

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



INTERIM REPORT 2021

10 August 2021

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Part I Important Notes, Table of Contents and Definitions

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

Mr. Li Dongsheng, the 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.

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

Any plans, development strategies or other forward-looking statements mentioned in this Report and its summary shall NOT be considered as promises to investors. Therefore, investors are reminded to exercise caution when making investment decisions.

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

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

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 “Current Period”	The period from 1 January 2021 to 30 June 2021.
TCL Industries	TCL Industries Holdings Co., Ltd.
TCL CSOT	TCL China Star Optoelectronics Technology Co., Ltd.
Zhonghuan Electronics	Tianjin Zhonghuan Electronics Group Co., Ltd.
Zhonghuan Semiconductor	Tianjin Zhonghuan Semiconductor Co., Ltd., a majority-owned subsidiary of the Company listed on the SME Board of the Shenzhen Stock Exchange (stock code: 002129.SZ)
TPC	Tianjin Printronics Circuit Corporation, a majority-owned subsidiary of the Company listed on the SME Board of the Shenzhen Stock Exchange (stock code: 002134.SZ)
Wuhan CSOT	Wuhan China Star Optoelectronics Technology Co., Ltd.
Guangdong Juhua	Guangdong Juhua Printed Display Technology Co., Ltd.
China Ray	Guangzhou China Ray Optoelectronic Materials Co., Ltd.
Highly	Highly Information Industry Co., Ltd., a majority-owned subsidiary of the Company listed on the National Equities Exchange and Quotations (stock code: 835281)
Moka International	Moka International Limited
TCL Microchip	TCL Microchip Technology (Guangdong) Co., Ltd.
Admiralty Harbour Capital	Admiralty Harbour Capital Limited
China Innovative	China Innovative Capital Management Limited
Zhonghuan Advanced	Zhonghuan Advanced Semiconductor Materials Co., Ltd.
t1 project	The generation 8.5 (or G8.5) TFT-LCD production line of TCL CSOT
t2 project	The generation 8.5 (or G8.5) TFT-LCD (including oxide semiconductor) production line of TCL CSOT
t3 project	The generation 6 (or G6) LTPS-LCD panel production line of TCL CSOT
t4 project	The generation 6 (or G6) flexible LTPS-AMOLED panel production line of TCL CSOT
t6 project	The generation 11 (or G11) new TFT-LCD production line of TCL CSOT
t7 project	The generation 11 (or G11) new ultra-high-definition (UHD) TFT-LCD and AMOLED production line of TCL CSOT
t9 project	The generation 8.6 (or G8.6) new oxide semiconductor production line of Guangzhou CSOT
t10 project or the Samsung Suzhou plant	The generation 8.5 (or G8.5) TFT-LCD production line of Suzhou China Star Optoelectronics Technology Co., Ltd.
M10 project or the Samsung Suzhou module plant	Suzhou China Star Optoelectronics Display Co., Ltd.
GW	Gigawatt, power unit for solar cells, 1GW = 1,000 megawatt

G12	12-inch ultra-large DW-cut solar monocrystalline silicon square wafer, size: 44,096mm ² ; diagonal line: 295mm, side length: 210mm, with its size 80.5% larger than the conventional M2
MAXEON	MAXEON SOLAR TECHNOLOGIES,PTE.LTD.

Documents Available for Reference

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

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

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

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

III Other Information

1. Contact Information of the Company

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 2020 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 2020 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

Item	H1 2021	H1 2020	Change (%)
Revenue (RMB)	74,298,646,758	29,333,210,856	153.29%
Net profit attributable to the company's shareholders (RMB)	6,783,884,807	1,208,065,986	461.55%
Net profit attributable to the company's shareholders before non-recurring gains and losses (RMB)	5,497,817,947	181,862,847	2923.06%
Net cash generated from/used in operating activities (RMB)	13,895,714,157	7,347,810,779	89.11%
Basic earnings per share (RMB/share)	0.5026	0.0932	439.27 %
Diluted earnings per share (RMB/share)	0.4835	0.0893	441.43%
Weighted average return on equity (%)	18.96%	4.11 %	Up by 14.85 percentage points
	30 June 2021	31 December 2020	Change (%)
Total assets (RMB)	302,205,481,260	257,908,278,887	17.18%
Owners' equity attributable to the company's shareholders (RMB)	37,557,664,687	34,107,795,454	10.11%

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)	14,030,788,362
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Fully diluted earnings per share based on the latest total share capital above:

Dividends paid for preference shares	N/A
Fully diluted earnings per share based on the latest total share capital above (RMB/share)	0.4835

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

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

Applicable Not applicable

3. Reasons for Accounting Data Differences Above

Applicable Not applicable

VI Non-Recurring Gains and Losses

Applicable Not applicable

Unit: RMB

Item	Amount
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	739,340,047
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	359,192,482
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	40,299,579
Spin-off costs in staff arrangement, integration, etc.	-
Gain or loss on fair-value changes in held-for-trading and derivative financial assets and liabilities & investment income from disposal of held-for-trading and derivative financial assets and liabilities and other debt investments (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	210,273,097
Non-operating income and expense other than the above	244,569,559
Other gains and losses that meet the definition of non-recurring gain/loss	-
Less: Corporate income tax	82,885,697
Non-controlling interests (net of tax)	224,722,207
Total	1,286,066,860

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 Management Discussion and Analysis

I Main businesses of the Company during the reporting period

Part III Management Discussion and Analysis

I Main businesses of the Company during the reporting period

Overview

The COVID-19 epidemic has yet to subside, geopolitical relations have entered a new landscape and international trade frictions pose multiple challenges to global economic development. However, the fact that international division of labor and comparative advantage determine the basis for the allocation of production factors, industrial chain and value chain distribution will remain unchanged. As a sound industrial layout and sound supply chain systems have already been established in China, the complex and volatile internal and external environment will further consolidate the strategic direction of independent and controllable key and core technologies for scientific and technological enterprises, which will help accelerate the tackling of fundamental, high-end and core technologies fortification, and will promote the upgrading of the industrial chain and manufacturing industry, thus ushering in new development opportunities for China's technology sector.

Dedicated to national strategic sectors that are high-tech, asset-heavy and long-cycle, the Company focused on the development of its core main businesses: semiconductor displays, and semiconductor photovoltaics and semiconductor materials. With the accelerated trend of country-by-country shifts and concentration of leadership in the semiconductor display industry driven by operation and management efficiency, generations of production lines and scale effect, the competitive advantages of Chinese enterprises have been brought to the fore, and the Company's semiconductor display businesses have initiated a phase of overall leadership that spans from efficiency and products to technologies and ecology. Meanwhile, the Company, empowered and supported by continuous reform and innovation, extreme management efficiency and global operational capacity, has made remarkable achievements in the layout of the new industrial track for semiconductor photovoltaics and semiconductor materials businesses, and has successfully created a secondary growth curve once again.

During the reporting period, the Company achieved operating revenue of CNY 74.3 billion, a year-on-year increase of 153.3%; net profit of CNY 9.25 billion, a year-on-year increase of 765%; net profit of

CNY 6.78 billion attributable to the shareholders of listed companies, a year-on-year increase of 461.5%; comprehensively surpassing the budget. Wherein: (1) Benefiting from the upward prosperity of the industry, coupled with factors such as the fast-paced growth of its own capacity and the improvement of product structure, the Company achieved, from the semiconductor display business, operating revenue of CNY 40.8 billion, a year-on-year increase of 93.6% under the same conditions, and net profit of CNY 6.61 billion, a year-on-year increase of CNY 6.75 billion; (2) Leveraging advantages such as technological accumulation, leading capacity improvement and supply chain synergy, through the reform of mechanisms and systems and the stimulation of organizational vitality, the Company saw significant year-on-year increases in both revenue and profit from its semiconductor photovoltaics and semiconductor businesses. Zhonghuan Semiconductor achieved operating revenue of CNY 17.64 billion, a year-on-year increase of 104.1%, and net profit of CNY 1.89 billion, a year-on-year increase of 160.6%.

The Company focused on investment in the research and development of core techniques, basic technologies and new materials, to enhance the technical strength of key links in value chains and strategic control points. During the reporting period, the Company invested CNY 5.09 billion in research and development, accounting for 7.0% of operating revenue, a year-on-year increase of 76.9%. To date, the number of PCT patent applications reached 13,170, and the number of patent applications in the field of quantum dot electroluminescence technology and materials has reached 1,480, ranking second in the world. In the field of semiconductor displays, the Company focused on promoting the development of new display technologies such as printed OLED/QLED, Mini-LED and Micro-LED, achieving ecological leadership among next-generation display technologies; in the field of semiconductor photovoltaics and semiconductor materials, the Company has established advantages in 210 mm large silicon wafers and shingled photovoltaic modules, as well as the ecologies of related technologies, and is a leader in the technologies and production techniques of the 4-12-inch products in China.

Production capacity was further improved, scale advantage was increased, and structure of products and customers were continuously optimized. CSOT Suzhou t10 (formerly Samsung Suzhou LCD factory) and the supporting module factory (M10) were delivered and consolidated on April 1st; the Ultra High Definition (UHD) Display Project t7 ramped up as scheduled, and the Company focused on t9 investment and construction in the fields of high-end IT and commercial displays. The growth rate of the business scale for semiconductor displays will remain the highest in the industry. The Company has a total capacity of 70 GW for semiconductor photovoltaic materials, including a capacity of 39 GW for G12. The construction of the Ningxia Zhonghuan Phase VI Project began in March, the

Diamond Wire Cut Ultra-thin Silicon Wafer Intelligent Factory Project implemented in Tianjin and Inner Mongolia was put into operation smoothly, the Jiangsu G12 High-efficiency Shingled Photovoltaic Modules Project has achieved a production capacity of 6 GW, the G12 High-efficiency Shingled Photovoltaic Modules Project in Tianjin has entered the construction stage, and the manufacturing capacity of the semiconductor photovoltaics industrial chain has rapidly improved. The Company will increase investment in Zhonghuan Advanced bases in Inner Mongolia, Tianjin and Jiangsu, and promote the full coverage of all kinds of power semiconductor chips and integrated circuit chips; in addition, the Company has invested in the establishment of a semiconductor investment and operation platform in order to strengthen the synergy of industrial chains, and is looking for industrial investment and layout opportunities in related fields, such as semiconductor integrated circuits.

The Company has maintained a global supply chain management system and operation capabilities. The Company possesses globally unified management competencies in areas such as supply chain management, intellectual property protection, risk control and compliant operations. At present, the planned capacity of the CSOT factory in India is 8 million large-sized display modules and 30 million small and medium-sized display modules, which can meet the local supporting needs of strategic customers; Moka Technology, a subsidiary of the Company, has established the capacity to supply complete machines and modules in Mexico; Zhonghuan Semiconductor has set up module factories in Europe and Mexico, and deployed battery capacity in Malaysia, the Philippines and Singapore.

The Company accelerated digital transformation and continued to promote the upgrading of extreme cost efficiency and agile manufacturing. The Company continued to devote itself to cultivating the fields of intelligent manufacturing and Industry 4.0, building TCL CSOT into an example of an intelligent factory, and established the first industrial interconnection total solution in the industry; also, Zhonghuan Semiconductor's Industry 4.0 intelligent factory continued to promote digital and intelligent transformation and upgrading.

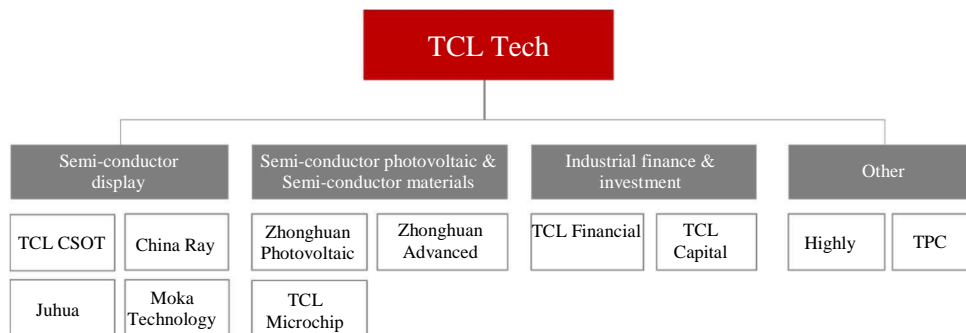
This year marks the 40th anniversary of TCL's founding. Over the past 40 years, TCL has loyally dedicated itself to the manufacturing industry and met the challenges brought about by change, traveling upstream along the electronics industrial chain all the way from processing trade and terminal production to display device manufacturing, new energy and core material layouts. The Company entered the semiconductor display industry in 2009 and gradually established TCL CSOT as a leader in efficiency, profits and scale effect; in 2020, the Company, by delisting Zhonghuan Electronic and shifting its layout to the semiconductor photovoltaics and semiconductor materials track, clearly defined its strategic direction, moving towards being a leading global technology group by

coordinating its two core industries. With the accumulation of gradually deepening leading technology, advanced techniques and financial underpinnings, the Company will also complete the transformation from being a follower to becoming a leader, thus guiding China's technology sector to global ecological leadership based on a more solid foundation.

Looking ahead, there will be two innate characters remaining unchanged in the semiconductor display industry, which are the improvement of the supply-demand relationship and the concentration of leadership. The cyclical weakening trend of the industry will be made clear, and the relative competitive advantage of TCL CSOT will be further strengthened; the global consensus on improving the quality and efficiency of clean energy will drive the rapid growth of the semiconductor photovoltaics industry; with the accelerated development of the semiconductor industry in China, historic opportunities and challenges coexist. The Company will build strategic control points in the fields of semiconductor displays, semiconductor photovoltaics and semiconductor materials, adhere to the business strategy of “Improving Business Quality and Efficiency, Strengthening Advantages and Making up for Disadvantages, Accelerating Global Layout, and Innovation-driven Development”, continuously improve competitiveness, develop sustainably and healthily, and become a global industry leader.

Operation of main businesses

The Company's main business structure consists of its semiconductor display business, semiconductor photovoltaics and semiconductor materials businesses, industrial finance and investment platforms and other businesses. The Company will continue to optimize its business structure, and further concentrate its resources on the development of its main businesses, to achieve the strategic goal of being a global leader in its two core industries: semiconductor displays, and semiconductor photovoltaics and semiconductor materials.



(I) Semiconductor display business

The supply-demand relationship of the semiconductor display industry has improved, industry concentration has increased, product prices have continued to rise, and the overall profitability of the industry has continued to improve. As a leading enterprise in the semiconductor display industry, TCL CSOT has fully benefited from the upward prosperity of the industry, while it continues to expand its scale through organic growth and inorganic mergers and acquisitions, maintaining a leading position of both efficiency and benefits in the global industry. During the reporting period, TCL CSOT achieved a sales area of 17.792 million square meters, a year-on-year increase of 25.3%, and TCL CSOT achieved, from the semiconductor display business, operating revenue of CNY 40.8 billion, a year-on-year increase of 93.6% under the same conditions, and net profit of CNY 6.61 billion, a year-on-year increase of CNY 6.75 billion, including net profit of CNY 4.21 billion in Q2 of 2021, an increase of 76% over Q1.

The business scale advantages of large-sized products were expanded, and the product structure continued to be enriched. Factories t1, t2 and t6 maintained full sales and produced at full capacity, and factory t7 ramped up as scheduled, factory t10 (formerly Samsung Suzhou LCD factory) began to be consolidated in Q2. With regard to market share, the Company ranked #2 globally in terms of TV panels, ranked #1 globally in terms of 55-inch products, ranked #2 globally in terms of 65-inch and 75-inch products, and ranked #3 globally in terms of 32-inch products, and leaped to #1 globally in terms of 8K and 120Hz high-end TV panels; the Company seized the rapid growth opportunities in the commercial display market, and is rapidly increasing its market share in the markets of interactive whiteboards, splicing screens and advertising machines, among which it ranked #1 globally in terms of its shipment volume for interactive whiteboards. During the reporting period, the structure of large-sized products was further optimized, and the proportion of non-TV screen operating revenue increased from 16% to 22%; also, the customer portfolio was further optimized.

Technical capacity in terms of small-sized products business was improved and the structure of products and customers was optimized. Factory t3 continued to optimize the product portfolio of the LTPS production line, enhanced product competitiveness, accelerated the development and import of medium-sized products, increased the proportion of shipment volume of medium-sized products for notebooks, vehicle-mounted devices and tablets to 23%, and maintained its position within the top four globally in terms of the shipment volume for LTPS mobile phone panels. The Phase I flexible AMOLED production line of Factory t4 was scheduled to produce at full capacity, and the move-in of Phase II and Phase III equipment was completed. Through differentiated technical reserves such as folding (screens), under-screen camera placement and LTPO, product development and customer

cooperation were accelerated in the high-end market, and the shipment volume more than doubled year-on-year.

Medium-sized products business grew rapidly in high-end market segments, and production capacity construction was accelerated. Through the production capacity adjustment of the existing production lines, the Company sped up the strategic layout of medium-sized products and laid the foundation for core customer cooperation. Focusing on high-end e-sports products in the display market, with the second largest market share in the world, the Company ranked #2 globally in terms of shipment volume for LTPS notebook panels, improved its ranking to #1 globally in terms of the shipment volume for LTPS tablet PC panels, and introduced a number of Chinese and foreign leading corporations as customers into the field of vehicle-mounted products, with a rapid increase in shipment volume. In order to meet the needs of customers and resolve the production capacity bottleneck of IT products, the Company has invested in the G8.6 Oxide Semiconductor-based New Display Device Production Line t9 Project, which is expected to be put into operation in 2023.

During the reporting period, the financial performance of the semiconductor display business consists of the following:

Project	Shipment area		Shipment volume		Revenue		Net profit	
	10,000 square meters	Year-on-year (%)	10,000 pieces / 10,000 sets	Year-on-year (%)	CNY 100 million	Year-on-year (%)	CNY 100 million	Year-on-year (%)
Large-sized products	1698.8	24.3%	2776.6	20.0%	282.0	131.9%	71.7	1384.6%
Medium-to-small sized products	80.4	51.1%	4898.7	25.4%	106.4	44.7%	-3.5	Loss reduced by CNY 20 million
Moka Technology (*)	-	-	229.3	-2.1%	35.6	38.1%	1.1	Increased by CNY 120 million
Other and offsets	-	-	-	-	(16.4)	-	(3.1)	-
Total	-	-	-	-	408	93.6%	66.1	Increased by CNY 6.75 billion

* Note: The shipment volume, revenue and net profit of Moka Technology are Q2 2021 data, and the year-on-year data are for reference purposes only, including Moka Technology Q2 2020 data.

Looking ahead, there are bright prospects for the long-term development of the semiconductor display industry. The production capacity of mainland China's LCD display industry is highly concentrated within the leading enterprises, and the leading enterprises had significant advantages in terms of management efficiency, scale, technology, cost, supply chain, and so forth, significantly increasing the

barriers to entry; the demand for traditional displays such as those for TVs, IT and mobile phones maintained steady growth, while emerging displays such as commercial displays and vehicle-mounted LCDs developed rapidly, while the growth of demand for large-sized products slowed down in the second half of the year, but in the long run, the supply and demand of the LCD industry will move towards dynamic balance. TCL CSOT will maintain its continuous growth of revenue and consolidate the advantages of highly efficient operation and operating benefits. TCL CSOT still faces great challenges in the OLED industry. In the first half of the year, the Company focused its energy on breaking through the bottleneck of product technology, meeting the delivery needs of strategic customers, and making breakthroughs in key technologies such as foldable screens; it is expected that the sales volume will continue to grow in the second half of the year, which will gradually improve operating benefits.

In the context of the gradual stabilization of the industry landscape, the growth in capacity and structural optimization of TCL CSOT will be the main driving force for its future performance growth, and the Company will accelerate its advancement from being a global leader in the large-sized display field to becoming a leader across all sizes centered on "Optimizing Production Line Structure and Product Structure, Improving Customer Portfolio and Perfecting Industrial Ecology".

The capacity and revenue of TCL CSOT will continue to grow at a high rate. The Company will have grown from 3 high-generation lines (2 G8.5 lines and 1 G11 line) in 2020, to 4.5 lines by the end of the year (t10 has been consolidated and t7 Phase I has finished ramping up), and by 2025, the Company will have 6 high-generation lines (t7 and t9 will reach their designed capacity). The capacity of TCL CSOT high-generation lines will exceed a compound annual growth rate (CAGR) of 18% in the next five years. Meanwhile, the full-capacity production of t4 flexible OLED production lines from Phase I to Phase III will also bring significant revenue growth. Samsung Suzhou's module factory(M10), acquired by the Company, and Moka Technology, which provides integrated manufacturing of complete modules, will promote the extension of the Company's value chains to the downstream.

TCL CSOT will continue to optimize its business and product structures. With the replenishment of medium-sized product production capacity, TCL CSOT will form a full-product business layout of large, medium and small-sized products, with more balanced business and revenue structures, resulting in higher output value per unit area and revenue growth. Adhering to the high-end product strategy, TCL CSOT will give full play to the advantages of CSOT HVA technology and high-generation production lines, deepen cooperation with global leading brand customers, continue to increase its share in high-end markets such as oversized, 8K, 120Hz and curved-surface products, and deepen high-quality growth.

TCL CSOT will leverage its management advantages to remain an industry leader in efficiency and benefits. Through its extreme management capability and industrial synergy, TCL CSOT has consistently maintained industry-leading profitability levels since it began operations. With the expansion of capacity and the enrichment of production lines, the Company will actively adjust the layout strategies of production lines and products, giving full play to the advantages of production lines and reducing losses in capacity loss on production lines; the Company will strengthen digital and intelligent operation, improving intelligent manufacturing capability and improving the operational efficiency of the whole industrial chain; the Company will give play to scale effect, improving the integration of supplier resources and layout of the industrial chain, thus creating a more flexible and cost-competitive supply chain. With the depreciation of the existing production lines maturing one after another, it is expected that the proportion of depreciation accounting for revenue will gradually decline, and CSOT's profitability will be further enhanced.

TCL CSOT will continue to strengthen technological innovation, striving to become a leader in new display technology. Through the “National Printing and Flexible Display Innovation Center” of Guangdong Juhua, a subsidiary of the Company, and JOLED, of which TCL CSOT is a strategic shareholder, TCL CSOT is accelerating the research and development of mass production technology for printed display techniques, and actively promoting the development of OLED and QLED materials under its own IP through ChinaRay Optoelectronic, improving the construction of the printed display ecology. At the same time, by means of equity investment and strategic cooperation and other methods, the Company works with industrial chain partners to jointly promote the development of new display technologies such as Mini-LED and Micro-LED, leading the trend of future technology development.

(II) Semiconductor photovoltaics and semiconductor materials business

As global resource consumption and ecological environment problems are becoming increasingly prominent, China's goals for “emissions peak” and “carbon neutrality” are clearly put to the fore in the national outline of the 14th Five-Year Plan(2021-2025), and the clean energy industry has entered a period of rapid growth. However, with the gradual controlling of the COVID-19 epidemic, global economic recovery is expected to strengthen, and with strong demand for industrial products pushing up the prices of bulk raw materials, the supply chain and cost management capabilities pose challenges for enterprises. In the face of external environmental fluctuations, Zhonghuan Semiconductor, through product technology improvement and capacity expansion, integration of supply chain resources, management efficiency improvement and manufacturing mode transformation, has improved business quality and efficiency, comprehensively improved corporate competitiveness, and firmly moved

towards the strategic goal of becoming a global leader in the photovoltaics industry and a leader in the semiconductor silicon wafer industry in China. During the reporting period, Zhonghuan Semiconductor experienced a total operating revenue of CNY 17.64 billion, a year-on-year increase of 104.1%, and net profit of CNY 1.89 billion, a year-on-year increase of 160.6%.

1. Semiconductor photovoltaics industry

In the first half of the year, as the photovoltaics industry ushered in rapid development, the Company manifested its accumulated technological advantages, smoothly transformed its product structure, and continuously improved the scale of its production capacity. It continued to improve asset operation efficiency and investment income of production lines through technological innovation, process technology transformation and Industry 4.0 application in various operation scenarios. At the same time, through strategic supply chain synergy and cooperation built up over time, Zhonghuan Semiconductor effectively responded to the pressure of a tight supply-demand relationship for polysilicon raw materials and rapid short-term price increases, improved the material storage and supply system, and strengthened its ability to deal with external risks, ensuring the stable growth of product profits. During the reporting period, the operating revenue of the semiconductor photovoltaics business reached CNY 16.53 billion, a year-on-year increase of 106.9%.

In terms of semiconductor photovoltaic materials, Zhonghuan Semiconductor continued to promote the improvement of the production and marketing scale and quality of 210 mm products, and synergized the upstream and downstream ecology of the industrial chain, in order to effectively meet the needs of the whole photovoltaics industry chain in terms of benefits. At the end of the reporting period, the Company's production capacity of semiconductor photovoltaic materials increased to 70 GW, an increase of more than 55% compared with that of the end of 2020 (of which G12 capacity accounted for about 56%), and market share continued to increase. During the reporting period, silicon material consumed by unit product decreased by nearly 2% year-on-year, the A-class rating of silicon wafers increased significantly, and the gross profit margin per unit product continued to improve quarter-on-quarter, and the profitability continued to improve, through optimization of process technologies.

In terms of semiconductor photovoltaic modules, the Company continued to cooperate and innovate with leading G12 PERC battery manufacturers in China, focusing on the research and development of shingled photovoltaic modules, and implemented a differentiated competition strategy, promoting the expansion of large-sized and high-powered modules with "G12 + shingled photovoltaics" technology, thus improving the ability to win orders in China and abroad. The production capacity of the G12 High-

Efficiency Shingled Photovoltaic Modules project in the Jiangsu Province reached 6 GW; the G12 High-Efficiency Shingled Photovoltaic Modules Project in Tianjin has officially entered the construction stage, with all equipment having entered the site simultaneously, and thus, overall capacity scale is steadily improving.

With the sound global layout of the Company, brand benefits are emerging, overseas business is growing significantly, and the Company ranks #1 globally in terms of share for export sales of silicon wafers. Maxeon, a subsidiary of the Company, expanded smoothly in the North American market and won orders for high-efficiency solar modules at the GW level from Primergy in the first half of the year. In the future, the Company will further expand its manufacturing system for batteries and modules and the businesses of ground-mounted power stations and distributed power stations all over the world.

2. Semiconductor materials industry

As the COVID-19 epidemic continues its trend toward normalization, the global demand for industrial, automotive and consumer electronics has recovered robustly, coupled with the surging demand for a variety of emerging chip applications and the continuing shortage of chips, leading to a sharp rise in the price of upstream semiconductor materials. In the context of the shortage of key materials, the progress of importing domestic Chinese semiconductor materials has noticeably accelerated, and Chinese semiconductor material enterprises have also obtained considerable market substitution space.

During the reporting period, the Company seized opportunities in industry upturns and domestic Chinese market substitution, accelerated the verification of semiconductor material products and customer development, received recognition from major customers worldwide, rapidly expanded the scale of production and sales, and increased revenue by 65.8% year-on-year. At present, the production lines put into operation by the Company have achieved full-capacity production. During the reporting period, the Company added EPI routes to 6-inch products and began to plan its end-customer certification, continued to increase the certification of 8-inch products such as Logic and CIS for Chinese customers, accelerated the certification of new products for international customers, and comprehensively benchmarked 12-inch products against leading international products, with both product performance and quality receiving high praise by leading Chinese and foreign customers.

Under the established strategic plan “9205”, the company accelerated production capacity expansion and sped up business expansion in product areas of all sizes, and carried out the new investment projects in Tianjin and Yixing factories smoothly, laying the foundation for the accelerated development of the semiconductor business. On the basis of consolidating its advantages in traditional

power semiconductor products, the Company has become a powerful participant in digital logic products and storage products.

(III) Industrial finance and investment

During the reporting period, the Company's financial and treasury businesses focused on ensuring the Company's demand for project funds, and further improved its ability to actively manage industrial funds and risks, reduced costs and increased efficiency, controlled corporate receivables and foreign exchange risks, and supported the Company's core main businesses to move towards global leadership. TCL Capital explored investment and deployment opportunities in key areas that drive the development of the science and technology industry, such as new display types, semiconductor and core materials and process equipment related to the industrial chain, and promoted technology and business synergy, concurrently creating investment income. At the end of the reporting period, the funds managed by TCL Capital reached a scale of about CNY 9.2 billion, with a total investment of 116 projects. At present, TCL Capital holds shares of listed companies such as CATL, DKEM, Cambricon, Newtouch Software, Innoviz, Petro-King, ZJBC Information and HyUnion Holding; Admiralty Harbour Capital Limited achieved steady growth in its investment banking and asset management business, completing 13 capital market and financial advisory projects during the reporting period and being approved as a member of Euroclear Bank to engage in related international securities clearing and custody business, further diversifying its business scope; China Innovative Capital continued to focus on the industrial chain layout opportunities of the two core main businesses of the Company, investing in more than 132 listed companies, with steadily growing performance.

II Analysis of core competitiveness

In 2021, TCL will celebrate its 40th anniversary. For 40 years, TCL has continuously been worn as a distinctive badge of honor, a label engraved so as to never forget its original intention, its loyal commitment to the manufacturing industry, and its courage to make bold changes and innovations. In 2018, TCL made the most important change in its history, carrying out the strategic reorganization from diversified to specialized operation, defining a strategy centered on the high-tech, capital-intensive and long-cycle development of the technology industry. The Company spun off its terminal business and non-core businesses, and focused on industrial upgrades and strategic layout, committed to becoming a leading global technology industry group. In 2020, the Company officially changed its

name to “TCL Technology”, delisted Zhonghuan Electronic in July of the same year, officially entering the fields of semiconductor photovoltaics and semiconductor materials, and also acquired Samsung Suzhou in August to consolidate its industry position and competitive advantages in the semiconductor display industry. Thereafter, the Company formed a business infrastructure based on three sectors, i.e., semiconductor displays, semiconductor photovoltaics and semiconductor materials, and industrial finance and investment. To date, the Company, with a clear development path, efficient operation and distinct culture, has greatly improved its profitability under professional operation, and continuously improved its core competitiveness and ability to develop sustainably.

Leading in scale: Dual driving force of global panel leadership and an upward industry cycle, with rapid performance growth

As a leading global enterprise in semiconductor displays and a pioneer in independent production line construction in the display field in China, the Company leverages a convergence effect through the “Twin Star” production line layout, and continues to expand production capacity through organic growth and inorganic mergers and acquisitions: TCL CSOT has taken a firm foothold in the field of TV panels through the construction of two G8.5 lines; subsequently, two G6 lines successfully cut into the small-sized panels market, and the market share in terms of shipments now exceeds 10%; in recent years, TCL CSOT has further expanded its production capacity of large-sized products through its investment into and construction of two G11 lines and the merger and acquisition of the Samsung Suzhou t10 production line, establishing its global leadership position in the large-sized panels market; in 2021, the Company invested in the construction of the t9 production line for high value-added IT, commercial displays and other medium-sized products, so as to accelerate the strategic layout of full-sized products. At present, TCL CSOT ranks #2 globally in terms of shipment area for TV panels, ranks #1 globally in terms of the market share for 55-inch TV panels, and ranks #2 globally in terms of the market share for 65-inch and 75-inch TV panels; TCL CSOT ranks #4 globally in terms of the shipment for LTPS mobile phone panels coming off of the t3 production line; technology is rapidly improving for high-end and new form products coming off of the t4 flexible AMOLED production line, and the Company is continuously deepening cooperation with global leading brand customers. It is expected that the Company will rank #1 in the industry in terms of production capacity growth in the next five years, and take pole position in terms of share in multiple categories.

At the same time, TCL CSOT has also actively extended the value chain downward, and further improved the Company's position and profitability on the value chain by expanding the production capacity of its independently constructed modules, and by acquiring Moka Technology and Samsung's

module factory. The Company's core competitive advantage based on scale effect and supply chain synergy will be further strengthened, and under the grand backdrop of industry prosperity recovery and competition pattern optimization, TCL CSOT will usher in a dual-development stage of rapid scale growth and industry improvement, with its industry position and comprehensive competitiveness to be further enhanced.

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

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

The "National Printing and Flexible Display Innovation Center" of Guangdong Juhua, a subsidiary of the Company, is the only national innovation center in the display field within China, and has built a global leading public platform for G4.5 printed display R&D, integrating industrial chain resources from all links including materials, techniques, processes and application verification. In 2020, TCL CSOT made a strategic investment in JOLED by contributing JPY 30 billion, where, through joint R&D and patent cooperation, TCL CSOT and JOLED will further accelerate the industrial mass production of printed OLEDs, from materials to equipment, techniques and products, thus improving the Company's ecological construction in key links of the printed display industrial chain, leading the trend of future technological development. In addition, the Company will continue to invest in Micro-LED display technology, establish a joint laboratory with San'an to focus on the development of Micro-LED technology, so as to promote the Company's ecological layout in this field from materials, techniques, equipment, and production line solutions to independent intellectual property, and form a process flow solution for Micro-LED commercial scale mass production.

Through TCL Capital, the Company has invested in large numbers of industrial chain companies to lay the groundwork for cutting-edge technologies. At present, the Company ranks #5 among Chinese enterprises in terms of the cumulative number of PCT patent applications, and ranks #2 globally in terms of quantum dot patents, and it is expected that the Company will establish a leading edge when the next generation of display technology arrives. In addition, two academicians joined the Company as independent directors in 2020, which will also continue to promote the comprehensive innovation of the Company.

Leading in management: TCL CSOT takes the lead in global efficiency and traverses the cycle with relative competitiveness

While establishing market scale, technology and ecological advantages, the Company continues to maintain leading efficiency and benefit indicators in the industry. Since beginning operations in 2011, TCL CSOT has weathered two rounds of sharp fluctuation cycles in the display industry with ten consecutive years of profitability, where the net margin has always been positive across the panel cycle, with extreme cost efficiency and lean management being key factors.

Through the convergence effect of the "Twin Star" factories, the Company gives full play to the benefits of efficient production line layout and production capacity expansion, further improving the utilization rate of production lines and production scheduling efficiency with the advantages of industrial chain integration and locking-in strategic customers through long-term orders, and promotes end-to-end cost and expense control through refined management and extreme efficiency cost measures, to establish its relative competitiveness in the industry. In the past several rounds of cyclical industry fluctuations, the Company has continuously maintained an industry leading level of net profit margin and EBITDA margin, making it a model of profitability within the panel industry. In the future, the Company will continue to leverage this core competency to navigate through industry development cycles and lead industry development.

New strategic track: Arranging the layout for semiconductor and photovoltaics businesses to open up a secondary growth curve

Focusing on the enterprise development concept and the national planning of strategic emerging industries, the Company actively seeks new tracks that are technology-intensive and capital-intensive with long development cycles that can give full play to and continue to enhance TCL's core competence. Additionally, it successfully delisted the Zhonghuan mixed ownership reform project in July 2020. Located along the high-quality dual tracks of semiconductor and photovoltaics businesses, Zhonghuan Semiconductor is mainly engaged in the R&D and production of semiconductor photovoltaic materials and semiconductor materials. As the most rudimentary material in the semiconductor industry, silicon is a perfect fit for TCL's core demand for new growth momentum in both photovoltaic energy and semiconductor industries, in which Zhonghuan is engaged.

With the Company's implementation of a series of strategic and operational arrangements such as industrial synergy and operational efficiency optimization in the first half of the year, Zhonghuan strengthened its strategic, operational and resource allocation capabilities, rapidly accelerated

production expansion under industry prosperity and capacity release, further consolidated its leading position in the industry, and began a transformation into sustainable and high-quality performance results, which has gradually grown into one of the main engines of TCL's scientific and technological performance growth. With an inexhaustible source of development power, the two tracks converge to make the Company a leader in the development of the global science and technology industry.

Industrial and financial synergy: Giving full play to the advantages of its industrial finance business, empowering the layout and development of the industrial chain

The Company's industrial finance and investment business has grown into an important operation platform of the Company. By providing a stable and profitable balance panel cycle, strategic investment empowers the development of the main businesses. Industrial finance focuses on empowering industrial development, supporting business operation and investment expansion, provides resource guarantees for major investment projects, and generates revenue and gains with surplus capital. TCL Capital focuses on investing in the industrial ecological chain, contributes to industrial development and plays a positive role in building industry ecology.

Industrial finance and investment businesses are conducive to the Company's industrial chain layout centered on its core main businesses, and the stable profit contribution brought in also helps balance the impact of cyclical market fluctuations in the semiconductor display industry. The investment venture capital funds TCL manages exceed CNY 9 billion in scale. Focusing on its core main businesses, TCL has realized the coordinated development of industry and technology and investment opportunities for entering new businesses, accumulating a number of successful cases, such as Cambricon and YEESTOR, in the fields of core electronic devices, basic software and high-end general chips.

Organizational and cultural guarantee: Creating a "Path to Global Leadership" and strengthening the genes of corporate culture

As the corporate spirit formed during the ups and downs of TCL's development over the past 40 years, the connotation the "Spirit of an Eagle" is the concentrated embodiment of TCL's corporate values and unique competitiveness, which is the spiritual wealth and cohesion of the Company. At the beginning of 2020, the Company resolutely put forward the strategic goal of "Fighting Uphill, Catching Up and Surpassing, Global Leadership", and released the new phase of corporate culture via the Path to Global Leadership. Guided by this goal, the Company is committed to reshaping an organizational culture of

accountability, behavior, and performance orientation. The Company will continue to update, explore and strengthen the connotation of the "Spirit of an Eagle", continue to deepen the construction of an organizational team and the implementation of its corporate culture, and create conditions that lead high-level officers to be more broad-minded, middle-level managers to be more aggressive, and grassroots staff to act more powerfully, so as to create a more dynamic corporate organizational culture and make the "Path to Global Leadership" a new gene for every TCL team member and a powerful spiritual weapon for the Company to compete in the market.

III Core Business Analysis

Year-on-year changes in key financial data:

Unit: RMB

Item	H1 2021	H1 2020	Change (%)	Main reason for change
Revenue	74,298,646,758	29,333,210,856	153.29%	Increase in the business size and acquisition of Zhonghuan Electronics, Moka and Suzhou CSOT
Cost of sales	57,984,972,335	26,740,893,081	116.84%	Increase in the business size and acquisition of Zhonghuan Electronics, Moka and Suzhou CSOT
Selling expense	901,175,676	324,665,389	177.57%	Increase in the business size and acquisition of Zhonghuan Electronics, Moka and Suzhou CSOT
Administrative expense	2,023,367,685	770,003,011	162.77%	Increase in the business size and acquisition of Zhonghuan Electronics, Moka and Suzhou CSOT
R&D expense	3,428,197,088	1,882,501,102	82.11%	Increase in the business size and acquisition of Zhonghuan Electronics
Finance costs	1,818,982,875	916,022,280	98.57%	Increase in financings and acquisition of Zhonghuan Electronics
Income tax expense	1,413,574,073	164,586,735	758.86%	Increase in the business size and acquisition of Zhonghuan Electronics
R&D investments	5,092,406,554	2,878,922,049	76.89%	Increase in R&D investments and acquisition of Zhonghuan Electronics

Net cash generated from/used in operating activities	13,895,714,157	7,347,810,779	89.11%	Increase in revenue and acquisition of Zhonghuan Electronics
Net cash generated from/used in investing activities	-20,963,137,286	-17,208,563,956	-21.82%	-
Net cash generated from/used in financing activities	13,396,966,630	13,235,850,184	1.22%	-
Net increase in cash and cash equivalents	6,285,295,538	3,388,412,372	85.49%	Increase in net cash generated from operating activities

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

Applicable Not applicable

Breakdown of revenue:

Unit:
RMB

Item	H1 2021		H1 2020		Change (%)
	Revenue	As % of total revenue (%)	Revenue	As % of total Revenue (%)	
Total	74,298,646,758	100%	29,333,210,856	100%	153%
By operating division					
Semi-conductor display	40,756,294,616	54.85%	19,512,204,757	66.52%	108.88%
Semi-conductor and semi-conductor photovoltaic	17,644,418,986	23.75%	N/A	N/A	N/A
Distribution business	14,450,787,001	19.45%	9,126,805,527	31.11%	58.33%
Other businesses and internally offset accounts	1,447,146,155	1.95%	694,200,572	2.37%	108.46%
By product category					
Semi-conductor display devices	40,756,294,616	54.85%	19,512,204,757	66.52%	108.88%
Semi-conductor photovoltaic and materials	17,644,418,986	23.75%	N/A	N/A	N/A
Distribution of electronics	14,450,787,001	19.45%	9,126,805,527	31.11%	58.33%
Other businesses and internally offset accounts	1,447,146,155	1.95%	694,200,572	2.37%	108.46%
By operating segment					
Mainland China	47,092,569,870	63.38%	20,814,424,616	70.96%	126.25%
Overseas (including Hong Kong)	26,206,209,311	35.27%	8,277,832,855	28.22%	216.58%
Others	999,867,577	1.35%	240,953,385	0.82%	314.96%

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

Applicable Not applicable

Unit: RMB

Item	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	40,756,294,616	28,873,834,558	29.15%	108.88%	64.25%	19.25%
Semi-conductor and semi-conductor photovoltaic	17,644,418,986	14,005,662,632	20.62%	N/A	N/A	N/A
Distribution business	14,450,787,001	13,989,263,362	3.19%	58.33%	59.12%	-0.48%
By product category						
Semi-conductor display devices	40,756,294,616	28,873,834,558	29.15%	108.88%	64.25%	19.25%
Semi-conductor photovoltaic and materials	17,644,418,986	14,005,662,632	20.62%	N/A	N/A	N/A
Distribution of electronics	14,450,787,001	13,989,263,362	3.19%	58.33%	59.12%	-0.48%
By operating segment						
Mainland China	47,092,569,870	39,665,139,690	15.77%	126.25%	105.82%	8.36%
Overseas (including Hong Kong)	26,206,209,311	17,839,147,339	31.93%	216.58%	140.22%	21.64%

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

Applicable Not applicable

IV Analysis of Non-Core Businesses

Applicable Not applicable

V Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2021		31 December 2020		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	27,374,279,411	9.06%	21,708,904,743	8.42%	0.64%	Increase in cash generated from operating activities
Accounts receivable	18,908,014,427	6.26%	12,557,614,486	4.87%	1.39%	Increase in revenue and acquisition of Moka and Suzhou CSOT
Contract assets	241,093,345	0.08%	183,650,278	0.07%	0.01%	No significant change
Inventories	13,900,809,796	4.60%	8,834,957,692	3.43%	1.17%	Increase in the business size and acquisition of Moka and Suzhou CSOT
Investment property	725,250,155	0.24%	1,664,201,130	0.65%	-0.41%	No significant change
Long-term equity investments	25,541,631,148	8.45%	24,047,036,004	9.32%	-0.87%	No significant change
Fixed assets	104,520,657,883	34.59%	92,829,901,894	35.99%	-1.41%	Transfer from construction in progress
Construction in progress	37,181,285,719	12.30%	31,508,310,783	12.22%	0.09%	Increases in t4, t7 and Zhonghuan Semiconductor
Right-of-use assets	1,984,255,110	0.66%	-	0.00%	0.66%	Adoption of the new accounting standard governing leases
Short-term borrowings	9,022,205,021	2.99%	12,263,713,979	4.76%	-1.77%	Optimization of the debt structure
Contract liabilities	2,635,068,426	0.87%	2,004,004,181	0.78%	0.09%	No significant change

Long-term borrowings	88,663,620,256	29.34%	73,589,403,308	28.53%	0.81%	Increase in financings
Lease liabilities	886,515,076	0.29%	-	0.00%	0.29%	Adoption of the new accounting standard governing leases

2. Major Assets Overseas

Applicable Not applicable

3. Assets and Liabilities at Fair Value

Applicable Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Impairment allowances established in the Reporting Period	Increase in the Reporting Period	Decrease in the Reporting Period	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	8,355,640,976	-20,788,107	-	-	10,859,967,803	7,188,105,004	-	12,006,715,668
2. Derivative financial assets	453,578,245	-327,548,693	-13,501,740	-	48,482,181	21,613,872	-	139,396,121
3. Receivables financing	2,176,743,646	-	-	-	463,483,332	914,749,085	-	1,725,477,893
4. Other debt investments	152,062,601	-	486,845	-	-	60,573,515	-	91,975,931
5. Investments in other equity instruments	1,333,675,630	-	-185,629,042	-	3,111,150	50,972,771	-	1,100,184,967
Subtotal of financial assets	12,471,701,098	-348,336,800	-198,643,937	-	11,375,044,467	8,236,014,248	-	15,063,750,580
Total of the above	12,471,701,098	-348,336,800	-198,643,937	-	11,375,044,467	8,236,014,248	-	15,063,750,580
Financial liabilities	912,804,772	-34,140,376	-12,719,661	-	405,900,261	8,211,611	-	1,263,633,385

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

Yes No

4. Restricted Asset Rights as at the Period-End

Restricted assets	Carrying amount (RMB'0,000)	Reason for restriction
Monetary assets	51,991	Deposited in the central bank as the required reserve

Monetary assets	236,066	Other monetary assets
Notes receivable	16,809	Put in pledge
Fixed assets	8,244,539	As collateral for loan
Intangible assets	239,140	As collateral for loan
Held-for-trading financial assets	87,412	Put in pledge for loan
Construction in progress	5,646	As collateral for loan
Right-of-use assets	5,827	As collateral for lease
Accounts receivable	37,371	Put in pledge
Contract assets	12,274	Put in pledge
Total	8,937,075	

VI Investments Made

1. Total Investment Amount

Applicable Not applicable

Total investment amount in the Reporting Period (RMB)	Total investment amount in the same period of last year (RMB)	Change (%)
18,214,544,743	15,240,085,210	19.52%

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

Unit: RMB

Investee	Principal activity	Way of investment	Amount of investment	The Company's interest	Funding source	Co-investor	Term of investment	Type of the investee's products	Investment progress as of the balance sheet date	Anticipated return on investment	Investment income/loss in the Reporting Period	Any legal matter involved or not	Date (if any) of disclosure	Index (if any) to disclosed information
TCL Microchip	Design of integrated circuit chips, semiconductor power devices, etc.	Equity investment	500,000,000	50%	Self-funded	TCL Industries	N/A	N/A	N/A	N/A	-1,170,261	Not	10 March 2021	http://www.cninfo.com.cn

Guangzhou CSOT	Manufacturing and sale of medium-size high-added-value IT displays (including monitors, notebooks and tablets), vehical-mounted displays, specialized displays for medical, industrial control, aviation devices, display panels for commercial use, etc.	Equity investment	9,625,000,000	55%	Self-funded	State-owned enterprise under the coordination of the People's Government of Guangzhou Municipality and Guangzhou Development Zone Management Committee	N/A	N/A	N/A	N/A	1,980,173	Not	9 April 2021	http://www.cninfo.com.cn
Total	--	--		--	--	--	--	--	--		809,912	--	--	--

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

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

■ Applicable □ Not applicable

Unit: RMB'0,000

Security type	Security code	Security name	Initial investment cost	Measurement method	Beginning carrying amount	Gain/losses 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/losses in the Reporting Period	Ending carrying amount	Accounting title	Funding source
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	60,000.00	Fair value	-	265.42	-	60,000.00	-	265.42	60,265.42	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	60,000.00	Fair value	-	265.42	-	60,000.00	-	265.42	60,265.42	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	50,000.00	Fair value	-	208.89	-	50,000.00	-	208.89	50,208.89	Held-for-trading financial assets	Self-funded
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	50,000.00	Fair value	-	208.89	-	50,000.00	-	208.89	50,208.89	Held-for-trading financial assets	Self-funded

Bank's wealth management product	Not applicable	Structured deposit of the Bank of East Asia	50,000.00	Fair value	-	205.56	-	50,000.00	-	205.56	50,205.56	Held-for-trading financial assets	Self-funded	
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	40,001.00	Fair value	-	169.73	-	40,001.00	-	169.73	40,170.73	Held-for-trading financial assets	Self-funded	
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	39,999.00	Fair value	-	169.72	-	39,999.00	-	169.72	40,168.72	Held-for-trading financial assets	Self-funded	
Bank's wealth management product	Not applicable	Xingyin Wealth Management Gold Snowball Solid Income No. 1 B-type Net Value Wealth Management Product (Lulufa)	30,000.00	Fair value	-	34.37	-	30,000.00	-	34.37	30,034.37	Held-for-trading financial assets	Self-funded	
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	25,001.00	Fair value	-	144.90	-	25,001.00	-	144.90	25,145.90	Held-for-trading financial assets	Self-funded	
Bank's wealth management product	Not applicable	Linked structured deposit of the Bank of China	24,999.00	Fair value	-	144.89	-	24,999.00	-	144.89	25,143.89	Held-for-trading financial assets	Self-funded	
Other securities investments held at the period-end			1,158,941.21		550,954.41	13,494.31	-	8,141.74	652,748.65	790,546.69	18,855.66	506,113.32	--	--
Total			1,588,941.21	--	550,954.41	11,676.54	-	8,141.74	1,082,748.65	790,546.69	20,673.43	937,931.08	--	--
Disclosure date of the board announcement approving the securities investments			12 December 2020											

Disclosure date of the general meeting announcement approving the securities investments (if any)	29 December 2020
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(2) Investments in Derivative Financial Instruments

■ Applicable □ Not applicable

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.)	<p>In order to effectively manage the exchange and interest rate risks of foreign currency assets, liabilities and cash flows, the Company, after fully analyzing the market trend and predicting the operation (including orders and capital plans), adopts forward foreign exchange contracts, options and interest rate swaps to avoid future exchange rate and interest rate risks. As its business scale changes subsequently, the Company will adjust the exchange rate risk management strategy according to the actual market conditions and business plans.</p> <p>Risk analysis:</p> <ol style="list-style-type: none"> 1. Market risk: the financial derivatives business carried out by the Group belongs to hedging and trading business related to main business operations, and there is a market risk of loss due to the fluctuation of underlying interest and exchange rates, which lead to the fluctuation of prices of financial derivatives; 2. Liquidity risk: the derivatives business carried out by the Group is an over-the-counter transaction operated by a financial institution, and there is a risk of loss due to paying fees to the bank for the operations of evening up or selling the derivatives below the buying prices; 3. Performance risk: the Group conducts the derivative business based on rolling budgets for risk management, and there is a risk of performance failure due to deviation between the actual operating results and budgets; 4. Other risks: in the case of specific business operations, if the operator fails to finish the prescribed procedures for report or approval, or fails to record the financial derivative business information accurately, timely and completely, it may result in loss of derivative business or trading opportunities. Moreover, if the trading operator fails to fully understand the terms of transaction contracts or product information, the Group will face the legal risks and transaction losses therefrom. <p>Measures taken for risk control:</p> <ol style="list-style-type: none"> 1. Basic management principles: the Group strictly follows the hedging principle and the main purpose of locking costs and avoiding risks. It is required that the financial derivatives business to be carried out matches the variety, size, direction and duration of spot goods, and no speculative trading should be involved. In the selection of hedging instruments, only simple financial derivatives that are closely related to the main business operation and meet the requirements of hedge accounting treatment should be selected, and avoid complex business that exceeds the prescribed business scope or is difficult to recognize in terms of risk and pricing; 2. The Group has formulated a special risk management system tailored to the risk 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 loss of RMB65.44 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. We are of the opinion that the financial derivatives transactions carried out by the Company in the first half of 2021 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	1,931,617	59,359	2,212,979	79,744	-6,544	21.03	0.76
2. Interest rate swaps	758,846	22,765	571,719	17,152		5.43	0.16
3. Currency swaps	310,520	15,526	32,301	1,615		0.31	0.02
Total	3,000,983	97,650	2,816,999	98,510	-6,544	26.77	0.94

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

Transaction party	Equity investment sold	Date of sale	Transaction price (RMB'000)	Net profit contributed to the Company from the period-begin to the date of sale (RMB'000)	Effect on the Company	Ratio of the net profit contributed by the sale of the equity investment to the Company's total profit (%)	Pricing principle	Related-party transaction or not	Relationship between the transaction party and the Company	Equity investment involved has been all transferred or not	Executed as scheduled or not; if not, give reasons and measures taken	Disclosure date	Index to disclosed information
TCL Industries	100% equity interests of Guangzhou Financial	June 2021	257,202.01	4,776	This transaction is in line with the development trend of the country's industrial policy and the Company's business development direction, which would have no significant impact on the Company's business operations.	0.1%	Based on valuation with reference to the market prices of transactions of the same kind	Yes	As Mr. Li Dongsheng serves as the Chairman of the Board in both the Company and TCL Industries, TCL Industries is a related corporation of the Company according to the Stock Listing Rules of the Shenzhen Stock Exchange.	Yes	Yes	21 May 2021	http://www.info.com.cn

VIII Principal Subsidiaries and Joint Stock Companies

■ Applicable □ Not applicable

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

Unit: RMB'0,000

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	RMB30.468 billion	20,241,530	8,591,142	3,884,160	725,352	627,684
Highly Information Industry Co., Ltd.	Subsidiary	Distribution	RMB412 million	537,752	118,368	1,445,079	16,780	12,510

Tianjin Zhonghuan Semiconductor Co., Ltd.	Subsidiary	Semi-conductor photovoltaic and semi-conductor materials	RMB3.033 billion	6,603,881	2,975,577	1,764,442	210,057	188,623
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Subsidiaries obtained or disposed in the Reporting Period:

■ Applicable □ Not applicable

Subsidiary	How subsidiary was obtained or disposed of in the Reporting Period	Effects on overall operations and operating performance
Shenzhen Huatuo Trade Technology Co., Ltd.	Newly incorporated	No significant effect
Xiamen Xinying Display Technology Co., Ltd.	Newly incorporated	No significant effect
Shaanxi Xiaoyi E-commerce Service Co., Ltd.	Newly incorporated	No significant effect
Highly (Tianjin) Technology Co., Ltd.	Newly incorporated	No significant effect
Tianjin Wanfang Nuoxin Technology Co., Ltd.	Newly incorporated	No significant effect
Zhonghuan Advanced Semiconductor (Shanghai) Co., Ltd.	Newly incorporated	No significant effect
Yinchuan Zhonghuan Solar Material Co., Ltd.	Newly incorporated	No significant effect
Suzhou China Star Optoelectronics Technology Co., Ltd.	Business combination not involving entities under common control	No significant effect
Suzhou China Star Optoelectronics Display Co., Ltd.	Business combination not involving entities under common control	No significant effect
Moka International Limited and its subsidiaries	Acquired	No significant effect
Huizhou Shengyao New Energy Technology Co., Ltd.	Newly incorporated	No significant effect
Inner Mongolia Huanya Hotel Management Co., Ltd.	Newly incorporated	No significant effect
Huludao Xincheng New Energy Technology Co., Ltd.	Acquired	No significant effect
Wuxi Zhonghuan Yangjie Semiconductor Co., Ltd.	Acquired	No significant effect
TCL Communication Technology (HK) Limited	De-registered	No significant effect
Tianjin Huayan Technology Co., Ltd.	Transferred	No significant effect
Tianjin Huan'ou International New Energy Technology Co., Ltd.	De-registered	No significant effect
Kangbao Shenghui New Energy Co., Ltd.	De-registered	No significant effect
Winshero Investment Limited	De-registered	No significant effect
Tianjin Xietong Real Estate Development Co., Ltd.	De-registered	No significant effect
TCL International Distribution (HK) Limited	De-registered	No significant effect
TCL Financial Holding Group (Guangzhou) Co., Ltd. and its subsidiaries	Transferred	No significant effect
Tianjin Huanxin Technology&Development Co., Ltd.	Increase in non-controlling interests	No significant effect
Tianjin Zhonghuan Xinyu Technology Co., Ltd.	Transferred	No significant effect

IX Structured Bodies Controlled by the Company

Applicable Not applicable

X Risks Facing the Company and Countermeasures

1. Risk of Macroeconomic Fluctuations

In recent years, deglobalisation has accelerated the restructuring of the global economic landscape. The United States (US) crackdown and blockade against China in areas related to trade, technology and financial activity has had a great impact on the Chinese economy and has also affected the global economy. It is forecast that China's economic growth will continue to lead the world this year. However, under the suppression and sanctions imposed by the US and some Western countries, the Chinese economy and Chinese enterprises face significantly increased cost of trade with the US; many scientific and technological projects are hindered; the development of some high-tech enterprises is restricted. Moreover, although the economic recovery of different countries continues as the COVID-19 pandemic eases thanks to the continuous popularisation of vaccination, the virus is expected to bounce back from time to time in a long period of time. There are still uncertainties in the macro economy of China and the rest of the world that cannot be ignored, considering the combined effect of deglobalisation and the pandemic.

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, endeavor to consolidate advantages and improve disadvantages, improve abilities, and catch up. It will promote the vertical development of the new energy and semi-conductor tracks to minimise the negative impact of the macro economy, on the basis of maintaining the global leading advantages of TCL CSOT's balanced product market distribution as well as good customer quality and portfolio.

2. Risk of Industry Climate Fluctuations

As the pandemic has changed people's way of working and living, downstream demand for panels has exploded, and products have entered a rapid price increase cycle. In the first half of 2021, the LCD panel industry's prosperity constantly improved. The price increase kept exceeding market expectations. In the meantime, it is not impossible that not only success, but failure can also be attributed to the pandemic. The pandemic may make raw material shipments fall short of expectations, may lead to economic setbacks and restrain consumer demand, and may also cause delays in the exit of production capacity in Japan and South Korea. Eventually, the industry climate may fluctuate and

affect the Company's performance.

The Company will analyse in depth the trends of changes in industry supply and demand relations, predict production capacity allocation in advance, and increase R&D investment so as to create high barriers to competition and broaden the business moat through the continuous improvement of products' technological content and added value as well as the constant expansion of the Company's scale and benefit advantages. On top of that, taking advantage of the synergy formed by industry-finance integration in both the main business of semi-conductor display and the main business of semi-conductor photovoltaic and semi-conductor materials, the Company will keep improving the upstream and downstream layout to effectively soften the impact of industry climate fluctuations and further consolidate its leading position in the industry.

3. Risks Caused by Changes in Consumer Demand

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 pandemic 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 may also be hindered.

The Company will continue to focus on the needs of the industry and end customers, conduct in-depth research on mainstream customers in the industry, and constantly increase R&D investment. It will optimise its business structure and enhance its product competitiveness with product technology innovation as the main driving force. Based on more thorough research and analysis of market segments, it will 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

The Company continuously intensified its efforts in horizontal and vertical expansion, focusing the restructuring on the semi-conductor display and materials business. Horizontally, it promoted the increase of high-quality production capacity to help TCL CSOT expand its scale and efficiency advantages. Meanwhile, it entered the photovoltaic industry to further optimise the Company's industrial structure, realising the vertical development of the new energy and semi-conductor tracks. However, the restructuring, transformation and M&A 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.

By adopting structural adjustment and process re-engineering, the Company will make certain that

the new structures and new mechanisms can bring a longer-term transformation impetus and a solid organisational guarantee to the Company. It will also reshape the responsible and performance-oriented organisational culture through the upgrade of corporate culture to plant the idea of “global leadership” in the mind of each TCL employee, ensuring that all employees will consciously set higher management goals for various tasks, take up the opportunities and challenges brought about by the restructuring, 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. If the Company’s intellectual property layout cannot meet the development needs of the Company at all times, once the Company is involved in any major intellectual property dispute, its market competitiveness may be weakened and its brand image may be negatively affected.

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 IV Corporate Governance

I Annual and Extraordinary General Meetings Convened during the Reporting Period

1. General Meetings Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Date of disclosure	Resolutions of the meeting
The 2020 Annual General Meeting	Annual general meeting	27.24%	30 April 2021	6 May 2021	http://www.cninfo.com.cn
The First Extraordinary General Meeting of 2021	Extraordinary general meeting	30.11%	13 May 2021	14 May 2021	
The Second Extraordinary General Meeting of 2021	Extraordinary general meeting	20.08%	7 June 2021	8 June 2021	

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

Applicable Not applicable

II Change of Directors, Supervisors and Senior Management

Applicable Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Liu Kun	Non-executive Director	Elected	13 May 2021	Nominated by Wuhan Optics Valley Industrial Investment Co., Ltd., a shareholder with an over-3% stake in the Company

III Interim Dividend Plan

Applicable Not applicable

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

Applicable Not applicable

(I) The Third Global Partner Plan

1. The Announcement on the Completion of the Non-Deal Transfer to the Third Global Partner Plan was disclosed on 22 January 2021. The Company had received on 20 January 2021 the Securities Transfer Confirmation issued by the Shenzhen branch of China Securities Depository and Clearing

Co., Ltd. 43,859,649 shares (or 0.31% of the Company's total share capital) had been transferred in a non-deal manner on 19 January 2021 from the special securities account for repurchases to "TCL Technology Group Corporation—the Securities Account for the Third Employee Stock Ownership Plan". The aforesaid number of transferred shares and relevant price were consistent with the approval by the general meeting.

The shares under this stock ownership plan would be locked up for a period of no less than 12 months starting from the disclosure of the announcement on the completion of the transfer of target shares, i.e. from 19 January 2021 to 18 January 2022, during which these shares are not allowed for trading.

2. On 1 June 2021, the Company disclosed the Announcement on the Quota Allocation and Equity Vesting of the Third Global Partner Plan. The Third Global Partner Plan (Draft) (hereinafter referred to as the "Third Stock Ownership Plan") set out a company performance-related condition of a not-lower-than-30% growth in the net profit attributable to shareholders of the Company before non-recurring gains and losses in 2020 compared to 2019. According to the 2020 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 before non-recurring gains and losses in 2020 amounted to RMB 2,933,248,153, up 1,147.56% from 2019, which meant the performance-related condition for the Third Stock Ownership Plan was satisfied.

The management committee of the Third Stock Ownership Plan vested a total of approximately 43,859,649 shares in the holders under the Third Stock Ownership Plan by way of internal registration, based on the satisfaction of company, business department and individual performance.

(II) 2021-2023 Employee Stock Ownership Plan (Phase I)

1. Proposals including the Proposal on the 2021-2023 Employee Stock Ownership Plan (Phase I) of TCL Technology Group Corporation (Draft), and the Management Methods for the 2021-2023 Employee Stock Ownership Plan (Phase I) of TCL Technology Group Corporation, were approved respectively at the Ninth Meeting of the Seventh Board of Directors on 20 June 2021, the Seventh Meeting of the Seventh Supervisory Committee on 20 June 2021, and the Third Extraordinary General Meeting of 2021. This stock ownership plan intended to obtain shares from the special securities account for repurchases through a non-deal transfer.

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

1. On 20 June 2021, the Proposal on the Satisfaction of the Unlocking Conditions for the Second Unlocking Period under the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan was approved respectively at the Ninth Meeting of the Seventh Board of Directors, and

the Seventh Meeting of the Seventh Supervisory Committee on 20 June 2021. A total of 1,351,316 restricted shares of 85 awardees were unlocked, accounting for 0.0096% of the Company's total share capital. The Company's independent directors issued their independent opinion of consent, and the Supervisory Committee issued their supervision opinion, with respect to the aforesaid matter.

Meanwhile, the Proposal on the Repurchase and Retirement of Restricted Shares That Have Been Granted to Certain Awardees under the 2019 Restricted Stock Incentive Plan But Are Still in Lockup and the Adjustment to the Repurchase Price was approved respectively at the Ninth Meeting of the Seventh Board of Directors, the Seventh Meeting of the Seventh Supervisory Committee, and the Third Extraordinary General Meeting of 2021. As such, it was agreed to repurchase and retire the 145,941 restricted shares that had been granted to Zhang Kun and other nine awardees under the 2019 Restricted Stock Incentive Plan but were still in lockup because they were deemed as no longer eligible for the incentives due to reasons such as resignation. Meanwhile, pursuant to the Incentive Plan (Revised Draft), in the event of a bonus issue from capital reserves, dividend payout, stock split, share allotment, share capital reduction, etc., the repurchase price for restricted shares in lockup shall be adjusted accordingly. Therefore, the relevant repurchase price was adjusted to RMB1.64/share.

2. On 24 June 2021, the Company disclosed the Reminder on the Shares Unlocked in the Second Unlocking Period under the 2019 Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan Being Allowed for Public Trading. A total of 1,351,316 restricted shares were allowed for public trading on 28 June 2021.

Part V Environmental and Social Responsibility

I Major Environmental Issues

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	146mg/L	260mg/L	542.48t	/	None
	Ammonia nitrogen				7.78mg/L	30mg/L	28.91t	/	None
	COD	Continuously discharged to Dongkengshui	1	Artificial wetland to the north of the plant area	14.61mg/L	30mg/L	26.55t	/	None
	Ammonia nitrogen				0.23mg/L	1.5mg/L	0.42t	/	None
Wuhan China Star Optoelectronics Technology Co., Ltd.	COD	Discharged after being treated in the sewage treatment system and meeting the relevant standards	1	Northwestern corner of the plant area	36-75mg/L	400mg/L	126.73t	353.55t	None
	Ammonia nitrogen				0.349-0.387mg/L	30mg/L	12.67t	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. For the purposes of preventing pollution and protecting the environment, an advanced sewage management system has been established for the plant of each subsidiary, and regular monitoring and supervision and inspection mechanisms have been adopted to ensure the pollutants such as waste water, waste gas, solid waste and factory noises during the production are properly treated in a way that is stricter than the requirements of 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 into the municipal sewage system 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. During the Reporting Period, every project went through the process of environmental impact assessment strictly as required and abided by the laws and regulations with respect to administrative permit for environmental protection, with no violations during the 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. They are required to identify and control environment-related risks and prepare an emergency response plan for environmental incidents, which has been filed with the local environmental protection department. In addition, regularly emergency drills are conducted for environmental incidents according to the plan to ensure the validity of emergency response plan. Wuhan CSOT, a subsidiary of the Company, has purchased environmental pollution liability insurance as a means of strengthening internal risk control through the risk control capacity of green insurance,

while ensuring that sudden and accidental environmental pollution can be effectively tackled under extreme special circumstances.

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 automatic online monitoring or manual monitoring performed by a third-party qualified agency, with the monitoring frequency and monitored items in strict compliance with the country's laws and regulations at all levels. The monitoring plans and annual monitoring reports can be checked on the corporate environmental information platform managed by local environmental authorities or subsidiary websites.

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

No such cases in the Reporting Period.

Other environment-related information that should be disclosed:

None.

Other relevant information:

The Company and its subsidiaries always attach importance to social responsibility, environmental protection, green and low-carbon development, and other related work. Particularly, in active response to the national strategy of achieving peak levels by 2030 and carbon neutrality by 3060 (the "3060 Target"), CSOT planned the establishment of CSOT carbon neutrality goals and convened major suppliers to sign energy conservation and emission reduction commitments through open meetings during the Current Period; Wuhan CSOT took a series of technical and management measures in the field of water resources conservation, which achieved good water-saving effects and won it the "Water-saving Enterprise" certificate issued by the Hubei Provincial Department of Water Resources and the Department of Economy and Information Technology of Hubei Province.

II Social Responsibility

(1) Specifics of consolidating and extending the achievements of poverty alleviation and pushing forward rural revitalisation

As part of its social responsibilities, the Company actively responded to the national policy of "consolidating and extending the achievements of poverty alleviation and pushing forward all-round rural revitalisation" by continuously promoting the consolidation of previous poverty elimination project results and concentrating its efforts on the field of education to push forward rural

revitalisation with education.

The "TCL Hope Engineering Candlelight Awards Program" jointly established by Shenzhen TCL Public Welfare Foundation and CYDF in 2013 is one of the earliest public welfare projects for rural teachers in the country. The investment to this project is over RMB38 million in eight 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.

Since 2019, Shenzhen TCL Public Welfare Foundation has been promoting the "A.I. Go Home" project it launched. 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, 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. According to the project plan, 2,000 "Yi Ge" storytelling robots will be distributed in five years to directly serve 2,000 children and indirectly influence nearly 10,000 people. The accumulative duration of services for left-behind children and migrant children has exceeded 30,000 hours, bringing positive changes to such children.

Candlelight Micro-loan is a targeted public welfare project provided by TCL Public Welfare Foundation and TCL Financial Group for rural teachers who demand small loan assistance, aiming to address the financial needs of rural teachers and their families in serious disease treatment, living expenses and skills training, among other aspects. This cross-field innovation of public welfare and microfinance has been improving the quality of life of rural educators working on the frontline and ensures the development of rural education.

In 2019, TCL Public Welfare Foundation and the Education Foundation of the Central Conservatory of Music jointly set up the "Little Music +" project and released the "Xiao Xue" music robot. The Central Conservatory of Music will take advantage of its strong professional resources and organise teachers and students of the Musicology Department to recommend 100 "Music Master Works Appreciation" for students in rural areas, write the appreciation contents for 100 famous music pieces from a professional point of view, and make audio recordings for the appreciation, so as to provide first-class and professional music education for rural students who have few opportunities to get in touch with music, enrich rural music art resources, and help students in rural areas improve their music appreciation ability and music literacy. It is planned that 2,000 "Xiao Xue" robots will be distributed

in five years. These robots will accompany children to enjoy music for more than 30,000 hours, directly serving 2,000 children, and indirectly affecting nearly 10,000 people.

In order to improve the schooling conditions in the mountainous areas of Jiexi County, the Company donated RMB1.32 million for the building of school basketball courts and supporting sports facilities, offering better outdoor sports venues to children in the mountainous areas. For the harmonious development of communities, CSOT cooperated with sub-districts in providing care for the elderly in communities and actively took part in pandemic prevention and control through methods and approaches such as community care and pandemic support, with trade unions and volunteers as the main participants.

(2) Semi-annual summary of consolidating and extending the achievements of poverty alleviation

During the Current Period (by 30 June 2021), TCL Public Welfare Foundation invested a total of RMB7,085,000 in consolidating the achievements of poverty alleviation and pushing forward rural revitalisation.

A total of 400 outstanding rural teachers were selected and given the dedication, innovation and leadership awards, respectively, in the 2021 “TCL Project Hope Candlelight Award Programme”. For each award, the winning teachers would be granted financial assistance and offline training support worth RMB8,000, including a cash reward of RMB5,000 per person and an offline “Candlelight Class” training valued at RMB3,000. The rural teachers might choose to complete the training in places such as Shanghai and Shenzhen.

In 2021, six pilot schools of the second group for the “Yi Ge Story Club” of the “A.I. Go Home” project were established in six provinces. 25 Story Boxes were distributed, covering nearly 1,000 people. The 25 classes of the six pilot schools would organise once a week an activity where a teacher leads the students to listen to contents told by a “Yi Ge” storytelling robot for approximately 15 to 20 minutes.

In 2021, the “Candlelight Micro-loan” project continued, providing loan support with interest lower than that of commercial loans for outstanding rural teachers selected in the “TCL Project Hope Candlelight Award Programme”, with a view to addressing the financial needs of rural teachers and their families in serious disease treatment, living expenses and skills training, among other aspects. In the first half of the year, a total of RMB100,000 was loaned to two teachers for personal housing repairs.

In 2021, the “Xiao Xue Music Class” of the “Little Music +” project had the second pilot runs in six schools in six provinces. A total of 25 Xiao Xue Music Boxes were distributed, covering more than 1,500 students. Teachers of the “Xiao Xue Music Class” would combine the music in the “Xiao Xue”

music robot with the music curriculum to guide students on the appreciation of world classics. Additionally, in order to help students understand the connotations of the music and enhance their imagination, it is planned to visually display the appreciation copies of 100 classic songs by designing and producing picture books of music stories.

(3) Plan for consolidating and extending the achievements of poverty alleviation in the second half of the year

In the second half of the year, the Company will maintain continuous investment in the field of poverty alleviation through education, consolidate the achievements of poverty alleviation, and push forward rural revitalisation with education. For this year's 7th "TCL Project Hope Candlelight Award Programme", the Company will continue to expand the existing award scale and publicity impact. Specifically, it will hold an "Award Ceremony" to commend the dedication of rural teachers; it will continue to strengthen interaction between netizens on the Internet platform so as to maintain social attention and attract more social groups to pay attention to rural teachers.

The coverage of the "A.I. Go Home" project will keep expanding. It is expected that the customised voice synthesis for 300 people will be completed, and exclusive customised "Yi Ge" storytelling robots will be distributed to 300 families where they will play a companion role in strengthening the contact between parents and children, with the aim of improving the mental health problems of left-behind children. Furthermore, another five to eight "Yi Ge Story Club" pilot schools will be established in the second half of the year, and more than 25 classes will join the "Yi Ge Story Club" and drive the participation of the schools on a class basis. More than 1,000 students are expected to be covered.

The coverage of the "Candlelight Micro-loan" project will be expanded. In addition to the award-winning teachers in the "TCL Project Hope Candlelight Award Programme", all the trained teachers of the China Youth Development Foundation's 2021 Hope Primary School Teacher Training Office may also apply synchronously. We hope to meet the financial needs of some rural teachers and free rural teachers from worries through the project, so that they can better serve rural education.

In the second half of the year, the scope of pilot schools will continue to be expanded for the "Little Music +" project. Expectedly, eight pilot schools will be added and 50 Xiao Xue Music Boxes will be distributed to cover 3,000 students. Meanwhile, we will work with artists to complete the picture books of music stories. These picture books will serve as a powerful supplement to the "Little Music +" project and enrich the music teaching resources for rural children.

Part VI Significant Events

I Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Entities Fulfilled in the Reporting Period or Overdue at the Period-End

Applicable Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in asset restructuring	20 designated holders of convertible bonds	About not reducing the Company's convertible bonds	This organization agrees that it will not transfer its subscribed convertible bonds within six months from the date when this issuance ends and the registration is completed. Besides, it entrusts the Board of Directors of TCL Tech. to apply for lockup of the above subscribed convertible bonds with China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch so as to ensure that the above subscribed convertible bonds will not be transferred within six months from the date when this issuance ends and the registration is completed.	30 November 2020	6 months	Strictly abided by

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

Applicable Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

Yes No

The interim financial statements are unaudited.

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

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits and arbitrations:

Applicable Not applicable

No such cases in the Reporting Period.

IX Punishments and Rectifications

Applicable Not applicable

No significant punishments or rectifications in the Reporting Period.

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

Applicable Not applicable

XI Major Related-Party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

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. Transactions with Related Finance Companies or Finance Companies Controlled by the Company

Applicable Not applicable

Deposits:

Related party	Relationship with the Company	Daily deposit ceiling (RMB'0,000)	Range of interest	Beginning balance (RMB'0,000)	Deposit amount (RMB'0,000)	Ending balance (RMB'0,000)
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	600,000.00	0.01%-2.25%	252,815.49	4,516,182.34	176,910.38

Note: HK dollar deposits with an interest rate of 0.01%.

Loans:

Related party	Relationship with the Company	Loan limit (RMB'0,000)	Range of interest	Beginning balance (RMB'0,000)	Loan amount (RMB'0,000)	Ending balance (RMB'0,000)
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	-	0.7%-4.5%	135,823.30	202,781.50	235,470.70

Note: US dollar loans with an interest rate of 0.7%.

Credit or other financial business:

Related party	Relationship with the Company	Business type	Total line of credit (RMB'0,000)	Actual amount (RMB'0,000)
Subsidiary of TCL Industries Holdings Co., Ltd.	Related corporation	Comprehensive credit	600,000.00	316,058.75

6. Other Major Related-Party Transactions

■ Applicable □ Not applicable

Index to relevant announcements:

Title of announcement	Date of disclosure	Website for disclosure
Announcement on TCL Tech 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 2021	http://www.cninfo.com.cn
Announcement on the Expected Continuing Related-Party Transactions for 2021	11 March 2021	
Announcement on the Incorporation of TCL Semiconductor Technology (Guangdong) Co., Ltd. and the Related-party Transaction	11 March 2021	
Announcement on the Related-party Transactions with Shenzhen Jucai Supply Chain Technology Co., Ltd. in 2021	11 March 2021	
Announcement on the Capital Increase in Tianjin Huanxin Technology&Development Co., Ltd. and the Related-party Transaction	22 May 2021	
Announcement on the Launch of Accounts Receivable Factoring and the Related-party Transaction	22 May 2021	
Announcement on the Disposal of Equity Interests in Guangzhou Financial and the Related-party Transaction	22 May 2021	

There are no other major related-party transactions in the Reporting Period.

XII 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

Notes to leases:

No significant leases 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	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	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	315,141	Joint-liability		TCL Industries Holdings Co., Ltd. provided counter-guarantees	1 month-5 years	Not	Yes
TCL King Electrical Appliances (Chengdu) Co., Ltd.	2018-12-7	60,000	-	-	Joint-liability			-	Not	Yes
Huizhou TCL Mobile Communication Co., Ltd.	2018-12-7	450,000	2021-2-1	195,642	Joint-liability			1-6 months	Not	Yes
TCL Communication Technology Holdings Limited	2018-12-7	120,000	-	-	Joint-liability			-	Not	Yes
TCL Mobile Communication (HK) Company Limited	2018-12-7	248,500	2021-3-23	97,814	Joint-liability			90-122 days	Not	Yes

TCT Mobile Overseas Limited	2018-12-7	6,625	-	-	Joint-liability	-	Not	Yes
TCT Mobile (US) Inc.	2018-12-7	84,500	-	-	Joint-liability	-	Not	Yes
TCT Mobile International Limited	2018-12-7	31,000	-	-	Joint-liability	-	Not	Yes
TCT Mobile Italy S.R.L	2018-12-7	1,600	-	-	Joint-liability	-	Not	Yes
TCT MOBILE - TELEFONES LTDA.	2018-12-7	12,000	-	-	Joint-liability	-	Not	Yes
TCL Home Appliances (Hefei) Co., Ltd.	2018-12-7	140,000	2020-12-3	72,372	Joint-liability	1 month-3 years	Not	Yes
TCL Home Appliances (Zhongshan) Co., Ltd.	2018-12-7	16,000	2021-1-25	6,619	Joint-liability	43-246 days	Not	Yes
TCL Air-Conditioner (Zhongshan) Co., Ltd.	2018-12-7	158,600	2020-3-13	153,032	Joint-liability	36 days-3 years	Not	Yes
TCL Air Conditioner (Wuhan) Co., Ltd.	2018-12-7	131,600	2021-1-19	81,445	Joint-liability	53-190 days	Not	Yes
Zhongshan TCL Refrigeration Equipment Co., Ltd.	2018-12-7	75,300	2021-1-25	38,181	Joint-liability	21-360 days	Not	Yes
Guangdong TCL Smart Heating & Ventilation Equipment Co., Ltd.	2018-12-7	7,000	2021-1-29	2,594	Joint-liability	37-189 days	Not	Yes
TCL Home Appliances (Huizhou) Co., Ltd.	2018-12-7	11,500	2021-6-18	10,000	Joint-liability	1 year	Not	Yes
TCL Intelligent Technology (Hefei) Co., Ltd.	2018-12-7	800	-	-	Joint-liability	-	Not	Yes
TCL Air-Conditioner (Jiujiang) Co., Ltd.	2018-12-7	25,000	2021-1-25	24,902	Joint-liability	30-190 days	Not	Yes
TCL Home Appliances (Hong Kong) Limited	2018-12-7	20,000	-	-	Joint-liability	-	Not	Yes

Shenzhen TCL Hangxiang Supply Chain Service Co., Ltd.	2018-12-7	500	-	-	Joint-liability	-	Not	Yes
Zhongshan Hhappy Tree Network Technology Co., Ltd.	2018-12-7	2,000	-	-	Joint-liability	-	Not	Yes
TCL Tonly Electronics (Huizhou) Co., Ltd.	2018-12-7	40,000	2015-11-4	7,777	Joint-liability	0.5 year— infinite	Not	Yes
TCL Commercial Information Technology (Huizhou) Co., Ltd.	2018-12-7	14,000	-	-	Joint-liability	-	Not	Yes
TCL Very Lighting Technology (Huizhou) Co., Ltd.	2018-12-7	4,000	2021-3-29	1,291	Joint-liability	52 - 130 days	Not	Yes
TCL Capital (Hong Kong) Limited	2018-12-7	100,000	-	-	Joint-liability	-	Not	Yes
Huizhou Cool Friends Network Technology Co., Ltd.	2018-12-7	13,000	-	-	Joint-liability	-	Not	Yes
SHIFENDAOJIA Online Service Co., Ltd.	2018-12-7	3,000	2021-4-16	21	Joint-liability	96-113 days	Not	Yes
TCL Technology Park Co., Ltd.	2018-12-7	27,000	-	-	Joint-liability	-	Not	Yes
Guangzhou Yunsheng Tianji Technology Co., Ltd.	2018-12-7	110,000	-	-	Joint-liability	-	Not	Yes
Guangzhou TCL Science and Technology Development Co., Ltd.	2018-12-7	200,000	2018-12-18	121,000	Joint-liability	13 years	Not	Yes

Shenzhen Bao'an TCL Haichuanggu Technology Park Development Co., Ltd.	2018-12-7	20,000	2018-9-25	16,200	Joint-liability			3 years	Not	Yes
TCL Industries Holdings (HK) Limited	2018-12-7	800,000	2016-10-4	669,245	Joint-liability			1-5 years	Not	Yes
Canyon Circuit Technology (Huizhou) Co., Ltd.	2018-12-7	5,000	2021-4-14	587	Joint-liability			4-5 months	Not	Yes
Huizhou Shenghua Industrial Co., Ltd.	2018-12-7	9,000	-	-	Joint-liability			-	Not	Yes
Taiyang Electro-optic (Huizhou) Co., Ltd.	2018-12-7	4,000	-	-	Joint-liability			-	Not	Yes
Huizhou Gaoshengda Technology Co., Ltd.	2018-12-7	9,000	-	-	Joint-liability			-	Not	Yes
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2021-3-11	40,000	2020-12-23	39,735	Joint-liability		With counter-guarantee	186-199 days	Not	Not
Qihang Import&Export Limited	2021-3-11	6,000	-	-	Joint-liability		With counter-guarantee	-	Not	Not
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	2021-3-11	110,000	2021-5-6	100	Joint-liability		With counter-guarantee	181 days	Not	Not
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	2021-3-11	55,000	2020-4-28	29,447	Joint-liability		Guarantee in proportion to shareholding percentage	8 years	Not	Not
Qihang Import&Export Limited	2021-3-11	50,000	2021-5-8	581	Joint-liability		With counter-guarantee	237 days	Not	Not
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	2021-5-22	45,500	2020-9-4	28,500	Joint-liability		With counter-guarantee	1 year	Not	Yes
Guangzhou TCL Internet Microcredit Co., Ltd.	2021-5-22	100,000	2021-2-26	48,000	Joint-liability		With counter-guarantee	1 year	Not	Yes
Total approved line for such guarantees in Reporting Period (A1)			406,500	Total actual amount of such guarantees in Reporting Period (A2)						1,231,594

Total approved line for such guarantees at end of Reporting Period (A3)		3,712,025		Total actual balance of such guarantees at end of Reporting Period (A4)		1,960,228				
Guarantees provided by the Company as the parent for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Wuhan China Star Optoelectronics Technology Co., Ltd.	2021-3-11	1,110,000	2016-4-13	510,618	Joint-liability			1 month-8 years	Not	Not
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2021-3-11	3,650,000	2018-4-28	1,879,892	Joint-liability			3 month-8 years	Not	Not
TCL China Star Optoelectronics Technology Co., Ltd.	2021-3-11	650,800	2015-4-21	284,833	Joint-liability			3 month-8 years	Not	Not
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2021-3-11	1,700,000	2017-12-22	1,137,491	Joint-liability			3 month-8 years	Not	Not
Huizhou China Star Optoelectronics Technology Co., Ltd.	2021-3-11	990,000	2020-8-12	352,070	Joint-liability			1-8 years	Not	Not
China Star Optoelectronics International (HK) Limited	2021-3-11	220,000	2020-12-5	161,503	Joint-liability			3 years	Not	Not
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	2021-3-11	150,000	2021-3-31	45,877	Joint-liability			43-190 days	Not	Not
Wuhan China Display Optoelectronics Technology Co., Ltd.	2021-3-11	50,000	2020-6-1	1,271	Joint-liability			1-5 years	Not	Not
Guangdong Juhua Printed Display Technology Co., Ltd.	2021-3-11	20,000	2020-11-19	266	Joint-liability			6 months	Not	Not
TCL Tech Finance Co., Ltd.	2021-3-11	200,000	-	-	Joint-liability			-	Not	Not

Highly Information Industry Co., Ltd.	2021-3-11	383,000	2020-6-17	268,000	Joint-liability			263-633 days	Not	Not
Beijing Hecheng Nuoxin Technology Co., Ltd.	2021-3-11	5,000	-	-	Joint-liability			-	Not	Not
Beijing Lingyun Data Technology Co., Ltd.	2021-3-11	131,500	2021-4-28	21,345	Joint-liability			89-394 days	Not	Not
Beijing Sunpiestore Technology Co., Ltd.	2021-3-11	87,000	2020-6-19	20,000	Joint-liability			89-394 days	Not	Not
Shaanxi Titi Electronic Technology Co., Ltd.	2021-3-11	3,000	-	-	Joint-liability			0.00	Not	Not
TCL Technology Park (Huizhou) Co., Ltd.	2021-3-11	180,000	2020-4-24	64,700	Joint-liability			1-10 years	Not	Not
TCL Technology Investments Limited	2021-3-11	400,000	2020-7-14	194,100	Joint-liability			5 years	Not	Not
Ningbo TCL Equity Investment Ltd.	2021-3-11	50,000	-	-	Joint-liability			-	Not	Not
TCL Moka International Limited	2021-4-28	360,000	-	-	Joint-liability			-	Not	Not
US Moka Limited	2021-4-28	210,000	2021-3-31	21,413	Joint-liability			90 days	Not	Not
Huizhou Moka Technology Development Co., Ltd.	2021-4-28	50,000	-	-	Joint-liability			-	Not	Not
Moka Technology (Guangdong) Co., Ltd.	2021-4-28	400,000	2021-1-8	106,987	Joint-liability			1-6 months	Not	Not
Guangzhou China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	2021-4-10	1,750,000	-	-	Joint-liability			-	Not	Not
Suzhou China Star Optoelectronics Display Co., Ltd.		50,000	-	-	Joint-liability			-	Not	Not
Suzhou China Star Optoelectronics Technology Co., Ltd.		10,000	-	1,400	Joint-liability			3 days	Not	Not

Total approved line for such guarantees in the Reporting Period (B1)		12,810,300		Total actual amount of such guarantees in the Reporting Period (B2)		1,546,089				
Total approved line for such guarantees at the end of the Reporting Period (B3)		12,810,300		Total actual balance of such guarantees at the end of the Reporting Period (B4)		5,071,766				
Guarantees provided between subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Huhehaote Huanju New Energy Development Co., Ltd.	2014 -11 -26	34,529	2015-4-13	34,529	Joint-liability			9.5 years	Not	Not
Zhonghuan Energy (Inner Mongolia) Co., Ltd.	2017 -6 -24	12,920	2017-7-21	12,920	Joint-liability			15 years	Not	Not
Otog Banner Huanju New Energy Co., Ltd.	2017 -6 -24	22,828	2017-8-18	22,828	Joint-liability			10 years	Not	Not
Qinhuangdao Tianhui Solar Energy Co., Ltd.	2017 -11 -11	11,200	2018-1-19	11,200	Joint-liability			10 years	Not	Not
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	2017 -11 -29	145,000	2018-5-31	145,000	Joint-liability			5 years	Not	Not
Qinhuangdao Tianhui Solar Energy Co., Ltd.	2018 -9 -6	13,429	2019-4-23	13,429	Joint-liability			12 years	Not	Not
Guyuan Shengju New Energy Co., Ltd.	2018 -9 -6	11,619	2018-10-8	11,619	Joint-liability			11 years	Not	Not
Zhangjiakou Shengyuan New Energy Co., Ltd.	2018 -9 -6	15,690	2018-10-8	15,690	Joint-liability			11 years	Not	Not
Zhonghuan Hong Kong Holding Limited	2018 -12 -8	45,221	2018-12-27	45,221	Joint-liability			3 years	Not	Not

Zhonghuan Hong Kong Holding Limited	2019-8-22	36,460	2019-10-16	36,460	Joint-liability			3 years	Not	Not
Zhonghuan Hong Kong Holding Limited	2021-3-22	65,000	2021-3-26	53,124	Joint-liability			3 years	Not	Not
Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd.	2021-3-22	412,500	2021-4-30	341,300	Joint-liability			7 years	Not	Not
Huansheng Solar (Jiangsu) Co., Ltd.	2021-3-22	60,000	2021-4-1	60,000	Joint-liability			5 years	Not	Not
Tianjin Huanzhi New Energy Technology Co., Ltd.	2021-1-21	131,500			Joint-liability			-	Not	Not
Total approved line for such guarantees in the Reporting Period (C1)		669,000		Total actual amount of such guarantees in the Reporting Period (C2)				454,424		
Total approved line for such guarantees at the end of the Reporting Period (C3)		1,017,897		Total actual balance of such guarantees at the end of the Reporting Period (C4)				803,321		
Total guarantee amount (total of the three kinds of guarantees above)										
Total guarantee line approved in the Reporting Period (A1+B1+C1)		13,885,800		Total actual guarantee amount in the Reporting Period (A2+B2+C2)				3,232,107		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		17,540,222		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)				7,835,315		
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				229.72%						
Of which:										
Balance of guarantees provided for shareholders, the actual controller and their related parties (D)				1,890,364						
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)				3,327,323						
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)				6,129,925						
Total of the three amounts above (D+E+F)				6,129,925						
Joint liability possibly borne or already borne in the Reporting Period for outstanding guarantees (if any)				-						
Guarantees provided in breach of prescribed procedures (if any)				-						

In the Reporting Period, the Company split the guarantee line for TCL China Star Optoelectronics Technology Co., Ltd., with RMB500 million for subsidiary Suzhou China Star Optoelectronics Display Co., Ltd. and RMB100 million for subsidiary Suzhou China Star Optoelectronics Technology Co., Ltd. Upon that, the guarantee line for TCL China Star Optoelectronics Technology Co., Ltd. was no more than RMB6.508 billion.

An internal review was carried out for the aforesaid split. The debt/asset ratios of both the subsidiaries with an increased line of guarantee were not over 70%, which is in compliance with the Company's Management Rules for Guarantees for External Parties and the requirements of the Proposal on the Provision of Guarantees for Subsidiaries in 2021 approved at the 2020 Annual General Meeting on 30 April 2021.

3. Cash Entrusted for Wealth Management

Applicable Not applicable

Unit: RMB'0,000

Type	Funding source	Amount	Undue amount	Unrecovered overdue amount	Impairment allowances for unrecovered overdue amount
Bank's wealth management product	Self-funded	330,000.00	591,033.30	0	0
Securities firm's wealth management product	Self-funded	26,000.00	20,000.00	0	0
Trust plan	Self-funded	20,000.00	0	0	0
Other	Self-funded	185,557.43	22,855.35	0	0
Total		561,557.43	633,888.65	0	0

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

Applicable Not applicable

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

Applicable Not applicable

4. Significant Continuing Contracts

Applicable Not applicable

Material difference between contract execution progress and contract stipulation with an over-30% impact of the total contract amount:

Applicable Not applicable

5. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XIII Other Significant Events

Applicable Not applicable

Overview of the significant event	Disclosure date	Website for the disclosed relevant announcement
Announcement on the Completion of the Non-Deal Transfer under the Third Global Partner Plan	22 January 2021	www.cninfo.com.cn
Voluntary Announcement on Increasing the Equity-holdings in Tianjin Printronics Circuit Corporation	4 February 2021	
Announcement on the Progress of the Acquisition of 60% Equity Interests in Samsung Suzhou LCD Co. Ltd. and 100% Equity Interests in Samsung Display Suzhou Co., Ltd.	8 February 2021	
Voluntary Announcement on Increasing the Equity-holdings in Tianjin Printronics Circuit Corporation	17 March 2021	
Voluntary Announcement on Increasing the Equity-holdings in Tianjin Zhonghuan Semiconductor Co., Ltd.	18 March 2021	
Announcement on the Settlement of the Acquisition of 60% Equity Interests in Samsung Suzhou LCD Co. Ltd. and 100% Equity Interests in Samsung Display Suzhou Co., Ltd.	2 April 2021	
Preliminary Plan on 2021 Private Placement of A-shares	10 April 2021	
Announcement on the Construction of the Generation 8.6 (or G8.6) New Oxide Semiconductor Production Line of Guangzhou CSOT	10 April 2021	
Announcement on the Progress of the Acquisition of 100% Equity Interests in Moka International Limited	24 April 2021	
Announcement on the Adjustment to the Stock Conversion Price of Convertible Corporate Bonds	11 May 2021	

Reminder on the Commencement of Bonds-to-Stock Conversion of “TCL Private Convertible 2”	28 May 2021	
Report on the Repurchase of Certain Public Shares in 2021	21 June 2021	
2021-2023 Employee Stock Ownership Plan (Phase I) (Draft)	21 June 2021	

XIV Significant Events of Subsidiaries

■ Applicable □ Not applicable

Title of announcement	Date of disclosure	Website for disclosure
Announcement on the Construction of the Generation 8.6 (or G8.6) New Oxide Semiconductor Production Line of Guangzhou CSOT	10 April 2021	
Announcement on Capital Increase in TCL CSOT	22 May 2021	

Part VII 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	1,369,646,802	9.76%	0	0	0	-246,072,950	-246,072,950	1,123,573,852	8.01%
1.1 Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
1.2 Shares held by state-owned legal persons	511,508,951	3.65%	0	0	0	0	0	511,508,951	3.65%
1.3 Shares held by other domestic investors	767,573,072	5.46%	0	0	0	-155,899,669	-155,899,669	611,673,403	4.36%
Among which: Shares held by domestic legal persons	150,908,441	1.08%	0	0	0	-150,908,441	-150,908,441	0	0.00%
Shares held by domestic natural persons	616,664,631	4.38%	0	0	0	-4,991,228	-4,991,228	611,673,403	4.36%
1.4 Shares held by foreign investors	90,564,779	0.65%	0	0	0	-90,173,281	-90,173,281	391,498	0.0028%
Among which: Shares held by foreign legal persons	90,532,347	0.65%	0	0	0	-90,532,347	-90,532,347	0	0.00%
Shares held by foreign natural persons	32,432	0.0002%	0	0	0	359,066	359,066	391,498	0.0028%
2. Unrestricted shares	12,661,141,560	90.24%	0	0	0	246,072,950	246,072,950	12,907,214,510	91.99%
2.1 RMB-denominated ordinary shares	12,661,141,560	90.24%	0	0	0	246,072,950	246,072,950	12,907,214,510	91.99%
3. Total shares	14,030,788,362	100.00%	0	0	0	0	0	14,030,788,362	100%

Reasons for share changes:

1. During the Reporting Period, locked-up shares held by senior management decreased by 3,280,846 restricted shares, as unrestricted shares decreased by the same number. As such, the total shares of the Company remained unchanged.
2. On 8 January 2021, the Company disclosed the Reminder on the Unlocking for Public Trading of Certain Restricted Shares Issued for Asset Purchase in 2017. A total of 241,440,788 shares of five shareholders who obtained these restricted public shares in a private placement were unlocked for public trading on 11 January 2021, as unrestricted shares increased by the same number. As such, the total shares of the Company remained unchanged.
3. On 24 June 2021, the Company disclosed the Reminder on the Shares Unlocked in the Second Unlocking Period under the 2019

Restricted Stock Incentive Plan and the Second Global Innovation Partner Plan Being Allowed for Public Trading. A total of 1,351,316 restricted shares were allowed for public trading on 28 June 2021, as unrestricted shares increased 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

The Company focuses on the development of its core business, namely the semi-conductor display business and the semi-conductor photovoltaic and semi-conductor materials business. It is committed to becoming a global leading technology group. In the pattern reshaping driven by technological innovation, scale advantages, efficiency and benefits, and industry chain synergy, major domestic enterprises have established comparative advantages, industry concentration has increased significantly, and the strategic utilisation and value contribution of the industry chain links have gradually become prominent. Based on its confidence in the long-term development of the core business and the continuous growth of corporate value, in order to protect the interests of investors and take into account the needs of employee incentives, the Company convened the Ninth Meeting of the Seventh Board of Directors on 20 June 2021, at which the Proposal on the Repurchase of Certain Public Shares was approved. For details, see the Report on the Repurchase of Certain Public Shares in 2021 disclosed by the Company on media designated for information disclosure.

The Company implemented the share repurchase from 25 June 2021. Up to 26 July 2021, the Company has cumulatively repurchased 80,663,588 shares (or 0.57% 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 RMB8.29/share, and the lowest trading price being RMB7.49/share. The total transaction amount was approximately RMB629 million. 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 Ninth Meeting of the Seventh Board of Directors, with no difference with the disclosed Report on the Repurchase of Certain Public Shares in 2021. As such, the Company has completed the share repurchase.

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

■ Applicable □ Not applicable

Unit: share

Shareholder	Beginning restricted shares	Unlocked in Reporting Period	Increase in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Wuhan Optics Valley Industrial Investment Co., Ltd.	511,508,951	-	-	511,508,951	Restricted shares in a share offering	2021-11-11
Star Century Enterprises Limited	90,532,347	90,532,347	-	0	Restricted shares in a share offering	2020-12-25
Ningbo Xinglian Zhonglian Enterprise Management Partnership (Limited Partnership)	32,311,279	32,311,279	-	0	Restricted shares in a share offering	2020-12-25
Ningbo Xinglan Zhonglian Enterprise Management Partnership (Limited Partnership)	42,521,163	42,521,163	-	0	Restricted shares in a share offering	2020-12-25
Ningbo Xingyuan Zhonglian Enterprise Management Partnership (Limited Partnership)	37,695,315	37,695,315	-	0	Restricted shares in a share offering	2020-12-25
Ningbo Xingyong Zhonglian Enterprise Management Partnership (Limited Partnership)	38,380,684	38,380,684	-	0	Restricted shares in a share offering	2020-12-25
Other	615,199,806	3,280,846	-	611,918,960	Locked-up shares of senior management	9999-99-99
2019 Restricted Stock Incentive Plan	1,497,257	1,351,316	-	145,941	Restricted shares granted as incentives	2021-6-25
Total	1,369,646,802	246,072,950	-	1,123,573,852	--	--

II Issuance and Listing of Securities

■ Applicable □ Not applicable

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 (21TCLK1, 149434.SZ)	2021-3-25	3.65%	5,000,000	2021-4-7	5,000,000	2021-9-25	http://www.cninfo.com.cn	2021-3-29
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III Shareholders and Their Shareholdings at the End of the Reporting Period

Unit: share

Number of ordinary shareholders at the period-end		788,420		Number of preference shareholders with resumed voting rights at the period-end (if any)		-		
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, marked or frozen	
							Status	Shares
Li Dongsheng and his acting-in-concert party	Domestic natural person/general legal person	8.26%	1,158,599,393	0	610,181,602	548,417,791	Put in pledge by Li Dongsheng	72,000,000
							Put in pledge by Jiutian Liancheng	344,899,521
Huizhou Investment Holding Co., Ltd.	State-owned legal person	5.30%	743,139,840	0	0	743,139,840		
Wuhan Optics Valley Industrial Investment Co., Ltd.	State-owned legal person	3.65%	511,508,951	0	511,508,951	0	In pledge	255,754,475
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	3.26%	457,823,997	-65,918,570	0	457,823,997		
China Securities Finance Corporation Limited	Domestic general legal person	2.66%	373,231,553	0	0	373,231,553		
Tibet Tianfeng Enterprise Management Co., Ltd.	Domestic general legal person	1.75%	245,969,062	-109,894,653	0	245,969,062		
Sinatay Life Insurance Co., Ltd. — Conventional Product	Fund, wealth management product, etc.	0.58%	81,958,072	3,266,972	0	81,958,072		
ICBC Credit Suisse Asset Management — Agricultural Bank of China-ICBC Credit Suisse China Securities Financial Asset Management Plan	Fund, wealth management product, etc.	0.53%	74,761,500	0	0	74,761,500		

Southern Asset Management – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	Fund, wealth management product, etc.	0.53%	74,761,500	0	0	74,761,500		
Zhong Ou Asset Management- Agricultural Bank of China- Zhong Ou China Securities Financial Asset Management Plan	Fund, wealth management product, etc.	0.53%	74,761,500	0	0	74,761,500		
Strategic investor or general legal person becoming a top-10 ordinary shareholder in a rights issue (if any)	N/A							
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.							
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	N/A							
Special account for share repurchases (if any) among the top 10 shareholders	The top 10 shareholders above do not include “The Securities Account of TCL Technology Group Corporation for Repurchases”. As of the end of the Reporting Period, there were 535,983,451 shares in the account.							
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 stock	743,139,840					
Li Dongsheng and his acting-in-concert party	548,417,791	RMB-denominated ordinary stock	548,417,791					
Hong Kong Securities Clearing Company Ltd.	457,823,997	RMB-denominated ordinary stock	457,823,997					
China Securities Finance Corporation Limited	373,231,553	RMB-denominated ordinary stock	373,231,553					
Tibet Tianfeng Enterprise Management Co., Ltd.	245,969,062	RMB-denominated ordinary stock	245,969,062					
Sinatay Life Insurance Co., Ltd. – Conventional Product	81,958,072	RMB-denominated ordinary stock	81,958,072					
ICBC Credit Suisse Asset Management – Agricultural Bank of China- ICBC Credit Suisse China Securities Financial Asset	74,761,500	RMB-denominated ordinary stock	74,761,500					

Management Plan			
Southern Asset Management – Agricultural Bank of China – Southern China Securities Financial Asset Management Plan	74,761,500	RMB-denominated ordinary stock	74,761,500
Zhong Ou Asset Management- Agricultural Bank of China- Zhong Ou China Securities Financial Asset Management Plan	74,761,500	RMB-denominated ordinary stock	74,761,500
Bosera Funds – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	74,761,500	RMB-denominated ordinary stock	74,761,500
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.		
Top 10 ordinary shareholders involved in securities margin trading (if any)	Shareholder Tibet Tianfeng Enterprise Management Co., Ltd. held 163,223,537 shares in the Company in its general securities account and 82,745,525 shares in its securities margin account, totaling 245,969,062 shares.		

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 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 2020 Annual Report for more details.

V Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

Change of the actual controller in the Reporting Period:

Applicable Not applicable

Part VIII Bonds

Enterprise Bonds

Applicable Not applicable

No enterprise bonds in the Reporting Period.

Corporate Bonds

Applicable Not applicable

General Information of Corporate Bonds

Bond name	Abbr.	Bond code	Date of issuance	Value date	Maturity	Outstanding balance (RMB'0,000)	Coupon rate (annualized)	Way of principal repayment and interest payment	Place of transaction
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 1)	17TCL01	112518	18 April 2017	19 April 2017	19 April 2022	100,000	3.40%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation's Corporate Bonds Publicly Offered in 2017 to Qualified Investors (Tranche 2)	17TCL02	112542	6 July 2017	7 July 2017	7 July 2022	15,700	3.45%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1)	18TCL01	112717	5 June 2018	6 June 2018	6 June 2023	17,001.90	4.00%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange

TCL Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 2)	18TCL02	112747	17 August 2018	20 August 2018	20 August 2023	200,000	5.30%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 1)	19TCL01	112905	17 May 2019	20 May 2019	20 May 2024	100,000	4.33%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 2)	19TCL02	112938	19 July 2019	23 July 2019	23 July 2024	100,000	4.30%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Corporation's Corporate Bonds Publicly Offered in 2019 to Qualified Investors (Tranche 3)	19TCL03	112983	17 October 2019	21 October 2019	21 October 2024	200,000	4.20%	Interest payable annually and principal repayable in full upon maturity	Shenzhen Stock Exchange
TCL Technology Group Corporation's Technology Innovation Short-Term Corporate Bonds Publicly Offered in 2021 to Qualified Investors (Tranche 1)	21TCLK1	149434	25 March 2021	29 March 2021	25 September 2021	50,000	3.65%	Principal repayable in full upon maturity with interest	Shenzhen Stock Exchange

Investor eligibility (if any)	N/A
Trading system applicable	N/A
Risk of termination of listing and trading (if any) and countermeasures	None

Overdue bonds:

Applicable Not applicable

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

Applicable Not applicable

In accordance with the provisions of the Prospectus for TCL Technology Group Corporation's Corporate Bonds Publicly Offered in 2018 to Qualified Investors (Tranche 1), the bondholders of 18TCL01 elected during the sell-back registration period (11 May 2021 to 17 May 2021) to sell back all or part of their 18TCL01 to TCL Technology Group Corporation at the sell-back price of RMB100/bond (excluding interest). The coupon rate for the last two years of the duration was adjusted from 5.48 % to 4.00%, and the release date of the sell-back payments was 7 June 2021. According to the data provided by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the number of 18TCL01 sold back during the sell-back registration period was 8,299,810, and the sell-back amount was RMB829,981,000. As indicated in the Announcement on Sell-back Declaration Results, the issuer would resell the sold-back bonds from 8 June 2021 to 6 July 2021, and the number of bonds to be resold would be 8,299,810. Based on cost considerations, the Company decided not to resell the bonds of the tranche, so the number of resold bonds of the tranche was 0. After the implementation of the resale, the Company applied to the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited for the cancellation of the 8,299,810 bonds not resold. After the cancellation was completed, the number of remaining 18TCL01 held in trust was 1,700,190.

Adjustments to credit ratings in the Reporting Period:

Applicable Not applicable

Execution and changes of guarantees, repayment plans and other repayment guarantee measures in the Reporting Period, and impact on bond investors' equity :

Applicable Not applicable

Debt financing instruments of a non-financial enterprise:

Applicable Not applicable

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

Unit: RMB'0,000

Bond name	Abbr.	Bond code	Date of issuance	Value date	Maturity	Outstanding balance (RMB'0,000)	Coupon rate (annualized)	Way of principal repayment and interest payment	Place of transaction
TCL Corporation's Medium-Term Notes in 2018 (Tranche 1)	18TCL-MTN001	101801408. IB	2018-11-29	2018-12-03	2021-12-03	200,000	4.58%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
TCL									

Technology Groupo Corporation's Medium-Term Notes in 2020 (Tranche 1)	20TCL-MTN001	102000509. IB	2020-03-25	2020-03-27	2023-03-27	300,000	3.60%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
TCL Technology Groupo Corporation's Medium-Term Notes in 2021 (High-Growth Debt) (Tranche 1)	21TCL-MTN001 (High-Growth Debt)	102100966. IB	2021-05-10	2021-05-12	2024-05-12	200,000	4.15%	Interest payable annually and principal repayable in full upon maturity	Inter-bank market
Investor eligibility (if any)	N/A								
Trading system applicable	N/A								
Risk of termination of listing and trading (if any) and countermeasures	None								

Overdue bonds:

Applicable Not applicable

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

Applicable Not applicable

Adjustments to credit ratings in the Reporting Period:

Applicable Not applicable

Execution and changes of guarantees, repayment plans and other repayment guarantee measures in the Reporting Period, and impact on bond investors' equity :

Applicable Not applicable

Convertible Corporate Bonds:

Applicable Not applicable

Bond-to-stock price adjustments:

Name	Price before adjustment (RMB/share)	Adjusted price (RMB/share)	Commencement date for the adjustment
TCL Private Convertible 1 (convertible bond code: 124016)	3.91	3.79	19 May 2021

TCL Private Convertible 2 (convertible bond code: 124017)	8.00	7.88	19 May 2021
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Cumulative bond-to-stock conversions:

Applicable Not applicable

No convertible corporate bonds were converted to shares in the Reporting Period.

Top 10 holders of convertible corporate bonds:

TCL Private Convertible 1 (convertible bond code: 124016) :

Serial No.	Name of holder	Nature of holder	Number of convertible corporate bonds held at the period-end	Amount of convertible corporate bonds held at the period-end (RMB)	Percentage of convertible corporate bonds held at the period-end
1	Wuhan Optics Valley Industrial Investment Co., Ltd.	State-owned legal person	6,000,000	600,000,000	100.00%

TCL Private Convertible 2 (convertible bond code: 124017) :

Serial No.	Name of holder	Nature of holder	Number of convertible corporate bonds held at the period-end	Amount of convertible corporate bonds held at the period-end (RMB)	Percentage of convertible corporate bonds held at the period-end
1	GF Securities Co., Ltd.	Domestic general legal person	3,900,000	390,000,000	15.00%
2	Guosen Securities Co., Ltd.	State-owned legal person	3,000,000	300,000,000	11.54%
3	Fullgoal Fund Management Co., Ltd.	Domestic general legal person	2,500,000	250,000,000	9.62%
4	Western Securities Co., Ltd.	State-owned legal person	1,700,000	170,000,000	6.54%
5	China Life Pension Sustaining Fixed Income Pension Product No. 9- China Merchants Bank Co., Ltd.	Fund, wealth management product, etc.	1,300,000	130,000,000	5.00%
6	China Life Pension Hongxin Fixed Income Pension Product- Industrial And Commercial Bank Of China Limited	Fund, wealth management product, etc.	1,300,000	130,000,000	5.00%
7	ICBC Credit Suisse Asset Management Co., Ltd.	Domestic general legal person	1,000,000	100,000,000	3.85%
8	Shenwan Hongyuan Group Co., Ltd.	Domestic general legal person	1,000,000	100,000,000	3.85%

9	China Life Yongfeng Enterprise Annuity Collective Plan- Agricultural Bank Of China Limited	Fund, wealth management product, etc.	1,000,000	100,000,000	3.85%
10	China Life Insurance (Group) Company Enterprise Annuity Plan- Agricultural Bank Of China Limited	Fund, wealth management product, etc.	1,000,000	100,000,000	3.85%

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

Applicable Not applicable

Liability condition and credit rating changes of the Company at the end of the Reporting Period, as well as future cash arrangements for repayment:

See “Part VIII Bonds” for details.

Consolidated loss of the Reporting Period over 10% of the net assets of the last year-end:

Applicable Not applicable

Selected financial information of the Company in the past two years:

Unit: RMB

Item	30 June 2021	31 December 2020	Change
Current ratio	105.64%	92.50%	13.14%
Debt/asset ratio	65.17%	65.08%	0.09%
Quick ratio	78.66%	66.36%	12.30%
	H1 2021	H1 2020	Change
Net profit before non-recurring gains and losses	7,741,176,412	-10,667,258	72669.51%
Debt/EBITDA ratio	10.68%	5.12%	5.56%
Interest cover (times)	5.12	1.22	319.02%
Cash-to-interest cover (times)	7.23	5.81	24.48%
EBITDA-to-interest cover (times)	8.55	3.93	117.66%
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%: In the Reporting Period, benefiting from growth in the industry, in addition to the Company’s fast production ramp-up and acquisition of Zhonghuan, the Company saw a year-on-year surge in size, operating performance and profitability, resulting in great changes in the financial indicators in the table above.

TCL Technology Group Corporation
Part IX Unaudited Financial Statements

(For the period from 1 January 2021 to 30 June 2021)

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

Assets:	Note V	30 June 2021	31 December 2020
Current assets:			
Monetary assets	1	27,374,279	21,708,905
Held-for-trading financial assets	2	9,548,577	5,300,046
Derivative financial assets	3	139,396	453,578
Notes receivable	4	2,626,222	595,685
Accounts receivable	5	18,908,014	12,557,614
Receivables financing	6	1,725,478	2,176,744
Prepayments	7	2,439,441	1,355,653
Other receivables	8	3,523,014	2,793,640
Inventories	9	13,900,810	8,834,958
Contract assets	10	241,093	183,650
Assets held for sale	11	217,314	360,936
Other current assets	12	8,701,788	9,367,055
Total current assets		89,345,426	65,688,464
Non-current assets:			
Loans and advances to customers	13	288,749	981,876
Debt investments	14	-	119,350
Other debt investments	15	91,976	152,063
Long-term receivables	16	809,720	778,889
Long-term equity investments	17	25,541,631	24,047,036
Investments in other equity instruments	18	1,100,185	1,333,676
Other non-current financial assets	19	2,458,139	3,055,595
Investment property	20	725,250	1,664,201
Fixed assets	21	104,520,658	92,829,902
Construction in progress	22	37,181,286	31,508,311
Right-of-use assets	23	1,984,255	-
Intangible assets	24	12,430,511	10,054,045
Development costs	25	2,522,995	2,103,995
Goodwill	26	9,125,489	6,943,265
Long-term prepaid expense	27	1,565,459	2,536,670
Deferred income tax assets	28	2,095,661	1,578,088
Other non-current assets	29	10,418,091	12,532,853
Total non-current assets		212,860,055	192,219,815
Total assets		302,205,481	257,908,279

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 2021	31 December 2020
Current liabilities:			
Short-term borrowings	30	9,022,205	12,263,714
Borrowings from central bank	31	1,104,750	469,834
Customer deposits and deposits from other banks and financial institutions	32	2,247,362	2,850,139
Held-for-trading financial liabilities	33	1,134,251	527,901
Derivative financial liabilities	34	129,382	384,904
Notes payable	35	5,408,824	4,725,612
Accounts payable	36	24,863,736	16,468,932
Advances from customers	37	41,155	78,597
Contract liabilities	38	2,635,068	2,004,004
Financial assets sold under repurchase agreements	39	-	50,080
Employee benefits payable	40	2,618,595	1,856,664
Taxes and levies payable	41	1,417,716	670,059
Other payables	42	19,599,708	14,869,433
Current portion of non-current liabilities	43	13,658,542	13,429,670
Other current liabilities	44	695,655	366,971
Total current liabilities		84,576,949	71,016,514
Non-current liabilities			
Long-term borrowings	45	88,663,620	73,589,403
Bonds payable	46	17,663,129	18,040,773
Lease liabilities	47	886,515	-
Long-term payables	48	528,172	1,280,300
Long-term employee benefits payable	40	27,482	27,858
Deferred income	49	1,589,724	1,509,867
Deferred income tax liabilities	28	3,024,467	2,386,497
Total non-current liabilities		112,383,109	96,834,698
Total liabilities		196,960,058	167,851,212
Share capital	50	14,030,788	14,030,788
Other equity instruments	51	230,241	230,241
Capital reserves	52	4,135,444	5,442,385
Less: Treasury stock	53	2,195,019	1,913,029
Other comprehensive income	74	(381,394)	(145,573)
Surplus reserves	54	2,452,892	2,452,892
Specific reserve	55	667	211
General reserve	56	361	386
Retained earnings	57	19,283,685	14,009,494
Total equity attributable to shareholders of the Company as the parent		37,557,665	34,107,795
Non-controlling interests		67,687,758	55,949,272
Total shareholders' equity		105,245,423	90,057,067
Total liabilities and shareholders' equity		302,205,481	257,908,279

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 2021	H1 2020
1. Total revenue		74,372,780	29,418,903
Including: Revenue	58	74,298,647	29,333,211
Interest income	59	74,133	85,692
Less: Cost of sales	58	57,984,972	26,740,893
Interest expense	59	12,564	16,278
Taxes and levies	60	294,310	87,284
Selling expense	61	901,176	324,665
Administrative expense	62	2,023,368	770,003
R&D expense	63	3,428,197	1,882,501
Finance costs	64	1,818,983	916,022
Including: Interest expense		2,160,434	1,132,442
Interest income		187,547	250,867
Add: Other income	65	810,034	952,416
Return on investment	66	2,788,205	1,340,665
Including: Share of profit or loss of joint ventures and associates		1,315,184	881,503
Exchange gain	59	964	689
Gain on changes in fair value	67	(314,196)	114,034
Credit impairment loss	68	(11,445)	(1,124)
Asset impairment loss	69	(797,519)	(328,682)
Asset disposal income	70	24,327	1,320
2. Operating profit		10,409,580	760,573
Add: Non-operating income	71	267,948	491,939
Less: Non-operating expense	72	11,987	18,801
3. Gross profit		10,665,541	1,233,711
Less: Income tax expense	73	1,413,574	164,587
4. Net profit		9,251,967	1,069,124
4.1 By operating continuity			
Net profit from continuing operations		9,193,671	1,069,124
Net profit from discontinued operations		58,296	-
4.2 By ownership			
Net profit attributable to shareholders of the Company as the parent		6,783,885	1,208,066
Net profit attributable to non-controlling interests		2,468,082	(138,942)
5. Other comprehensive income, net of tax	74	(217,489)	(88,940)
5.1 Other comprehensive income that will not be reclassified to profit or loss		(184,359)	(13,382)
5.2 Other comprehensive income that may subsequently be reclassified to profit or loss upon satisfaction of prescribed condition		(33,130)	(75,558)
6. Total comprehensive income		9,034,478	980,184
Attributable to shareholders of the Company as the parent		6,548,064	1,139,598
Attributable to non-controlling interests		2,486,414	(159,414)
7. Earnings per share			
7.1 Basic earnings per share (RMB yuan/share)		0.5026	0.0932
7.2 Diluted earnings per share (RMB yuan/share)		0.4835	0.0893

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)

1.	Cash flows from operating activities :	Note V	H1 2021	H1 2020
	Proceeds from sale of commodities and rendering of services		60,061,126	30,776,853
	Net increase/(decrease) in customer deposits and deposits from other banks and financial institutions		(602,777)	2,262,400
	Net increase/(decrease) in borrowings from central bank		634,916	831,500
	Net increase in loans from other financial institutions		-	500,000
	Interest, fees and commissions received		74,133	85,692
	Tax and levy rebates		2,530,415	1,409,112
	Cash generated from other operating activities	76	5,032,866	1,133,384
	Subtotal of cash generated from operating activities		67,730,679	36,998,941
	Payments for commodities and services		(42,679,165)	(23,358,384)
	Net (increase)/decrease in loans and advances to customers		(720,348)	(106,115)
	Net (increase)/decrease in deposits in central bank and other banks and financial institutions		(309,934)	319,970
	Cash paid to and for employees		(4,424,050)	(2,545,709)
	Taxes and levies paid		(2,179,393)	(2,253,748)
	Cash used in other operating activities	77	(3,522,074)	(1,707,145)
	Subtotal of cash used in operating activities		(53,834,964)	(29,651,131)
	Net cash generated from in operating activities	82	13,895,715	7,347,810
2.	Cash flows from investing activities :			
	Proceeds from disinvestment		13,223,437	10,040,824
	Return on investment		945,622	245,980
	Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		127,405	146
	Net proceeds from the disposal of subsidiaries and other business units		511,576	199,303
	Cash generated from other investing activities	78	7,079	-
	Subtotal of cash generated from investing activities		14,815,119	10,486,253
	Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		(13,684,031)	(12,491,013)
	Payments for investments		(17,853,045)	(15,202,884)
	Net payments for the acquisition of subsidiaries and other business units		(4,139,505)	-
	Cash used in other investing activities	79	(101,676)	(920)
	Subtotal of cash used in investing activities		(35,778,257)	(27,694,817)
	Net cash used in investing activities		(20,963,138)	(17,208,564)

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 2021	H1 2020
3. Cash flows from financing activities :			
Capital contributions received		8,413,591	2,262,240
Including: Capital contributions by non-controlling interests to subsidiaries		8,413,591	2,262,240
Borrowings raised		34,898,543	28,360,521
Net proceeds from issuance of bonds		2,499,800	4,403,000
Cash generated from other financing activities	80	<u>249,287</u>	<u>71,503</u>
Subtotal of cash generated from financing activities		<u>46,061,221</u>	<u>35,097,264</u>
Repayment of borrowings		(25,245,482)	(18,182,122)
Interest and dividends paid		(4,358,673)	(3,066,421)
Including: Dividends paid by subsidiaries to non-controlling interests		(219,635)	(275,264)
Cash used in other financing activities	81	<u>(3,060,099)</u>	<u>(612,872)</u>
Subtotal of cash used in financing activities		<u>(32,664,254)</u>	<u>(21,861,415)</u>
Net cash generated from financing activities		<u>13,396,967</u>	<u>13,235,849</u>
4. Effect of foreign exchange rates changes on cash and cash equivalents		<u>(44,249)</u>	<u>13,317</u>
5. Net increase in cash and cash equivalents		6,285,295	3,388,412
Add: Cash and cash equivalents, beginning of the period		<u>18,208,417</u>	<u>17,637,743</u>
6. Cash and cash equivalents, end of the period	83	<u>24,493,712</u>	<u>21,026,155</u>

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 2021									Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company as the parent										
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Specific reserve	Other comprehensive income	Surplus reserves	General reserve	Retained earnings		
1. Balance as at the end of the prior year	14,030,788	230,241	5,442,385	(1,913,029)	211	(145,573)	2,452,892	386	14,009,494	55,949,272	90,057,067
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the year	14,030,788	230,241	5,442,385	(1,913,029)	211	(145,573)	2,452,892	386	14,009,494	55,949,272	90,057,067
3. Increase/decrease in the period	-	-	(1,306,941)	(281,990)	456	(235,821)	-	(25)	5,274,191	11,738,486	15,188,356
3.1 Total comprehensive income	-	-	-	-	-	(119,950)	-	-	6,783,885	2,486,414	9,150,349
3.2 Capital increased and reduced by shareholders	-	-	(1,306,941)	(281,990)	-	-	-	-	-	9,503,873	7,914,942
3.2.1 Capital increased by shareholders	-	-	-	-	-	-	-	-	-	8,424,541	8,424,541
3.2.2 Share-based payments included in owners' equity	-	-	122	118,064	-	-	-	-	-	-	118,186
3.2.3 Bonds included in owners' equity	-	-	-	-	-	-	-	-	-	-	-
3.2.4 Others	-	-	(1,307,063)	(400,054)	-	-	-	-	-	1,079,332	(627,785)
3.3 Profit distribution	-	-	-	-	456	-	-	(25)	(1,625,565)	(251,801)	(1,876,935)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-
3.3.2 Appropriation to general reserve	-	-	-	-	456	-	-	(25)	25	-	456
3.3.3 Appropriation to shareholders	-	-	-	-	-	-	-	-	(1,625,590)	(251,801)	(1,877,391)
3.3.4 Others	-	-	-	-	-	-	-	-	-	-	-
3.4 Transfers within owners' equity	-	-	-	-	-	(115,871)	-	-	115,871	-	-
3.4.1 Other comprehensive income transferred to retained earnings	-	-	-	-	-	(115,871)	-	-	115,871	-	-
4. Balance as at the end of the period	14,030,788	230,241	4,135,444	(2,195,019)	667	(381,394)	2,452,892	361	19,283,685	67,687,758	105,245,423

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)

	2020									Total shareholders' equity	
	Equity attributable to shareholders of the Company as the parent										
	Share capital	Other equity instruments	Capital reserves	Treasury stock	Specific reserve	Other comprehensive income	Surplus reserves	General reserve	Retained earnings	Non-controlling interests	
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	-	-	-	-	-	-	-	-	(83)	(99)	(182)
2. Balance as at the beginning of the year	13,528,439	-	5,716,667	(1,952,957)	-	(534,082)	2,238,368	361	11,115,067	33,771,099	63,882,962
3. Increase/decrease in the period	502,349	230,241	(274,282)	39,928	211	388,509	214,524	25	2,894,427	22,178,173	26,174,105
3.1 Total comprehensive income	-	-	-	-	-	388,481	-	-	4,388,159	696,089	5,472,729
3.2 Capital increased and reduced by shareholders	502,349	230,241	(274,282)	39,928	-	-	-	-	-	21,740,157	22,238,393
3.2.1 Capital increased by shareholders	511,509	-	1,488,791	-	-	-	-	-	-	3,273,095	5,273,395
3.2.2 Share-based payments included in owners' equity	(9,160)	-	(16,814)	39,928	-	-	-	-	-	-	13,954
3.2.3 Bonds included in owners' equity	-	230,241	-	-	-	-	-	-	-	-	230,241
3.2.4 Others	-	-	(1,746,259)	-	-	-	-	-	-	18,467,062	16,720,803
3.3 Profit distribution	-	-	-	-	211	-	214,524	25	(1,493,704)	(258,073)	(1,537,017)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	214,524	-	(214,524)	16,983	16,983
3.3.2 Appropriation to general reserve	-	-	-	-	-	-	-	25	(25)	-	-
3.3.3 Appropriation to shareholders	-	-	-	-	-	-	-	-	(1,279,155)	(275,056)	(1,554,211)
3.3.4 Others	-	-	-	-	211	-	-	-	-	-	211
3.4 Transfers within owners' equity	-	-	-	-	-	28	-	-	(28)	-	-
3.4.1 Other comprehensive income transferred to retained earnings	-	-	-	-	-	28	-	-	(28)	-	-
4. Balance as at the end of the period	14,030,788	230,241	5,442,385	(1,913,029)	211	(145,573)	2,452,892	386	14,009,494	55,949,272	90,057,067

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 2021	31 December 2020
Current assets			
Monetary assets		7,960,888	2,208,790
Held-for-trading financial assets		6,191,177	1,221,657
Notes receivable		9,160	6,000
Accounts receivable	1	292,772	175,787
Prepayments		53,948	97,963
Other receivables	2	10,837,350	25,555,924
Inventories		20,092	5,997
Other current assets		2,064,721	2,333
Total current assets		27,430,108	29,274,451
Non-current assets			
Long-term equity investments	3	71,620,969	65,094,459
Investments in other equity instruments	4	15,000	15,000
Other non-current financial assets	5	1,172,821	1,145,022
Investment property		86,718	88,687
Fixed assets		41,932	46,012
Construction in progress		2,358	11,441
Right-of-use assets		463,840	-
Intangible assets		56,739	42,311
Long-term prepaid expense		30,100	469,425
Deferred income tax assets		7	7
Total non-current assets		73,490,484	66,912,364
Total assets		100,920,592	96,186,815

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

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

Liabilities and shareholders' equity:	Note XV	30 June 2021	31 December 2020
Current liabilities			
Short-term borrowings		3,286,694	3,670,231
Derivative financial liabilities		14,095	16,513
Notes payable		-	-
Accounts payable		299,910	129,701
Advances from customers		1,482	-
Contract liabilities		18,194	1,872
Employee benefits payable		264,703	220,510
Taxes and levies payable		12,587	26,071
Other payables		30,769,244	26,377,029
Current portion of non-current liabilities		6,452,300	6,141,029
Other current liabilities		774	316
Total current liabilities		41,119,983	36,583,272
Non-current liabilities			
Long-term borrowings		13,022,000	12,087,500
Bonds payable		14,333,447	14,092,345
Lease liabilities		19,774	-
Long-term employee benefits payable		21,618	21,991
Deferred income		44,258	42,652
Total non-current liabilities		27,441,097	26,244,488
Total liabilities		68,561,080	62,827,760
Share capital			
Share capital		14,030,788	14,030,788
Other equity instruments		230,241	230,241
Capital reserves		9,825,536	9,846,835
Less: Treasury stock		2,195,019	1,913,029
Other comprehensive income		(10,041)	141,998
Surplus reserves		2,250,828	2,250,828
Retained earnings		8,227,179	8,771,394
Total shareholders' equity		32,359,512	33,359,055
Total liabilities and shareholders' equity		100,920,592	96,186,815
Legal representative: <u>Li Dongsheng</u>	Person-in-charge of financial affairs: <u>Du Juan</u>	Person-in-charge of the financial department: <u>Xi Wenbo</u>	

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

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

	Note XV	H1 2021	H1 2020
1. Revenue	6	773,672	486,384
Less: Cost of sales	6	635,555	384,058
Taxes and levies		9,370	4,022
Selling expense		14,403	11,918
Administrative expense		228,082	141,988
R&D expense		64,151	51,618
Finance costs		840,141	543,831
Including: Interest expense		1,232,115	844,394
Interest income		411,290	303,902
Add: Other income		1,757	15,329
Return on investment	7	1,851,151	1,391,855
Including: Share of profit or loss of joint ventures and associates	7	627,705	617,216
Gain on changes in fair value		41,889	98,825
Credit impairment loss		19	601
Asset disposal income		-	-
2. Operating profit		876,786	855,559
Add: Non-operating income		206,554	486,288
Less: Non-operating expense		1,965	7,579
3. Gross profit Less:		1,081,375	1,334,268
Income tax expense		-	-
4. Net profit		1,081,375	1,334,268
5. Other comprehensive income		(152,039)	64,718
6. Total comprehensive income		929,336	1,398,986

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 2021	H1 2020
1. Cash flows from operating activities:			
Proceeds from sale of commodities and rendering of services		618,146	832,527
Tax and levy rebates		-	1,073
Cash generated from other operating activities		<u>21,091,888</u>	<u>112,440</u>
Subtotal of cash generated from operating activities		<u>21,710,034</u>	<u>946,040</u>
Payments for commodities and services		(487,959)	(717,268)
Cash paid to and for employees		(97,433)	(108,049)
Taxes and levies paid		(133,486)	(19,721)
Cash used in other operating activities		<u>(1,102,683)</u>	<u>(964,363)</u>
Subtotal of cash used in operating activities		<u>(1,821,561)</u>	<u>(1,809,401)</u>
Net cash generated from operating activities	8	<u>19,888,473</u>	<u>(863,361)</u>
2. Cash flows from investing activities:			
Proceeds from disinvestment		7,176,816	3,069,748
Return on investment		1,855,032	4,989,820
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets		-	1
Subtotal of cash generated from investing activities		<u>9,031,848</u>	<u>8,059,569</u>
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets		(15,930)	(12,165)
Payments for investments		(20,669,875)	(10,584,137)
Cash used in other investing activities		-	(920)
Subtotal of cash used in investing activities		<u>(20,685,805)</u>	<u>(10,597,222)</u>
Net cash used in investing activities		<u>(11,653,957)</u>	<u>(2,537,653)</u>

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 2021	H1 2020
3. Cash flows from financing activities:			
Capital contributions received		-	-
Borrowings raised		8,200,000	19,360,252
Net proceeds from issuance of bonds		2,499,800	4,403,000
Cash generated from other financing activities		-	60,000
Subtotal of cash generated from financing activities		<u>10,699,800</u>	<u>23,823,252</u>
Repayment of borrowings		(10,571,804)	(10,824,628)
Interest and dividends paid		(2,236,916)	(1,707,229)
Cash used in other financing activities		<u>(409,734)</u>	<u>(16,524)</u>
Subtotal of cash used in financing activities		<u>(13,218,454)</u>	<u>(12,548,381)</u>
Net cash generated from/used in financing activities		<u>(2,518,654)</u>	<u>11,274,871</u>
4. Effect of foreign exchange rates changes on cash and cash equivalents		<u>(18,448)</u>	<u>(3,269)</u>
5. Net increase in cash and cash equivalents		5,697,414	7,870,588
Add: Cash and cash equivalents, beginning of the period		<u>2,196,283</u>	<u>3,941,090</u>
6. Cash and cash equivalents, end of the period	9	<u>7,893,697</u>	<u>11,811,678</u>

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 2021

	Share capital	Other equity instruments	Capital reserves	Treasury stock	Other comprehensive income	Surplus reserves	Retained earnings	Total shareholders' equity
1. Balance as at the end of the prior year	14,030,788	230,241	9,846,835	(1,913,029)	141,998	2,250,828	8,771,394	33,359,055
Add: Adjustment for change in accounting policy	-	-	-	-	-	-	-	-
2. Balance as at the beginning of the year	14,030,788	230,241	9,846,835	(1,913,029)	141,998	2,250,828	8,771,394	33,359,055
3. Increase/decrease in the period	-	-	(21,299)	(281,990)	(152,039)	-	(544,215)	(999,543)
3.1 Total comprehensive income	-	-	-	-	(152,039)	-	1,081,375	929,336
3.2 Capital increased and reduced by shareholders	-	-	(21,299)	(281,990)	-	-	-	(303,289)
3.2.1 Capital increased by owners	-	-	-	-	-	-	-	-
3.2.2 Share-based payments included in owners' equity	-	-	(2,960)	118,064	-	-	-	115,104
3.2.3 Bonds included in owners' equity	-	-	-	-	-	-	-	-
3.2.4 Others	-	-	(18,339)	(400,054)	-	-	-	(418,393)
3.3 Profit distribution	-	-	-	-	-	-	(1,625,590)	(1,625,590)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	-	-	-
3.3.2 Appropriation to shareholders	-	-	-	-	-	-	(1,625,590)	(1,625,590)
3.3.3 Others	-	-	-	-	-	-	-	-
4. Balance as at the end of the period	14,030,788	230,241	9,825,536	(2,195,019)	(10,041)	2,250,828	8,227,179	32,359,512

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)

2020

	Share capital	Other equity instruments	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	502,349	230,241	1,464,059	39,928	85,934	214,524	651,561	2,958,355
3.1 Total comprehensive income	-	-	-	-	85,934	-	2,145,240	2,231,174
3.2 Capital increased and reduced by shareholders	502,349	230,241	1,464,059	39,928	-	-	-	2,236,577
3.2.1 Capital increased by owners	511,509	-	1,488,791	-	-	-	-	2,000,300
3.2.2 Share-based payments included in owners' equity	(9,160)	-	(20,025)	39,928	-	-	-	10,743
3.2.3 Bonds included in owners' equity	-	230,241	-	-	-	-	-	230,241
3.2.4 Others	-	-	(4,707)	-	-	-	-	(4,707)
3.3 Profit distribution	-	-	-	-	-	214,524	(1,493,679)	(1,279,155)
3.3.1 Appropriation to surplus reserves	-	-	-	-	-	214,524	(214,524)	-
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	14,030,788	230,241	9,846,835	(1,913,029)	141,998	2,250,828	8,771,394	33,359,055

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
Notes to Financial Statements
(For the period from 1 January 2021 to 30 June 2021)
(The amounts in tables are expressed in thousands of RMB)

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 ZJXX [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 ZJXX [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 total share capital of the Company from 8,476,218,834 shares to 8,535,088,914 shares.

TCL Technology Group Corporation
Notes to Financial Statements
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(The amounts in tables are expressed in thousands of RMB)

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 total 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 total 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 total share capital of the Company increased from 13,514,972,063 shares to 13,549,648,507 shares.

In 2019, the Company repurchased and retired 21,209,788 restricted shares that had been granted to certain awardees under the 2018 Restricted Stock Incentive Plan & Global Innovation Partner Plan but were still in lockup. As such, the total share capital of the Company 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.

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

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

As at 30 June 2021, the total issued share capital of the Company were 14,030,788,362 shares. Please refer to Note V, 50 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.

TCL Technology Group Corporation
Notes to Financial Statements
(For the period from 1 January 2021 to 30 June 2021)
(The amounts in tables are expressed in thousands of RMB)

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 9 August 2021.

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.

TCL Technology Group Corporation
Notes to Financial Statements
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(The amounts in tables are expressed in thousands of RMB)

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 in all the tables herein 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.

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

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

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

(a) Individual financial statements (continued)

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

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

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

(b) Consolidated financial statements

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

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

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

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

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

(3) 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 return on investment 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 return on investment; 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 return on investment in the current period of acquisition date.

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III Significant accounting policies and accounting estimates (continued)

8 Method for compiling consolidated financial statements

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

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

The impact of internal transactions between the Company and its subsidiaries, and internal transactions between subsidiaries, on the consolidated balance sheet, consolidated income 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 interests.

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

TCL Technology Group Corporation
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(The amounts in tables are expressed in thousands of RMB)

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 return on investment in the current period of loss of control. Other comprehensive income or net profit and loss related to the original subsidiary's equity investment, other comprehensive income and other changes in owner's equity other than profit distribution, will be converted into current return on investment when control is lost, except for other comprehensive gains arising from the re-measurement of net liabilities of the Benefit Plan made by the invested party or changes in net assets.

TCL Technology Group Corporation
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(The amounts in tables are expressed in thousands of RMB)

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 "retained earnings" 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.

TCL Technology Group Corporation
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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 at fair value through profit or loss, transaction expenses are directly recognized in the current profit and loss. For other financial assets, transaction expenses are included in the initial recognition amount.

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

(a) Financial assets classified as measured at amortized cost

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

TCL Technology Group Corporation
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(The amounts in tables are expressed in thousands of RMB)

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 through other comprehensive income

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

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

Notes and accounts receivable at fair value through other comprehensive income are reported as receivables financing, and such other financial assets are reported as other debt investments. Among them, other debt investments maturing within one year from the balance sheet date are reported as the current portion of non-current assets, and other debt investments maturing within one year are reported as other current assets.

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

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

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

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III Significant accounting policies and accounting estimates (continued)

11 Financial instruments (continued)

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

An investment in equity instruments is a financial asset at fair value through profit or loss when it is obtained mainly for recent sale, or is part of the identifiable portfolio of financial assets centrally managed, 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 through profit or loss

If failing to be classified as measured at amortized cost or at fair value through other comprehensive income, or not designated as measured at fair value through other comprehensive income, financial assets are all classified as measured at fair value through profit or loss.

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

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

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

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

If the mixed contract contains one or more embedded derivative instruments and its main contract is not any financial asset as above, the Company may designate the whole of the mixed contract as a financial instrument at fair value through profit or loss. Except under the following circumstances:

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

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

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

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III Significant accounting policies and accounting estimates (continued)

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

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

Subsequent measurement of financial liabilities depends on their classification:

(a) Financial liabilities at fair value through profit or loss

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

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

The Company irrevocably designates financial liabilities as measured at fair value through profit or loss at the time of initial recognition in order to provide more relevant accounting information if:

- ① Such financial liabilities can eliminate or significantly reduce accounting mismatches.
- ② The financial liability portfolio or the portfolio of financial assets and liabilities is managed and evaluated for performance on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and is reported to key management personnel within the enterprise on this basis.

The Company subsequently measures such financial liabilities at fair value. 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.

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

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

(3) Derecognition of financial assets and liabilities

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

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

(b) Conditions for derecognition of financial liabilities

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

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

If the Company repurchases part of a financial liability, the carrying amount of the financial liability shall be distributed according to the proportion of the fair value of the continuing recognition portion and the derecognition portion to the overall fair value on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including transferred non-cash assets or liabilities assumed) shall be included in the current profits and losses.

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III Significant accounting policies and accounting estimates (continued)

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 at fair value through other comprehensive income).
- (b) If the financial asset is partially transferred and the transferred part meets the conditions for derecognition, the carrying amount of the financial asset before transfer shall be allocated between the derecognition portion and the continuing recognition portion (in this case, the retained service asset shall be regarded as the continuing recognition part of the financial asset) according to the respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits and losses:
 - ① The carrying amount of the derecognized portion on the derecognition date.
 - ② The sum of the consideration received for the derecognized portion and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

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III Significant accounting policies and accounting estimates (continued)

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.

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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 through other comprehensive income and financial guarantee contracts and recognizes loss reserves.

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

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

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

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

- (a) If the credit risk of the financial instrument has not increased significantly since its initial recognition 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 through other comprehensive income, the credit loss reserve will offset the carrying amount of the financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes its credit loss reserve in other comprehensive income without reducing its carrying amount presented in the balance sheet.

III Significant accounting policies and accounting estimates (continued)

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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.

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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.

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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.

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.

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III Significant accounting policies and accounting estimates (continued)

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

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

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.

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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

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

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

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

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

(4) Inventory system

The Company adopts a perpetual inventory system for inventory management.

(5) Amortization method of turnover materials

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

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III Significant accounting policies and accounting estimates (continued)

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 not under common control, the combination cost is recognized as investment cost of the long-term equity investment. The combination cost is the fair value of assets paid, the liabilities incurred or assumed, and the equity securities issued to acquire the control of acquired party on the date of acquisition. The difference between the higher combination cost and lower fair value of identifiable net assets of the 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 not under common control realized step by step through multiple transactions, the sum of the book value of equity investment held by the acquirer before the date of acquisition and the new investment cost on the date of acquisition is recognized as initial investment cost, and the combination cost includes the sum of assets paid, the liabilities incurred or assumed by the acquirer, and the fair value of equity securities issued.

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

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

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

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III Significant accounting policies and accounting estimates (continued)

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 return on investment.

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

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III Significant accounting policies and accounting estimates (continued)

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 shareholding ratio from the date of acquisition, is included in the current profit and loss of the period in which loss of control occurred. Other comprehensive income related to the original subsidiary's equity investment should be converted into current investment income when control is lost. The Company shall disclose in the notes the fair value of the remaining equity after disposal on the date of loss of control and the amount of relevant gains or losses arising from the disposal remeasured based on the fair value.

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

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

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III Significant accounting policies and accounting estimates (continued)

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.

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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.

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)	5-18 years	5-20%
Mold (with benefit period more than one year)	1-3 years	33-100%
Office and electronic equipment	3-22 years	4-33%
Transportation equipment	4-8 years	12-25%
Other devices	4-5 years	20-25%
Power stations	25 years	4%

Fixed assets renovation is amortized evenly over the benefit period.

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III Significant accounting policies and accounting estimates (continued)

18 Fixed assets (continued)

(1) Recognition criteria for fixed assets (continued)

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

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.

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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.

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III Significant accounting policies and accounting estimates (continued)

21 Right-of-use assets

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

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

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

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

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III Significant accounting policies and accounting estimates (continued)

22 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.

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III Significant accounting policies and accounting estimates (continued)

23 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.

24 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.

25 Asset transfer with repurchase conditions

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

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III Significant accounting policies and accounting estimates (continued)

26 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.

27 Contract liabilities

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

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III Significant accounting policies and accounting estimates (continued)

28 Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

(c) Termination benefits

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

(d) Other long-term employee benefits

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

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III Significant accounting policies and accounting estimates (continued)

29 Lease liabilities

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

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

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

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

30 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.

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III Significant accounting policies and accounting estimates (continued)

31 Revenue recognition

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

(1) General principles applied to revenue recognition

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

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

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

For any performance obligation with a certain period, the Company shall apply the output method/input method to determine the appropriate fulfillment schedule based on the specific nature of commodities and services. The output method is to determine the fulfillment schedule according to the value of commodities transferred to the client (while the input method is to determine the fulfillment schedule according to the Company’s input to fulfill the performance obligation). If the fulfillment schedule cannot be reasonably determined and the Company’s 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.

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- 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)

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30 Revenue recognition (continued)

(3) Specific revenue recognition method (continued)

(d) Revenue from photovoltaic power stations

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

b. Distributed power stations: Power stations are combined to the grid. The income will be confirmed based on the documents on settlement provided by the business departments of the Company.

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.

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III Significant accounting policies and accounting estimates (continued)

31 Contract cost (continued)

(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.

33 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.

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III Significant accounting policies and accounting estimates (continued)

34 Deferred income tax assets and deferred income tax liabilities

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

- (1) Adjusting goodwill due to income tax arising from business combination;
- (2) Income tax related to transactions or events directly included in shareholders' equity is included in shareholders' equity.

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

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

- (1) Initial recognition of goodwill; or initial recognition of assets or liabilities arising from transactions with the following characteristics: the transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;
- (2) For taxable temporary differences related to investments in subsidiaries, associates and joint ventures, the timing of the reversal of the temporary differences can be controlled and the temporary differences are unlikely to be reversed in the foreseeable future.

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

- (1) The transaction is not a business combination, and does not affect the accounting profits or the amount of taxable income when occurs;
- (2) The deductible temporary differences related to investment in subsidiaries, associates and joint ventures cannot satisfy all the following: the temporary differences are likely to be reversed in the foreseeable future and are likely to be used for deduction of deductible taxable income for temporary differences in the future.

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

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

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III Significant accounting policies and accounting estimates (continued)

35 Leases (applicable before 31 December 2020)

(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.

36 Leases (applicable from 1 Jan. 2021)

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

(1) Lease contract split

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

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

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III Significant accounting policies and accounting estimates (continued)

36 Leases (applicable from 1 Jan. 2021) (continued)

(2) Lease contract combination

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

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

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

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

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

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

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

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

- (b) The accounting policies for right-of-use assets and lease liabilities are detailed in Note III, 21 and Note III, 29.

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III Significant accounting policies and accounting estimates (continued)

36 Leases (applicable from 1 Jan. 2021) (continued)

(4) Accounting treatment with the Company as lessor

(a) Lease classification

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

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

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

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

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

(b) Accounting treatment of finance leases

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

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

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

The Company calculates and recognises the interest income in each period within the lease term at a fixed interest rate implicit in lease. The received variable lease payments that are not included in the measurement of the net investment in the lease are included in profit or loss for the current period when they are actually incurred.

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III Significant accounting policies and accounting estimates (continued)

36 Leases (applicable from 1 Jan. 2021) (continued)

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

(c) Accounting treatment of operating leases

The Company recognises the lease payments receivable of the operating lease as rental receipt in each period within the lease term on a straight-line basis or according to other systemic and reasonable methods; the initial direct costs related to the operating lease are capitalised, amortised within the lease term on the same basis as the recognition of rental receipt, and included in profit or loss for the current period; the received variable lease payments related to the operating lease that are not included in the lease payments receivable are included in profit or loss for the current period when they are actually incurred.

(5) Sale and leaseback

(a) The Company as seller and lessee

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

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

(b) The Company as buyer and lessor

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

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

37 Related parties

If one party controls, commonly controls or exerts a significant influence on the other party, and two or more parties are under the control, common control or significant influence of the other party, they constitute related parties.

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III Significant accounting policies and accounting estimates (continued)

38 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.

39 Changes to major accounting policies and estimates

(1) Changes to accounting policies

From 1 January 2021, the Company started to adopt the Accounting Standards for Business Enterprises No. 21 – Leases revised in 2018 by the Ministry of Finance. For the new accounting policies, please refer to Note III, 36.

On the date of first adoption, the Company chose to reassess whether previously existing contracts were leases or contained leases and applied this method to all contracts consistently. Therefore, the bridging provisions of the Accounting Standards are applicable to only the above-mentioned contracts that are identified as leases under the original accounting standards.

Moreover, regarding the above-mentioned lease contracts, the Company chose to adopt a simplified retrospective application method for the bridging accounting treatment in accordance with the provisions of the Accounting Standards for Business Enterprises No. 28 – Changes in Accounting Policies and Estimates, and Correction of Errors, that is, to adjust the amounts of retained earnings and other relevant items in the financial statements at the beginning of the year when the Accounting Standards were first adopted, without adjusting the information of comparable periods.

The Company's accounting policy for low-value asset leases is not to recognise right-of-use assets and lease liabilities. According to the bridging provisions of the new accounting standards, the accounting treatment of the Company's low-value asset leases before the date of first adoption will be conducted in accordance with the new accounting standards from the date of first adoption, and no retrospective adjustment will be made to the low-value asset leases.

The effects of the adoption of the new lease 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 lease standard	Effect of remeasurement	Carrying amount as per the revised lease standard
Fixed assets	92,829,902	(1,314,306)	91,515,596
Right-of-use assets	-	1,856,862	1,856,862
Long-term prepaid expense	2,536,670	(437,301)	2,099,369
Current portion of non-current liabilities	13,429,670	19,402	13,449,072
Lease liabilities	-	912,551	912,551
Long-term payables	1,280,300	(826,698)	453,602

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III Significant accounting policies and accounting estimates (continued)

39 Changes to major accounting policies and estimates (continued)

(2) Changes to accounting estimates

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

40 Correction of previous accounting errors

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

IV Taxes

1 Value-added tax

In the Reporting Period, output tax was calculated at 3%, 5%, 6%, 9% or 13% of the taxable income of general taxpayers and the value added-tax was paid based on the difference after deducting the allowance deduction of input tax in the current period. The value added-tax payment for the Company's directly exported goods is executed in accordance with the regulations of "Exemption, Offset and Refund". The tax refund rate is 0%-13%.

2 Urban maintenance and construction tax

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

3 Education surcharges

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

4 Dike protection fee

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

5 Property tax

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

6 Corporate income tax

The corporate income tax rate for the Company was 25% in the Current Period (2020: 25%).

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

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IV Taxes (continued)
6 Corporate income tax (continued)

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

Subsidiaries entitled to tax preferences:

Company name	Preferential tax rate	Reason
TCL China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Technology Co., Ltd.	15%	High-tech enterprise
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	15%	High-tech enterprise
Shenzhen TCL High-Tech Development Co., Ltd.	15%	High-tech enterprise
Qingdao Blue Business Consulting Co., Ltd.	15%	High-tech enterprise
Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd.	15%	High-tech enterprise
TianJin Zhonghuan Advanced Material&Technology Co., Ltd.	15%	High-tech enterprise
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	15%	High-tech enterprise
Huansheng Solar (Jiangsu) Co., Ltd.	15%	High-tech enterprise
Zhangjiakou Huan' Ou International New Energy Technology Co., Ltd.	15%	High-tech enterprise
Wuxi Zhonghuan Applied Materials Co., Ltd.	15%	High-tech enterprise
Ningxia Zhonghuan Solar Material Co., Ltd.	15%	Encouraged business in West China
Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd.	15%	Encouraged business in West China, High-tech enterprise
Inner Mongolia Zhonghuan Advanced Semiconductor Material Co., Ltd.	12.50%	Encouraged business in West China, High-tech enterprise
Shangqiu Yaowei Photovoltaic Power Generation Co., Ltd.	12.50%	State-supported public infrastructure project
Tianjin Huanyu Yangguang New Energy Technology Co., Ltd.	12.50%	State-supported public infrastructure project
Huludao Zhongrun Energy Technology Co., Ltd.	12.50%	State-supported public infrastructure project
Kangbao Huanju New Energy Co., Ltd.	12.50%	State-supported public infrastructure project
Qinhuangdao Tianhui Solar Energy Co., Ltd.	12.50%	State-supported public infrastructure project
Huludao Xincheng New Energy Technology Co., Ltd.	12.50%	State-supported public infrastructure project
Dushan Anju Photovoltaic Technology Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Huhehaote Huanju New Energy Development Co., Ltd.	7.5%	State-supported public infrastructure project, Encouraged business in West China
Sonid Left Banner Huanxin New Energy Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Otog Banner Huanju New Energy Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Yixing Huanxing New Energy Co., Ltd.	7.50%	State-supported public infrastructure project
Tianjin Binhai Huanneng New Energy Co., Ltd.	Tax-free	State-supported public infrastructure project
Gaoqing Huanyuan Energy Technology Co., Ltd.	Tax-free	State-supported public infrastructure project
Gaoqing Chengguang Energy Technology Co., Ltd.	Tax-free	State-supported public infrastructure project
Guyuan Shengju New Energy Co., Ltd.	7.50%	State-supported public infrastructure project

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IV Taxes (continued)

6 Corporate income tax (continued)

Zhangjiakou Shengyuan New Energy Co., Ltd.	7.50%	State-supported public infrastructure project
Ningjin Jincheng New Energy Co., Ltd.	Tax-free	State-supported public infrastructure project
Tianjin Zhonghuan New Energy Co., Ltd.	Tax-free	State-supported public infrastructure project
Ongniud Banner Guangrun New Energy Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Tuquan Guanghuan New Energy Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Inner Mongolia New Huanyu Yangguang New Energy Technology Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Gengma Huanxing New Energy Co., Ltd.	7.50%	State-supported public infrastructure project, Encouraged business in West China
Dangxiong Youhao New Energy Development Co., Ltd.	Tax-free	State-supported public infrastructure project, Encouraged business in West China
Shangqiu Suoguang Energy Technology Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Shangqiu Suoneng Energy Technology Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Shangqiu Suoyuan Energy Technology Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Ulanqab Dishengsheng Energy Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Tongliao Guangdong New Energy Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Alxa League Huanju New Energy Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Jinxiang Haotian New Energy Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Shaanxi Runhuan Tianyu Technology Co., Ltd.	Tax-free	State-supported public infrastructure project, Encouraged business in West China
Inner Mongolia Zhonghuan Asset Management Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Inner Mongolia Huanya Hotel Management Co., Ltd.	20%	Small meagre-profit enterprise with a preferential 12.5% taxable income
Zhonghuan Advanced Semiconductor Materials Co., Ltd.	Tax-free	High-tech enterprise, and integrated circuit-related 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.

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V Notes to Consolidated Financial Statements

1 Monetary assets

	<u>30 Jun. 2021</u>	<u>31 Dec. 2020</u>
Cash on hand	626	1,189
Bank deposits	23,727,289	17,744,850
Deposits with the central bank	519,911	209,978
Interest receivable on deposits	134,120	84,459
Other monetary assets	<u>2,992,333</u>	<u>3,668,429</u>
	<u>27,374,279</u>	<u>21,708,905</u>

Note Monetary assets with restricted use rights

	30 Jun. 2021	31 Dec. 2020
TCL Tech Finance's statutory reserve deposits with the central bank	519,911	209,978
Restricted amount of other monetary assets	2,226,536	3,206,051
Interest receivable on deposits	<u>134,120</u>	<u>84,459</u>
	<u>2,880,567</u>	<u>3,500,488</u>

As at 30 Jun. 2021, the Company's bank deposits of RMB519,911 thousand (31 Dec. 2020: 209,978 thousand) are statutory reserve deposits placed in the central bank by TCL Tech Finance Co., Ltd., a subsidiary of the Company.

As at 30 Jun. 2021, the Company's monetary assets abroad amounted to RMB2,307,686 thousand (31 Dec. 2020: RMB1,131,911 thousand), all of which were owned by the overseas subsidiaries of the Company.

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V Notes to Consolidated Financial Statements (Continued)

2 Held-for-trading financial assets

	30 Jun. 2021	31 Dec. 2020
Financial assets at fair value through profit or loss	9,548,577	5,300,046
Including: Debt instrument investments	8,837,274	4,628,306
Equity instrument investments	711,303	671,740
	9,548,577	5,300,046

3 Derivative financial assets

	30 Jun. 2021	31 Dec. 2020
Foreign exchange forwards	139,396	445,690
Others	-	7,888
	139,396	453,578

4 Notes receivable

(1) Notes receivable by category

	30 Jun. 2021	31 Dec. 2020
Bank acceptance notes	1,339,413	576,468
Trade acceptance notes	1,286,809	19,217
	2,626,222	595,685

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V Notes to Consolidated Financial Statements (Continued)

4 Notes receivable (continued)

(1) Notes receivable by category (continued)

	30 Jun. 2021					31 Dec. 2020				
	Gross amount		Allowance for doubtful accounts		Carrying amount	Gross amount		Allowance for doubtful accounts		Carrying amount
	Amount	Percent age	Amount	Percent age		Amount	Percent age	Amount	Percent age	
Notes receivable for which the allowance for doubtful accounts were established on the individual basis	-	-	-	-	-	-	-	-	-	-
Notes receivable for which the allowance for doubtful accounts were established on the grouping basis	2,626,222	100%	-	-	2,626,222	595,685	100%	-	-	595,685
Of which: group with no recovery risk	1,339,413	51%	-	-	1,339,413	576,468	97%	-	-	576,468
By aging analysis	1,286,809	49%	-	-	1,286,809	19,217	3%	-	-	19,217
	<u>2,626,222</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>2,626,222</u>	<u>595,685</u>	<u>100%</u>	<u>-</u>	<u>-</u>	<u>595,685</u>

(2) As at 30 Jun. 2021, notes receivable in pledge were RMB168,090 thousand.

(3) As at 30 Jun. 2021, there were no endorsed or discounted notes receivable that were undue on the balance sheet date and were derecognized.

5 Accounts receivable

	30 Jun. 2021	31 Dec. 2020
Accounts receivable	19,196,620	12,838,895
Less: allowance for doubtful accounts	<u>288,606</u>	<u>281,281</u>
	<u>18,908,014</u>	<u>12,557,614</u>

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V Notes to Consolidated Financial Statements (Continued)

5 Accounts receivable (continued)

- (1) Accounts receivable in the period from 1 Jan. 2021 to 30 Jun. 2021 are classified as follows by how the allowances for doubtful accounts were established:

	Gross amount	30 Jun. 2021	
		Lifetime ECL rate	Gross amount
Accounts receivable for which the related allowances for doubtful accounts were established on the individual basis	133,756	92.36%	123,537
Of which:			
Accounts receivable1	133,756	92.36%	123,537
Accounts receivable for which the related allowances for doubtful accounts were established on the grouping basis	19,062,864	0.87%	165,069
Of which:			
Group 1: by aging analysis	14,481,327	1.14%	164,966
Group 2: by related party grouping	3,771,286	0.003%	103
Group 3: Group with no recovery risk	810,251	-	-
	<u>19,196,620</u>		<u>288,606</u>

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

	30 Jun. 2021		31 Dec. 2020	
	Amount	Percentage	Amount	Percentage
Within 1 year	18,251,725	95.07%	11,810,255	91.99%
1-2 years	340,900	1.78%	392,397	3.06%
2-3 years	401,425	2.09%	400,671	3.12%
Over 3 years	202,570	1.06%	235,572	1.83%
	<u>19,196,620</u>	<u>100%</u>	<u>12,838,895</u>	<u>100%</u>

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V Notes to Consolidated Financial Statements
(Continued)

5 Accounts receivable (continued)

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

	30 Jun. 2021	31 Dec. 2020
Beginning amount	281,281	45,020
New subsidiaries	33,481	199,462
Current accrual	38,813	76,552
Reversal of current period	(60,647)	(26,300)
Write-off of current period	-	(12,439)
Reduced subsidiaries	(4,137)	-
Exchange adjustment	(185)	(1,014)
	288,606	281,281

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

- (5) As at 30 Jun. 2021, the accounts receivable of the top five balances are as follows:

	30 Jun. 2021	31 Dec. 2020
Total amount owed by the top five	7,981,376	6,443,402
Proportion of total accounts receivable	41.58%	50.19%

6 Receivables financing

	30 Jun. 2021	31 Dec. 2020
Notes receivable financing	1,725,478	1,206,289
Accounts receivable financing	-	970,455
	1,725,478	2,176,744

Note Endorsed or discounted notes receivable that were outstanding on the balance sheet date and were derecognized as at 30 Jun. 2021 amounted to RMB12,859,173 thousand.

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V Notes to Consolidated Financial Statements
(Continued)

7 Prepayments

(1) Prepayments are analyzed as follows:

	30 Jun. 2021	31 Dec. 2020
Within 1 year	2,438,126	1,352,128
1-2 years	419	399
2-3 years	341	414
Over 3 years	556	2,712
	<u>2,439,441</u>	<u>1,355,653</u>

(2) As at 30 Jun. 2021, the prepayments of the top five balances are as follows:

	30 Jun. 2021	31 Dec. 2020
Total amount owed by the top five	1,533,285	816,964
As % of total prepayments	62.85%	60.26%

8 Other receivables

	30 Jun. 2021	31 Dec. 2020
Dividends receivable	64,333	-
Other receivables	<u>3,458,681</u>	<u>2,793,640</u>
	<u>3,523,014</u>	<u>2,793,640</u>

(1) Dividends receivable

	30 Jun. 2021	31 Dec. 2020
Fantasia Holdings Group Co., Limited	59,403	-
Sichuan Shengtian New Energy Development Co., Ltd.	<u>4,930</u>	<u>-</u>
	<u>64,333</u>	<u>-</u>

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V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

(2) Other receivables

	30 Jun. 2021	31 Dec. 2020
Other receivables	3,707,232	3,046,810
Less: allowance for doubtful accounts	248,551	253,170
	3,458,681	2,793,640

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

	30 Jun. 2021	31 Dec. 2020
Equity transfer price	1,579,658	100,802
Subsidy receivable	975,964	1,612,041
External unit current account	613,611	678,933
Deposit and security deposit	114,722	343,367
Others	174,726	58,497
	3,458,681	2,793,640

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

	12-month ECL	Lifetime ECL (credit not impaired)	Lifetime ECL (credit impaired)	Total
Beginning amount	64,800	113,836	74,534	253,170
Current accrual	3,877	2,724	-	6,601
Increase due to new subsidiaries	-	-	342	342
Reversal of current period	-	(408)	(22)	(430)
Write-off in current period	-	-	(8,722)	(8,722)
Decrease due to disposal of subsidiary	-	-	(2,227)	(2,227)
Exchange adjustment	(183)	-	-	(183)
30 Jun. 2021	68,494	116,152	63,905	248,551

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V Notes to Consolidated Financial Statements (Continued)

8 Other receivables (continued)

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

	30 Jun. 2021		31 Dec. 2020	
	Carrying amount	Percentage	Carrying amount	Percentage
Within 1 year	3,078,382	83.03%	2,713,832	89.07%
1 to 2 years	379,535	10.24%	80,991	2.66%
2 to 3 years	104,157	2.81%	131,394	4.31%
Over 3 years	145,158	3.92%	120,593	3.96%
	<u>3,707,232</u>	<u>100%</u>	<u>3,046,810</u>	<u>100%</u>

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

(e) As at 30 Jun. 2021, the other receivables of the top five balances are as follows:

	30 Jun. 2021	31 Dec. 2020
Total amount owed by the top five	2,428,989	2,004,109
As % of total other receivables	65.52%	65.78%

(f) As at 30 Jun. 2021, 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.

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V Notes to Consolidated Financial Statements (Continued)

9 Inventories

(1) Inventory is classified as follows:

	30 Jun. 2021			31 Dec. 2020		
	Gross amount	Inventory valuation allowance	Carrying amount	Gross amount	Inventory Valuation allowance	Carrying amount
Raw materials	5,433,586	360,876	5,072,710	2,698,477	196,354	2,502,123
Work in progress	3,228,883	424,693	2,804,190	1,900,684	213,991	1,686,693
Finished goods	6,213,471	491,078	5,722,393	4,606,092	273,232	4,332,860
Turnover materials	<u>302,334</u>	<u>817</u>	<u>301,517</u>	<u>317,162</u>	<u>3,880</u>	<u>313,282</u>
	<u>15,178,274</u>	<u>1,277,464</u>	<u>13,900,810</u>	<u>9,522,415</u>	<u>687,457</u>	<u>8,834,958</u>

As at 30 Jun. 2021, the Company has no inventory for liabilities guarantee.

(2) Inventory valuation allowances are analyzed as follows:

	1 Jan. 2021	Current accrual	New subsidiaries	Current reversal	Current write-off	Disposal of subsidiary	Exchange adjustment	30 Jun. 2021
Raw materials	196,354	189,420	22,353	(12,031)	(34,507)	(713)	-	360,876
Work in progress	213,991	248,267	34,488	(33,024)	(38,092)	(937)	-	424,693
Finished goods	273,232	252,886	11,370	(21,354)	(23,821)	(1,023)	(212)	491,078
Turnover materials	<u>3,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,063)</u>	<u>-</u>	<u>-</u>	<u>817</u>
	<u>687,457</u>	<u>690,573</u>	<u>68,211</u>	<u>(66,409)</u>	<u>(99,483)</u>	<u>(2,673)</u>	<u>(212)</u>	<u>1,277,464</u>

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V Notes to Consolidated Financial Statements (Continued)

10 Contract assets

(1) Contract assets are classified as follows:

	30 Jun. 2021		31 Dec. 2020			
	Gross amount	Valuation allowance	Carrying amount	Gross amount	Valuation allowance	Carrying amount
Electricity charges receivable	246,375	5,282	241,093	186,516	2,866	183,650

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

	1 Jan. 2021	Increase in current period	Increase due to newly acquired subsidiaries	Reversal in current period	Write-off in current period	Exchange adjustment	30 Jun. 2021
Electricity charges	2,866	2,008	479	(71)	-	-	5,282

11 Assets held for sale

	Ending carrying amount	Fair value	Expected disposal expense	Expected time of disposal
Assets held for sale	217,314	219,509	2,195	Within 1 year

As at 30 Jun. 2021, non-current assets expected to be disposed of within 1 year were presented as assets held for sale.

12 Other current assets

	30 Jun. 2021	31 Dec. 2020
Short-term debt investments	2,079,163	1,418,900
VAT to be deducted, to be certified, etc.	3,823,646	3,697,455
Current portion of loans and advances to customers (note)	2,554,365	4,104,903
Others	244,614	145,797
	8,701,788	9,367,055

Note The current portion of loans and advances is loans due within the next year issued by subsidiary TCL Tech Finance Co., Ltd., of which interest receivable is RMB22,840 thousand.

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13 Loans and advances to customers

	30 Jun. 2021	31 Dec. 2020
Loans and advances to customers (note)	<u>288,749</u>	<u>981,876</u>

Note Loans and advances to customers are loans granted by subsidiary TCL Tech Finance Co., Ltd.

14 Debt investments

	30 Jun. 2021	31 Dec. 2020
National debt and secondary market debt (note)	<u>-</u>	<u>119,350</u>

Note As at 30 Jun. 2021, there were no significant debt investments.

15 Other debt investments

	Begin ning amou nt	Interest accrual	Fair value change in current period	Ending amount	Cost	Cumul ative fair value change	Loss allowances cumulatively recognized in other comprehensive income
Trust plans	<u>152,063</u>	<u>918</u>	<u>487</u>	<u>91,976</u>	<u>90,050</u>	<u>1,008</u>	<u>-</u>

Note As at 30 Jun. 2021, there were no significant other debt investments.

16 Long-term receivables

	30 Jun. 2021			31 Dec. 2020			
	Gross amount	Allowance	Carrying amount	Gross amount	Allowance	Carrying amount	
Finance lease	809,720	-	809,720	778,889	-	778,889	7.125% - 9.975%
Of which: unrealized financing income	(943,659)	-	(943,659)	(990,529)	-	(990,529)	
	<u>809,720</u>	<u>-</u>	<u>809,720</u>	<u>778,889</u>	<u>-</u>	<u>778,889</u>	

17 Long-term equity investments

	30 Jun. 2021			31 Dec. 2020		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates (1)	24,980,671	1,624	24,979,047	23,941,424	13,622	23,927,802
Joint ventures (2)	<u>612,087</u>	<u>49,503</u>	<u>562,584</u>	<u>168,737</u>	<u>49,503</u>	<u>119,234</u>
	<u>25,592,758</u>	<u>51,127</u>	<u>25,541,631</u>	<u>24,110,161</u>	<u>63,125</u>	<u>24,047,036</u>

As at 30 Jun. 2021, 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.

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17 Long-term equity investments (continued)

(1) Associates

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
China Innovative Capital Management Limited	1,037,627	-	-	(42,867)	-	-	-	-	-	994,760
LG Electronics (Huizhou) Co., Ltd.	90,381	-	-	5,014	-	-	(12,200)	-	-	83,195
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	39,561	-	-	(1,615)	-	-	-	-	-	37,946
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,668	-	-	1,407	-	-	-	-	-	8,075
Shenzhen Tixiang Business Management Technology Co., Ltd.	2,465	-	-	503	-	-	-	-	-	2,968
TCL Air Conditioner (Wuhan) Co., Ltd.	37,834	-	-	(2,207)	-	-	-	-	-	35,627
TCL Finance (Hong Kong) Co., Limited	23,124	-	83,704	4,677	-	-	-	-	-	111,505
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	12,110	-	-	(7,765)	-	-	-	-	-	4,345
Shenzhen Tianyi Hemeng Education Co., Ltd.	4,719	-	-	(662)	-	-	-	-	-	4,057
Urumqi TCL Equity Investment Management Co., Ltd.	226	-	-	384	-	-	-	-	-	610
Hubei Changjiang Hezhi Equity Investment Fund Partnership (Limited Partnership)	1,367,292	-	(4,059)	197,267	-	-	-	-	-	1,560,500

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17 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	850,489	-	(85,000)	223,386	(3)	-	(589,345)	-	(22)	399,505
Deqing Puhua Equity Investment Fund Partnership (Limited Partnership)	194,671	-	-	(717)	-	-	-	-	-	193,954
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	511,859	-	-	25,340	-	-	-	-	-	537,199
Wuxi TCL Aisikai Semiconductor Industry Investment Fund Partnership (Limited Partnership)	221,698	-	(992)	1,735	-	-	(3,687)	-	-	218,754
Wuxi TCL Venture Capital Partnership (Limited Partnership)	35,638	-	-	(1)	(1)	-	-	-	-	35,636
Ningbo Meishan Bonded Port Qiyu Investment Management Partnership (Limited Partnership)	66,373	-	-	(583)	-	-	-	-	-	65,790
Shanghai Gen Auspicious Venture Capital Partnership (Limited Partnership)	44,084	-	-	15,292	(9)	-	(3,805)	-	-	55,562
Nanjing Zijin A Dynamic Investment Partnership (Limited Partnership)	21,216	-	-	(6)	(1)	-	-	-	-	21,209

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17 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Huizhou Kaichuang Venture Investment Partnership (Limited Partnership)	8,709	-	-	(4)	-	-	-	-	-	8,705
Beijing A Dynamic Venture Capital Center (Limited Partnership)	7,365	-	-	(65)	-	-	-	-	-	7,300
Yixing Jiangnan Tianyuan Venture Capital Company (Limited Partnership)	7,800	-	-	294	(2)	-	-	-	-	8,092
Shenzhen Chuangdong New Industry Investment Fund Enterprise (Limited Partnership)	11,436	-	-	(1)	-	-	-	-	-	11,435
Hubei Changjiang Hezhi Equity Investment Fund Management Co., Ltd.	6,107	-	-	(102)	-	-	(2,250)	-	-	3,755
Huizhou Kaimeng Angel Investment Partnership (Limited Partnership)	2,660	-	-	(14)	-	-	-	-	-	2,646
Ningbo Jiutian Matrix Investment Management Co., Ltd. (note)	2,660	-	-	(279)	-	-	-	-	-	2,381
Urumqi Qixinda Equity Investment Management Co., Ltd.	1,611	-	-	593	-	-	-	-	-	2,204
Urumqi TCL Create Dynamic Equity Investment Management Co., Ltd.	759	-	-	2	-	-	-	-	-	761
Beijing A Dynamic Investment Consulting Co., Ltd.	473	-	-	(3)	-	-	-	-	-	470

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V Notes to Consolidated Financial Statements (Continued)

17 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Shanghai Gen Auspicious Investment Management Co., Ltd.	509	-	-	(7)	-	-	-	-	-	502
Nanjing A Dynamic Equity Investment Fund Management Co., Ltd.	282	-	-	2	-	-	-	-	-	284
Wuxi TCL Medical Imaging Technology Co., Ltd.	40,889	-	-	(3,492)	-	-	-	-	(3)	37,394
Beijing WeMed Medical Equipment Co., Ltd.	4,340	-	(230)	(813)	-	-	-	-	(3,297)	-
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	542,770	-	-	52,200	-	-	-	-	-	594,970
TCL Ventures Fund L.P.	54,220	-	-	(148)	-	-	-	-	226	54,298
Getech Ltd.	26,147	-	-	(886)	-	-	-	-	-	25,261
Qingteng Intellectual Property Holding (Shenzhen) Co., Ltd.	-	-	-	15,721	-	-	-	-	-	15,721
TCL Environmental Technology Co., Ltd.	98,010	-	25,811	7,751	-	-	-	-	-	131,572
Guangdong Innovative Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	377,553	-	-	(6,092)	-	-	-	-	-	371,461
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited	150,677	-	-	(1,779)	-	-	-	-	-	148,898

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17 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
Shenzhen Xinhuo yicheng Recreational and Sports Industry Co., Ltd.	1,514	-	-	(96)	-	-	-	-	-	1,418
JOLED Incorporation	1,192,994	-	-	(113,426)	-	-	-	-	(88,184)	991,384
Sichuan Shengtian New Energy Development Co., Ltd.	457,190	-	-	12,209	-	-	(4,930)	-	-	464,469
Yanyuan Fengguang New Energy Co., Ltd.	58,418	-	-	2,595	-	-	-	-	-	61,013
SunPower Systems International Limited	26,367	-	-	-	-	-	-	-	-	26,367
Zhonghuan Aineng (Beijing) Technology Co., Ltd.	6,067	-	-	1,167	-	-	-	-	-	7,234
Jiangsu Huanxin Semiconductor Co., Ltd.	33,849	-	-	-	-	-	-	-	(33,849)	-
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	86,275	-	-	17,983	-	-	-	-	-	104,258
Hunan Guoxin Semiconductor Technology Co., Ltd.	9,969	-	-	(154)	-	-	-	-	-	9,815
Maxon Solar Technologies, Ltd.	1,883,629	-	219,574	(100,173)	-	15,121	-	-	-	2,018,151
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	463,779	-	-	357,114	-	-	-	-	-	820,893
Ruihuan (Inner Mongolia) Solar Power Co., Ltd.	11,768	-	-	(2,209)	-	-	-	-	-	9,559
Tianjin Zhonghuan Haihe Intelligent Manufacturing Fund Partnership (Limited Partnership)	464,614	-	55,389	(6,432)	-	-	-	-	-	513,571

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17 Long-term equity investments (continued)

(1) Associates (continued)

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period					30 Jun. 2021	
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance		Other increases and decreases
Tianjin Hope Equity Investment Fund Management Co., Ltd.	413	-	-	-	-	-	-	-	-	413
Zhonghuan Feilang (Tianjin) Technology Co., Ltd.	5,126	-	-	(239)	-	-	-	-	-	4,887
Tianjin Zhonghuan Tengliang Technology Co., Ltd.	6,909	-	-	-	-	-	-	-	-	6,909
Ningbo Zhongxin Venture Capital Partnership	-	-	40,000	21	-	-	-	-	-	40,021
Tianjin Huanxin Technology&Development Co., Ltd.	-	-	469,800	(8,998)	-	-	-	-	(15,746)	445,056
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	-	-	600	-	-	-	-	-	-	600
Others	13,305,909	-	(88,082)	677,257	(152,039)	-	(43,939)	-	(45,384)	13,653,722
	<u>23,927,802</u>	<u>-</u>	<u>716,515</u>	<u>1,318,079</u>	<u>(152,055)</u>	<u>15,121</u>	<u>(660,156)</u>	<u>-</u>	<u>(186,259)</u>	<u>24,979,047</u>

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17 Long-term equity investments (continued)

(2) Joint ventures

Name of investee	Beginning amount	Increase due to newly acquired subsidiaries	Increase/decrease in investment in current period	Increase or decrease in current period						30 Jun. 2021
				Investment gains and losses recognized by equity method	Other comprehensive income adjustment	Other equity changes	Declared cash dividends or profits	Impairment allowance	Other increases and decreases	
TCL Huizhou City, Kai Enterprise Management Limited	1,308	-	-	(1)	-	-	-	-	-	1,307
Huizhou TCL Human Resources Service Co., Ltd.	2,121	-	-	(175)	-	-	-	-	-	1,946
Zhangjiakou Qixin Equity Investment Fund Partnership	115,805	-	(20,122)	(1,481)	-	-	-	-	-	94,202
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Tianjin Huanyan Technology Co., Ltd.	-	-	(47,000)	(68)	-	-	-	-	192,000	144,932
TCL Microchip Technology (Guangdong) Co., Ltd.	-	-	335,000	(1,170)	-	-	-	-	(13,633)	320,197
	<u>119,234</u>	<u>-</u>	<u>267,878</u>	<u>(2,895)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,367</u>	<u>562,584</u>

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17 Long-term equity investments (continued)

(3) Impairment allowances for long-term equity investments

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021	Note
Pride Telecom Limited	1,624	-	-	1,624	Note 1
Beijing WeMed Medical Equipment Co., Ltd.	11,998	-	(11,998)	-	
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	<u>49,503</u>	<u>-</u>	<u>-</u>	<u>49,503</u>	Note 1
	<u>63,125</u>	<u>-</u>	<u>(11,998)</u>	<u>51,127</u>	

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.

18 Investments in other equity instruments

				30 Jun. 2021	31 Dec. 2020	
Equity instruments not held-for-trading				<u>1,100,185</u>	<u>1,333,676</u>	
Item name	Dividend income recognized	Accumu- lated gains	Accum- ulated 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 comprehensiv e income transferred to retained earnings
Equity instruments not held-for-trading	3,090	-	(54,428)	115,871	Financial assets not h eld-for-trading	Sold in curr ent period

19 Other non-current financial assets

	30 Jun. 2021	31 Dec. 2020
Equity investments	1,868,405	2,422,328
Debt investments	<u>589,734</u>	<u>633,267</u>
	<u>2,458,139</u>	<u>3,055,595</u>

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20 Investment property

	Buildings and constructions	Land use rights	Total
Gross amount:			
1 Jan. 2021	1,646,742	195,007	1,841,749
Increases			
Increase in current period	3,363	-	3,363
Reclassified from fixed assets and intangible assets	172,328	-	172,328
Reclassified from construction in progress	4,110	-	4,110
Decreases			
Decrease in current period	-	-	-
Reclassified to fixed assets and intangible assets	(1,005,478)	(104,012)	(1,109,490)
30 Jun. 2021	<u>821,065</u>	<u>90,995</u>	<u>912,060</u>
Accumulated depreciation and amortization			
1 Jan. 2021	115,212	10,263	125,475
Increases			
Increase in current period	49,300	1,687	50,987
Reclassified from fixed assets and intangible assets	2,506	-	2,506
Decreases			
Decrease in current period	-	-	-
Reclassified to fixed assets and intangible assets	(39,483)	(4,748)	(44,231)
30 Jun. 2021	<u>127,535</u>	<u>7,202</u>	<u>134,737</u>
Investment property, net:			
30 Jun. 2021	<u>693,530</u>	<u>83,793</u>	<u>777,323</u>
1 Jan. 2021	<u>1,531,530</u>	<u>184,744</u>	<u>1,716,274</u>
Impairment allowances:			
1 Jan. 2021	52,073	-	52,073
Increases			
Increase due to newly acquired subsidiaries	-	-	-
Decreases			
Reclassified to fixed assets and intangible assets	-	-	-
30 Jun. 2021	<u>52,073</u>	<u>-</u>	<u>52,073</u>
Investment property, carrying amount:			
30 Jun. 2021	<u>641,457</u>	<u>83,793</u>	<u>725,250</u>
1 Jan. 2021	<u>1,479,457</u>	<u>184,744</u>	<u>1,664,201</u>

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21 Fixed assets

	Buildings and constructions	Machinery equipment	Office and electronic equipment	Means of transport	Power stations	Others	Total
Gross amount:							
31 Dec. 2020	24,344,118	107,045,621	4,236,113	140,658	2,369,816	9,227	138,145,553
Change of accounting policy	-	(1,570,996)	-	-	-	-	(1,570,996)
1 Jan. 2021	<u>24,344,118</u>	<u>105,474,625</u>	<u>4,236,113</u>	<u>140,658</u>	<u>2,369,816</u>	<u>9,227</u>	<u>136,574,557</u>
Increases							
Increase due to newly acquired subsidiaries	5,991,686	17,004,318	562,940	51,211	-	10,089	23,620,244
Purchase	8,224	236,904	145,660	9,452	8,603	1,236	410,079
Reclassified from investment property	1,005,478	-	-	-	-	-	1,005,478
Reclassified from construction in progress	5,518,257	9,287,721	345,710	13,609	480	240	15,166,017
Decrease							
Written down with government grants	(131,150)	(82,569)	-	-	-	-	(213,719)
Decrease due to newly reduced subsidiaries	(45,077)	(663,743)	(70,836)	(308)	-	-	(779,964)
Reclassified to investment property	(172,328)	-	-	-	-	-	(172,328)
Other decreases	(4,228)	(1,569,022)	(57,451)	(8,204)	(18,348)	(43)	(1,657,296)
Exchange adjustment	<u>1,392</u>	<u>(1,378)</u>	<u>(109)</u>	<u>1</u>	<u>-</u>	<u>(44)</u>	<u>(138)</u>
30 Jun. 2021	<u>36,516,372</u>	<u>129,686,856</u>	<u>5,162,027</u>	<u>206,419</u>	<u>2,360,551</u>	<u>20,705</u>	<u>173,952,930</u>
Accumulated depreciation:							
31 Dec. 2020	3,137,624	38,615,003	1,781,623	89,472	336,269	5,592	43,965,583
Change of accounting policy	-	(256,690)	-	-	-	-	(256,690)
1 Jan. 2021	<u>3,137,624</u>	<u>38,358,313</u>	<u>1,781,623</u>	<u>89,472</u>	<u>336,269</u>	<u>5,592</u>	<u>43,708,893</u>
Increases							
Increase due to newly acquired subsidiaries	2,122,772	15,745,278	462,511	43,426	-	6,744	18,380,731
Accrual	516,854	6,314,567	208,097	12,461	45,658	306	7,097,943
Reclassified from investment property	39,483	-	-	-	-	-	39,483
Decreases							
Written down with government grants	(42,395)	(134,998)	-	-	-	-	(177,393)
Decrease due to newly reduced subsidiaries	(3,336)	(392,348)	(57,734)	(34)	-	-	(453,452)
Reclassified to investment property	(2,506)	-	-	-	-	-	(2,506)
Other decreases	(947)	(603,550)	(27,585)	(6,247)	-	(43)	(638,372)
Exchange adjustment	<u>78</u>	<u>(360)</u>	<u>(60)</u>	<u>(6)</u>	<u>-</u>	<u>(15)</u>	<u>(363)</u>
30 Jun. 2021	<u>5,767,627</u>	<u>59,286,902</u>	<u>2,366,852</u>	<u>139,072</u>	<u>381,927</u>	<u>12,584</u>	<u>67,954,964</u>
Fixed assets, net:							
30 Jun. 2021	<u>30,748,745</u>	<u>70,399,954</u>	<u>2,795,175</u>	<u>67,347</u>	<u>1,978,624</u>	<u>8,121</u>	<u>105,997,966</u>
1 Jan. 2021	<u>21,206,494</u>	<u>67,116,312</u>	<u>2,454,490</u>	<u>51,186</u>	<u>2,033,547</u>	<u>3,635</u>	<u>92,865,664</u>
31 Dec. 2020	<u>21,206,494</u>	<u>68,430,618</u>	<u>2,454,490</u>	<u>51,186</u>	<u>2,033,547</u>	<u>3,635</u>	<u>94,179,970</u>

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21 Fixed assets (continued)

	Buildings and constructions	Machinery equipment	Office and electronic equipment	Means of transport	Power stations	Others	Total
Impairment allowances:							
1 Jan. 2021	771,541	170,409	404,553	3,565	-	-	1,350,068
Increase due to newly acquired subsidiaries	-	81,618	851	-	-	412	82,881
Current accrual	-	37,892	7,532	-	-	-	45,424
Reclassified from investment property	-	-	-	-	-	-	-
Decrease due to newly reduced subsidiaries	(273)	(606)	-	-	-	-	(879)
Write-off in current period	-	-	(186)	-	-	-	(186)
Exchange adjustment	-	-	-	-	-	-	-
30 Jun. 2021	<u>771,268</u>	<u>289,313</u>	<u>412,750</u>	<u>3,565</u>	<u>-</u>	<u>412</u>	<u>1,477,308</u>
Fixed assets, carrying amount							
30 Jun. 2021	<u>29,977,477</u>	<u>70,110,641</u>	<u>2,382,425</u>	<u>63,782</u>	<u>1,978,624</u>	<u>7,709</u>	<u>104,520,658</u>
1 Jan. 2021	<u>20,434,953</u>	<u>66,945,903</u>	<u>2,049,937</u>	<u>47,621</u>	<u>2,033,547</u>	<u>3,635</u>	<u>91,515,596</u>
31 Dec. 2020	<u>20,434,953</u>	<u>68,260,209</u>	<u>2,049,937</u>	<u>47,621</u>	<u>2,033,547</u>	<u>3,635</u>	<u>92,829,902</u>

Please refer to Item 84 of Note V for information on fixed asset mortgage. As at 31 30 Jun. 2021, the gross amount of the fixed assets that were sufficiently depreciated and still in use was RMB26,842,773 thousand.

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

	Carrying amount	Expected time of obtaining ownership certificate
Buildings and constructions (Note)	7,182,588	Within 2022

Note As at 30 Jun. 2021, the fixed assets with pending ownership certificates of the Company are mainly the buildings and constructions of CSOT's t3, t4 and t6 manufacturing bases, as well as the buildings and constructions of Inner Mongolia Zhonghuan Solar Material Co., Ltd., Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd., Inner Mongolia Zhonghuan Advanced Semiconductor Material Co., Ltd., Jiangsu Zhonghuan Enterprise Management Co., Ltd. and Tianjin Zhongke Huanhai Industrial Park Co., Ltd.

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22 Construction in progress

Project name	Budget	Beginning amount	Increase due to newly acquired subsidiaries	Increase in current period	Reclassified to fixed assets in current period	Other decreases	30 Jun. 2021	Investment as % of budget	Progress	Cumulative capitalized interest	Of which: capitalized interest in current period	Interest capitalization rate for current period	Funding source
t6 production line of LCD panel	33,149,000	305,237	-	494,093	(609,954)	(4,798)	184,578	85%	99%	796,952	-	-	Self-funded + external-loan-funded
t7 production line of LCD panel	35,337,000	9,338,643	-	7,332,969	(8,215,250)	(34,753)	8,421,609	60%	74%	278,767	151,647	4.12%	Self-funded + external-loan-funded
t4 production line of LCD panel	27,081,000	10,892,755	-	5,017,585	(176,930)	-	15,733,410	100%	100%	964,569	124,541	3.92%	Self-funded + external-loan-funded
Huizhou modular integration project	5,930,000	1,638,831	-	735,910	(442,924)	(264,002)	1,667,815	90%	86%	12,988	-	-	Self-funded + external-loan-funded
Production line of 8-12-inch semiconductor silicon wafers for integrated circuit	5,707,172	2,027,583	-	522,868	(421,156)	(2,775)	2,126,520	51%	51%	-	-	-	Self-funded
Industrialization phase V of monocrystalline silicon materials for renewable solar power batteries and monocrystalline silicon wafers for ultra-thin high-efficient solar power batteries	9,125,010	1,417,284	-	2,187,078	(1,220,370)	-	2,383,992	72%	72%	35,364	35,364	4.35%	Self-funded
Others	N/A	5,887,978	105,257	5,767,809	(4,079,433)	(1,018,250)	6,663,362	N/A	N/A	N/A	N/A	N/A	N/A
		<u>31,508,311</u>	<u>105,257</u>	<u>22,058,313</u>	<u>(15,166,017)</u>	<u>(1,324,578)</u>	<u>37,181,286</u>						

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23 Right of use assets

Gross amount:	Buildings and constructions	Means of transport	Machinery equipment	Total
1 Jan. 2021	542,391	165	1,570,996	2,113,552
Increases:				
Increase due to new subsidiary	5,078	1,660	182	6,920
Leased in	44,195	-	238,938	283,133
Reduced subsidiary	(12,461)	-	-	(12,461)
Decrease due to contract amendment	-	(167)	-	(167)
Other decreases	-	(248)	(47,995)	(48,243)
Exchange adjustment	(566)	(8)	-	(574)
30 Jun. 2021	578,637	1,402	1,762,121	2,342,160
Accumulated depreciation:				
1 Jan. 2021	-	-	256,690	256,690
Increases				
Increase due to new subsidiary	423	1,100	116	1,639
Accrual	45,522	165	67,047	112,734
Increase due to contract amendment	-	-	-	-
Decreases				
Change of accounting policy	(1,377)	-	-	(1,377)
Reduced subsidiary	-	-	-	-
Decrease due to contract amendment	-	(140)	-	(140)
Other decreases	-	(248)	(11,366)	(11,614)
Exchange adjustment	(27)	-	-	(27)
30 Jun. 2021	44,541	877	312,487	357,905
Right-of-use assets, net				
30 Jun. 2021	534,096	525	1,449,634	1,984,255
1 Jan. 2021	542,391	165	1,314,306	1,856,862
Impairment allowances:				
1 Jan. 2021	-	-	-	-
Increase	-	-	-	-
Accrual	-	-	-	-
Decrease	-	-	-	-
Lease expiration	-	-	-	-
Exchange adjustment	-	-	-	-
30 Jun. 2021	-	-	-	-
Right-of-use assets, carrying amount				
30 Jun. 2021	543,041	525	1,449,634	1,984,255
1 Jan. 2021	542,391	165	1,314,306	1,856,862

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24 Intangible assets

	Land use rights	Non-patent technologies /patents	Others	Total
Gross amount:				
1 Jan. 2021	5,788,722	6,206,466	1,106,104	13,101,292
Increases				
New subsidiary	628,167	-	258,383	886,550
Purchase	845,684	421,702	44,233	1,311,619
Reclassified from investment property	104,012	-	-	104,012
Reclassified from construction in progress	54,404	-	60,758	115,162
Reclassified from development costs	-	757,202	-	757,202
Decreases				
Sale and disposal	(42,312)	(510)	(3,897)	(46,719)
Reclassified to investment property	-	-	-	-
Reduced subsidiary	(8,078)	(1,529)	(68,925)	(78,532)
Written down with government grants	-	-	-	-
Exchange adjustment	(192)	(25,232)	45	(25,379)
30 Jun. 2021	<u>7,370,407</u>	<u>7,358,099</u>	<u>1,396,701</u>	<u>16,125,207</u>
Accumulated amortization:				
1 Jan. 2021	569,351	1,864,170	535,315	2,968,836
Increases				
New subsidiary	36,622	-	129,384	166,006
Accrual	97,228	378,889	78,021	554,138
Reclassified from investment property	4,748	-	-	4,748
Decreases				
Sale and disposal	(1,808)	(226)	(65)	(2,099)
Reclassified to investment property	-	-	-	-
Reduced subsidiary	(2,924)	(170)	(65,986)	(69,080)
Written down with government grants	(3,595)	-	(490)	(4,085)
Exchange adjustment	-	(1,873)	18	(1,855)
30 Jun. 2021	<u>699,622</u>	<u>2,240,790</u>	<u>676,197</u>	<u>3,616,609</u>
Intangible assets, net:				
30 Jun. 2021	<u>6,670,785</u>	<u>5,117,309</u>	<u>720,504</u>	<u>12,508,598</u>
1 Jan. 2021	<u>5,219,371</u>	<u>4,342,296</u>	<u>570,789</u>	<u>10,132,456</u>
Impairment allowances:				
1 Jan. 2021	23,562	32,625	22,224	78,411
New subsidiary	-	-	-	-
Accrual	-	-	-	-
Write-off in current period	-	-	-	-
Exchange adjustment	-	(324)	-	(324)
30 Jun. 2021	<u>23,562</u>	<u>32,301</u>	<u>22,224</u>	<u>78,087</u>
Intangible assets, carrying amount:				
30 Jun. 2021	<u>6,647,223</u>	<u>5,085,008</u>	<u>698,280</u>	<u>12,430,511</u>
1 Jan. 2021	<u>5,195,809</u>	<u>4,309,671</u>	<u>548,565</u>	<u>10,054,045</u>

Please refer to Item 84 of Note V for information on collateralized intangible assets.

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25 Development costs

Development costs are as follows:

	30 Jun. 2021	31 Dec. 2020
Semi-conductor display	1,722,961	1,383,727
Semi-conductor photovoltaic and semi-conductor materials	800,034	720,268
	2,522,995	2,103,995

26 Goodwill

(1) Gross amount of goodwill

Name of investee or item incurring goodwill	Beginning amount	Increase in current period		Decrease in current period	Ending amount
		Incurred in business combination	Increase due to newly acquired subsidiaries	Disposal and 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
Tianjin Zhonghuan Electronics Group Co., Ltd. Note 3	6,726,130	-	-	-	6,726,130
Tianjin Huan'Ou Semiconductor Material&Technology Co., Ltd. Note 4	214,683	-	-	-	214,683
Moka International Limited Note 5	-	1,727,580	-	-	1,727,580
Suzhou China Star Optoelectronics Technology Co., Ltd. Note 6	-	454,644	-	-	454,644
	6,972,232	2,182,224	-	-	9,154,456

(2) Goodwill impairment allowance

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

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.

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26 Goodwill (continued)

Note 2 Highly Information Industry Co., Ltd., a subsidiary of the Company, acquired in October 2016 a 60% interest in Qingdao Blue Business Consulting Co., Ltd. (hereinafter referred to as “Blue Business Consulting”) with a capital of 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 The Company acquired on 1 October 2020 the 100% interest in Tianjin Zhonghuan Electronics Group Co., Ltd. (hereinafter referred to as “Zhonghuan Electronics”) with a cash payment of RMB12,500,000 thousand. As from the date of acquisition, the Group has obtained the control of Zhonghuan Electronics and has thus included it into the consolidated financial statements. As such, the difference between the accumulated investment of the Company in Zhonghuan Electronics (corresponding to the 100% interest) and the fair value of the identifiable net assets of Zhonghuan Electronics attributable to the Company on the settlement date (equal to RMB6,726,130 thousand) was recorded in the Company’s goodwill.

Note 4 Tianjin Huan’Ou Semiconductor Material&Technology Co., Ltd. is a subsidiary of Zhonghuan Electronics, which the Company has acquired in a business combination not involving entities under common control.

Note 5 The Company acquired in April 2021 the 100% interest in Moka International Limited with a cash payment of RMB2,800,000 thousand. As from the date of acquisition, the Group has obtained the control of Moka International Limited. As such, the difference between the accumulated investment of the Company in Moka International Limited (corresponding to the 100% interest) and the fair value of the identifiable net assets of Moka International Limited attributable to the Company on the settlement date (equal to RMB 1,727,580 thousand) was recorded in the Company’s goodwill.

Note 6 The Company acquired in April 2021 a 60% interest in Suzhou China Star Optoelectronics Technology Co., Ltd. (formerly known as “Samsung Suzhou LCD Co. Ltd.”) with a cash payment of RMB4,757,727 thousand. The difference between the accumulated investment of the Company in Suzhou China Star Optoelectronics Technology Co., Ltd. (corresponding to the total 70% interest) and the fair value of the identifiable net assets of Suzhou China Star Optoelectronics Technology Co., Ltd. attributable to the Company on the settlement date (equal to RMB454,644 thousand) was recorded in the Company’s goodwill.

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V Notes to Consolidated Financial Statements (Continued)

27 Long-term prepaid expense

	31 Dec. 2020	Change of accounting policy	1 Jan. 2021	Increase in current period	New subsidiary	Amortization in current period	Disposal of subsidiary	Others	30 Jan. 2021
Improvement expense on leased fixed assets	1,837,100	(437,301)	1,399,799	101,226	-	(100,001)	(10,194)	(22)	1,390,808
Others	699,570	-	699,570	100,486	3,308	(531,043)	(54,327)	(43,343)	174,651
	<u>2,536,670</u>	<u>(437,301)</u>	<u>2,099,369</u>	<u>201,712</u>	<u>3,308</u>	<u>(631,044)</u>	<u>(64,521)</u>	<u>(43,365)</u>	<u>1,565,459</u>

28 Deferred income tax assets and deferred income tax liabilities

(1) Un-offset deferred income tax assets

	30 Jun. 2021		31 Dec. 2020	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Deductible losses	5,644,754	931,240	6,894,358	1,123,164
Asset impairment allowances	3,008,765	678,875	863,644	157,705
Provisions	582,063	104,157	348,755	63,881
Changes in fair value	59,438	10,552	55,115	9,708
Others	1,748,632	370,837	1,236,231	223,630
	<u>11,043,652</u>	<u>2,095,661</u>	<u>9,398,103</u>	<u>1,578,088</u>

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V Notes to Consolidated Financial Statements (Continued)

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

(2) Un-offset deferred income tax liabilities

	30 Jun. 2021		31 Dec. 2020	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Accelerated depreciation of fixed assets	11,508,128	1,871,485	9,964,402	1,632,989
Increase in value of assets as assessed in business combination not involving entities under common control	3,259,401	633,410	1,677,938	330,039
Changes in fair value	2,490,948	441,918	1,387,815	339,098
Government grants	252,256	37,838	120,200	18,030
Others	264,754	39,816	333,004	66,341
	<u>17,775,487</u>	<u>3,024,467</u>	<u>13,483,359</u>	<u>2,386,497</u>

(3) Unrecognized deferred income tax assets

	30 Jun. 2021	31 Dec. 2020
Deductible temporary differences	579,579	450,345
Deductible losses	<u>3,894,326</u>	<u>2,805,343</u>
	<u>4,473,905</u>	<u>3,255,688</u>

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

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V Notes to Consolidated Financial Statements (Continued)

28 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 Jun. 2021	31 Dec. 2020
2020	-	85,905
2021	178,533	186,872
2022	276,375	278,304
2023	494,320	497,214
2024	481,369	487,234
2025	459,764	460,523
2026 onwards	2,003,965	809,291
	3,894,326	2,805,343

29 Other non-current assets

	30 Jun. 2021	31 Dec. 2020
Advance payment for equipment and land use rights (Note)	9,300,306	11,725,289
Advance payment for patents	246,994	244,462
Others	870,791	563,102
	10,418,091	12,532,853

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.

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V Notes to Consolidated Financial Statements (Continued)

30 Short-term borrowings

	30 Jun. 2021	31 Dec. 2020
Unsecured borrowings	8,476,722	10,983,337
Borrowings secured by pledge	342,347	1,059,306
Borrowings secured by collateral	192,000	192,000
Interest payable	11,136	29,071
	9,022,205	12,263,714

As at 30 Jun. 2021, short-term borrowings secured by pledge were RMB342,347 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB1,059,306 thousand), which were secured by the pledge of held-for-trading financial assets of RMB874,123 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB2,111,342 thousand). Short-term borrowings secured by collateral were RMB192,000 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB192,000), which were secured by the collateral of machinery equipment of RMB308,910 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB207,407).

As at 30 Jun. 2021, the Company does not have any short-term borrowings that have expired and have not been repaid.

31 Borrowings from central bank

As at 30 Jun. 2021, the balance of the borrowings of TCL Tech Finance Co., Ltd., a subsidiary of the Company, from the central bank was RMB1,104,750 thousand (31 Dec. 2020: RMB469,834 thousand).

32 Customer deposits and deposits from banks and other financial institutions

	30 Jun. 2021	31 Dec. 2020
Customer deposits and deposits from banks and other financial institutions	2,247,362	2,850,139

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

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V Notes to Consolidated Financial Statements (Continued)

33 Held-for-trading financial liabilities

	30 Jun. 2021	31 Dec. 2020
Financial liabilities at fair value through profit or loss	1,134,251	527,901
	<u>1,134,251</u>	<u>527,901</u>

34 Derivative financial liabilities

	30 Jun. 2021	31 Dec. 2020
Derivative financial liabilities	129,382	384,904
	<u>129,382</u>	<u>384,904</u>

35 Notes payable

	30 Jun. 2021	31 Dec. 2020
Bank acceptance notes	4,425,543	4,324,150
Trade acceptance notes	983,281	401,462
	<u>5,408,824</u>	<u>4,725,612</u>

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

36 Accounts payable

	30 Jun. 2021	31 Dec. 2020
Amounts due to suppliers	24,863,736	16,468,932
	<u>24,863,736</u>	<u>16,468,932</u>

As at 30 Jun. 2021, 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.

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V Notes to Consolidated Financial Statements (Continued)

37 Advances from customers

	30 Jun. 2021	31 Dec. 2020
Advances from customers	<u>41,155</u>	<u>78,597</u>

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.

38 Contract liabilities

	30 Jun. 2021	31 Dec. 2020
Advances from customers	<u>2,635,068</u>	<u>2,004,004</u>

39 Financial assets sold under repurchase agreements

	30 Jun. 2021	31 Dec. 2020
Financial assets sold under repurchase agreements	<u>-</u>	<u>50,080</u>

40 Employee benefits payable and long-term employee benefits payable

(1) Employee benefits payable

	30 Jun. 2021	31 Dec. 2020
Short-term employee benefits payable	2,578,549	1,828,681
Defined contribution plans payable	40,046	25,394
Dismissal benefits payable	<u>-</u>	<u>2,589</u>
	<u>2,618,595</u>	<u>1,856,664</u>

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V Notes to Consolidated Financial Statements (Continued)

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

(1) Employee benefits payable (continued)

(a) Short-term employee benefits payable

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Wages, bonuses, allowances and subsidies	1,493,952	4,664,149	(3,806,094)	2,352,007
Employee services and benefits	20,028	199,099	(168,219)	50,896
Social insurance benefits	37,127	153,742	(140,172)	50,697
Of which: medical insurance	34,566	142,596	(128,972)	48,190
Employment injury insurance	1,016	5,475	(5,329)	1,162
Maternity insurance	1,545	5,671	(5,871)	1,345
Housing fund	36,660	125,161	(124,885)	36,936
Trade union funds and staff education funds	11,498	45,479	(24,964)	32,013
Others	229,416	17,139	(190,567)	55,988
	<u>1,828,681</u>	<u>5,204,769</u>	<u>(4,454,901)</u>	<u>2,578,549</u>

(b) Defined contribution plans

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Basic pension insurance	24,005	231,470	(217,095)	38,380
Unemployment insurance	1,389	7,191	(6,914)	1,666
	<u>25,394</u>	<u>238,661</u>	<u>(224,009)</u>	<u>40,046</u>

(2) Long-term employee benefits payable

	30 Jun. 2021	31 Dec. 2020
Supplementary pension insurance (note)	<u>27,482</u>	<u>27,858</u>

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

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V Notes to Consolidated Financial Statements (Continued)

41 Taxes and levies payable

	30 Jun. 2021	31 Dec. 2020
VAT	148,286	75,769
Corporate income tax	1,054,653	471,670
Individual income tax	58,226	33,518
City construction tax	26,546	23,919
Educational surcharge	19,053	17,105
Others	110,952	48,078
	1,417,716	670,059

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

42 Other payables

	30 Jun. 2021	31 Dec. 2020
Dividends payable	47,240	1,293
Other payables	19,552,468	14,868,140
	19,599,708	14,869,433

(1) Dividends payable

	30 Jun. 2021	31 Dec. 2020
Other non-controlling interests	47,240	1,293

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V Notes to Consolidated Financial Statements (Continued)

42 Other payables (continued)

(2) Other payables

	30 Jun. 2021	31 Dec. 2020
Payables for engineering equipment	12,711,845	9,586,852
Amounts due to external entities	5,421,288	4,192,022
Unpaid expenses	1,274,233	879,629
Deposit and security deposit	<u>145,102</u>	<u>209,637</u>
	<u>19,552,468</u>	<u>14,868,140</u>

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

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V Notes to Consolidated Financial Statements (Continued)

43 Current portion of non-current liabilities

	Note V	30 Jun. 2021	1 Jan. 2021	31 Dec. 2020
Current portion of long-term borrowings (note 1)	45	5,029,308	4,360,381	4,360,381
Current portion of bonds payable		7,499,441	8,146,771	8,146,771
Current portion of lease liabilities	47	380,291	236,574	-
Current portion of long-term payables		152,316	143,938	361,110
Current portion of interest payable		<u>597,186</u>	<u>561,408</u>	<u>561,408</u>
		<u>13,658,542</u>	<u>13,449,072</u>	<u>13,429,670</u>

Note 1 As at 30 Jun. 2021, the current portion of long-term borrowings included unsecured borrowings of RMB5,029,308 thousand (including amounts translated from other currencies). The interest rates of the current portion of long-term borrowings ranged from 1.35% to 6.36% (2020: 1.35%-5.70%).

44 Other current liabilities

	30 Jun. 2021	31 Dec. 2020
After-sales service expense (note)	500,179	197,515
Others	<u>195,476</u>	<u>169,456</u>
	<u>695,655</u>	<u>366,971</u>

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

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V Notes to Consolidated Financial Statements (Continued)

45 Long-term borrowings

	30 Jun. 2021	31 Dec. 2020
Borrowings secured by collateral	40,839,344	39,413,026
Borrowings secured by pledge	596,300	445,100
Unsecured borrowings	<u>52,257,284</u>	<u>38,091,658</u>
	<u>93,692,928</u>	<u>77,949,784</u>
Of which: Current portion of long-term borrowings	<u>(5,029,308)</u>	<u>(4,360,381)</u>
	<u>88,663,620</u>	<u>73,589,403</u>

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

As at 30 Jun. 2021, long-term borrowings secured by collateral were RMB40,839,344 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB39,413,026 thousand), which were secured by the collaterals of land use rights, buildings and constructions and machinery equipment of RMB84,299,614 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB83,524,779 thousand). Long-term borrowings secured by pledge were RMB596,300 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB445,100 thousand), which were secured by the pledges such as rights of charge of RMB304,321 thousand (including amounts translated from other currencies) (31 Dec. 2020: RMB302,447 thousand).

The interest rates of the Company's long-term borrowing ranged from 1.35% to 6.36% in the current period (2020: 1.35%-5.70%).

46 Bonds payable

	30 Jun. 2021	31 Dec. 2020
Corporate bonds	12,072,366	13,047,234
MTN	<u>5,590,763</u>	<u>4,993,539</u>
	<u>17,663,129</u>	<u>18,040,773</u>

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V Notes to Consolidated Financial Statements (Continued)

46 Bonds payable (continued)

(1) Movements in bonds payable

Bond name	Par value	Issue date	Maturity	Issued amount	Increase due to newly acquired subsidiaries	Beginning amount	Issued in current period	Accrued interest as per par value	Amortization of premium or discount	Repaid in current period	Others (note 1)	Ending amount
17TCL01	1,000,000	2017-4-19	5	1,000,000	-	1,000,947	-	-	(180)	-	(1,000,767)	-
17TCL02	3,000,000	2017-7-7	5	3,000,000	-	157,000	-	-	-	-	-	157,000
18TCL01	1,000,000	2018-6-6	5	1,000,000	-	998,544	-	-	297	(829,981)	-	168,860
18TCL02	2,000,000	2018-8-20	5	2,000,000	-	1,996,841	-	-	594	-	-	1,997,435
19TCL01	1,000,000	2019-5-20	5	1,000,000	-	998,056	-	-	285	-	-	998,341
19TCL02	1,000,000	2019-7-23	5	1,000,000	-	998,009	-	-	277	-	-	998,286
19TCL03	2,000,000	2019-10-21	5	2,000,000	-	1,995,742	-	-	554	-	-	1,996,296
20TCL Tech MTN001	3,000,000	2020-3-27	3	3,000,000	-	2,994,641	-	-	1,189	-	-	2,995,830
TCL Private Convertible 1 (Note 2)	600,000	2020-11-11	2	600,000	-	572,190	-	6,000	6,667	-	-	584,857
TCL Private Convertible 2 (Note3)	2,600,000	2020-11-30	2	2,600,000	-	2,380,375	-	6,500	54,246	-	-	2,441,121

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V Notes to Consolidated Financial Statements (Continued)

46 Bonds payable (continued)

(1) Movements in bonds payable (continued)

Bond name	Par value	Issue date	Matu- rity	Issued amount	Increase due to newly acquired subsidiaries	Beginning amount	Issued in current period	Accrued interest as per par value	Amortization of premium or discount	Repaid in current period	Others (note 1)	Ending amount
TCLTEC1	1,957,483	2020-07-14	5	1,957,483	-	1,949,530	-	-	3,900	-	(22,474)	1,930,956
19 Zhonghuan Semiconductor MTN001	600,000	2019-3-15	3	600,000	-	600,263	-	-	(369)	-	(599,894)	-
19 Zhonghuan Semiconductor MTN002	600,000	2019-8-23	3	600,000	-	599,871	-	-	(358)	-	-	599,513
19 Zhonghuan 01 21TCL-MTN001	800,000	2020-6-22	3	800,000	-	798,764	-	-	449	-	-	799,213
(High-growth debt)	2,000,000	2021-5-10	3	2,000,000	-	-	2,000,000	-	(4,580)	-	-	1,995,420
	<u>23,157,483</u>			<u>23,157,483</u>	-	<u>18,040,773</u>	<u>2,000,000</u>	<u>12,500</u>	<u>62,971</u>	<u>(829,981)</u>	<u>(1,623,135)</u>	<u>17,663,129</u>

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

Note 2 TCL Private Convertible 1 is convertible corporate bonds with a maturity of two years. The stock convertible period starts from the first trading day 12 months after the completion of the offering and ends upon the maturity of the bonds. The interest rates for the first and second years are 2% and 1.5% respectively.

Note 3 TCL Private Convertible 2 is convertible corporate bonds with a maturity of two years. The stock convertible period starts from the first trading day six months after the completion of the offering and ends upon the maturity of the bonds. The interest rates for the first and second years are 0.5% and 0.1% respectively.

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V Notes to Consolidated Financial Statements (Continued)

47 Lease liabilities

Item	30 Jun. 2021	1 Jan. 2021
Total lease liabilities	1,266,806	1,149,125
Less: current portion of lease liabilities	380,291	236,574
Total	886,515	912,551

Descriptions of main leases:

① Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd., a subsidiary of the Company, signed a finance lease contract with SPDB Financial Leasing Co., Ltd. in July 2020. According to the contract, 60 fully automatic single-crystal furnaces will be leased for a term of five years. Of the finance lease payables totalling RMB125,689 thousand, RMB108,000 thousand is the principal payable and RMB17,689 thousand is the unrecognised financing costs. The Company's finance lease payables due within one year add up to RMB19,790 thousand and are presented as non-current liabilities due within one year. Its finance lease payables net of those due within one year reach RMB72,067 thousand and are presented as lease liabilities.

② Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd., a subsidiary of the Company, signed a finance lease contract with Tianjin Binhai New Area Technology Financial Leasing Co., Ltd. in August 2020. According to the contract, 240 fully automatic single-crystal furnaces will be leased for a term of five years. Of the finance lease payables totalling RMB473,277 thousand, RMB432,000 thousand is the principal payable and RMB41,277 thousand is the unrecognised financing costs. The Company's finance lease payables due within one year add up to RMB60,177 thousand and are presented as non-current liabilities due within one year. Its finance lease payables net of those due within one year reach RMB319,600 thousand and are presented as lease liabilities.

③ Dushan Anju Photovoltaic Technology Co., Ltd., a subsidiary of the Company, signed a finance lease agreement with China Resources Leasing Co., Ltd. in December 2017. According to the agreement, the photovoltaic modules and EPC equipment included in the Dushan 40MW project will be leased for a term of ten years. Of the finance lease payables totalling RMB299,527 thousand, RMB220,000 thousand is the principal payable, RMB79,527 thousand is the interest payable, and RMB6,600 thousand is the service charge. China Resources Leasing Co., Ltd. signed a finance transfer contract with Taiping & Sinopec Financial Leasing Co., Ltd. on 20 June 2019, transferring the leased assets and all its rights and interests in Dushan Anju Photovoltaic Technology Co., Ltd., including rentals and other payments, to Taiping & Sinopec Financial Leasing Co., Ltd. In June 2019, according to the contract and a newly signed agreement, the long-term account payable was re-recognised. In the end, the long-term account payable amounts to RMB238,106 thousand (excluding tax) and the unrecognised financing amount is RMB55,226 thousand (excluding tax). The Company's finance lease payables due within one year add up to RMB17,924 thousand and are presented as non-current liabilities due within one year. Its finance lease payables net of those due within one year reach RMB124,993 thousand and are presented as lease liabilities.

④ Shangyi Shengyao New Energy Development Co., Ltd., a subsidiary of the Company, signed a finance lease contract with Industrial Bank Financial Leasing Co., Ltd. on 20 May 2021. According to the contract, the EPC equipment and photovoltaic modules included in the Shangyi 160MW project will be leased for a term of 12 years. Of the finance lease payables totalling RMB321,478 thousand (excluding tax), RMB238,938 thousand (excluding tax) is the principal payable and RMB82,540 thousand (excluding tax) is the interest payable. In the finance lease contract, the Company is a co-lessee. The Company's finance lease payables due within one year add up to RMB10,389 thousand (excluding tax) and are presented as non-current liabilities due within one year. Its finance lease payables net of those due within one year reach RMB230,034 thousand (excluding tax) and are presented as lease liabilities.

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V Notes to Consolidated Financial Statements (Continued)

48 Long-term payables

	30 Jun. 2021	1 Jan. 2021	31 Dec. 2020
Long-term payables	528,172	429,602	1,256,300
Technological development fund	<u>-</u>	<u>24,000</u>	<u>24,000</u>
	<u>528,172</u>	<u>453,602</u>	<u>1,280,300</u>

49 Deferred income

Item	Beginning amount	Increase due to newly acquired subsidiaries	Increase in current period	Decrease in current period	Ending amount	Source
Government grants	1,506,777	8,782	1,944,413	(1,873,379)	1,586,593	
Others	3,090	-	12,545	-12,505	3,130	
	<u>1,509,867</u>	<u>8,782</u>	<u>1,956,958</u>	<u>(1,885,884)</u>	<u>1,589,723</u>	

Items involving government grants:

	1 Jan. 2021	Increase due to newly acquired subsidiaries	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 Jun. 2021
Government grants related to assets	483,641	4,721	363,715	(939)	(71,438)	(9,716)	(416,360)	353,624
Government grants related to income	1,023,136	4,061	1,580,698	(638)	(698,323)	(325,231)	(350,734)	1,232,969
	<u>1,506,777</u>	<u>8,782</u>	<u>1,944,413</u>	<u>(1,577)</u>	<u>(769,761)</u>	<u>(334,947)</u>	<u>(767,094)</u>	<u>1,586,593</u>

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

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V Notes to Consolidated Financial Statements (Continued)

50 Share capital

	1 Jan. 2021		Increase/decrease in current period			30 Jun. 2021	
	Amount	Percentage	New issues	Others	Subtotal	Amount	Percentage
1. Restricted shares	1,370,828	9.77%	-	(247,254)	(247,254)	1,123,574	8.01%
2. Unrestricted shares	12,659,960	90.23%	-	247,254	247,254	12,907,214	91.99%
3. Total shares	14,030,788	100%	-	-	-	14,030,788	100%

As at 30 Jun. 2021, the Company's total share capital was 14,030,788 thousand 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.

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V Notes to Consolidated Financial Statements (Continued)

51 Other equity instruments

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Convertible bonds	<u>230,241</u>	<u>-</u>	<u>-</u>	<u>230,241</u>

52 Capital reserves

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Share premium	5,442,385	205	(1,307,146)	4,135,444
Other capital reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,442,385</u>	<u>205</u>	<u>(1,307,146)</u>	<u>4,135,444</u>

53 Treasury stock

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Incentive shares	105,492	400,055	(118,065)	387,482
Repurchased shares	<u>1,807,537</u>	<u>-</u>	<u>-</u>	<u>1,807,537</u>
	<u>1,913,029</u>	<u>400,055</u>	<u>(118,065)</u>	<u>2,195,019</u>

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

54 Surplus reserves

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Statutory surplus reserves	2,270,022	-	-	2,270,022
Discretionary surplus reserves	<u>182,870</u>	<u>-</u>	<u>-</u>	<u>182,870</u>
	<u>2,452,892</u>	<u>-</u>	<u>-</u>	<u>2,452,892</u>

As per China's Company Law, Articles of Association for Companies, accounting standards, the Company and several of its subsidiaries shall appropriate 10% of net profits as statutory surplus reserves until the reserve amount reaches 50% of the registered capital. According to the aforesaid laws and regulations, part of the statutory surplus reserves can be converted into share capital of the Company, and the remaining amount shall not be lower than 25% of the registered capital. After the appropriation to the statutory surplus reserves, the Company may appropriate the discretionary surplus reserves. Upon approval, the discretionary surplus reserves can be used to make up the previous loss or increase the share capital.

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V Notes to Consolidated Financial Statements (Continued)

55 Specific reserve

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
Production safety reserve	<u>211</u>	<u>456</u>	-	<u>667</u>

56 General reserve

	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
General reserve	<u>386</u>	-	<u>(25)</u>	<u>361</u>

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

57 Retained earnings

	H1 2021	H1 2020
Beginning retained earnings	14,009,494	11,115,150
Changes in accounting policies	-	-
Net profit for current period	6,783,885	1,208,066
Decrease in current period	(1,509,694)	(1,279,151)
Including: Appropriated as surplus reserves	-	-
Distributed to ordinary shareholders as dividends	(1,625,590)	(1,279,155)
Others	115,896	4
Ending retained earnings	<u>19,283,685</u>	<u>11,044,065</u>

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V Notes to Consolidated Financial Statements (Continued)

58 Revenue and cost of sales

	H1 2021		H1 2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	73,298,779	57,504,287	29,092,257	26,698,363
Non-core business	<u>999,868</u>	<u>480,685</u>	<u>240,954</u>	<u>42,530</u>
	<u>74,298,647</u>	<u>57,984,972</u>	<u>29,333,211</u>	<u>26,740,893</u>

(1) Core business by operating segment

	Revenue		Cost of sales		Gross profit	
	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Domestic	47,092,570	20,814,425	39,665,140	19,272,087	7,427,430	1,542,338
Overseas	<u>26,206,209</u>	<u>8,277,832</u>	<u>17,839,147</u>	<u>7,426,276</u>	<u>8,367,062</u>	<u>851,556</u>
	<u>73,298,779</u>	<u>29,092,257</u>	<u>57,504,287</u>	<u>26,698,363</u>	<u>15,794,492</u>	<u>2,393,894</u>

(2) The sales revenue from the top five customers combined was RMB23,036,823 thousand and RMB11,621,499 thousand respectively for H1 2021 and H1 2020, accounting for 31.43% and 39.95% of the core business revenue.

59 Interest income/expense and exchange gain

	H1 2021	H1 2020
Interest income	74,133	85,692
Interest expense	12,564	16,278
Exchange gain/(loss)	964	689

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

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V Notes to Consolidated Financial Statements (Continued)

60 Taxes and levies

	H1 2021	H1 2020
City maintenance and construction tax	58,808	6,053
Property tax	105,646	43,614
Stamp tax	65,852	29,668
Educational surcharge	42,123	4,312
Land use tax	14,563	3,280
Others	<u>7,318</u>	<u>357</u>
	<u>294,310</u>	<u>87,284</u>

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

61 Selling expense

	H1 2021	H1 2020
Employee salaries and benefits	275,159	118,172
After-sales service expense	337,843	70,833
Transport expense	13,483	62,420
Branding expense	30,668	11,858
Ad and sales promotion expense	23,685	5,178
Others	<u>220,338</u>	<u>56,204</u>
	<u>901,176</u>	<u>324,665</u>

62 Administrative expense

	H1 2021	H1 2020
Employee salaries and benefits	809,470	239,141
Depreciation and amortization expense	361,440	159,465
Expense for hiring intermediary organizations	443,769	93,429
Others	<u>408,689</u>	<u>277,968</u>
	<u>2,023,368</u>	<u>770,003</u>

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V Notes to Consolidated Financial Statements (Continued)

63 R&D expense

	H1 2021	H1 2020
Depreciation and amortization expense	1,231,865	828,746
Material and lab expense	1,335,606	549,480
Employee salaries and benefits	712,165	275,167
Outsourced development cost	53,166	44,397
Others	95,395	184,711
	<u>3,428,197</u>	<u>1,882,501</u>

64 Finance costs

	H1 2021	H1 2020
Interest expense	2,160,434	1,132,442
Interest income	(187,547)	(250,867)
Exchange loss/(gain)	(201,680)	27,234
Others	47,776	7,213
	<u>1,818,983</u>	<u>916,022</u>

65 Other income

	H1 2021	H1 2020
R&D subsidies	747,743	939,165
Over-deduction in taxable amount for VAT	7,905	1,307
VAT rebates on software	605	8,120
Others	53,781	3,824
	<u>810,034</u>	<u>952,416</u>

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V	Notes to Consolidated Financial Statements (Continued)		
66	Return on investment	H1 2021	H1 2020
	Proceeds from disposal of debt instruments at fair value through profit or loss	390,636	53,588
	Proceeds from disposal of equity instruments at fair value through profit or loss	50,360	21,704
	Proceeds from holding of equity instruments at fair value through profit or loss	3,708	22,482
	Proceeds from holding of debt instruments at fair value through profit or loss	107,165	111,645
	Proceeds from holding of equity instruments at fair value through other comprehensive income	3,090	1,136
	Share of net income of associates	1,318,079	871,340
	Share of net income of joint ventures	(2,895)	10,163
	Net income from disposal of long-term equity investments	849,880	288,383
	Others	<u>68,182</u>	<u>(39,776)</u>
		<u>2,788,205</u>	<u>1,340,665</u>
67	Gain on changes in fair value	H1 2021	H1 2020
	Held-for-trading financial assets	(20,788)	106,075
	Derivative financial assets	(327,549)	16,811
	Held-for-trading financial liabilities	(11,045)	(8,860)
	Derivative financial liabilities	<u>45,186</u>	<u>8</u>
		<u>(314,196)</u>	<u>114,034</u>
68	Credit impairment loss	H1 2021	H1 2020
	Loss on uncollectible accounts receivable	(21,834)	4,180
	Loss on uncollectible other receivables	6,171	(175)
	Other financial assets	<u>27,108</u>	<u>(2,881)</u>
		<u>11,445</u>	<u>1,124</u>

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V Notes to Consolidated Financial Statements (Continued)

69 Asset impairment loss

	H1 2021	H1 2020
Inventory valuation loss	624,164	328,603
Loss on impairments of fixed assets	45,424	-
Loss on impairment of contract assets	1,937	-
Loss on impairment of other assets	<u>125,994</u>	<u>79</u>
	<u>797,519</u>	<u>328,682</u>

70 Asset disposal income

	H1 2021	H1 2020
Income/(loss) from disposal of fixed assets	(2,338)	1,320
Income/(loss) from disposal of intangible assets	27,166	-
Income from disposal of other non-current assets	<u>(501)</u>	<u>-</u>
	<u>24,327</u>	<u>1,320</u>

71 Non-operating income

	H1 2021	H1 2020	Amount through current non-recurring gains and losses
Gains on retired or damaged non-current assets	-	63	-
Government grants and others	<u>267,948</u>	<u>491,876</u>	<u>267,948</u>
	<u>267,948</u>	<u>491,939</u>	<u>267,948</u>

72 Non-operating expense

	H1 2021	H1 2020	Amount through current non-recurring gains and losses
Losses on retired or damaged non-current assets	2,394	139	2,394
Others	<u>9,593</u>	<u>18,662</u>	<u>9,593</u>
	<u>11,987</u>	<u>18,801</u>	<u>11,987</u>

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V Notes to Consolidated Financial Statements (Continued)

73 Income tax expense

(1) Income tax expense

	H1 2021	H1 2020
Current income tax expense	1,119,370	141,710
Deferred income tax expense	294,204	22,877
	1,413,574	164,587

(2) Accounting profit and income tax adjustment process

	H1 2021	H1 2020
Gross profit	10,665,541	1,233,711
Income tax expense calculated at statutory/applicable tax rate	2,666,385	308,428
Impact of different tax rates applied to subsidiaries	(7,233)	(123,181)
Impact of adjusting income tax in previous periods	(12,685)	5,403
Impact of non-taxable income	(599,904)	(83,807)
Impact of non-deductible costs, expenses and losses	5,418	3,814
Impact of deductible losses on the use of previously unrecognized deferred income tax assets	(201,562)	(2,742)
Impact of deductible temporary differences or deductible losses of unrecognized deferred income tax assets in the current period	81,396	95,350
Others	(518,241)	(38,678)
Income tax expense	1,413,574	164,587

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V Notes to Consolidated Financial Statements (Continued)

74 Other comprehensive income

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

	H1 2021	H1 2020
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	1,270	(6,233)
Amount attributable to the Company in the current period	1,270	(6,233)
Previous other comprehensive income reclassified to retained earnings for current period		
2. Changes in fair value of other equity instruments	(185,629)	(7,149)
Current gain/(loss)	(84,931)	(7,145)
Previous other comprehensive income reclassified to retained earnings for current period	(115,871)	(4)
Income tax effects recorded in other comprehensive income	15,173	
II. Items that will be reclassified to profit or loss subsequently		
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method	(153,326)	65,127
Amount attributable to the Company in the current period	(153,326)	65,127
Income tax effects recorded in other comprehensive income	-	
2. Changes in fair value of financial assets recorded in other comprehensive income	487	(637)
Current gain/(loss)	487	(637)
3. Cash flow hedges	(4,105)	(76,988)
Current gain/(loss)	(782)	(118,895)
Previous other comprehensive income reclassified to profit for current period	-	(76,988)
Income tax effects recorded in other comprehensive income	(3,323)	
4. Differences arising from translation of foreign currency financial statements of overseas operations	123,814	(63,060)
5. Net income arising from disposal of overseas operations through profit or loss	-	
	(217,489)	(88,940)

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V Notes to Consolidated Financial Statements (Continued)

74 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	Fair value changes of other debt instruments	Other comprehen sive income transferred to retained earnings	Subtotal	Non- controlling interests	Total other comprehensiv e income
1 Jan. 2020	334,950	230,179	(350,407)	(34,472)	(733,647)	19,315	-	-	(534,082)	(38,016)	(572,098)
Change in 2020	-	83,771	(162)	28,784	224,208	51,880	-	28	388,509	19,044	407,553
31 Dec. 2020	334,950	313,950	(350,569)	(5,688)	(509,439)	71,195	-	28	(145,573)	(18,972)	(164,545)
Change in H1 2021	-	(152,056)	-	(4,389)	121,308	(200,802)	118	-	(235,821)	18,332	(217,489)
30 Jun. 2021	334,950	161,894	(350,569)	(10,077)	(388,131)	(129,607)	118	28	(381,394)	(640)	(382,034)

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V Notes to Consolidated Financial Statements (Continued)

75 Earnings per share

(1) Basic earnings per share

	H1 2021	H1 2020
Net profit attributable to shareholders of the Company as the parent	6,783,885	1,208,066
Weighted average outstanding ordinary shares (in thousand shares)	13,497,433	12,956,324
Basic earnings per share (RMB yuan/share)	0.5026	0.0932

(2) Diluted earnings per share

	H1 2021	H1 2020
Net profit attributable to shareholders of the Company as the parent	6,783,885	1,208,066
Diluted weighted average outstanding ordinary shares (in thousand shares)	14,030,788	13,528,439
Diluted earnings per share (RMB yuan/share)	0.4835	0.0893

76 Cash generated from other operating activities

Cash generated from other operating activities in the consolidated cash flow statement was RMB5,032,866 thousand (H1 2020: RMB1,133,384 thousand), which primarily consisted of current payments received and government grants.

77 Cash used in other operating activities

Cash used in other operating activities in the consolidated cash flow statement was RMB3,522,074 thousand (H1 2020: RMB1,707,145 thousand), which primarily consisted of various expenses and current payments.

78 Cash generated from other investing activities

Cash generated from other investing activities in the consolidated cash flow statement was RMB7,079 thousand (H1 2020: nil), which primarily consisted of net cash from obtained subsidiaries.

79 Cash used in other investing activities

Cash used in other investing activities in the consolidated cash flow statement was RMB101,676 thousand (H1 2020: RMB920 thousand), which primarily consisted of net cash from disposal of subsidiary.

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V Notes to Consolidated Financial Statements (Continued)

80 Cash generated from other financing activities

Cash generated from other financing activities in the consolidated cash flow statement was RMB249,287 thousand (H1 2020: RMB71,503), which primarily consisted of amounts received from finance leases.

81 Cash used in other financing activities

Cash used in other financing activities in the consolidated cash flow statement was RMB3,060,099 thousand (H1 2020: RMB612,872 thousand), which was mainly cash paid to acquire non-controlling interests and to repurchase shares.

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V Notes to Consolidated Financial Statements (Continued)

82 Supplementary information for the cash flow statement

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

	H1 2021	H1 2020
Net profit	9,251,967	1,069,124
Add: Asset impairment allowance	808,964	329,806
Depreciation of fixed assets	7,148,930	3,491,547
Depreciation of right-of-use assets	112,734	-
Amortization of intangible assets	554,138	301,654
Amortization of long-term prepaid expense	631,044	440,611
Loss/(Income) from disposal of fixed assets, intangible assets and other long-lived assets	(24,327)	(1,320)
Loss on retired or damaged fixed assets	2,394	76
Loss/(Gain) on changes in fair value	314,196	(114,034)
Financial Expenses	1,970,354	1,175,265
Return on Investment	(2,788,205)	(1,340,665)
Decrease/(Increase) in deferred income tax assets	(517,573)	(19,727)
Increase/(Decrease) in deferred income tax liabilities	637,970	42,461
Decrease/(Increase) in inventory	(5,690,016)	136,545
Decrease/(Increase) in operating receivables	(9,741,065)	(3,060,866)
Increase/(Decrease) in operating receivables	13,615,809	4,335,225
Others	(2,391,599)	562,108
Net cash generated from/used in operating activities	<u>13,895,715</u>	<u>7,347,810</u>

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

	H1 2021	H1 2020
Payments of cash and cash equivalents made in current period due to business combinations incurred in current period	9,768,401	-
Less: cash and cash equivalents held by subsidiary on acquisition date	5,628,896	-
Add: Payments of cash and cash equivalents made in current period due to business combinations incurred in previous periods	-	-
Net cash payments for acquisition of subsidiaries	<u>4,139,505</u>	<u>-</u>

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

Cash or cash equivalents received in current period due to disposal of subsidiary in current period	1,412,399	219,596
Less: cash and cash equivalents held by subsidiary on the date when the Company's control over the subsidiary ceased	900,823	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	<u>511,576</u>	<u>199,303</u>

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V Notes to Consolidated Financial Statements (Continued)

82 Supplementary information for the cash flow statement

(4) Breakdown of cash and cash equivalents

	30 Jun. 2021	31 Dec. 2020
1. Cash	24,493,712	18,208,417
Of which: Cash on hand	626	1,189
Bank deposits available for payment on demand	23,727,289	17,744,850
Other monetary assets available for payment on demand	765,797	462,378
2. Cash equivalents	<u>-</u>	<u>-</u>
3. Cash and cash equivalents, end of the period	<u>24,493,712</u>	<u>18,208,417</u>

83 Changes in cash and cash equivalents, net

	H1 2021	H1 2020
Ending cash and cash equivalents	24,493,712	21,026,155
Less: Beginning cash	<u>18,208,417</u>	<u>17,637,743</u>
Net increase in cash and cash equivalents	<u>6,285,295</u>	<u>3,388,412</u>
Analysis of ending cash and cash equivalents:		
Ending monetary assets	27,374,279	21,542,628
Less: Ending non-cash equivalents (note)	<u>2,880,567</u>	<u>516,473</u>
Ending cash and cash equivalents	<u>24,493,712</u>	<u>21,026,155</u>

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

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V Notes to Consolidated Financial Statements (Continued)

84 Assets with restricted ownership or use rights

	30 Jun. 2021	Reason for restriction
Monetary assets	519,911	Statutory reserve deposits in the central bank
Monetary assets	2,360,656	Security deposits
Notes receivable	168,090	Pledge
Fixed assets	82,445,386	As collateral for loan
Intangible assets	2,391,402	As collateral for loan
Held-for-trading financial assets	874,123	As pledge for loan
Construction in progress	56,461	As collateral for loan
Right-of-use assets	58,267	As collateral for lease
Accounts receivable	373,708	Pledge
Contract assets	122,745	Pledge
	<u>89,370,749</u>	

85 Foreign currency monetary items

	30 Jun. 2021		
	Foreign currency balance	Conversion rate	RMB balance
Monetary assets			
Including: USD	1,096,209	6.4601	7,081,617
HKD	273,331	0.8320	227,411
EUR	7,437	7.6914	57,198
JPY	28,708	0.0585	1,679
CHF	117	7.0157	821
Accounts receivable			
Including: USD	1,251,035	6.4601	8,081,810
HKD	1,016,125	0.8320	845,416
EUR	0.2	7.6914	1
Receivables financing			
Including: USD	43,967	6.4601	284,034
Accounts payable			
Including: USD	359,874	6.4601	2,324,823
HKD	1,832,923	0.8320	1,524,992
JPY	3,166,854	0.0585	185,261
AUD	108	4.8567	526
EUR	0.04	7.6914	0.3
CHF	117	7.0157	821

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85 Foreign currency monetary items (continued)

	30 Jun. 2021		
	Foreign currency balance	Conversion rate	RMB balance
Other receivables			
Including: USD	3,786	6.4601	24,458
HKD	91,098	0.8320	75,794
JPY	11,970	0.0585	700
PLN	1,640	1.7015	2,790
INR	58,019	0.0870	5,048
KRW	102,390	0.0057	585
EUR	9	7.6914	69
MXN	8,512	0.3263	2,777
Notes payable			
Including: USD	28,334	6.4601	183,039
EUR	1,929	7.6914	14,833
JPY	1,185,272	0.0585	69,338
Other payables			
Including: USD	257,114	6.4601	1,660,981
HKD	457,153	0.8320	380,351
JPY	26,820,263	0.0585	1,568,985
INR	1,226,971	0.0870	106,746
PLN	155	1.7015	264
KRW	619	0.0057	4
MXN	11,778	0.3263	3,843
EUR	12	7.6914	89
Short-term borrowings			
Including: USD	226,996	6.4601	1,466,417
Long-term borrowings			
Including: USD	2,008,420	6.4601	12,974,594
EUR	142,000	7.6914	1,092,179

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VI Changes to Consolidation Scope

1 Newly consolidated entities for current period

Name of investee	Consolidated period	Reason for change	Registered capital	The Company's interest
Shenzhen Huatuo Trade Technology Co., Ltd.	Jan.-Jun. 2021	Newly incorporated	RMB10,000,000	100.00%
Xiamen Xinying Display Technology Co., Ltd.	Jan.-Jun. 2021	Newly incorporated	RMB300,000,000	55.00%
Shaanxi Xiaoyi E-commerce Service Co., Ltd.	Feb.-Jun. 2021	Newly incorporated	RMB1,000,000	60.00%
Shaanxi Runhuan Tianyu Technology Co., Ltd.	Feb.-Jun. 2021	Combination not under common control	RMB65,800,000	100.00%
Highly (Tianjin) Technology Co., Ltd.	Mar.-Jun. 2021	Newly incorporated	RMB50,000,000	100.00%
Zhonghuan Advanced Semiconductor (Shanghai) Co., Ltd.	Feb.-Jun. 2021	Newly incorporated	RMB40,000,000	100.00%
Ningxia Zhonghuan Solar Material Co., Ltd.	Mar.-Jun. 2021	Newly incorporated	RMB100,000,000	100.00%
Suzhou China Star Optoelectronics Technology Co., Ltd.	Apr.-Jun. 2021	Combination not under common control	RMB6,260,405,000	70%
Suzhou China Star Optoelectronics Display Co., Ltd.	Apr.-Jun. 2021	Combination not under common control	RMB1,535,850,989	100.00%
Moka International Limited and its subsidiaries	Apr.-Jun. 2021	Combination not under common control	USD1	100.00%
Huizhou Shengyao New Energy Technology Co., Ltd.	Mar.-Jun. 2021	Newly incorporated	RMB1,000,000	100.00%
Inner Mongolia Huanya Hotel Management Co., Ltd.	Apr.-Jun. 2021	Newly incorporated	RMB500,000	100.00%
Huludao Xincheng New Energy Technology Co., Ltd.	Jun. 2021	Combination not under common control	RMB51,200,000	100.00%

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VI Changes to Consolidation Scope (Continued)

1 Newly consolidated entities for current period (continued)

Note Business combination not involving entities under common control incurred in the current period

(1) Acquisition of equity interests in Suzhou China Star Optoelectronics Technology Co., Ltd.

① The cost of acquisition and goodwill were recognized as follows:

The Group acquired in April 2021 (the date of acquisition) a 60% interest in Suzhou China Star Optoelectronics Technology Co., Ltd. (formerly known as “Samsung Suzhou LCD Co. Ltd.” with a cash payment of RMB4,757,727 thousand. At the date of acquisition, the Group held a total 70% interest in Suzhou China Star Optoelectronics Technology Co., Ltd., which was included in the consolidated financial statements. This subsidiary is primarily engaged in semiconductor display and materials.

Cash consideration	4,757,727
Fair value of previous equity-holdings at acquisition date	804,238
Less: Share of fair value of identifiable net assets acquired	5,107,321
Goodwill	454,644

② The assets and liabilities as at the acquisition date are as follows:

	Fair value at acquisition date	Carrying value at acquisition date	Increase in valuation
Current assets	3,971,903	3,969,241	2,662
Non-current assets	4,634,564	3,689,880	944,684
Current liabilities	1,069,818	1,069,818	-
Less: non-controlling interests	-	-	-
Net assets acquired	7,296,173	6,585,664	710,509

③ Assets evaluated as appreciated assets were mainly buildings and constructions and intangible assets-land use rights. The assessment methods for the above assets are as follows:

a Buildings are mainly appraised by the replacement method: According to construction project materials and settlement data, the full replacement value of a building (structure) is calculated based the project volume of the building, taking into account the current quota standard, market price level, stipulated construction fees, and lending rate, and the newness rate is determined comprehensively based on the service life of the building and the on-site survey of the building, before the net appraisal value of the building is calculated;

b The methods for land use right appraisal include the market approach and the method of benchmark land price coefficient modification: The market approach is a method used to estimate the price of a piece of land at the time of appraisal by comparing the land being valued with similar instances of land that has been traded recently according to the principle of substitution, and making adjustments for the differences between them, such as transaction situation, time, region and individual factors, based on the known prices of the latter. The idea behind the method of benchmark land price coefficient modification is that the regional and other conditions of the land being valued are compared with the average conditions of the region in which it is located according to the principle of substitution, using appraisal results such as the urban benchmark land price and the benchmark land price modification coefficient table, and then corresponding modification coefficients are selected from the modification coefficient table to modify the benchmark land price, so as to determine the price of the land being valued on the valuation date.

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VI Changes to Consolidation Scope (Continued)

1 Newly consolidated entities for current period (continued)

(2) Acquisition of 100% equity interests in Suzhou China Star Optoelectronics Display Co., Ltd.

① The cost of acquisition and goodwill were recognized as follows:

The Group acquired in April 2021 (the date of acquisition) the 100% equity interests in Suzhou China Star Optoelectronics Display Co., Ltd. (formerly known as “Samsung Display Suzhou Co., Ltd.” with a cash payment of RMB2,210,673 thousand. At the date of acquisition, the Group obtained control of Suzhou China Star Optoelectronics Display Co., Ltd., which was included in the consolidated financial statements. This subsidiary is primarily engaged in semiconductor display and materials.

Cash consideration	2,210,673
Less: Share of fair value of identifiable net assets acquired	2,250,973
Goodwill	(40,300)

② The assets and liabilities as at the acquisition date are as follows :

	Fair value at acquisition date	Carrying value at acquisition date	Increase in valuation
Current assets	1,425,877	1,424,467	1,410
Non-current assets	1,222,641	1,012,405	210,236
Current liabilities	341,207	341,207	-
Less: non-controlling interests	-	-	-
Net assets acquired	2,250,973	2,092,238	158,735

③ Assets evaluated as appreciated assets were mainly intangible assets-land use rights. The assessment methods are as follows:

a The methods for land use right appraisal include the market approach and the method of benchmark land price coefficient modification: The market approach is a method used to estimate the price of a piece of land at the time of appraisal by comparing the land being valued with similar instances of land that has been traded recently according to the principle of substitution, and making adjustments for the differences between them, such as transaction situation, time, region and individual factors, based on the known prices of the latter. The idea behind the method of benchmark land price coefficient modification is that the regional and other conditions of the land being valued are compared with the average conditions of the region in which it is located according to the principle of substitution, using appraisal results such as the urban benchmark land price and the benchmark land price modification coefficient table, and then corresponding modification coefficients are selected from the modification coefficient table to modify the benchmark land price, so as to determine the price of the land being valued on the valuation date.

(3) Acquisition of 100% equity interests in Moka International Limited

① The cost of acquisition and goodwill were recognized as follows:

The Group acquired in April 2021 (the date of acquisition) the 100% equity interests in Moka International Limited with a cash payment of RMB2,800,000 thousand. At the date of acquisition, the Group obtained control of Moka International Limited, which was included in the consolidated financial statements. Based on the relevant performance commitments, the fair value of a contingent consideration was expectedly RMB181,220 thousand. This subsidiary primarily processes intelligent terminals.

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VI Changes to Consolidation Scope (Continued)

1 Newly consolidated entities for current period (continued)

Cash consideration	2,800,000
Fair value of contingent consideration	181,220
Less: Share of fair value of identifiable net assets acquired	1,253,640
Goodwill	1,727,580

② The assets and liabilities as at the acquisition date are as follows:

	Fair value at acquisition date	Carrying value at Acquisition date	Increase in valuation
Current assets	6,906,681	6,906,681	-
Non-current assets	515,635	217,038	298,597
Current liabilities	5,919,055	5,919,055	-
Less: non-controlling interests	-	-	-
Net assets acquired	1,253,640	1,029,250	224,390

Assets evaluated as appreciated assets were mainly buildings and constructions, machinery equipment, electronic equipment and intangible assets (including the right to use land as well as technological assets like patents, know-how, software copyrights). The assessment methods for the above assets are as follows:

- a The primary assessment methods for buildings and constructions are the market comparison approach, the income capitalization approach and the replacement cost approach. In terms of the market comparison approach, the subject property is compared with similar real estate transaction cases that have happened recently or will happen soon, transaction conditions, time price formation, regional factors (external conditions of the real estate), and individual factors (own conditions of the real estate). The reasonable market price most possible for the subject property is calculated after necessary correction of the known prices of real estate transaction cases that have happened recently or will happen soon. With respect to the income capitalization approach, first, the future normal net earnings of the subject property are estimated, when the value of the subject property is calculated. Then, a suitable capitalization rate is selected and discounted to the valuation date for summation to estimate the value of the subject property. In regard to the replacement cost approach, the basic formula is: Full replacement value of the building x newness rate = value of the subject property.
- b Machinery and equipment are valued mainly by the replacement method based on market prices, combined with the characteristics of the machinery and equipment being valued and the information collected;
- c The full replacement value of electronic equipment is determined based on its tax-exclusive purchase prices according to local market information and recent market price data such as those provided by Zhongguancun Online;
- d The main assessment methods for the right to use land are the market comparison approach and the integrated evaluation of the housing and land of the main building. For the market comparison approach, the land to be evaluated and similar cases of land transactions that have occurred recently are compared in line with the substitution principle, when the price of the land to be evaluated is calculated. Then, the price of the land to be evaluated on the valuation date is calculated, after the known price of the latter is corrected by reference with the transaction situation, time, region, and individual factors of the land. Specifically, the land ownership valuation of TTE Electronics India Private Limited is presented at book value; the Mexican factory land ownership valuation of TCL Moka. S. de R.L. de C.V. has been reflected in the valuation of the buildings as the ownership has been valued based on the market value determined by the integrated evaluation of housing and land;
- e The primary assessment method for technological assets like patents, know-how, software copyrights is the income approach. For this method, the expected future earnings of such technological assets are calculated and discounted to the present value at a suitable discount rate. Then, the value of such technological assets is calculated by summation.

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VI Changes to Consolidation Scope (Continued)
2 Deconsolidated entities for current period

Name of investee	Time of deconsolidation	Reason
Tianjin Huanyan Technology Co., Ltd.	Jan. 2021	Transferred
TCL Communication Technology (HK) Limited	Mar. 2021	De-registered
Tianjin Huan'ou International New Energy Technology Co., Ltd.	Mar. 2021	De-registered
Tianjin Zhonghuan Xinyu Technology Co., Ltd.	Mar. 2021	Transferred
Kangbao Shenghui New Energy Co., Ltd.	Apr. 2021	De-registered
Winshero Investment Limited	May 2021	De-registered
Tianjin Xietong Real Estate Development Co., Ltd.	May 2021	De-registered
TCL International Distribution (HK) Limited	Jun. 2021	De-registered
TCL Financial Holding Group (Guangzhou) Co., Ltd. and its subsidiaries	Jun. 2021	Transferred
Tianjin Huanxin Technology&Development Co., Ltd. and its subsidiaries	Jun. 2021	Capital increase by non-controlling interests

3 Subsidiaries disposed in current period

Name of subsidiary	Tianjin Huanyan Technology Co., Ltd.	Tianjin Zhonghuan Xinyu Technology Co., Ltd.	Tianjin Huanxin Technology&Development Co., Ltd. and its subsidiaries	TCL Financial Holding Group (Guangzhou) Co., Ltd. and its subsidiaries
Price for equity interest disposal	93,845	100,669	-	2,572,020
% equity interest disposed	50%	100%	55%	100%
Way of disposal	Transferred	Transferred	Increase in non-controlling interests	Transferred
Time of loss of control	Jan. 2021	Mar. 2021	31 May 2021	Jun. 2020
Determination basis for time of loss of control	Rights & obligations all transferred	Rights & obligations all transferred	Rights & obligations all transferred	Rights & obligations all 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	12,536	2,900	22,475	10,539

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VII Interests in Other Entities

1 Interests in subsidiaries

(1) Principal subsidiaries

Name of investee	Place of registration	Nature of business	Principal place of business	Company's interest		How subsidiary was obtained
				Direct	Indirect	
TCL China Star Optoelectronics Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	83.02%	-	Incorporated
Shenzhen China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	54.31%	Incorporated
Guangzhou China Ray Optoelectronic Materials Co., Ltd.	Guangzhou	Research and development	Guangzhou	-	100%	Incorporated
Wuhan China Star Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	39.95%	49.09%	Incorporated
Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	-	57.14%	Incorporated
Shenzhen CPT Display Technology Co., Ltd.	Shenzhen	Manufacturing and sales	Shenzhen	-	100%	Business combination not under common control
China Star Optoelectronics International (HK) Limited	Hong Kong	Sales	Hong Kong	-	100%	Incorporated
China Display Optoelectronics Technology Holdings Limited	Bermuda	Investment holding	Bermuda	-	64.21%	Business combination not under common control
China Display Optoelectronics Technology (Huizhou) Co., Ltd.	Huizhou	Manufacturing and sales	Huizhou	-	100%	Incorporated
Wuhan China Display Optoelectronics Technology Co., Ltd.	Wuhan	Manufacturing and sales	Wuhan	-	100%	Incorporated
Suzhou China Star Optoelectronics Technology Co., Ltd.	Suzhou	Manufacturing and sales	Suzhou	-	70%	Business combination not under common control
Suzhou China Star Optoelectronics Display Co., Ltd.	Suzhou	Manufacturing and sales	Suzhou	-	100%	Business combination not under common control
Beijing HAWK Cloud Information Technology Co., Ltd.	Beijing	Internet service	Beijing	100%	-	Incorporated
TCL Culture Media (Shenzhen) Co., Ltd.	Shenzhen	Ad planning	Shenzhen	100%	-	Incorporated
Highly Information Industry Co., Ltd.	Beijing	Product distribution	Beijing	66.46%	-	Incorporated
Beijing Sunpiestore Technology Co., Ltd.	Beijing	Sales	Beijing	-	60.00%	Incorporated
Beijing Lingyun Data Technology Co., Ltd.	Beijing	Sales	Beijing	-	60.00%	Incorporated
TCL Tech Finance Co., Ltd.	Huizhou	Financial	Huizhou	82.00%	18.00%	Incorporated
Xinjiang TCL Equity Investment Ltd.	Xinjiang	Investment business	Shenzhen	100%	-	Incorporated

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

(1) Principal subsidiaries (continued)

Name of investee	Place of registration	Nature of business	Principal place of business	Company's interest		How subsidiary was obtained
				Direct	Indirect	
Ningbo TCL Equity Investment Ltd.	Ningbo	Investment business	Shenzhen	100%	-	Incorporated
TCL Technology Park (Huizhou) Co., Ltd.	Huizhou	Property management	Huizhou	-	100%	Incorporated
TCL Research America Inc.	U.S.	Research and development	U.S.	-	100%	Incorporated
TCL Industrial Technology Research Institute (Hong Kong) Limited	Hong Kong	Research and development	Hong Kong	-	100%	Incorporated
TCL Technology Investment Limited	Hong Kong	Investment business	Hong Kong	100%	-	Incorporated
Tianjin Zhonghuan Semiconductor Co., Ltd.	Tianjin	Manufacturing & sales	Tianjin	2.57%	27.23%	Business combination not under common control
Tianjin Printronics Circuit Corporation	Tianjin	Manufacturing & sales	Tianjin	-	29.50%	Business combination not under common control
Tianjin Huan'ou Semiconductor Material&Technology Co., Ltd.	Tianjin	Manufacturing & sales	Tianjin	-	100%	Business combination not under common control
Wuxi Zhonghuan Applied Materials Co., Ltd.	Wuxi	Manufacturing & sales	Wuxi	-	81.48%	Business combination not under common control
Tianjin Huanzhi New Energy Technology Co., Ltd.	Tianjin	Manufacturing & sales	Tianjin	-	62.00%	Business combination not under common control
Inner Mongolia Zhonghuan Solar Material Co., Ltd.	Inner Mongolia	Manufacturing & sales	Inner Mongolia	-	100%	Business combination not under common control
Tianjin Zhonghuan Advanced Material&Technology Co., Ltd.	Tianjin	Manufacturing & sales	Tianjin	-	60.00%	Business combination not under common control
Huansheng Solar (Jiangsu) Co., Ltd.	Wuxi	Manufacturing & sales	Wuxi	-	77.00%	Business combination not under common control
Tianjin Huanou International Silicon Material Co., Ltd.	Tianjin	Procurement & sales	Tianjin	-	100%	Business combination not under common control
Zhonghuan Hong Kong Holding Limited	Hong Kong	Sales	Hong Kong	-	100%	Business combination not under common control

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

(1) Principal subsidiaries (continued)

Name of investee	Place of registration	Nature of business	Principal place of business	Company's interest		How subsidiary was obtained
				Direct	Indirect	
Tianjin Huanrui Electronic Technology Co., Ltd.	Tianjin	Procurement & sales	Tianjin	-	100%	Business combination not under common control
Inner Mongolia Zhonghuan Xiexin Solar Material Co., Ltd.	Inner Mongolia	Manufacturing & sales	Inner Mongolia	-	59.32%	Business combination not under common control
Inner Mongolia Zhonghuan Advanced Semiconductor Material Co., Ltd.	Inner Mongolia	Manufacturing & sales	Inner Mongolia	-	60.00%	Business combination not under common control
Zhonghuan Advanced Semiconductor Materials Co., Ltd.	Wuxi	Manufacturing & sales	Wuxi	-	60.00%	Business combination not under common control
Moka International Limited	BVI	Investment holding	BVI		100.00%	Business combination not under common control
Moka Technology (Guangdong) Co., Ltd.	Huizhou	Manufacturing & sales	Huizhou		100.00%	Business combination not under common control

(2) Subsidiaries with substantial 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.	16.98%	1,046,746	53,965	46,342,270
Tianjin Zhonghuan Semiconductor Co., Ltd. (Note)	70.20%	1,450,679	139,141	23,739,097
Highly Information Industry Co., Ltd.	33.54%	39,687	45,889	435,326

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VII Interests in Other Entities (Continued)

1 Interests in subsidiaries (continued)

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

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

	30 Jun. 2021						31 Dec. 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TCL China Star Optoelectronics Technology Co., Ltd.	70,848,252	131,567,052	202,415,304	52,305,465	64,198,415	116,503,880	57,189,005	117,985,042	175,174,047	55,328,869	55,005,109	110,333,978
Tianjin Zhonghuan Semiconductor Co., Ltd.	18,337,649	47,701,160	66,038,809	17,860,592	18,422,443	36,283,035	16,085,100	42,634,584	58,719,684	17,329,888	13,308,403	30,638,291
Highly Information Industry Co., Ltd.	5,269,995	107,528	5,377,523	4,062,638	131,201	4,193,839	4,771,001	67,485	4,838,486	3,653,818	113,762	3,767,580

	H1 2021				H1 2020			
	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.	38,841,597	6,276,842	6,268,999	14,481,000	19,512,205	(139,252)	(210,542)	6,728,060
Tianjin Zhonghuan Semiconductor Co., Ltd.	17,644,419	1,886,227	1,886,227	2,125,294	-	-	-	-
Highly Information Industry Co., Ltd.	14,450,787	125,103	125,103	(437,244)	9,126,806	100,311	100,311	(529,200)

Note: Tianjin Zhonghuan Semiconductor Co., Ltd. has been included in the consolidated financial statements since 1 Oct. 2020. Therefore, its profits or losses in H1 2020 were not consolidated.

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VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates

(1) Basic information about principal joint ventures and associates

Name of investee	Principal place of business /place of registration	Nature of business	Strategic to the Group's activities or not	The Company's interest	
				Direct	Indirect
Associate					
Xinjiang Xiexin New Energy Material Technology Co., Ltd. (note)	Eastern Section, Horizontal Road No.4, Hongshaquan North Industrial Zone, Zhudong Economic & Technology Development Zone, Changji Prefecture, Xinjiang	R&D, production & sale of polycrystalline silicon & monocrystalline silicon; PV engineering consulting & project development; self-operation and agency-based operation of import&export of relevant goods and technologies (except for those not allowed)	Yes	-	27%

(2) Key financial information of major associates

	30 Jun. 2021	31 Dec. 2020
	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.
Total assets	9,218,330	8,711,309
Total liabilities	6,164,703	6,990,937
Non-controlling interests	N/A	N/A
Equity attributable to shareholders of the Company as the parent	3,053,627	1,720,373
Share of equity in proportion to the Company's interest	824,479	464,501
Carrying amount of investment in associate	820,892	463,779

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VII Interests in Other Entities (Continued)

2 Interests in joint ventures and associates (continued)

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

	H1 2021	H1 2020
	Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Xinjiang Xiexin New Energy Material Technology Co., Ltd.
Revenue	2,905,071	1,081,209
Net profit	1,322,643	11,709
Dividends from associate to the Group in current period	-	-

Note: Other major associate is not presented herein for being listed company with financial statements pending disclosure.

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

	H1 2021	H1 2020
Joint ventures:		
Aggregated carrying amount of investments	562,584	54,008
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	(2,895)	10,163
Other comprehensive income (note)	-	-
Total comprehensive income	(2,895)	10,163
Associates:		
Aggregated carrying amount of investments	24,158,154	7,338,987
Aggregate of following items calculated in proportion to the Company's interest		
Net profit (note)	960,965	260,230
Other comprehensive income (note)	(152,055)	(5,824)
Total comprehensive income	808,910	254,406

Note : The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment and accounting policies unifying.

(4) The Company had no significant joint ventures in the Reporting Period.

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VIII Risks Related to Financial Instruments

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

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 Jun. 2021, 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.

(3) Market risk

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VIII Risks Related to Financial Instruments

(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 30 Jun., foreign-currency asset and liability items with significant exposure to exchange risk were mainly denominated in the US dollar. After management, the total risk exposure of the US dollar-denominated items was net asset exposure of USD82,755 thousand, equivalent to RMB534,607 thousand based on the spot exchange rate on the balance sheet date. The differences arising from the translation of foreign currency financial statements were not included.

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

	Average exchange rate H1 2021	Exchange rate at period-end 30 Jun. 2021
USD/RMB	6.4682	6.4601

Provided that other risk variables remained unchanged except the exchange rate, a 5% depreciation/appreciation in RMB as a result of the changes in the exchange rate of RMB against USD would cause an increase/decrease of RMB26,730 thousand in the shareholders' equity and net profit respectively of the Group on 30 Jun.

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

(b) Interest risk

The Group's interest rate risk mainly results from interest-bearing bank borrowings adopting floating interest rates, and the Group determines the proportion of fixed interest rates and floating interest rates based on the market environment and its risk tolerance. Up to 30 Jun. 2021, the Group's liabilities with floating interest rates accounted for 64.57% of its total interest-bearing liabilities. And, the Group will continuously monitor the interest rates and make corresponding adjustments according to the specific market changes so as to avoid interest rate risk.

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IX Classification of Financial Instruments and Fair Value

Fair value of financial instruments and levels

1. Fair value is divided into the following levels in measurement and disclosure:

Level 1 refers to the (unadjusted) quotation of the same type of assets or liabilities on the active market; and the Company mainly adopts the closing price as the value of a financial asset. Financial instruments of level 1 mainly include exchange listed stocks and bonds.

Level 2 refers to the directly or indirectly observable input of a financial asset or liability that does not belong to level 1.

Level 3 refers to the input of a financial asset or liability determined based on variables other than the observable market data (non-observable input).

2. Basis for determining the market value of items measured at continuous level 1 fair value

The Company adopts the active market quotation as the fair value of a level 1 financial asset.

3. Items measured at continuous level 2 fair value adopt the following valuation techniques and parameters:

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

Derivative financial assets and liabilities are multiple IRS and CCS signed between the Group and financial institutions. The Company adopts the quotation provided by the financial institution in valuation.

4. Items measured at continuous level 3 fair value adopt the following valuation techniques and parameters (nature and quantity):

Other non-current financial assets measured at continuous level 3 fair value are mainly unlisted equity investments held by the Company. In measuring the fair value, the Company mainly adopts the valuation technique of comparison with listed companies, taking into account the price of similar securities and liquidity discount.

Held-for-trading financial assets measured at continuous level 3 fair value are mainly wealth management products held by the Company. In valuation of the fair value, the Company adopts the method of discounting future cash flows based on the agreed expected yield rate.

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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)	435,658	8,712,519	400,400	9,548,577
Derivative financial assets (see Note V, 3)	-	139,396	-	139,396
Receivables financing (see Note V, 6)	-	1,725,478	-	1,725,478
Investments in other equity instruments (see Note V, 18)	118,680	-	981,505	1,100,185
Other debt investments (see Note V, 15)	-	91,976	-	91,976
Other non-current financial assets (see Note V, 19)	-	955,825	1,502,314	2,458,139
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets continuously measured at fair value	554,338	11,625,194	2,884,219	15,063,751

Financial liabilities

Item	Level 1	Level 2	Level 3	Total
Held-for-trading financial liabilities (see Note V, 33)	-	955,861	178,390	1,134,251
Derivative financial liabilities (see Note V, 34)	-	129,382	-	129,382
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities continuously measured at fair value	-	1,085,243	178,390	1,263,633

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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.

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
LG Electronics (Huizhou) Co., Ltd.	Associate
JOLED Incorporation	Associate
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	Associate
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	Associate
Tianjin 712 Communication & Broadcasting Co., Ltd.	Associate
Shenzhen Tixiang Business Management Technology Co., Ltd.	Associate
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	Associate
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	Associate
Shenzhen Jucai Supply Chain Technology Co., Ltd.	Associate
Bank of Shanghai Co., Ltd.	Associate
Fantasia Holdings Group Co. Limited	Associate
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	Associate
TCL Intelligent Technology (Ningbo) Co., Ltd.	Associate
TCL Finance (Hong Kong) Co., Limited	Associate
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	Associate

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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
Zhonghuan Aineng (Beijing) Technology Co., Ltd.	Associate
Yanyuan Fengguang New Energy Co., Ltd.	Associate
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	Associate
Ulanqab Xinyuan New Energy Co., Ltd.	Associate
SunPower Systems International Limited	Associate
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	Associate
Inner Mongolia Huanye Material Co., Ltd.	Associate
Sichuan Shengtian New Energy Development Co., Ltd.	Associate
Petro AP (Hong Kong) Company Limited	Associate
Huizhou TCL Human Resources Service Co., Ltd.	Joint venture
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	Joint venture
Huixing Holdings Limited	Associate's subsidiary
Shenzhen Xirang International Business Travel Co., Ltd.	Associate's subsidiary
Qihang Import & Export Limited	Associate's subsidiary
Qihang International Import & Export Limited	Associate's subsidiary
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	Associate's subsidiary
Zijinshan Investment Co., Ltd.	Associate's subsidiary
Elite Excellent Investments Limited	Associate's subsidiary
Huizhou TCL Real Estate Development Co., Ltd.	Associate's subsidiary
Tianjin Huanxin Technology&Development Co., Ltd.	Joint venture's subsidiary
Jiangsu Huanxin Semiconductor Co., Ltd.	Joint venture's subsidiary
Anhui TCL Human Resources Service Co., Ltd.	Joint venture's subsidiary
Union Dynamic Investment Limited	Associate's subsidiary
SunPower Systems Sar	Associate's subsidiary
Petro AP S.A.	Associate's subsidiary
Marvel Paradise Limited	Associate's subsidiary
Esteem Venture Investment Limited	Associate's subsidiary
Getech Ltd. and its subsidiaries	Associate and its subsidiaries
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	Associate and its subsidiaries
TCL Environmental Technology Co., Ltd. and its subsidiaries	Associate and its subsidiaries
TCL Industries Holdings Co., Ltd. and its subsidiaries	Under control of the same director
CJ Speedex Logistics Co., Ltd.	Significantly influenced by the Company's senior management

Note 1: Transactions between Moka International Limited and its subsidiaries and the Company in January to March in the current period are included in TCL Industries Holdings Co., Ltd. and its subsidiaries.

Note 2: Transactions between TCL Financial Holding Group (Guangzhou) Co., Ltd. and its subsidiaries and the Company in June in the current period are included in TCL Industries Holdings Co., Ltd. and its subsidiaries.

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X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions

(1)	Selling raw materials and finished products to related parties	Note 1		
			H1 2021	H1 2020
	TCL Industries Holdings Co., Ltd. and its subsidiaries		9,060,288	5,240,451
	SunPower Systems Sar		642,868	-
	Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.		360,585	234,209
	Qihang International Import & Export Limited		130,212	107,240
	TCL Environmental Technology Co., Ltd. and its subsidiaries		85,317	2,389
	Tianjin Huanxin Technology&Development Co., Ltd.		3,594	-
	Qihang Import & Export Limited		5,755	96,347
	SunPower Systems International Limited		2,511	-
	Jiangsu Huanxin Semiconductor Co., Ltd.		885	-
	Shenzhen Jucai Supply Chain Technology Co., Ltd.		791	-
	Tianjin 712 Communication & Broadcasting Co., Ltd.		661	-
	Shenzhen Tixiang Business Management Technology Co. Ltd.		17	-
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		-	137,086
	Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.		-	508
			<u>10,293,484</u>	<u>5,818,230</u>
(2)	Purchasing raw materials and finished products from related parties	Note 2		
			H1 2021	H1 2020
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.		1,333,171	1,142,086
	Xinjiang Xiexin New Energy Material Technology Co., Ltd.		1,078,653	-
	TCL Industries Holdings Co., Ltd. and its subsidiaries		815,005	266,602
	Shenzhen Jucai Supply Chain Technology Co., Ltd.		375,137	63,237
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.		110,776	-
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.		50,755	-
	TCL Environmental Technology Co., Ltd. and its subsidiaries		23,155	10,190
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		3,635	141
	TCL Intelligent Technology (Ningbo) Co., Ltd.		977	7
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		120	-
			<u>3,791,384</u>	<u>1,482,263</u>

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X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(3)	Receiving funding from related parties	Note 3		
			H1 2021	H1 2020
	TCL Finance (Hong Kong) Co., Limited		1,369,249	1,510,089
	Zihui Xinyuan Commercial (Huizhou) Co., Ltd.		400,000	1,839,450
	Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)		257,053	241
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		192,068	42,653
	Shenzhen Jucai Supply Chain Technology Co., Ltd.		115,342	36,224
	Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)		86,875	77,054
	Qihang Import & Export Limited		44,641	3,415
	Qihang International Import & Export Limited		28,453	2,626
	Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.		16,528	17,844
	Shenzhen Xirang International Business Travel Co., Ltd.		6,155	-
	Anhui TCL Human Resources Service Co., Ltd.		5,916	-
	Elite Excellent Investments Limited		1,989	2,187
	Shenzhen Tixiang Business Management Technology Co., Ltd.		1,724	2,574
	Huixing Holdings Limited		674	661
	TCL Industries Holdings Co., Ltd. and its subsidiaries		100	-
	Marvel Paradise Limited		586	650
	Union Dynamic Investment Limited		392	478
	TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries		236	5
	Esteem Venture Investment Limited		49	99
	Petro AP (Hong Kong) Company Limited		-	122
	TCL Environmental Technology Co., Ltd. and its subsidiaries		-	14
	Zijinshan Investment Co., Ltd.		-	1
			2,528,030	3,536,387
(4)	Providing funding for related parties	Note 3		
			H1 2021	H1 2020
	TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries		1,279,116	-
	TCL Industries Holdings Co., Ltd. and its subsidiaries		1,170,000	2,733,731
	TCL Intelligent Technology (Ningbo) Co., Ltd.		682,500	-
	TCL Environmental Technology Co., Ltd. and its subsidiaries		2,438	244,714
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.		-	22,428
			3,134,054	3,000,873

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X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(5) Leases

	H1 2021	H1 2020
Rental income		
TCL Industries Holdings Co., Ltd. and its subsidiaries	45,434	51,496
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	41,998	19,986
Tianjin Huanxin Technology&Development Co., Ltd.	834	-
TCL Environmental Technology Co., Ltd. and its subsidiaries	531	29
Shenzhen Jucai Supply Chain Technology Co., Ltd.	402	390
Huizhou TCL Real Estate Development Co., Ltd.	241	454
Getech Ltd. and its subsidiaries	241	-
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	-	161
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	-	25
	89,681	72,541

(5) Leases (continued)

	H1 2021	H1 2020
Rental expense		
TCL Industries Holdings Co., Ltd. and its subsidiaries	29,908	31,525
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	478	-
Tianjin Huanxin Technology&Development Co., Ltd.	291	-
	29,908	31,525

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

	H1 2021	H1 2020
Providing labour service for related parties	90,804	51,194
Accepting labour service from related parties	335,790	170,430

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

	H1 2021	H1 2020
Interest received	45,475	59,029
Interest paid	10,157	4,789

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X Related Parties and Related-Party Transactions (Continued)

3 Major related-party transactions (continued)

(8) Remuneration of key management personnel

	H1 2021	H1 2020
Remuneration of key management personnel	7,710	5,209

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

The Company set up a settlement center in 1997 and TCL Tech 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.

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X	Related Parties and Related-Party Transactions (Continued)		
3	Major related-party transactions (continued)		
4	Balances due from and to related parties		
(1)	Accounts receivable		
		30 Jun. 2021	31 Dec. 2020
	TCL Industries Holdings Co., Ltd. and its subsidiaries	2,692,979	2,580,564
	SunPower Systems Sar	292,280	-
	Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	101,818	381,327
	Qihang International Import & Export Limited	37,476	17,265
	Tianjin Huanxin Technology&Development Co., Ltd.	13,485	-
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	2,486	2,149
	Tianjin 712 Communication & Broadcasting Co., Ltd.	743	-
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	625	-
	Huaxia CPV (Inner Mongolia) Power Co., Ltd.	244	13,825
	TCL Environmental Technology Co., Ltd. and its subsidiaries	130	1,148
	Huizhou TCL Real Estate Development Co., Ltd.	42	4
	Qihang Import & Export Limited	-	112,535
	SunPower Systems International Limited	-	99,791
	Wuxi Zhonghuan Yangjie Semiconductor Co., Ltd.	-	6,983
	Bank of Shanghai Co., Ltd.	-	45
		-	-
		:	:
		<u>3,142,308</u>	<u>3,215,636</u>
(2)	Accounts payable		
		30 Jun. 2021	31 Dec. 2020
	AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	426,030	385,787
	Shenzhen Jucai Supply Chain Technology Co., Ltd.	188,579	122,863
	TCL Industries Holdings Co., Ltd. and its subsidiaries	623,252	32,336
	Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	32,787	8,562
	Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	27,202	-
	Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	26,304	31,115
	Getech Ltd. and its subsidiaries	19,889	21,594
	TCL Environmental Technology Co., Ltd. and its subsidiaries	6,300	11,435
	Tianjin Huanxin Technology&Development Co., Ltd.	1,955	-
	Wuxi Zhonghuan Yangjie Semiconductor Co., Ltd.	-	1,365
		-	-
		<u>1,352,298</u>	<u>615,057</u>

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X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(3) Other receivables

	30 Jun. 2021	31 Dec. 2020
TCL Industries Holdings Co., Ltd. and its subsidiaries	1,406,167	41,645
Shenzhen Xirang International Business Travel Co., Ltd.	3,863	2,755
Zhonghuan Aineng (Beijing) Technology Co., Ltd.	3,099	3,099
Tianjin Huanxin Technology&Development Co., Ltd.	1,905	-
Petro AP S.A.	1,204	1,218
Ulanqab Xinyuan New Energy Co., Ltd.	425	425
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	240	66
TCL Intelligent Technology (Ningbo) Co., Ltd.	155	-
AGC New Electronic Display Glass (Shenzhen) Co., Ltd.	92	218
LG Electronics (Huizhou) Co., Ltd.	50	26
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	27	-
Inner Mongolia Huanye Material Co., Ltd.	12	-
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	5	-
TCL Environmental Technology Co., Ltd. and its subsidiaries	-	25,486
Jiangsu Huanxin Semiconductor Co., Ltd.	-	2
	1,417,244	74,940

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X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(4) Other payables

	30 Jun. 2021	31 Dec. 2020
TCL Industries Holdings Co., Ltd. and its subsidiaries	188,140	53,036
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	164,022	266,838
Getech Ltd. and its subsidiaries	63,213	34,003
Shenzhen Jucai Supply Chain Technology Co., Ltd.	55,194	14,556
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	48,399	47,782
Qihang Import & Export Limited	44,642	31,363
Qihang International Import & Export Limited	28,453	34,717
Petro AP (Hong Kong) Company Limited	21,450	21,698
Inner Mongolia Zhongjing Science and Technology Research Institute Co., Ltd.	11,836	11,836
Anhui TCL Human Resources Service Co., Ltd.	5,921	2,548
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	5,500	5,500
TCL Environmental Technology Co., Ltd. and its subsidiaries	5,096	243
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	3,611	1,281
Huizhou TCL Human Resources Service Co., Ltd.	-	3,926
Elite Excellent Investments Limited	1,989	2,008
Tianjin Huanxin Technology&Development Co., Ltd.	863	-
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	727	500
Huixing Holdings Limited	674	667
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	412	372
Marvel Paradise Limited	586	592
Union Dynamic Investment Limited	392	417
CJ Speedex Logistics Co., Ltd.	200	1,050
Huizhou TCL Real Estate Development Co., Ltd.	91	91
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	54	45
Esteem Venture Investment Limited	49	90
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	24	4
Shenzhen Xirang International Business Travel Co., Ltd.	13	-
Inner Mongolia Shengou Electromechanical Engineering Co., Ltd.	10	-
Shenzhen Tixiang Business Management Technology Co., Ltd.	4	-
Yanyuan Fengguang New Energy Co., Ltd.	7	28
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	4	4
JOLED Incorporation	-	63,300
TCL Finance (Hong Kong) Co., Limited	-	11,419
	<u>651,576</u>	<u>609,914</u>

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X Related Parties and Related-Party Transactions (Continued)

4 Balances due from and to related parties (continued)

(5) Prepayments

	30 Jun. 2021	31 Dec. 2020
TCL Industries Holdings Co., Ltd. and its subsidiaries	144,181	92
Xinjiang Xiexin New Energy Material Technology Co., Ltd.	87,615	28,520
JOLED Incorporation	11,395	1,962
Getech Ltd. and its subsidiaries	6,695	3,130
Shenzhen Xirang International Business Travel Co., Ltd.	2,930	4,162
TCL Environmental Technology Co., Ltd. and its subsidiaries	123	-
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	35	35
	<u>252,974</u>	<u>37,901</u>

(6) Advances from customers

	30 Jun. 2021	31 Dec. 2020
Tcl Industries Holdings Co., Ltd. and its subsidiaries	1,480	341
Tcl Environmental Technology Co., Ltd. and its subsidiaries	-	34
	<u>1,480</u>	<u>375</u>

(7) Contract liabilities

	30 Jun. 2021	31 Dec. 2020
TCL Industries Holdings Co., Ltd. and its subsidiaries	27,903	42,533
SunPower Systems International Limited	4,080	-
TCL Environmental Technology Co., Ltd. and its subsidiaries	131	-
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	111	-
Huizhou TCL Real Estate Development Co., Ltd.	38	-
	<u>32,263</u>	<u>42,533</u>

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

4 Balances due from and to related parties (continued)

(8) Dividends receivable

	30 Jun. 2021	31 Dec. 2020
Fantasia Holdings Group Co., Limited	59,403	-
Sichuan Shengtian New Energy Development Co., Ltd.	4,930	-
	<u>64,333</u>	<u>-</u>

(9) Deposits from related parties (note)

	30 Jun. 2021	31 Dec. 2020
TCL Finance (Hong Kong) Co., Limited	1,369,330	528,391
Zhihui Xinyuan Commercial (Huizhou) Co., Ltd.	400,174	2,000,623
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	192,628	103,136
Shenzhen Jucai Supply Chain Technology Co., Ltd.	115,385	52,677
Xinjiang Dongpeng Heli Equity Investment Partnership (Limited Partnership)	95,062	1
Xinjiang Dongpeng Weichuang Equity Investment Partnership (Limited Partnership)	39,176	11,062
Shenzhen Qianhai Qihang International Supply Chain Management Co., Ltd.	16,542	98,476
Shenzhen Xirang International Business Travel Co., Ltd.	6,158	5,826
Shenzhen Tixiang Business Management Technology Co., Ltd.	1,726	3,328
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	266	1,232
TCL Industries Holdings Co., Ltd. and its subsidiaries	100	-
Petro AP (Hong Kong) Company Limited	-	112
	<u>2,236,547</u>	<u>2,804,864</u>

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

(10) Other current assets

	30 Jun. 2021	31 Dec. 2020
TCL Air Conditioner (Wuhan) Co., Ltd. and its subsidiaries	16,811	275
TCL Intelligent Technology (Ningbo) Co., Ltd.	2,934	-
TCL Industries Holdings Co., Ltd. and its subsidiaries	388	1,055
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	14	-
TCL Environmental Technology Co., Ltd. and its subsidiaries	2	85
Huaxia CPV (Inner Mongolia) Power Co., Ltd.	-	42
	<u>20,135</u>	<u>1,457</u>

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

4 Balances due from and to related parties (continued)

(11) Other non-current assets

	30 Jun. 2021	31 Dec. 2020
Ziteng Intellectual Property Operation (Shenzhen) Co., Ltd.	<u>233,333</u>	<u>232,613</u>

XI Commitments

1 Capital commitments

		30 Jun. 2021	31 Dec. 2020
Under contractual obligations but not provided for	Note 1	14,481,378	8,522,634
Approved by Board but not under contractual obligations	Note 2	<u>172,384</u>	<u>189,019</u>
		<u>14,653,762</u>	<u>8,711,653</u>

Note 1 The capital commitments under contractual obligations but not provided for in the current period primarily consisted of such commitments for construction of investment projects and external investments.

Note 2 The capital commitments approved by the Board but not under contractual obligations in the current period primarily consisted of such commitments for CSOT's LCD panel project.

As at 30 Jun. 2021, 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 RMB 19,602,282 thousand.

As at 30 Jun. 2021, 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 Jun. 2021.

XIII Events after Balance Sheet Date

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.

TCL Technology Group Corporation
Notes to Financial Statements
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XIV Other Important Matters
(I) Discontinued operations

In May 2021, the proposal on the sale of the 100% equity interests in TCL Financial Holding Group (Guangzhou) Co., Ltd. was approved at the Second Extraordinary General Meeting of the Company in 2021. The Company would transfer the said equity interests to TCL Industries Holdings Co., Ltd. for a consideration of RMB2,572.02 million. The said spin-off was completed in May 2021.

	Jan.-May 2021	Jan.-Dec. 2020
Revenue from discontinued operations	168,312	361,300
Gross profit of discontinued operations	63,259	175,739
Income tax expense of discontinued operations	15,502	29,587
Net profit of discontinued operations	47,757	146,152
Add: Net gain/loss on disposal of discontinued operations	10,539	-
Total net profit of discontinued operations	58,296	146,152

(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) Semi-conductor photovoltaic and semi-conductor materials business: mainly includes the manufacturing and sales of semi-conductor materials, semi-conductor devices, new energy materials and new energy; and the development and operation of high-efficient photovoltaic power station projects.
- (4) Other businesses: other businesses besides the above, including industrial finance and investment business, technology development services and patent maintenance services provided by the company, etc.

Segment assets include all current assets such as tangible assets, intangible assets, other long-term assets and receivables attributable to each segment. Segment liabilities include payables, bank loans and other long-term liabilities attributable to each segment.

Segment operating results refer to the income generated by each segment (including external transactions income and inter-segment transaction income), net of expenses incurred by each segment, depreciation, amortization and impairment losses of assets attributable to each segment, gains or losses from changes in fair value, investment income, non-operating income and income tax expenses. Transfer pricing of inter-segment income is calculated on terms similar to other foreign transactions.

TCL Technology Group Corporation
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XIV Other Important Matters (Continued)
(II) Segment reporting (continued)
2 Financial information of reporting segments

	For the 6 months ended 30 Jun. 2021				Total
	Semi-conductor display and materials business	Semi- conductor photovoltaic and materials business	Distribution business	Others and internally offset accounts	
Revenue	40,756,295	17,644,419	14,450,787	1,447,146	74,298,647
Gross profit	7,656,644	2,106,103	167,885	734,909	10,665,541
Income tax expense	1,046,921	219,876	42,782	103,995	1,413,574
Net profit	6,609,723	1,886,227	125,103	630,914	9,251,967
Total assets	199,802,967	66,038,809	5,377,523	30,986,182	302,205,481
Total liabilities	112,805,489	36,283,034	4,193,839	43,677,696	196,960,058
Other items					
Depreciation and amortization expense	6,926,888	1,411,961	8,121	99,878	8,446,848
Capital expenditure	10,616,137	3,036,386	-	31,508	13,684,031
Net interest expense	668,046	382,859	23,015	837,398	1,911,318
	For the 6 months ended 30 Jun. 2020				Total
	Semi-conductor display and materials business	Semi- conductor photovoltaic and materials business	Distribution business	Others and internally offset accounts	
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

Note: The semi-conductor photovoltaic and materials business has been consolidated since Oct. 2020.

TCL Technology Group Corporation
Notes to Financial Statements
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XV Notes to Financial Statements of the Company as Parent

1 Accounts receivable

	30 Jun. 2021				31 Dec. 2020			
	Amount	Percentage	Allowance	Allowance ratio	Amount	Percentage	Allowance	Allowance ratio
With in 1 year	292,930	100%	157	0.05%	175,944	100%	157	0.09%

As at 30 Jun. 2021, there was not such accounts receivable from any shareholder with a 5% or greater voting stock.

2 Other receivables

	30 Jun. 2021	31 Dec. 2020
Dividends receivable	-	-
Other receivables	10,837,350	25,555,924
	<u>10,837,350</u>	<u>25,555,924</u>

(a) Other receivables by nature are analyzed as follows:

	30 Jun. 2021	31 Dec. 2020
Equity transfer receivables	1,260,290	-
Receivables from external entities	94,530	216,836
Security deposits	2,033	2,354
Others	9,480,497	25,336,734
	<u>10,837,350</u>	<u>25,555,924</u>

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

	12-month ECL	Lifetime ECL (credit not impaired)	Lifetime ECL (credit impaired)	Total
31 Dec. 2020	962.	-	40,573	41,535
Adjustment for change in accounting policy	-	-	-	-
1 Jan. 2021	962.	-	40,573	41,535
Accrued in current period	-	-	-	244
Reversal in current period	-	-	(19)	(19)
Write-off in current period	-	-	(8,588)	(8,588)
30 Jun. 2021	<u>962.</u>	<u>-</u>	<u>31,966</u>	<u>32,928</u>

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

2 Other receivables (continued)

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

	30 Jun. 2021		31 Dec. 2020	
	Amount	Percentage	Amount	Percentage
Within 1 year	9,726,762	89.48%	22,903,192	89.48%
1-2 years	713,170	6.56%	1,554,740	6.07%
2-3 years	184,785	1.70%	750,517	2.93%
Over 3 years	245,561	2.26%	389,010	1.52%
	<u>10,870,278</u>	<u>100%</u>	<u>25,597,459</u>	<u>100%</u>

The outstanding other receivables were mostly current accounts with related parties. As at 30 Jun. 2021, 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 RMB9,518,220 thousand (31 Dec. 2020: RMB21,175,647 thousand), accounting for 87.56% (31 Dec. 2020: 82.73%) of the total other receivables of the Company.

3 Long-term equity investments

	30 Jun. 2021			31 Dec. 2020		
	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
Associates and joint ventures (1)	14,569,664	-	14,569,664	13,903,039	-	13,903,039
Subsidiaries (2)	57,051,305	-	57,051,305	51,191,420	-	51,191,420
	<u>71,620,969</u>	<u>-</u>	<u>71,620,969</u>	<u>65,094,459</u>	<u>-</u>	<u>65,094,459</u>

As at 30 Jun. 2021, there are no major restrictions on the realization of investment and the remittance of return on long-term equity investments.

TCL Technology Group Corporation
Notes to Financial Statements
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XV Notes to Financial Statements of the Company as Parent (Continued)
3 Long-term equity investments (continued)
(1) Associates and joint ventures

	Beginning amount	Increase/decrease in current period							30 Jun. 2021
		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	
China Innovative Capital Management Limited	1,037,627	-	(42,867)	-	-	-	-	-	994,760
LG Electronics (Huizhou) Co., Ltd.	90,381	-	5,014	-	-	(12,200)	-	-	83,195
Shenzhen Qianhai Qihang Supply Chain Management Co., Ltd.	39,561	-	(1,615)	-	-	-	-	-	37,946
Shenzhen Tixiang Business Management Technology Co., Ltd.	2,465	-	503	-	-	-	-	-	2,968
Shenzhen Jucai Supply Chain Technology Co., Ltd.	6,668	-	1,407	-	-	-	-	-	8,075
TCL Environmental Technology Co., Ltd.	89,758	25,811	7,751	-	-	-	-	-	123,320
Guangdong Innovative Lingyue Intelligent Manufacturing and Information Technology Industry Equity Investment Fund Partnership (Limited Partnership)	377,553	-	(6,092)	-	-	-	-	-	371,461
Guangdong Utrust Emerging Industry Equity Investment Fund Partnership (Limited Partnership)	150,677	-	(1,779)	-	-	-	-	-	148,898
Huizhou TCL Human Resources Service Co., Ltd.	2,121	-	(175)	-	-	-	-	-	1,946
TCL Microchip Technology (Guangdong) Co., Ltd.	-	335,000	(1,170)	-	-	-	-	(13,633)	320,197
Others	12,106,228	(88,084)	666,729	(152,039)	-	(10,093)	-	(45,843)	12,476,898
	13,903,039	272,727	627,706	(152,039)	-	(22,293)	-	(59,476)	14,569,664

TCL Technology Group Corporation
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XV Notes to Financial Statements of the Company as Parent (Continued)
3 Long-term equity investments (continued)
(2) Subsidiaries

	Company's direct interest	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
TCL China Star Optoelectronics Technology Co., Ltd.	83.02%	27,432,498	5,268,400	-	32,700,898
TCL Tech Finance Co., Ltd.	82%	1,256,003	-	-	1,256,003
Tianjin Zhonghuan Electronics Group Co., Ltd.	100%	12,500,000	-	-	12,500,000
Tianjin Zhonghuan Semiconductor Co., Ltd.	2.57%	1,752,635	-	-	1,752,635
Wuhan China Star Optoelectronics Technology Co., Ltd.	39.95%	4,217,000	-	-	4,217,000
TCL Financial Holdings Group (Guangzhou) Co., Ltd.	-	772,000	-	(772,000)	-
Guangzhou TCL Internet Microcredit Co., Ltd.	-	1,000,000	-	(1,000,000)	-
Huizhou Zhongkai TCL Zhirong Technology Microcredit Co., Ltd.	-	457,994	-	(457,994)	-
TCL Culture Media (Shenzhen) Co., Ltd.	100%	361,414	-	-	361,414
Xinjiang TCL Equity Investment Ltd.	100%	200,000	-	-	200,000
Huizhou Sailuote Communication Co., Ltd.	100%	110,000	-	-	110,000
Highly Information Industry Co., Ltd.	66.46%	107,296	-	-	107,296
TCL Communication Equipment (Huizhou) Co., Ltd.	75.00%	79,500	-	-	79,500
TCL Medical Radiological Technology (Beijing) Co., Ltd.	100%	58,497	-	-	58,497
Shenzhen TCL Strategic Equity Investment Fund Partnership (Limited Partnership)	100%	43,880	21,890	-	65,770
TCL Industrial Technology Research Institute, Ltd. (Europe)	100%	20,000	-	-	20,000
Wuhan TCL Industrial Technology Research Institute, Ltd.	100%	20,000	-	-	20,000
Shenzhen TCL High-Tech Development Co., Ltd.	100%	20,000	-	-	20,000
Beijing HAWK Cloud Information Technology Co., Ltd.	100%	20,000	-	-	20,000
Peer College Education Technology (Huizhou) Co., Ltd.	100%	5,000	-	-	5,000
Huizhou Hongsheng Science and Technology Development Co., Ltd.	100%	1,000	-	-	1,000
Beijing Zhiqijia Technology Co., Ltd.	100%	257,627	-	-	257,627
Ningbo TCL Equity Investment Ltd.	100%	300,000	-	-	300,000

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

3 Long-term equity investments (continued)

(2) Subsidiaries (continued)

	Company 's direct interest	1 Jan. 2021	Increase in current period	Decrease in current period	30 Jun. 2021
TCL Technology Investments Limited	100%	188,293	2,800,000	-	2,988,293
Equity incentives of subsidiaries		<u>10,783</u>	<u>80</u>	<u>(491)</u>	<u>10,372</u>
		<u>51,191,420</u>	<u>8,090,370</u>	<u>(2,230,485)</u>	<u>57,051,305</u>

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

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

4 Investments in other equity instruments

	30 Jun. 2021	31 Dec. 2020
Equity instruments not held for trading	<u>15,000</u>	<u>15,000</u>

5 Other non-current financial assets

	30 Jun. 2021	31 Dec. 2020
Equity investments	<u>1,172,821</u>	<u>1,145,022</u>

6 Revenue and cost of sales

	H1 2021		H1 2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Core business	618,241	606,953	382,812	377,010
Non-core business	<u>155,431</u>	<u>28,602</u>	<u>103,572</u>	<u>7,048</u>
	<u>773,672</u>	<u>635,555</u>	<u>486,384</u>	<u>384,058</u>

7 Return on investment

	H1 2021	H1 2020
Income from disposal of debt instruments at fair value through profit or loss	62,402	10,177
Income from holding debt instruments at fair value through profit or loss	19,419	2,729
Debt instruments at amortized cost through profit or loss	877	-
Income from holding equity instruments at fair value through profit or loss	-	12,265
Dividends from subsidiaries	378,888	736,919
Share of profit of associates for current period	629,051	626,648
Share of profit of joint ventures for current period	(1,345)	(9,432)
Net income from disposal of long-term investments	<u>761,859</u>	<u>12,549</u>
	<u>1,851,151</u>	<u>1,391,855</u>

As at 30 Jun. 2021, there were no significant restrictions on the collection of return on investment.

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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 RMB19,888,473 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 RMB7,893,697 thousand.

10 Contingent liabilities

As at 30 Jun. 2021, the contingent liabilities not provided for in the financial report are as follows:

	30 Jun. 2021	31 Dec. 2020
Guarantees for trade notes and letters of guarantee of subsidiaries	11,166,067	10,903,205
Guarantees for bank loans of subsidiaries	39,551,592	33,054,210
Guarantees for bank loans, trade notes, letters of credit, etc. of related parties	19,602,282	16,144,884

TCL Technology Group Corporation
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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 2021	H1 2020
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	739,340	289,779
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)	359,192	355,098
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	40,300	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)	210,273	40,067
Non-operating income and expense other than the above	244,570	192,303
Income tax effects	(82,886)	(78,214)
Non-controlling interests effects	<u>(224,722)</u>	<u>(53,589)</u>
Non-recurring gains and losses attributable to ordinary shareholders of the Company as the parent	<u>1,286,067</u>	<u>1,026,203</u>

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

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XVIII Weighted Average Return on Equity (ROE) and Earnings per Share (EPS)

The Company calculates the ROE and EPS as follows in accordance with "the Compilation Rules No. 9 for Information Disclosure of Companies Offering Securities to the Public-Calculation and Disclosure of Return on Equity and Earnings per Share (Revised in 2010)" issued by China Securities Regulatory Commission and relevant provisions of accounting standards:

Item	Net profit attributable to the Company as parent for Reporting Period	Weighted average ROE	EPS (RMB yuan)	
			Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	6,783,885	18.96%	0.5026	0.4835
Net profit attributable to ordinary shareholders of the Company before non-recurring gains and losses	5,497,818	15.37%	0.4073	0.3918

Company Name: TCL Technology Group Corporation
Date: 10 August 2021

The financial statements and the notes thereto from page 1 to page 159 are signed by:

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