 2019
Within 1 year	58,159	26,347
1-2 years	41,471	16,748
2-3 years	33,376	6,705
Over 3 years	126,164	5,416
	259,170	55,216

2 Capital commitments

		30 June 2020	31 December 2019
Under contractual obligations but not provided for	Note 1	8,041,420	6,733,484
Approved by Board but not under contractual obligations	Note2	-	77,087
		8,041,420	6,810,571

Note 1 The capital commitments under contractual obligations but not provided for in the current period primarily consisted of such commitments for construction of investment projects and external investments.

Note 2 The capital commitments approved by the Board but not under contractual obligations in the current period primarily consisted of such commitments for CSOT's LCD panel project.

As at 30 June 2020, except for the disclosures above, there were no other major commitments that are required to be disclosed.

XII Contingencies

Guarantees Provided for External Parties

The guarantee amount for related party bank loan, commercial drafts, letters of credit, etc. is RMB19,312,590 thousand.

As at 30 June 2020, the Company estimated that it was not likely for the aforesaid guarantees to cause a material loss, so it did not record a provision in the financial statements for it. Except for the said contingencies, there were no other major contingencies that are required to be disclosed as at 30 June 2020.

XIII Events after Balance Sheet Date

1 On 14 July 2020, as per the Filing Certificate FGBWZB [2020] No. 294 issued by the Natioanl Development and Reform Commission, TCL Tech. completed the overseas issue of its five-year 300 million US dollar bonds in 2020, with the value date on 14 July 2020 and the coupon rate being 1.875%.

2 The proposals in relation to the Company's acquisition of the 100% equity interests in Tianjin Zhonghuan Electronics Group Co., Ltd. (hereinafter referred to as "Zhonghuan Electronics") were approved at the Second Extraordianry Meeting and the 28th Meeting of the Sixth Board of Directors, as well as at the Fourth Extraordianry General Meeting of 2020. On 15 July 2020, the Company acquired the 100% equity interests in Zhonghuan Electronics. On 17 July 2020, the transaction parties signed the Equity Transaction Contract. Zhonghuan Electronics's total assets as at the end of August 2019 were RMB46,423,005,400, and its revenue and net profit for January-August 2019 were RMB11,106,370,200 and RMB677,340,700 respectively, with its major assets being Tianjin Zhonghuan Semiconductor Co., Ltd. (stock code: 002129.SZ).

Except for the aforesaid events, there were no other significant post-balance-sheet-date events that are required to be disclosed as at the date of the authorization of the financial statements for issue.

(The amounts in tables are expressed in thousands of RMB)

XIV Other Important Matters

(I) Discontinued operations

On 7 January 2019, the significant assets spin-off was approved at the First Extraordinary General Meeting of 2019. As such, the Company sold its direct holdings of the 100% equity interests in TCL Industries Holdings (HK) Limited, the 100% equity interests in Huizhou TCL Household Electric Appliance Group Co., Ltd., the 100% equity interests in TCL Home Appliances (Hefei) Co., Ltd., the 55% equity interests in Huizhou Cool Friends Network Technology Co., Ltd., the 100% equity interests in Koyoo Online Service Co., Ltd., the 100% equity interests in TCL Technology Park Co., Ltd., and the 36% equity interests in Getech Ltd., as well as its indirect holdings of the 75% equity interests in JDH Information Tech (Zhuhai) Co., Ltd. and the 1.50% equity interests in Huizhou Cool Friends Network Technology Co., Ltd. respectively through its wholly-owned subsidiaries TCL Finance Holdings Group (Guangzhou) Co., Ltd. and Huizhou TCL Light Electrical Appliances Co., Ltd., to TCL Industries Holdings Inc. for a total consideration of RMB4.76 billion. The significant assets spin-off has been completed in April 2019.

	H1 2020	H1 2019
Revenue from discontinued operations	-	20,167,401
Gross profit from discontinued operations	-	171,147
Income tax expense on discontinued operations	-	77,436
Net profit from discontinued operations	-	93,710
Add: Net gain/loss on disposal of discontinued operations	-	1,238,377
Total net profit from discontinued operations	-	1,332,087

(II) Segment reporting

1 Basis for determining reporting segment and accounting policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company's business is divided into three reporting segments: the semi-conductor display and 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 three reporting segments are:

(1) Semi-conductor display and materials business: mainly includes research and development, manufacturing and sales of semiconductor display panels and semiconductor display modules.

(2) Distribution business: mainly includes the sales of computers, software, tablet computers, mobile phones and other electronic products.

(3) 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.

(The amounts in tables are expressed in thousands of RMB)

XIV Other Important Matters (Continued)

(II) Segment reporting (continued)

2 Financial information of reporting segments

	For the six months ended 30 June 2020			
	Semi-conductor display and materials business	Distribution business	Others and internally offset accounts	Total
Revenue	19,512,205	9,126,806	694,200	29,333,211
Gross profit	(134,775)	141,187	1,227,299	1,233,711
Income tax expense	(1,604)	40,876	125,315	164,587
Net profit	(133,171)	100,311	1,101,984	1,069,124
Total assets	140,989,292	4,325,649	39,518,293	184,833,234
Total liabilities	79,705,967	3,339,946	36,895,498	119,941,411
Other items				
Depreciation and amortization expense	4,414,769	3,608	(184,563)	4,233,814
Capital expenditure	12,226,139	-	264,874	12,491,013
Net interest expense	242,341	17,893	551,927	812,161

	For the six months ended 30 June 2019			
	Semi-conductor display and materials business	Distribution business	Others and internally offset accounts	Total
Revenue	16,275,667	8,814,034	18,691,913	43,781,614
Gross profit	1,062,378	123,793	1,833,839	3,020,010
Income tax expense	43,672	36,111	203,164	282,947
Net profit	1,018,706	87,682	1,630,675	2,737,063
Total assets	120,921,077	3,502,447	30,228,371	154,651,895
Total liabilities	68,052,589	2,635,239	22,760,868	93,448,696
Other items				
Depreciation and amortization expense	3,229,755	2,878	1,106,037	4,338,670
Capital expenditure	10,586,329	-	788,661	11,374,990
Net interest expense	431,309	31,084	324,058	786,451

(The amounts in tables are expressed in thousands of RMB)

XV Notes to Financial Statements of the Company as Parent

1 Accounts receivable

	30 June 2020				31 December 2019			
	Amount	Percentage	Allowance	Allowance ratio	Amount	Percentage	Allowance	Allowance ratio
Within 1 year	145,224	100%	450	0.31%	445,539	100%	449	0.10%

As at 30 June 2020, there was not such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other receivables

	30 June 2020	31 December 2019
Dividends receivable	316,955	4,211,824
Other receivables	14,684,296	12,917,649
	15,001,251	17,129,473

(a) Other receivables by nature are analyzed as follows:

	30 June 2020	31 December 2019
Receivables from external entities	650,086	440,600
Security deposits	1,802,102	792
Others	12,232,108	12,476,257
	14,684,296	12,917,649

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

	Expected credit loss in next 12 months	Expected credit loss for the entire duration (credit impairment has occurred)	Total
31 December 2019	718	41,300	42,018
Adjustment for change in accounting policy	-	-	-
1 January 2020	718	41,300	42,018
Accrued in current period	-	-	-
Reversal in current period	-	601	601
Write-off in current period	-	-	-
30 June 2020	718	40,699	41,417

(The amounts in tables are expressed in thousands of RMB)

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

2 Other receivables (continued)

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

	30 June 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Within 1 year	11,112,350	75.46%	9,708,317	74.91%
1-2 years	2,625,045	17.83%	2,080,024	16.05%
2-3 years	736,098	5.00%	940,910	7.26%
Over 3 years	252,220	1.71%	230,416	1.78%
	14,725,713	100%	12,959,667	100%

The outstanding other receivables were mostly current accounts with related parties. As at 30 June 2020, there were no such other receivables from any shareholder with a 5% or greater voting stock.

The top five other receivables of the Company are about RMB10,477,097 thousand (31 December 2019: RMB9,544,224 thousand), accounting for 71.15% (31 December 2019: 73.65%) of the total other receivables of the Company.

3 Long-term equity investments

	30 June 2020			31 December 2019		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates and joint ventures (1)	13,001,064	-	13,001,064	11,863,148	-	11,863,148
Subsidiaries (2)	32,721,624	-	32,721,624	27,434,124	-	27,434,124
	45,722,688	-	45,722,688	39,297,272	-	39,297,272

As at 30 June 2020, there are no major restrictions on the realization of investment and the remittance of return on long-term equity investments.

(The amounts in tables are expressed in thousands of RMB)

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

3 Long-term equity investments (continued)

(1) Associates and joint ventures

			Increase/decrease in current period						
	Amount at beginning of year	Increase/decrease in investment in current period	Investment gains and losses recognized by equity method	Other comprehensive income adjustments	Other equity changes	Cash dividends or profit distribution declared	Impairment allowance	Other increases and decreases	30 June 2020
Bank of Shanghai Co., Ltd.	9,314,611	792,028	591,599	64,718	-	(316,955)	-	-	10,446,001
China Innovative Capital Management Limited	877,920	-	6,044	-	-	-	-	-	883,964
Tianjin 712 Communication & Broadcasting Co., Ltd.	762,470	-	19,511	-	-	(14,725)	-	-	767,256
LG Electronics (Hui Zhou) INC.	92,583	-	4,164	-	-	-	-	-	96,747
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	40,837	-	(136)	-	-	-	-	-	40,701
Huizhou TCL Taidong Shihua Investment Co., Ltd.	12,779	-	(9,432)			-	-	(3,347)	-
Shenzhen Tixiang Enterprise Management Technology Co., Ltd.	2,078	-	160	-	-	-	-	-	2,238
Shenzhen Jucai Supply Chain Technology Co., Ltd.	5,342	300	207	-	-	-	-	-	5,849
TCL Nanyang Electric Appliance (Guangzhou) Co., Ltd.	1,816	-	(86)	-	-	-	-	-	1,730
Huizhou TCL Environmental Resource Co., Ltd.	71,738	-	8,158	-	-	-	-	-	79,896
Guangdong Rongchuang Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	375,020	-	(4,832)	-	-	-	-	-	370,188
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	149,493	-	(1,180)	-	-	-	-	-	148,313
Others	156,461	-	3,039	-	-	-	-	(1,319)	158,181
	11,863,148	792,328	617,216	64,718	-	(331,680)	-	(4,666)	13,001,064

(The amounts in tables are expressed in thousands of RMB)

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

3 Long-term equity investments (continued)

(2) Subsidiaries

	Company's voting right	1 January 2020	Increase in current period	Decrease in current period	30 June 2020
TCL China Star Optoelectronics Technology Co., Ltd.	91.56%	22,164,098	5,268,400	-	27,432,498
TCL Finance Co., Ltd.	82.00%	1,256,003	-	-	1,256,003
TCL Finance Holdings Group (Guangzhou) Co., Ltd.	100%	772,000	-	-	772,000
TCL Technology Park (Huizhou) Co., Ltd.	100%	504,950		(504,950)	-
Guangzhou TCL Internet Microcredit Co., Ltd.	100%	500,000	500,000	-	1,000,000
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	89.84%	457,994	-	-	457,994
TCL Culture Media (Shenzhen) Co., Ltd.	100%	361,414	-	-	361,414
Xinjiang TCL Equity Investment Co., Ltd	100%	200,000	-	-	200,000
Huizhou Sailuote Communication Co., Ltd.	100%	110,000	-	-	110,000
Highly Information Industry Co., Ltd.	73.69%	107,296	-	-	107,296
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100%	58,497	-	-	58,497
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100%	20,000	23,880	-	43,880
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., L	100%	20,000	-	-	20,000
Peer College Education Technology (Huizhou) Co., Lt	100%	5,000	-	-	5,000
Huizhou Hongsheng Technology Development Co., L	100%	1,000	-	-	1,000
Beijing Zhiqujia Technology Co., Ltd.	100%	257,627	-	-	257,627
Ningbo TCL Equity Investment Co., Ltd.	100%	300,000	-	-	300,000
TCL Technology Investments Limited	100%	188,293	-	-	188,293
Winshero Investment Limited	100%	-	-	-	-
Equity incentives of subsidiaries		10,452	170	-	10,622
		27,434,124	5,792,450	(504,950)	32,721,624

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

(The amounts in tables are expressed in thousands of RMB)

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

4 Investments in other equity instruments

	30 June 2020	31 December 2019
Non-trading equity instruments	15,000	15,000

5 Other non-current financial assets

	30 June 2020	31 December 2019
Equity investments	1,573,718	1,531,335
Debt investments	9,342	9,578
	1,583,060	1,540,913

6 Revenue and cost of sales

	H1 2020		H1 2019	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	382,812	377,010	491,348	483,925
Non-core business	103,572	7,048	272,251	166,993
	486,384	384,058	763,599	650,918

7 Return on investment

	H1 2020	H1 2019
Income from disposal of debt instruments at fair value through profit or loss	10,177	86,292
Income from disposal of equity instruments at fair value through profit or loss	-	12,050
Income from holding debt instruments at fair value through profit or loss	2,729	20,310
Debt instruments at amortized cost through profit or loss	-	53,606
Income from holding equity instruments at fair value through profit or loss	12,265	9,676
Dividends from subsidiaries	736,919	177,885
Share of profit of associates for current period	626,648	584,429
Share of profit of joint ventures for current period	(9,432)	(1,199)
Net income from disposal of long-term investments	12,549	(200,193)
	1,391,855	742,856

As at 30 June 2020, there were no significant restrictions on the collection of return on investment.

(The amounts in tables are expressed in thousands of RMB)

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

8 Net cash generated from/used in operating activities

Net cash used in operating activities of the Company as the parent was RMB863,361 thousand.

9 Cash and cash equivalents, end of the period

Cash and cash equivalents, end of the period of the Company as the parent was RMB11,811,678 thousand.

10 Contingent liabilities

As at 30 June 2020, the contingent liabilities not provided for in the financial report are as follows:

	30 June 2020	31 December 2019
Guarantees for trade notes and letters of guarantee of subsidiaries	19,005,682	9,809,585
Guarantees for bank loans of subsidiaries	26,985,549	22,119,613
Guarantees for bank loans, trade notes, letters of credit, etc. of related parties	19,312,590	18,160,168

(The amounts in tables are expressed in thousands of RMB)

XVI Comparative Data

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

XVII Non-Recurring Gains and Losses

	H1 2020	H1 2019
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	289,779	1,299,737
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)	355,098	592,690
Gain equal to the amount by which investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the Company's enjoyable fair value of identifiable net assets of investees when making investments	280,759	-
Gain or loss on fair-value changes on held-for-trading financial assets and liabilities & income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	40,067	72,879
Non-operating income and expense other than the above	192,303	26,753
Income tax effects	(78,214)	(91,321)
Non-controlling interests effects	(53,589)	(58,856)
Non-recurring gains and losses attributable to ordinary shareholders of the Company as the parent	1,026,203	1,841,882

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.

(The amounts in tables are expressed in thousands of RMB)

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	Net profit for Reporting Period	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	1,208,066	4.11%	0.0932	0.0893
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	181,863	0.62%	0.0140	0.0134

Company Name: TCL Technology Group Corporation
Date: 27 Agust 2020

The financial statements and the notes thereto from page 1 to page 144 are signed by:

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

Part X Other Information Submitted

I Other Material Social Security Issues

Indicate whether the listed company or any of its subsidiaries is involved in any other material social security issues.

□ Yes ■ No □ Not applicable

Indicate whether the Company received any administrative punishments in the Reporting Period.

□ Yes ■ No □ Not applicable

II Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

Date	Place	Way of communication	Type of communication party	Communication party	Main discussions and materials provided
15 January 2020	Company Conference Room in Shenzhen	By visit	Institutional investor	UBS Asset Management, Essence Securities, Oriental Alpha Fund, Tongben Investment, Rosefinch Fund, Shenzhen Shangdao Investment, and Shanghai Life Insurance	Inquired about the Company's business development
16 January 2020	Company Conference Room in Shenzhen	By visit	Institutional investor	TF Securities, China Asset Management, TruValue Asset Management, Dingsa Fund, Essence Fund, Essence Securities, Sense Fund, Boyuan Fund, JTJ Investment, China Orient Asset Management, etc.	Inquired about the Company's business development
31 March 2020	Company Conference Room in Shenzhen	By visit	Institutional investor	E Fund, Harvest Fund, Southern Asset Management, Bosera Funds, Perseverance Asset Management, Yinhua Fund, GF Fund, Dacheng Fund, UBS Securities, Minsheng Royal Fund Management, HSBC Jintrust Fund, CCB Principal Asset Management, etc.	Inquired about the 2019 performance and development planning of TCL Tech. and TCL CSOT
29 April 2020	-	By phone	Institutional investor	Harvest Fund, China Asset Management, Penghua Fund, Perseverance Asset Management, asptex, Daiwa, Morgan Stanley, Q Fund Managemet, UG, Essence International, Essence Securities, Aeon Insurance Asset Management, etc.	Inquired about the Q1 2020 performance and development planning of TCL Tech.

III Financial Relationships between the Listed Company and the Controlling Shareholder and Its Related Parties

□ Applicable ■ Not applicable